

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

FORM 10-Q

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

For the quarterly period ended June 28, 2015

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 Number)

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

20817
(Zip Code)

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

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

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

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

There were 310,534,530 shares of our common stock, \$1 par value per share, outstanding as of June 28, 2015.

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For the Quarterly Period Ended June 28, 2015
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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements.

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

	Quarters Ended		Six Months Ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Net sales				
Products	\$ 9,157	\$ 8,980	\$ 17,010	\$ 17,390
Services	2,486	2,326	4,744	4,566
Total net sales	11,643	11,306	21,754	21,956
Cost of sales				
Products	(8,102)	(7,930)	(15,053)	(15,269)
Services	(2,216)	(2,063)	(4,167)	(4,013)
Other unallocated, net	46	28	100	38
Total cost of sales	(10,272)	(9,965)	(19,120)	(19,244)
Gross profit	1,371	1,341	2,634	2,712
Other income, net	74	85	167	146
Operating profit	1,445	1,426	2,801	2,858
Interest expense	(104)	(85)	(197)	(171)
Other non-operating income, net	2	—	5	2
Earnings before income taxes	1,343	1,341	2,609	2,689
Income tax expense	(414)	(452)	(802)	(867)
Net earnings	\$ 929	\$ 889	\$ 1,807	\$ 1,822
Earnings per common share				
Basic	\$ 2.98	\$ 2.81	\$ 5.76	\$ 5.73
Diluted	2.94	2.76	5.68	5.63
Cash dividends paid per common share	\$ 1.50	\$ 1.33	\$ 3.00	\$ 2.66

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

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

	Quarters Ended		Six Months Ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Net earnings	\$ 929	\$ 889	\$1,807	\$1,822
Other comprehensive (loss) income, net of tax				
Postretirement benefit plans				
Net other comprehensive loss recognized during the period due to plan re-measurements	—	(735)	—	(735)
Amounts reclassified from accumulated other comprehensive loss	213	167	425	334
Other, net	46	21	(11)	18
Other comprehensive income (loss), net of tax	259	(547)	414	(383)
Comprehensive income	\$1,188	\$ 342	\$2,221	\$1,439

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

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

	June 28, 2015	December 31, 2014
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 3,202	\$ 1,446
Receivables, net	7,064	5,884
Inventories, net	3,032	2,882
Deferred income taxes	1,469	1,451
Other current assets	520	666
Total current assets	15,287	12,329
Property, plant and equipment, net	4,640	4,755
Goodwill	10,867	10,862
Deferred income taxes	4,035	4,013
Other noncurrent assets	5,019	5,114
Total assets	\$ 39,848	\$ 37,073
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 2,016	\$ 1,570
Customer advances and amounts in excess of costs incurred	5,549	5,790
Salaries, benefits and payroll taxes	1,808	1,826
Current portion of long-term debt	452	—
Other current liabilities	2,799	1,926
Total current liabilities	12,624	11,112
Accrued pension liabilities	11,387	11,413
Other postretirement benefit liabilities	1,090	1,102
Long-term debt, net	7,950	6,169
Other noncurrent liabilities	3,815	3,877
Total liabilities	36,866	33,673
Stockholders' equity		
Common stock, \$1 par value per share	309	314
Additional paid-in capital	—	—
Retained earnings	14,129	14,956
Accumulated other comprehensive loss	(11,456)	(11,870)
Total stockholders' equity	2,982	3,400
Total liabilities and stockholders' equity	\$ 39,848	\$ 37,073

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

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

	Six Months Ended	
	June 28, 2015	June 29, 2014
Operating activities		
Net earnings	\$ 1,807	\$ 1,822
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	490	479
Stock-based compensation	89	97
Changes in assets and liabilities		
Receivables, net	(1,183)	(598)
Inventories, net	(154)	307
Accounts payable	453	557
Customer advances and amounts in excess of costs incurred	(211)	(160)
Postretirement benefit plans	580	125
Income taxes	471	311
Other, net	(122)	137
Net cash provided by operating activities	2,220	3,077
Investing activities		
Capital expenditures	(309)	(253)
Acquisitions of businesses and investments in affiliates	—	(172)
Other, net	91	(1)
Net cash used for investing activities	(218)	(426)
Financing activities		
Issuance of long-term debt, net of related costs	2,213	—
Repurchases of common stock	(1,541)	(1,230)
Proceeds from stock option exercises	84	223
Dividends paid	(965)	(865)
Other, net	(37)	40
Net cash used for financing activities	(246)	(1,832)
Net change in cash and cash equivalents	1,756	819
Cash and cash equivalents at beginning of period	1,446	2,617
Cash and cash equivalents at end of period	\$ 3,202	\$ 3,436

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

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

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2014	\$ 314	\$ —	\$ 14,956	\$ (11,870)	\$ 3,400
Net earnings	—	—	1,807	—	1,807
Other comprehensive income, net of tax	—	—	—	414	414
Repurchases of common stock	(8)	(318)	(1,215)	—	(1,541)
Dividends declared	—	—	(1,419)	—	(1,419)
Stock-based awards and ESOP activity	3	318	—	—	321
Balance at June 28, 2015	\$ 309	\$ —	\$ 14,129	\$ (11,456)	\$ 2,982
Balance at December 31, 2013	\$ 319	\$ —	\$ 14,200	\$ (9,601)	\$ 4,918
Net earnings	—	—	1,822	—	1,822
Other comprehensive loss, net of tax	—	—	—	(383)	(383)
Repurchases of common stock	(8)	(472)	(750)	—	(1,230)
Dividends declared	—	—	(1,284)	—	(1,284)
Stock-based awards and ESOP activity	4	472	—	—	476
Balance at June 29, 2014	\$ 315	\$ —	\$ 13,988	\$ (9,984)	\$ 4,319

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

Lockheed Martin Corporation
Notes to Consolidated Financial Statements (unaudited)

NOTE 1 – BASIS OF PRESENTATION

We prepared these consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information, the instructions to Form 10-Q and Article 10 of U.S. Securities and Exchange Commission (SEC) Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. We followed the accounting policies disclosed in the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014 (2014 Form 10-K) filed with the SEC.

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

We close our books and records on the last Sunday of the calendar quarter, which was on June 28 for the second quarter of 2015 and June 29 for the second quarter of 2014, to align our financial closing with our business processes. The consolidated financial statements and tables of financial information included herein are labeled based on that convention. This practice only affects interim periods as our fiscal year ends on December 31.

The results of operations for the interim periods presented are not necessarily indicative of results to be expected for the full year or future periods. Unless otherwise noted, we present all per share amounts cited in these consolidated financial statements on a “per diluted share” basis. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our 2014 Form 10-K.

NOTE 2 – STRATEGIC ACTIONS

Acquisition of Sikorsky Aircraft

On July 20, 2015, we announced that we entered into a definitive agreement to acquire Sikorsky Aircraft (Sikorsky), a global company engaged in the design, manufacture and support of military and commercial helicopters, for \$9.0 billion of cash, subject to certain adjustments. We expect to fund the acquisition with a combination of new debt issuances and available cash. We and United Technologies Corporation have agreed to make a joint election under Section 338(h)(10) of the Internal Revenue Code, which treats the transaction as an asset purchase for tax purposes. This election generates a cash tax benefit with an estimated net present value of \$1.9 billion for Lockheed Martin and its shareholders. The acquisition is subject to customary closing conditions, including regulatory approval, and is expected to close in the fourth quarter of 2015 or the first quarter of 2016. Once the acquisition is complete, we plan to align Sikorsky under our Mission Systems and Training (MST) business segment. Our financial results will not include Sikorsky's results until the acquisition is closed.

Strategic Review of Government IT and Technical Services Businesses

On July 20, 2015, we also announced that we will conduct a strategic review of our government IT infrastructure services business within our Information Systems & Global Solutions (IS&GS) business segment and our technical services business within our Missiles and Fire Control (MFC) business segment. The programs to be reviewed represent approximately \$6.0 billion in estimated 2015 annual sales and approximately 17,000 employees. We expect the strategic review to result in a spin-off to our shareholders or sale of these businesses. The IS&GS programs that are not included in the strategic review are mostly focused on defense and intelligence customers and will be realigned into our other business segments following completion of the review. We expect to complete the strategic review in 2015. While we perform our strategic review, we will maintain the current operating and reporting structure and will continue to report the financial results of the government IT infrastructure services and technical services businesses in our continuing operations.

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

NOTE 3 – EARNINGS PER COMMON SHARE

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

	Quarters Ended		Six Months Ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Weighted average common shares outstanding for basic computations	312.0	316.8	313.7	318.0
Weighted average dilutive effect of equity awards	4.1	5.3	4.5	5.6
Weighted average common shares outstanding for diluted computations	316.1	322.1	318.2	323.6

We compute basic and diluted earnings per common share by dividing net earnings by the respective weighted average number of common shares outstanding for the periods presented. Our calculation of diluted earnings per common share also includes the dilutive effects for the assumed vesting of outstanding restricted stock units and exercise of outstanding stock options based on the treasury stock method. There were no anti-dilutive equity awards for the quarters and six months ended June 28, 2015 and June 29, 2014.

NOTE 4 – INFORMATION ON BUSINESS SEGMENTS

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

Net sales of our business segments exclude intersegment sales as these activities are eliminated in consolidation. Operating profit of our business segments includes our share of earnings or losses from equity method investees as the operating activities of the equity method investees are closely aligned with the operations of our business segments. United Launch Alliance (ULA), which is part of our Space Systems business segment, is our primary equity method investee. Operating profit of our business segments excludes the FAS/CAS pension adjustment described below; expense for stock-based compensation; the effects of items not considered part of management's evaluation of segment operating performance, such as charges related to significant severance actions (Note 9, under the caption "Restructuring Charges") and goodwill impairments; gains or losses from divestitures; the effects of certain legal settlements; corporate costs not allocated to our business segments; and other miscellaneous corporate activities. These items are included in the reconciling item "Unallocated items" between operating profit from our business segments and our consolidated operating profit. See Note 9 (under the caption "Changes in Estimates") for a discussion related to certain factors that may impact the comparability of net sales and operating profit of our business segments.

Our business segments' results of operations include pension expense only as calculated under U.S. Government Cost Accounting Standards (CAS), which we refer to as CAS pension cost. We recover CAS pension cost through the pricing of our products and services on U.S. Government contracts and, therefore, the CAS pension cost is recognized in each of our business segments' net sales and cost of sales. Since our consolidated financial statements must present pension expense calculated in accordance with the financial accounting standards (FAS) requirements under GAAP, which we refer to as FAS pension expense, the FAS/CAS pension adjustment increases or decreases the CAS pension cost recorded in our business segments' results of operations to equal the FAS pension expense.

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

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

	Quarters Ended		Six Months Ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Net sales				
Aeronautics	\$ 4,131	\$ 3,855	\$ 7,265	\$ 7,241
Information Systems & Global Solutions	1,898	1,941	3,767	3,851
Missiles and Fire Control	1,777	1,891	3,280	3,758
Mission Systems and Training	1,808	1,771	3,459	3,399
Space Systems	2,029	1,848	3,983	3,707
Total net sales	\$ 11,643	\$ 11,306	\$ 21,754	\$ 21,956
Operating profit				
Aeronautics	\$ 444	\$ 453	\$ 815	\$ 846
Information Systems & Global Solutions	160	175	296	349
Missiles and Fire Control	303	345	595	703
Mission Systems and Training	234	185	453	435
Space Systems	259	248	547	502
Total business segment operating profit	1,400	1,406	2,706	2,835
Unallocated items				
FAS/CAS pension adjustment				
FAS pension expense	(284)	(314)	(568)	(627)
Less: CAS pension cost	404	399	807	798
FAS/CAS pension adjustment	120	85	239	171
Stock-based compensation	(49)	(49)	(89)	(97)
Other, net	(26)	(16)	(55)	(51)
Total unallocated items	45	20	95	23
Total consolidated operating profit	\$ 1,445	\$ 1,426	\$ 2,801	\$ 2,858
Intersegment sales				
Aeronautics	\$ 25	\$ 30	\$ 44	\$ 57
Information Systems & Global Solutions	180	172	365	348
Missiles and Fire Control	99	76	189	163
Mission Systems and Training	353	298	645	613
Space Systems	31	26	60	53
Total intersegment sales	\$ 688	\$ 602	\$ 1,303	\$ 1,234

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

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

	June 28, 2015	December 31, 2014
Assets		
Aeronautics	\$ 6,910	\$ 6,021
Information Systems & Global Solutions	6,123	6,228
Missiles and Fire Control	4,147	4,050
Mission Systems and Training	6,504	6,277
Space Systems	4,045	3,914
Total business segment assets	27,729	26,490
Corporate assets (a)	12,119	10,583
Total assets	\$ 39,848	\$ 37,073

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

Our Aeronautics business segment includes our largest program, the F-35 Lightning II Joint Strike Fighter, an international multi-role, multi-variant, stealth fighter aircraft. Net sales for the F-35 program represented approximately 20% and 19% of our total consolidated net sales for the quarter and six months ended June 28, 2015 and 18% and 17% of our total consolidated net sales for the quarter and six months ended June 29, 2014.

NOTE 5 – INVENTORIES, NET

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

	June 28, 2015	December 31, 2014
Work-in-process, primarily related to long-term contracts and programs in progress	\$ 7,195	\$ 6,728
Less: customer advances and progress payments	(4,830)	(4,701)
	2,365	2,027
Other inventories	667	855
Total inventories, net	\$ 3,032	\$ 2,882

NOTE 6 – POSTRETIREMENT BENEFIT PLANS

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

	Quarters Ended		Six Months Ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Qualified defined benefit pension plans				
Service cost	\$ 218	\$ 243	\$ 435	\$ 486
Interest cost	447	488	895	976
Expected return on plan assets	(683)	(659)	(1,367)	(1,319)
Recognized net actuarial losses	400	221	800	442
Amortization of prior service (credits) costs	(98)	21	(195)	42
Total net periodic benefit cost	\$ 284	\$ 314	\$ 568	\$ 627
Retiree medical and life insurance plans				
Service cost	\$ 5	\$ 6	\$ 10	\$ 11
Interest cost	27	30	55	61
Expected return on plan assets	(37)	(37)	(74)	(73)
Recognized net actuarial losses	11	6	22	12
Amortization of prior service costs	1	1	2	2
Total net periodic benefit cost	\$ 7	\$ 6	\$ 15	\$ 13

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

The recognized net actuarial losses and the amortization of net prior service (credits) costs in the table above, as well as similar amounts related to our other postretirement benefit plans (\$15 million and \$28 million for the quarter and six months ended June 28, 2015 and \$10 million and \$19 million for the quarter and six months ended June 29, 2014), reflect amounts that were reclassified from accumulated other comprehensive loss (AOCL) and recorded as a component of net periodic benefit cost for the periods presented. These costs totaled \$213 million (net of \$116 million of tax expense) and \$425 million (net of \$232 million of tax expense) for the quarter and six months ended June 28, 2015 and \$167 million (net of \$92 million of tax expense) and \$334 million (net of \$183 million of tax expense) for the quarter and six months ended June 29, 2014, which were recorded on our Statements of Comprehensive Income as an increase to other comprehensive income.

The funding of our qualified defined benefit pension plans is determined in accordance with the Employee Retirement Income Security Act of 1974 (ERISA), as amended by the Pension Protection Act of 2006 (PPA), and in a manner consistent with CAS and Internal Revenue Code rules. There were no contributions to our qualified defined benefit pension plans during the quarter and six months ended June 28, 2015, compared to \$515 million in contributions to our qualified defined benefit pension plans during the quarter and six months ended June 29, 2014. We do not plan to make contributions to our qualified defined benefit pension plans in 2015.

NOTE 7 – LEGAL PROCEEDINGS AND CONTINGENCIES

We are a party to or have property subject to litigation and other proceedings that arise in the ordinary course of our business, including matters arising under provisions relating to the protection of the environment and are subject to contingencies related to certain businesses we previously owned. These types of matters could result in fines, penalties, compensatory or treble damages or non-monetary relief. We believe that the probability is remote that the outcome of each of these matters, including the legal proceedings described below, will have a material adverse effect on the Corporation as a whole, notwithstanding that the unfavorable resolution of any matter may have a material effect on our net earnings in any particular interim reporting period. Among the factors that we consider in this assessment are the nature of existing legal proceedings and claims, the asserted or possible damages or loss contingency (if estimable), the progress of the case, existing law and precedent, the opinions or views of legal counsel and other advisers, our experience in similar cases and the experience of other companies, the facts available to us at the time of assessment and how we intend to respond to the proceeding or claim. Our assessment of these factors may change as individual proceedings or claims progress.

Although we cannot predict the outcome of legal or other proceedings with certainty, where there is at least a reasonable possibility that a loss may have been incurred, GAAP requires us to disclose an estimate of the reasonably possible loss or range of loss or make a statement that such an estimate cannot be made. We follow a thorough process in which we seek to estimate the reasonably possible loss or range of loss before we conclude and disclose that an estimate cannot be made. With respect to the legal proceedings discussed below, a reasonably possible loss or range of loss cannot be estimated.

Legal Proceedings

On April 24, 2009, we filed a declaratory judgment action against the New York Metropolitan Transportation Authority and its Capital Construction Company (collectively, the MTA) asking the U.S. District Court for the Southern District of New York to find that the MTA is in material breach of our agreement based on the MTA's failure to provide access to sites where work must be performed and the customer-furnished equipment necessary to complete the contract. The MTA filed an answer and counterclaim alleging that we breached the contract and subsequently terminated the contract for alleged default. The primary damages sought by the MTA are the cost to complete the contract and potential re-procurement costs. While we are unable to estimate the cost of another contractor to complete the contract and the costs of re-procurement, we note that our contract with the MTA had a total value of \$323 million, of which \$241 million was paid to us, and that the MTA is seeking damages of approximately \$190 million. We dispute the MTA's allegations and are defending against them. Additionally, following an investigation, our sureties on a performance bond related to this matter, who were represented by independent counsel, concluded that the MTA's termination of the contract was improper. Finally, our declaratory judgment action was later amended to include claims for monetary damages against the MTA of approximately \$95 million. This matter was taken under submission by the District Court in December 2014 after a five-week bench trial and the filing of post-trial pleadings by the parties. We expect a decision in the third quarter of 2015.

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

On August 28, 2003, the U.S. Department of Justice (DOJ) filed complaints in partial intervention in two lawsuits filed under the civil qui tam provisions of the False Claims Act in the U.S. District Court for the Western District of Kentucky, United States ex rel. Natural Resources Defense Council, et al., v. Lockheed Martin Corporation, et al., and United States ex rel. John D. Tillson v. Lockheed Martin Energy Systems, Inc., et al. The DOJ alleges that we committed violations of the Resource Conservation and Recovery Act at the Paducah Gaseous Diffusion Plant by not properly handling, storing and transporting hazardous waste, and that we violated the False Claims Act by misleading Department of Energy officials and state regulators about the nature and extent of environmental noncompliance at the plant. The complaint does not allege a specific calculation of damages. In April 2013, the parties attended a settlement conference ordered by the magistrate judge. The conference focused on the parties' sharply differing views of the merits of the case and did not significantly contribute to our understanding of the damages sought. In December 2014, the parties participated in confidential mediation pursuant to Federal Rule of Civil Procedure Rule 408. The plaintiffs made settlement demands at this mediation but these were not tied to any theory of damages, were not apportioned between the False Claims Act and Resource Conservation and Recovery Act allegations (as to which our defenses differ) and did not provide insight into what damages plaintiffs would seek to prove if this matter proceeds to trial. Consequently, we continue to be unable to estimate the reasonably possible loss or range of loss, which could be incurred if the plaintiffs were to prevail, but we believe we have substantial defenses. We anticipate filing motions, including a motion for summary judgment, in the fourth quarter of 2015.

Environmental Matters

We are involved in environmental proceedings and potential proceedings relating to soil and groundwater contamination, disposal of hazardous waste and other environmental matters at several of our current or former facilities or at third-party sites where we have been designated as a potentially responsible party (PRP). A substantial portion of environmental costs will be included in our net sales and cost of sales in future periods pursuant to U.S. Government regulations. At the time a liability is recorded for future environmental costs, we record a receivable for estimated future recovery considered probable through the pricing of products and services to agencies of the U.S. Government, regardless of the contract form (e.g., cost-reimbursable, fixed-price). We continuously evaluate the recoverability of our environmental receivables by assessing, among other factors, U.S. Government regulations, our U.S. Government business base and contract mix and our history of receiving reimbursement of such costs. We include the portion of those environmental costs expected to be allocated to our non-U.S. Government contracts, or that is determined to not be recoverable under U.S. Government contracts, in our cost of sales at the time the liability is established.

At June 28, 2015 and December 31, 2014, the aggregate amount of liabilities recorded relative to environmental matters was \$955 million and \$965 million, most of which are recorded in other noncurrent liabilities on our Balance Sheets. We have recorded receivables totaling \$827 million and \$836 million at June 28, 2015 and December 31, 2014, most of which are recorded in other noncurrent assets on our Balance Sheets, for the estimated future recovery of these costs, as we consider the recovery probable based on the factors previously mentioned. We project costs and recovery of costs over approximately 20 years.

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

Our environmental liabilities could be impacted by regulations with respect to the contaminants perchlorate and hexavalent chromium. California is currently reevaluating its existing drinking water standard with respect to perchlorate. In February 2015, California's health risk agency announced a non-enforceable public health goal for perchlorate that California's regulatory agency must consider when promulgating an enforceable drinking water standard. The goal calls for maximum perchlorate levels significantly below those allowed under the current standard imposed by California. In addition, the U.S. Environmental Protection Agency (U.S. EPA) is considering whether to regulate perchlorate in drinking water and is also considering whether to impose standards for hexavalent chromium. If substantially lower standards are adopted for perchlorate in either California or at the federal level or if the U.S. EPA were to adopt a standard for hexavalent chromium lower than California's recently adopted standard of 10 parts per billion, we expect a material

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

increase in our estimates for environmental liabilities and the related assets for the portion of the increased costs that are probable of future recovery in the pricing of our products and services for the U.S. Government. The amount that would be allocable to our non-U.S. Government contracts or that is determined to not be recoverable under U.S. Government contracts would be expensed, which may have a material effect on our earnings in any particular interim reporting period.

Letters of Credit, Surety Bonds and Third-Party Guarantees

We have entered into standby letters of credit, surety bonds and third-party guarantees with financial institutions and other third parties primarily relating to advances received from customers and the guarantee of future performance on certain contracts. Letters of credit and surety bonds generally are available for draw down in the event we do not perform. In some cases, we may guarantee the contractual performance of third parties such as venture partners. We had total outstanding letters of credit, surety bonds and third-party guarantees aggregating \$2.6 billion and \$2.4 billion at June 28, 2015 and December 31, 2014.

At June 28, 2015 and December 31, 2014, third-party guarantees totaled \$1.1 billion and \$774 million, of which approximately 90% and 85% related to guarantees of contractual performance of ventures to which we currently are or previously were a party. This amount represents our estimate of the maximum amount we would expect to incur upon the contractual non-performance of the venture partners. In addition, we generally have cross-indemnities in place that may enable us to recover amounts that may be paid on behalf of a venture partner. We believe our current and former venture partners will be able to perform their obligations, as they have done through June 28, 2015, and that it will not be necessary to make payments under the guarantees. In determining our exposures, we evaluate the reputation, performance on contractual obligations, technical capabilities and credit quality of our current and former venture partners.

United Launch Alliance

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

In addition, both we and Boeing have cross-indemnified each other for guarantees by us and Boeing of the performance and financial obligations of ULA under certain launch service contracts. We believe ULA will be able to fully perform its obligations, as it has done through June 28, 2015, and that it will not be necessary to make payments under the cross-indemnities or guarantees.

NOTE 8 – FAIR VALUE MEASUREMENTS

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

	June 28, 2015			December 31, 2014		
	Total	Level 1	Level 2	Total	Level 1	Level 2
Assets						
Equity securities	\$ 97	\$ 97	\$ —	\$ 92	\$ 92	\$ —
Mutual funds	658	658	—	696	696	—
U.S. Government securities	115	—	115	136	—	136
Other securities	151	—	151	153	—	153
Derivatives	27	—	27	27	—	27
Liabilities						
Derivatives	28	—	28	18	—	18

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

Substantially all assets measured at fair value, other than derivatives, represent investments classified as trading securities held in a separate trust to fund certain of our non-qualified deferred compensation plans and are recorded in other noncurrent assets on our Balance Sheets. The fair values of equity securities and mutual funds are determined by reference to the quoted market price per unit in active markets multiplied by the number of units held without consideration of transaction costs. The fair values of U.S. Government and other securities are determined using pricing models that use observable inputs (e.g., interest rates and yield curves observable at commonly quoted intervals), bids provided by brokers or dealers or quoted prices of securities with similar characteristics. The fair values of derivative instruments, which consist of foreign currency exchange forward and interest rate swap contracts, primarily are determined based on the present value of future cash flows using model-derived valuations that use observable inputs such as interest rates, credit spreads and foreign currency exchange rates. We did not have any transfers of assets or liabilities between levels of the fair value hierarchy during the six months ended June 28, 2015.

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

The aggregate notional amount of our outstanding interest rate swaps at both June 28, 2015 and December 31, 2014 was \$1.3 billion. The aggregate notional amount of our outstanding foreign currency hedges at June 28, 2015 and December 31, 2014 was \$1.3 billion and \$804 million. Derivative instruments did not have a material impact on net earnings and comprehensive income during the quarters and six months ended June 28, 2015 and June 29, 2014. Substantially all of our derivatives are designated for hedge accounting.

In addition to the financial instruments listed in the table above, we hold other financial instruments, including cash and cash equivalents, receivables, accounts payable and debt. The carrying amounts for cash and cash equivalents, receivables and accounts payable approximated their fair values. The estimated fair value of our outstanding debt was \$9.6 billion and \$7.9 billion at June 28, 2015 and December 31, 2014 and the outstanding principal amount was \$9.3 billion and \$7.0 billion at June 28, 2015 and December 31, 2014, excluding unamortized discounts of \$884 million and \$872 million. The estimated fair values of our outstanding debt were determined based on quoted prices for similar instruments in active markets (Level 2).

NOTE 9 – OTHER

Changes in Estimates

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

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

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

Comparability of our segment sales, operating profit and operating margins may be impacted favorably or unfavorably by changes in profit booking rates on our contracts accounted for using the percentage-of-completion method of accounting. Increases in the profit booking rates, typically referred to as risk retirements, usually relate to revisions in the estimated total costs that reflect improved conditions on a particular contract. Conversely, conditions on a particular contract may deteriorate resulting in an increase in the estimated total costs to complete and a reduction in the profit booking rate. Increases or decreases in profit booking rates are recognized in the current period and reflect the inception-to-date effect of such changes. Segment operating profit and margins may also be impacted favorably or unfavorably by other items. Favorable items may include the positive resolution of contractual matters, cost recoveries on restructuring charges, insurance recoveries and gains on sales of assets. Unfavorable items may include the adverse resolution of contractual matters; restructuring charges, except for significant severance actions which are excluded from segment operating results; reserves for disputes; asset impairments; and losses on sales of assets. Our consolidated net adjustments not related to volume, including net profit booking rate adjustments and other matters, increased segment operating profit by \$550 million and \$1.0 billion for the quarter and six months ended June 28, 2015 and \$440 million and \$965 million for the quarter and six months ended June 29, 2014. These adjustments increased net earnings by \$355 million (\$1.12 per share) and \$675 million (\$2.12 per share) for the quarter and six months ended June 28, 2015 and \$285 million (\$.88 per share) and \$625 million (\$1.93 per share) for the quarter and six months ended June 29, 2014.

Restructuring Charges

Fourth Quarter 2013 Action

In November 2013, we committed to a plan to close and consolidate certain facilities and reduce our total workforce by approximately 4,000 positions within our IS&GS, MST and Space Systems business segments. This plan resulted from a strategic review of our facility capacity and future workload projections for these businesses and was intended to better align our organization and cost structure and improve the affordability of our products and services given the changes in U.S. Government spending as well as the rapidly changing competitive and economic landscape. As of June 28, 2015, we have paid approximately \$135 million in severance payments associated with this action, of which \$28 million was paid during the six months ended June 28, 2015.

In connection with our plan to consolidate facilities, during the quarter ended June 28, 2015, we sold two properties in California and received aggregate cash proceeds of approximately \$70 million. Gains on the sales have been deferred and will be recognized in future periods after 2015 once our continuing involvement associated with the properties has been completed.

We also expect to incur total accelerated costs (e.g., accelerated depreciation expense related to long-lived assets at the sites to be closed) and incremental costs (e.g., relocation of equipment and other employee related costs) of approximately \$15 million, \$50 million and \$190 million at our IS&GS, MST and Space Systems business segments. As of June 28, 2015, we have incurred total accelerated and incremental costs of \$174 million, inclusive of amounts incurred during the six months ended June 28, 2015. The accelerated and incremental costs are recorded as incurred in cost of sales on our Statements of Earnings and included in the respective business segment's results of operations.

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

The remaining payments associated with the severance and incremental costs are expected to be substantially paid by the end of 2015. We expect to recover a substantial amount of the restructuring charges through the pricing of our products and services to the U.S. Government and other customers, with the impact included in the respective business segment's results of operations.

Income Taxes

Our effective income tax rates were 30.8% and 30.7% for the quarter and six months ended June 28, 2015 and 33.7% and 32.2% for the quarter and six months ended June 29, 2014. The rates for all periods benefited from tax deductions for U.S. manufacturing activities and for dividends paid to our defined contribution plans with an employee stock ownership plan feature. The effective tax rates for the quarter and six months ended June 28, 2015 were lower than the prior year periods primarily due to tax reserve adjustments recorded in the quarter ended June 29, 2014. The effective rates during all periods did not include a benefit from the U.S. research and development tax credit because the credit had expired.

We made net income tax payments of approximately \$500 million and \$560 million during the six months ended June 28, 2015 and June 29, 2014. The 2014 payments are net of \$200 million in tax refunds primarily attributable to our tax-deductible pension contributions made during the quarter ended December 31, 2013.

Stockholders' Equity

Repurchases of Common Stock

During the six months ended June 28, 2015, we repurchased 7.9 million shares of our common stock for \$1.5 billion. We had total remaining authorization of \$2.1 billion for future common share repurchases under our program as of June 28, 2015. As we repurchase our common shares, we reduce common stock for the \$1 of par value of the shares repurchased, with the excess purchase price over par value recorded as a reduction of additional paid-in capital. If additional paid-in capital is reduced to zero, we record the remainder of the excess purchase price over par value as a reduction of retained earnings.

Dividends

We declared cash dividends totaling \$942 million (\$3.00 per share) and \$1.4 billion (\$4.50 per share) during the quarter and six months ended June 28, 2015. The 2015 dividend amounts include the declaration of our 2015 third quarter dividend of \$1.50 per share, which totaled \$471 million. We declared cash dividends totaling \$856 million (\$2.66 per share) and \$1.3 billion (\$3.99 per share) during the quarter and six months ended June 29, 2014. The 2014 dividend amounts include the declaration of our 2014 third quarter dividend of \$1.33 per share, which totaled \$428 million.

Restricted Stock Unit Grants

In January 2015, we granted certain employees approximately 0.6 million restricted stock units (RSUs) with a grant-date fair value of \$192.28 per RSU. The grant-date fair value of these RSUs is equal to the closing market price of our common stock on the grant date less a discount to reflect the delay in payment of dividend-equivalent cash payments that are made only upon vesting, which is generally three years from the grant date. We recognize the grant-date fair value of RSUs, less estimated forfeitures, as compensation expense ratably over the requisite service period, which is shorter than the vesting period if the employee is retirement eligible on the date of grant or will become retirement eligible before the end of the vesting period.

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

Accumulated Other Comprehensive Loss

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

	Postretirement Benefit Plans	Other, net	AOCL
Balance at December 31, 2014	\$ (11,813)	\$ (57)	\$ (11,870)
Other comprehensive loss before reclassifications	—	(11)	(11)
Amounts reclassified from AOCL			
Recognition of net actuarial losses (a)	554	—	554
Amortization of net prior service credits (a)	(129)	—	(129)
Total reclassified from AOCL	425	—	425
Total other comprehensive income (loss)	425	(11)	414
Balance at June 28, 2015	\$ (11,388)	\$ (68)	\$ (11,456)
Balance at December 31, 2013	\$ (9,649)	\$ 48	\$ (9,601)
Other comprehensive loss (income) before reclassifications			
Net actuarial losses (b)	(3,778)	—	(3,778)
Prior service credits (b)	3,043	—	3,043
Other	—	15	15
Total other comprehensive (loss) income before reclassifications	(735)	15	(720)
Amounts reclassified from AOCL			
Recognition of net actuarial losses (a)	306	—	306
Amortization of net prior service costs (a)	28	—	28
Other	—	3	3
Total reclassified from AOCL	334	3	337
Total other comprehensive income (loss)	(401)	18	(383)
Balance at June 29, 2014	\$ (10,050)	\$ 66	\$ (9,984)

(a) Reclassifications from AOCL related to our postretirement benefit plans were recorded as a component of net periodic benefit cost for each period presented (Note 6). These amounts include \$213 million and \$167 million for the quarters ended June 28, 2015 and June 29, 2014, which are comprised of the recognition of net actuarial losses of \$277 million and \$153 million for the quarters ended June 28, 2015 and June 29, 2014 and the amortization of net prior service (credits) costs of \$(64) million and \$14 million for the quarters ended June 28, 2015 and June 29, 2014.

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

Long-term Debt

On February 20, 2015, we issued \$2.25 billion of notes in a registered public offering consisting of \$750 million maturing in 2025 with a fixed interest rate of 2.90%, \$500 million maturing in 2035 with a fixed interest rate of 3.60% and \$1.0 billion maturing in 2045 with a fixed interest rate of 3.80%. We may, at our option, redeem some or all of the notes at any time by paying the principal amount of notes being redeemed plus any make-whole premium and accrued and unpaid interest to the date of redemption. Interest on the notes is payable on March 1 and September 1 of each year, beginning on September 1, 2015. These notes rank equally in right of payment with all of our existing unsecured and unsubordinated indebtedness.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued a new standard that will change the way we recognize revenue and significantly expand the disclosure requirements for revenue arrangements. On July 9, 2015, the FASB approved a one-year deferral of the effective date of the standard to 2018 for public companies, with an option that would permit companies to adopt the standard as early as the original effective date of 2017. Early adoption prior to the original effective date is not permitted. The new standard may be adopted either retrospectively or on a modified retrospective basis whereby the new standard would be applied to new contracts and existing contracts with remaining performance obligations as of the effective date, with a cumulative catch-up adjustment recorded to beginning retained

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

earnings at the effective date for existing contracts with remaining performance obligations. In addition, the FASB is contemplating making additional changes to certain elements of the new standard. We are currently evaluating the methods of adoption allowed by the new standard and the effect the standard is expected to have on our consolidated financial statements and related disclosures. As the new standard will supersede substantially all existing revenue guidance affecting us under GAAP, it could impact revenue and cost recognition on thousands of contracts across all our business segments, in addition to our business processes and our information technology systems. As a result, our evaluation of the effect of the new standard will extend over future periods.

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

Board of Directors
Lockheed Martin Corporation

We have reviewed the consolidated balance sheet of Lockheed Martin Corporation as of June 28, 2015, and the related consolidated statements of earnings and comprehensive income for the quarters and six months ended June 28, 2015 and June 29, 2014, and the consolidated statements of cash flows and stockholders' equity for the six months ended June 28, 2015 and June 29, 2014. These financial statements are the responsibility of the Corporation's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Lockheed Martin Corporation as of December 31, 2014, and the related consolidated statements of earnings, comprehensive income, cash flows, and stockholders' equity for the year then ended (not presented herein), and we expressed an unqualified audit opinion on those consolidated financial statements in our report dated February 9, 2015. In our opinion, the accompanying consolidated balance sheet as of December 31, 2014, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

McLean, Virginia
July 22, 2015

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

BUSINESS OVERVIEW

We are a global security and aerospace company principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services. We also provide a broad range of management, engineering, technical, scientific, logistics and information services. We serve customers globally with products and services that have defense, civil and commercial applications, with our principal customers being agencies of the U.S. Government. In 2014, 79% of our \$45.6 billion in net sales were from the U.S. Government, either as a prime contractor or as a subcontractor (including 59% from the Department of Defense (DoD)), 20% were from international customers (including foreign military sales (FMS) contracted through the U.S. Government) and 1% were from U.S. commercial and other customers. Our main areas of focus are in defense, space, intelligence, homeland security and information technology, including cybersecurity.

The following discussion is a supplement to and should be read in conjunction with the accompanying consolidated financial statements and notes thereto and with our Annual Report on Form 10-K for the year ended December 31, 2014 (2014 Form 10-K).

Strategic Actions

Acquisition of Sikorsky Aircraft

On July 20, 2015, we announced that we entered into a definitive agreement to acquire Sikorsky Aircraft (Sikorsky), a global company engaged in the design, manufacture and support of military and commercial helicopters, for \$9.0 billion of cash, subject to certain adjustments. We expect to fund the acquisition with a combination of new debt issuances and available cash. We and United Technologies Corporation have agreed to make a joint election under Section 338(h)(10) of the Internal Revenue Code, which treats the transaction as an asset purchase for tax purposes. This election generates a cash tax benefit with an estimated net present value of \$1.9 billion for Lockheed Martin and its shareholders. The acquisition is subject to customary closing conditions, including regulatory approval, and is expected to close in the fourth quarter of 2015 or the first quarter of 2016. Once the acquisition is complete, we plan to align Sikorsky under our Mission Systems and Training (MST) business segment. Our financial results will not include Sikorsky's results until the acquisition is closed.

Strategic Review of Government IT and Technical Services Businesses

On July 20, 2015, we also announced that we will conduct a strategic review of our government IT infrastructure services business within our Information Systems & Global Solutions (IS&GS) business segment and our technical services business within our Missiles and Fire Control (MFC) business segment. The programs to be reviewed represent approximately \$6.0 billion in estimated 2015 annual sales and approximately 17,000 employees. We expect the strategic review to result in a spin-off to our shareholders or sale of these businesses. The IS&GS programs that are not included in the strategic review are mostly focused on defense and intelligence customers and will be realigned into our other business segments following completion of the review. We expect to complete the strategic review in 2015. While we perform our strategic review, we will maintain the current operating and reporting structure and will continue to report the financial results of the government IT infrastructure services and technical services businesses in our continuing operations.

INDUSTRY CONSIDERATIONS

U.S. Government Funding Constraints

The following is an update of events related to our industry and business environment since the filing of our 2014 Form 10-K.

On February 2, 2015, the President submitted a budget proposal for government fiscal year (GFY) 2016 (a U.S. Government fiscal year starts on October 1 and ends on September 30), which included \$534 billion for the DoD's annual budget, about \$35 billion more than the spending limits under the Budget Control Act of 2011 (Budget Control Act). The budget proposal also provides for an additional \$51 billion for Overseas Contingency Operations (OCO) spending. In May 2015, the GFY 2016 concurrent budget resolution was passed by both houses of Congress that outlines total defense spending levels that meet the amount requested under the President's GFY 2016 budget proposal. The budget

**Lockheed Martin Corporation
Management's Discussion and Analysis of Financial Condition
and Results of Operations (continued)**

resolutions achieve the total defense spending level by retaining the Budget Control Act spending limits on the Defense Department's base budget while increasing funding for OCO operations. As the U.S. Government's current fiscal year comes to a close on September 30, 2015, Congress will need to pass a new appropriations measure or a continuing resolution to keep the U.S. Government operating and avoid a government shutdown. We anticipate that there will continue to be a significant debate within the U.S. Government over defense spending throughout the budget process for GFY 2016 and beyond.

The Temporary Debt Limit Extension Act suspended the limit on the maximum amount of debt that the Department of Treasury can issue to the public and other agencies (commonly known as the debt ceiling) through March 15, 2015. On March 16, 2015, the outstanding debt of the U.S. reached the debt ceiling. To avoid exceeding the debt ceiling, the Department of Treasury began employing measures to finance the U.S. Government. It is expected that in late 2015 the U.S. Government will reach the current debt ceiling limit and Congress will need to raise this debt limit in order for the U.S. Government to continue borrowing money. Should the Administration and Congress fail to adopt legislation that raises the debt limit, it is not clear how the U.S. Department of Treasury or individual agencies would prioritize which obligations would be honored and which would be deferred. In such an event, there could be significant disruption to all discretionary programs. Although we believe that key defense, intelligence and homeland security programs would receive priority, the effect on individual programs or Lockheed Martin cannot be predicted at this time.

The Budget Control Act established limits on discretionary spending, which provided for reductions to planned defense spending of \$487 billion over a 10-year period that began with GFY 2012. The Budget Control Act also provided for additional automatic spending reductions, known as sequestration, that would have reduced planned defense spending by an additional \$500 billion over a nine-year period that began in GFY 2013. In December 2013, Congress passed the Bipartisan Budget Act, which increased the limits on discretionary spending for GFY 2015. However, it retained sequestration cuts for GFYs 2016 through 2021, including the across-the-board spending reduction methodology provided for in the Budget Control Act. As a result, there remains uncertainty regarding how sequestration cuts beyond GFY 2015 will be applied, as the DoD and other agencies may have significantly less flexibility in how to apply budget cuts in future years. While the defense budget sustained the largest single reductions under the Budget Control Act, other civil agencies and programs have also been impacted by significant spending reductions. In light of the Budget Control Act and deficit reduction pressures, it is likely that discretionary spending by the U.S. Government will remain constrained for a number of years.

Cyber Security

In late May 2015, as a result of ongoing efforts to secure its systems, the U.S. Office of Personnel Management (OPM) discovered an incident affecting background investigation records of current, former, and prospective Federal employees and contractors. Subsequently, on July 9, 2015, as a result of an interagency forensics investigation into the cyber incident, OPM announced that the background investigation records of 21.5 million current, former and prospective Federal employees and contractors had been compromised. Many of our employees were the subjects of background investigations in connection with former government service or as part of the screening process for a security clearance. We are currently assessing the impact of this cyber-security incident but do not yet know the impact, if any, on Lockheed Martin or our employees.

Lockheed Martin Corporation
Management's Discussion and Analysis of Financial Condition
and Results of Operations (continued)

CONSOLIDATED RESULTS OF OPERATIONS

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

	Quarters Ended		Six Months Ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Net sales	\$ 11,643	\$ 11,306	\$ 21,754	\$ 21,956
Cost of sales	(10,272)	(9,965)	(19,120)	(19,244)
Gross profit	1,371	1,341	2,634	2,712
Other income, net	74	85	167	146
Operating profit	1,445	1,426	2,801	2,858
Interest expense	(104)	(85)	(197)	(171)
Other non-operating income, net	2	—	5	2
Earnings before income taxes	1,343	1,341	2,609	2,689
Income tax expense	(414)	(452)	(802)	(867)
Net earnings	929	889	1,807	1,822
Diluted earnings per common share	\$ 2.94	\$ 2.76	\$ 5.68	\$ 5.63

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

Net Sales

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

	Quarters Ended		Six Months Ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Products	\$ 9,157	\$ 8,980	\$ 17,010	\$ 17,390
Services	2,486	2,326	4,744	4,566
Total net sales	\$ 11,643	\$ 11,306	\$ 21,754	\$ 21,956

Substantially all of our contracts are accounted for using the percentage-of-completion method. Under the percentage-of-completion method, we record net sales on contracts based upon our progress towards completion on a particular contract, as well as our estimate of the profit to be earned at completion. The following discussion of material changes in our consolidated net sales should be read in tandem with the following discussion of changes in our consolidated cost of sales and our business segment results of operations because changes in our sales are typically accompanied by a corresponding change in our cost of sales due to the nature of the percentage-of-completion method.

Product Sales

Our product sales represent about 80% of our net sales for both the quarters ended June 28, 2015 and June 29, 2014. Product sales increased \$177 million, or 2%, during the quarter ended June 28, 2015, compared to the quarter ended June 29, 2014. Higher product sales of about \$110 million at Space Systems, approximately \$100 million at Aeronautics and about \$60 million at MST were partially offset by decreased product sales of about \$60 million at MFC.

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The increase at Space Systems was primarily due to higher volume for the Orion program. The increase at Aeronautics was primarily attributable to increased aircraft deliveries (C-5 program) and increased volume on F-35 production contracts. The increase at MST was primarily driven by the start of new programs (primarily Space Fence). The decrease at MFC was primarily due to fewer deliveries for various air and missile defense programs (primarily Patriot Advanced Capability-3 (PAC-3)).

Our product sales represent about 80% of our net sales for both the six months ended June 28, 2015 and June 29, 2014. Product sales decreased \$380 million, or 2%, during the six months ended June 28, 2015, compared to the six months ended June 29, 2014. Lower product sales of about \$370 million at MFC and approximately \$155 million at Aeronautics were partially offset by increased product sales of about \$115 million at Space Systems and approximately \$95 million at MST. The decrease at MFC was primarily due to fewer deliveries for various air and missile defense programs (primarily PAC-3) and fewer deliveries for various tactical missile programs (primarily Hellfire and Guided Multiple Launch Rocket System (GMLRS)). The decrease at Aeronautics was primarily attributable to fewer aircraft deliveries (C-130 and F-16 programs) partially offset by increased volume on F-35 production contracts. The increases at Space Systems and MST were attributable to items which impacted product sales for the quarter ended June 28, 2015 as mentioned above.

Service Sales

Our service sales represent approximately 20% of our net sales for both the quarters ended June 28, 2015 and June 29, 2014. Service sales increased \$160 million, or 7%, during the quarter ended June 28, 2015 compared to the quarter ended June 29, 2014. Higher service sales of about \$175 million at Aeronautics and approximately \$70 million at Space Systems were partially offset by decreased service sales of about \$50 million at MFC. The increase at Aeronautics was driven by increased sustainment activities on the F-35 program. The increase at Space Systems was due to businesses acquired in the second half of 2014. The decrease at MFC was due to lower volume on various technical services programs.

Our service sales represent approximately 20% of our net sales for both the six months ended June 28, 2015 and June 29, 2014. Our service sales increased \$178 million, or 4%, during the six months ended June 28, 2015, compared to the six months ended June 29, 2014. Higher service sales of about \$180 million at Aeronautics and approximately \$165 million at Space Systems were partially offset by decreased service sales of about \$110 million at MFC. The net increase in service sales was attributable to the items which impacted service sales for the quarter ended June 28, 2015 as mentioned above.

Cost of Sales

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

	Quarters Ended		Six Months Ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Cost of sales - products	\$ (8,102)	\$ (7,930)	\$ (15,053)	\$ (15,269)
% of product sales	88.5%	88.3%	88.5%	87.8%
Cost of sales - services	(2,216)	(2,063)	(4,167)	(4,013)
% of service sales	89.1%	88.7%	87.8%	87.9%
Other unallocated, net	46	28	100	38
Total cost of sales	\$ (10,272)	\$ (9,965)	\$ (19,120)	\$ (19,244)

The following discussion of material changes in our consolidated cost of sales for products and services should be read in tandem with the preceding discussion of changes in our consolidated net sales and our business segment results of operations. We have not identified any developing trends in cost of sales for products and services that would have a material impact on our future operations.

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Product Costs

Product costs increased \$172 million, or 2%, during the quarter ended June 28, 2015, compared to the quarter ended June 29, 2014. Product costs increased approximately \$135 million at Aeronautics and about \$75 million at Space Systems, partially offset by lower product costs of about \$35 million due to various net decreases at our other business areas. The increase at Aeronautics was primarily attributable to increased aircraft deliveries (primarily C-5 program) and increased volume on F-35 production contracts. The increase at Space Systems was primarily attributable to higher volume on the Orion program. Product costs were comparable at MST due to the start of new programs (primarily Space Fence) offset by the decrease from reserves recorded in 2014 on certain training and logistics solutions programs that were not repeated in 2015.

Product costs decreased \$216 million, or 1%, during the six months ended June 28, 2015, compared to the six months ended June 29, 2014. Lower product costs of about \$250 million at MFC and approximately \$75 million at Aeronautics were partially offset by higher product costs of about \$60 million at MST and approximately \$55 million at Space Systems. The decrease at MFC was primarily driven by fewer deliveries for various air and missile defense programs (primarily PAC-3) and tactical missile programs (primarily Hellfire and GMLRS). The decrease at Aeronautics was primarily attributable to fewer aircraft deliveries (C-130 and F-16 programs) partially offset by increased volume on F-35 production contracts. The increase at MST was primarily driven by the start of new programs (primarily Space Fence). The increase at Space Systems was primarily due to higher volume for the Orion program. The 0.7% increase in product costs as a percentage of product sales for the six months ended June 28, 2015 compared to the six months ended June 29, 2014 was primarily due to items impacting our product costs at MFC and Aeronautics as mentioned above.

Service Costs

Service costs increased \$153 million, or 7%, during the quarter ended June 28, 2015 as compared to the quarter ended June 29, 2014. The increase was primarily due to higher service costs of about \$155 million at Aeronautics and about \$75 million at Space Systems partially offset by decreased service costs at MFC of about \$65 million. The increase at Aeronautics was primarily attributable to increased volume and sustainment activities on the F-35 program. The increase at Space Systems was primarily driven by increased service costs related to businesses acquired during the second half of 2014. The decrease in service costs at MFC was primarily due to lower volume for various technical services programs.

Service costs increased \$154 million, or 4%, during the six months ended June 28, 2015, compared to the six months ended June 29, 2014. The increase was primarily attributable to higher service costs of about \$170 million at Space Systems and about \$145 million at Aeronautics partially offset by decreased service costs of about \$135 million at MFC. The net increase in service costs was primarily driven by the items impacting service costs for the quarter ended June 28, 2015 as mentioned above.

Other Unallocated, Net

Other unallocated, net primarily includes the FAS/CAS pension adjustment described in the Business Segment Results of Operations section below, stock-based compensation and other corporate costs. These items are not allocated to the business segments and, therefore, are excluded from the cost of sales for products and services. Other unallocated, net was \$46 million and \$100 million of income for the quarter and six months ended June 28, 2015 compared to \$28 million and \$38 million of income for the quarter and six months ended June 29, 2014.

The increase was primarily attributable to the increase in the FAS/CAS pension adjustment, partially offset by fluctuations in other costs associated with various corporate items, none of which were individually significant. The change in the FAS/CAS pension adjustment was attributable to the decrease in FAS pension expense resulting from the June 2014 plan amendments to certain of our defined benefit pension plans to freeze future retirement benefits, which was partially offset by the impact of new longevity (also known as mortality) assumptions adopted in 2014 and a lower discount rate.

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Other Income, Net

Other income, net primarily includes our share of earnings or losses from equity method investees. For the quarter and six months ended June 28, 2015, other income, net was \$74 million and \$167 million, compared to \$85 million and \$146 million for the quarter and six months ended June 29, 2014. The changes were primarily attributable to fluctuations in our share of earnings from equity method investees, as discussed in the "Business Segment Results of Operations" section below.

Interest Expense

Interest expense for the quarter and six months ended June 28, 2015 was \$104 million and \$197 million compared to \$85 million and \$171 million for the quarter and six months ended June 29, 2014. The increase in both periods was primarily due to increased interest expense from the issuance of \$2.25 billion of long-term debt in the quarter ended March 29, 2015.

Other Non-Operating Income, Net

Other non-operating income, net for the quarter and six months ended June 28, 2015 was comparable to the respective prior periods.

Income Tax Expense

Our effective income tax rates were 30.8% and 30.7% for the quarter and six months ended June 28, 2015 and 33.7% and 32.2% for the quarter and six months ended June 29, 2014. The rates for all periods benefited from tax deductions for U.S. manufacturing activities and for dividends paid to our defined contribution plans with an employee stock ownership plan feature. The effective tax rates for the quarter and six months ended June 28, 2015 were lower than the prior year periods primarily due to tax reserve adjustments recorded in the quarter ended June 29, 2014. The effective rates during all periods did not include a benefit from the U.S. research and development tax credit because the credit had expired.

Future changes in tax law could significantly impact our provision for income taxes, the amount of taxes payable and our deferred tax asset and liability balances. Proposals to lower the U.S. corporate income tax rate would require us to reduce our net deferred tax assets upon enactment of new tax legislation, with a corresponding material, one-time, non-cash increase in income tax expense, but our income tax expense and payments would be materially reduced in subsequent years. Our net deferred tax assets were \$5.5 billion as of both June 28, 2015 and December 31, 2014, based on a 35% Federal statutory income tax rate, and primarily relate to our postretirement benefit plans. If legislation reducing the Federal statutory income tax rate to 25% had been enacted at June 28, 2015, our net deferred tax assets would have been reduced by \$1.6 billion and we would have recorded a corresponding one-time, non-cash increase in income tax expense of \$1.6 billion. This additional expense would be less if the legislation phased in the tax rate reduction or if the final rate was higher than 25%. The amount of net deferred tax assets will change periodically based on several factors, including the measurement of our postretirement benefit plan obligations and actual cash contributions to our postretirement benefit plans.

Net Earnings

Net earnings for the quarter and six months ended June 28, 2015 were \$929 million (\$2.94 per share) and \$1.8 billion (\$5.68 per share) compared to \$889 million (\$2.76 per share) and \$1.8 billion (\$5.63 per share) for the quarter and six months ended June 29, 2014. Both net earnings and earnings per share were affected by the factors mentioned above. Earnings per share also benefited from the net decrease of common shares outstanding from June 29, 2014.

BUSINESS SEGMENT RESULTS OF OPERATIONS

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

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Net sales of our business segments exclude intersegment sales as these activities are eliminated in consolidation. Operating profit of our business segments includes our share of earnings or losses from equity method investees as the operating activities of the equity method investees are closely aligned with the operations of our business segments. United Launch Alliance (ULA), which is part of our Space Systems business segment, is our primary equity method investee. Operating profit of our business segments excludes the FAS/CAS pension adjustment described below; expense for stock-based compensation; the effects of items not considered part of management's evaluation of segment operating performance, such as charges related to significant severance actions (Note 9, under the caption "Restructuring Charges") and goodwill impairments; gains or losses from divestitures; the effects of certain legal settlements; corporate costs not allocated to our business segments; and other miscellaneous corporate activities. These items are included in the reconciling item "Unallocated items" between operating profit from our business segments and our consolidated operating profit. See Note 9 (under the caption "Changes in Estimates") for a discussion related to certain factors that may impact the comparability of net sales and operating profit of our business segments.

Our business segments' results of operations include pension expense only as calculated under U.S. Government Cost Accounting Standards (CAS), which we refer to as CAS pension cost. We recover CAS pension cost through the pricing of our products and services on U.S. Government contracts and, therefore, the CAS pension cost is recognized in each of our business segments' net sales and cost of sales. Since our consolidated financial statements must present pension expense calculated in accordance with the financial accounting standards (FAS) requirements under U.S. generally accepted accounting principles (GAAP), which we refer to as FAS pension expense, the FAS/CAS pension adjustment increases or decreases the CAS pension cost recorded in our business segments' results of operations to equal the FAS pension expense.

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

	Quarters Ended		Six Months Ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Net sales				
Aeronautics	\$ 4,131	\$ 3,855	\$ 7,265	\$ 7,241
Information Systems & Global Solutions	1,898	1,941	3,767	3,851
Missiles and Fire Control	1,777	1,891	3,280	3,758
Mission Systems and Training	1,808	1,771	3,459	3,399
Space Systems	2,029	1,848	3,983	3,707
Total net sales	\$ 11,643	\$ 11,306	\$ 21,754	\$ 21,956
Operating profit				
Aeronautics	\$ 444	\$ 453	\$ 815	\$ 846
Information Systems & Global Solutions	160	175	296	349
Missiles and Fire Control	303	345	595	703
Mission Systems and Training	234	185	453	435
Space Systems	259	248	547	502
Total business segment operating profit	1,400	1,406	2,706	2,835
Unallocated items				
FAS/CAS pension adjustment				
FAS pension expense	(284)	(314)	(568)	(627)
Less: CAS pension cost	404	399	807	798
FAS/CAS pension adjustment	120	85	239	171
Stock-based compensation	(49)	(49)	(89)	(97)
Other, net	(26)	(16)	(55)	(51)
Total unallocated items	45	20	95	23
Total consolidated operating profit	\$ 1,445	\$ 1,426	\$ 2,801	\$ 2,858

Management evaluates performance on our contracts by focusing on net sales and operating profit and not by type or amount of operating expense. Consequently, our discussion of business segment performance focuses on net sales and operating profit, consistent with our approach for managing the business. This approach is consistent throughout the life

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cycle of our contracts, as management assesses the bidding of each contract by focusing on net sales and operating profit and monitors performance on our contracts in a similar manner through their completion.

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

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

Changes in net sales and operating profit generally are expressed in terms of volume. Changes in volume refer to increases or decreases in sales or operating profit resulting from varying production activity levels, deliveries or service levels on individual contracts. Changes in volume also include the effect of fluctuations in contract profit booking rates that have occurred in reporting periods other than those presented in the comparative segment results. Volume changes in segment operating profit are typically based on the current profit booking rate for a particular contract.

Comparability of our segment sales, operating profit and operating margins may be impacted favorably or unfavorably by changes in profit booking rates on our contracts accounted for using the percentage-of-completion method of accounting. Increases in the profit booking rates, typically referred to as risk retirements, usually relate to revisions in the estimated total costs that reflect improved conditions on a particular contract. Conversely, conditions on a particular contract may deteriorate resulting in an increase in the estimated total costs to complete and a reduction in the profit booking rate. Increases or decreases in profit booking rates are recognized in the current period and reflect the inception-to-date effect of such changes. Segment operating profit and margins may also be impacted favorably or unfavorably by other items. Favorable items may include the positive resolution of contractual matters, cost recoveries on restructuring charges, insurance recoveries and gains on sales of assets. Unfavorable items may include the adverse resolution of contractual matters; restructuring charges, except for significant severance actions (Note 9, under the caption "Restructuring Charges") which are excluded from segment operating results; reserves for disputes; asset impairments; and losses on sales of assets. Segment operating profit and items such as risk retirements, reductions of profit booking rates or other matters are presented net of state income taxes.

Our consolidated net adjustments not related to volume, including net profit booking rate adjustments and other matters, net of state income taxes, increased segment operating profit by approximately \$550 million and \$1.0 billion for the quarter and six months ended June 28, 2015 and \$440 million and \$965 million for the quarter and six months ended June 29, 2014. The consolidated net adjustments for the six months ended June 28, 2015 include lower operating profit for performance matters on an international program at IS&GS, as mentioned in our business segment results of operations below.

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Aeronautics

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

	Quarters Ended		Six Months Ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Net sales	\$ 4,131	\$ 3,855	\$ 7,265	\$ 7,241
Operating profit	444	453	815	846
Operating margins	10.7%	11.8%	11.2%	11.7%

Aeronautics' net sales for the quarter ended June 28, 2015 increased \$276 million, or 7%, compared to the quarter ended June 29, 2014. The increase was attributable to higher net sales of about \$280 million for F-35 production contracts due to increased volume on aircraft production and sustainment activities; and approximately \$150 million for the C-5 program due to increased aircraft deliveries (four aircraft delivered during the quarter ended June 28, 2015 compared to two delivered during the quarter ended June 29, 2014). The increases were partially offset by lower net sales of approximately \$90 million for the C-130 program due to lower sustainment activities and aircraft contract mix; and about \$45 million for the F-22 program due to decreased sustainment activities. Net sales for F-35 development contracts were comparable.

Aeronautics' operating profit for the quarter ended June 28, 2015 decreased \$9 million, or 2%, compared to the quarter ended June 29, 2014. Operating profit decreased by approximately \$55 million for the C-130 program due to lower risk retirements and aircraft contract mix; and approximately \$15 million for the F-22 program due to decreased risk retirements and lower sustainment activities. These decreases were partially offset by higher operating profit of approximately \$30 million for the F-16 program due to increased risk retirements; and about \$30 million for F-35 production contracts due to higher risk retirements and volume. Adjustments not related to volume, including net profit booking rate adjustments, were \$30 million higher for the quarter ended June 28, 2015 compared to the quarter ended June 29, 2014.

Aeronautics' net sales for the six months ended June 28, 2015 were comparable to the six months ended June 29, 2014. Net sales increased by approximately \$455 million for F-35 production contracts due to increased volume on aircraft production and sustainment activities; and about \$60 million for the C-5 program due to increased aircraft deliveries (five aircraft delivered during the six months ended June 28, 2015 compared to four delivered during the six months ended June 29, 2014). The increases were offset by lower net sales of approximately \$225 million for the C-130 program due primarily to fewer aircraft deliveries (ten aircraft delivered during the six months ended June 28, 2015 compared to 11 delivered during the six months ended June 29, 2014), aircraft contract mix and lower sustainment activities; about \$105 million for the F-16 program due to decreased sustainment activities and fewer aircraft deliveries (six aircraft delivered during the six months ended June 28, 2015 compared to eight aircraft delivered during the six months ended June 29, 2014); approximately \$95 million for the F-22 program due to decreased sustainment activities; and about \$50 million due to lower volume on various other sustainment activities. Net sales for F-35 development contracts were comparable.

Aeronautics' operating profit for the six months ended June 28, 2015 decreased \$31 million, or 4%, compared to the six months ended June 29, 2014. The decrease was primarily attributable to lower operating profit of approximately \$85 million for the C-130 program due to fewer aircraft deliveries, aircraft contract mix and lower risk retirements. The decreases were partially offset by higher operating profit of approximately \$55 million for the F-35 production contracts due to increased risk retirements and volume. Adjustments not related to volume, including net profit booking rate adjustments, were \$35 million higher for the six months ended June 28, 2015 compared to the six months ended June 29, 2014.

The decline in operating margins for the quarter ended June 28, 2015 and for the six months ended June 28, 2015 reflects the change in Aeronautics' program mix, as sales for programs that yield lower operating profit margins were a larger portion of total net sales (primarily F-35 and C-5 programs).

We expect Aeronautics' 2015 net sales to be comparable or slightly behind 2014, primarily due to a decline in F-16 deliveries as well as a decline in F-35 System Development and Demonstration development activity, largely offset by an

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increase in F-35 production and sustainment volume as well as additional C-5 aircraft deliveries. Operating profit is also expected to be comparable or slightly behind 2014, due primarily to lower sustainment activities on F-16, F-22, and C-130 aircraft, largely offset by higher F-35 low-rate initial production risk retirements and sustainment volume, resulting in a comparable operating margin between years.

Information Systems & Global Solutions

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

	Quarters Ended		Six Months Ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Net sales	\$ 1,898	\$ 1,941	\$ 3,767	\$ 3,851
Operating profit	160	175	296	349
Operating margins	8.4%	9.0%	7.9%	9.1%

IS&GS' net sales decreased \$43 million, or 2%, for the quarter ended June 28, 2015 compared to the quarter ended June 29, 2014. The decrease was attributable to lower net sales of approximately \$160 million due to decreased volume as a result of in-theater force reductions (including Persistent Threat Detection System (PTDS)), lower customer funding levels (primarily command and control programs), and increased competition coupled with the fragmentation of existing large contracts into multiple smaller contracts that are awarded primarily on the basis of price when re-competed (including CMS-CITIC). The decreases were partially offset by higher net sales of approximately \$60 million for businesses acquired in the second half of 2014; and about \$55 million due to increased volume on recently awarded programs.

IS&GS' operating profit for the quarter ended June 28, 2015 decreased \$15 million, or 9%, compared to the quarter ended June 29, 2014. The decrease was primarily attributable to the activities mentioned above for net sales. Adjustments not related to volume, including net profit booking rate adjustments, for the quarter ended June 28, 2015 were comparable to the quarter ended June 29, 2014.

IS&GS' net sales decreased \$84 million, or 2%, for the six months ended June 28, 2015 compared to the six months ended June 29, 2014. The decrease was attributable to lower net sales of approximately \$320 million due to decreased volume as a result of in-theater force reductions (including PTDS), lower customer funding levels (primarily command and control programs), and increased competition coupled with the fragmentation of existing large contracts into multiple smaller contracts that are awarded primarily on the basis of price when re-competed (including CMS-CITIC). The decreases were partially offset by higher net sales of approximately \$140 million for businesses acquired in the second half of 2014; and about \$95 million due to increased volume on recently awarded programs.

IS&GS' operating profit for the six months ended June 28, 2015 decreased \$53 million, or 15%, compared to the six months ended June 29, 2014. The decrease was primarily attributable to lower operating profit of approximately \$70 million for performance matters on an international program; and additional amortization expense of about \$20 million related to intangible assets associated with recently acquired businesses. The decreases were partially offset by higher operating profit of approximately \$35 million due to risk retirements on various programs and increased volume on recently awarded programs. Adjustments not related to volume, including net profit booking rate adjustments, were \$30 million lower for the six months ended June 28, 2015 compared to the six months ended June 29, 2014.

We expect IS&GS' net sales to decline in 2015 in the mid-single digit percentage range as compared to 2014, primarily driven by the continued downturn in federal information technology budgets, an increasingly competitive environment, including the disaggregation of existing contracts, and new contract award delays, partially offset by increased sales resulting from acquisitions that occurred during the prior year. Operating profit is expected to decline in the low-to-mid teens percentage range in 2015 primarily driven by volume, performance matters on an international program during the first quarter of the year, and an increase in intangible amortization from 2014 acquisition activity, resulting in 2015 margins that are lower than 2014 results.

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Missiles and Fire Control

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

	Quarters Ended		Six Months Ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Net sales	\$ 1,777	\$ 1,891	\$ 3,280	\$ 3,758
Operating profit	303	345	595	703
Operating margins	17.1%	18.2%	18.1%	18.7%

MFC's net sales for the quarter ended June 28, 2015 decreased \$114 million, or 6%, compared to the quarter ended June 29, 2014. The decrease was attributable to lower net sales of approximately \$115 million for air and missile defense programs due to fewer deliveries (including PAC-3) and reduced development activities (primarily Medium Extended Air Defense System (MEADS)).

MFC's operating profit for the quarter ended June 28, 2015 decreased \$42 million, or 12%, compared to the quarter ended June 29, 2014. The decrease was attributable to lower operating profit of approximately \$30 million for fire control programs due to lower risk retirements and volume (including Apache), and about \$25 million for air and missile defense programs due to lower risk retirements (primarily PAC-3). Adjustments not related to volume, including net profit booking rate adjustments, were approximately \$40 million lower for the quarter ended June 28, 2015 compared to the quarter ended June 29, 2014.

MFC's net sales for the six months ended June 28, 2015 decreased \$478 million, or 13%, compared to the six months ended June 29, 2014. The decrease was primarily attributable to lower sales of approximately \$230 million for air and missile defense programs due to fewer deliveries (including PAC-3) and reduced development activities (primarily MEADS); about \$150 million for tactical missile programs due to fewer deliveries (primarily Hellfire, GMLRS, and Joint Air-to-Surface Standoff Missile (JASSM)); and approximately \$125 million for fire control programs due to fewer deliveries (including LANTIRN®, Sniper® and Apache).

MFC's operating profit for the six months ended June 28, 2015 decreased \$108 million, or 15%, compared to the six months ended June 29, 2014. The decrease was attributable to lower operating profit of approximately \$55 million for fire control programs due to lower risk retirements and fewer deliveries (including LANTIRN®, Sniper®, and Apache); and about \$50 million for tactical missile programs due to lower risk retirements and volume (primarily GMLRS and Hellfire) partially offset by a warranty reserve adjustment recorded during the second quarter of 2014 that was not repeated in 2015 (primarily JASSM). Adjustments not related to volume, including net profit booking rate adjustments, were approximately \$65 million lower for the six months ended June 28, 2015 compared to the six months ended June 29, 2014.

We expect MFC's net sales to decline in the mid-single digit percentage range in 2015 as compared to 2014, primarily due to a decline in the services business as a result of the increased competitive environment and a slight decline in our air and missile defense programs. Operating profit is expected to decrease in the high-single digit percentage range, driven by reduced volume and fewer risk retirements in 2015 compared to 2014. Accordingly, operating profit margin is expected to decline from 2014 levels.

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Mission Systems and Training

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

	Quarters Ended		Six Months Ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Net sales	\$ 1,808	\$ 1,771	\$ 3,459	\$ 3,399
Operating profit	234	185	453	435
Operating margins	12.9%	10.4%	13.1%	12.8%

MST's net sales for the quarter ended June 28, 2015 increased \$37 million, or 2%, compared to the quarter ended June 29, 2014. Net sales increased by approximately \$90 million for integrated warfare systems and sensors programs due to the start of new programs (primarily Space Fence) and higher volume (including Aegis). These increases were partially offset by lower net sales of approximately \$75 million for ship and aviation systems programs primarily due to decreased volume (including Merlin Capability Sustainment Program (MCSP)).

MST's operating profit for the quarter ended June 28, 2015 increased \$49 million, or 26%, compared to the quarter ended June 29, 2014. The increase was primarily attributable to higher operating profit of approximately \$50 million due to reserves recorded in 2014 on certain training and logistics solutions programs that were not repeated in 2015; about \$20 million for integrated warfare systems and sensors programs due to increased risk retirements (primarily Halifax Class Modernization); partially offset by lower operating profit of approximately \$20 million for ship and aviation systems programs due to lower risk retirements and volume (including naval launchers). Adjustments not related to volume, including net profit booking rate adjustments and other matters, were approximately \$50 million higher for the quarter ended June 28, 2015 compared to the quarter ended June 29, 2014.

MST's net sales for the six months ended June 28, 2015 increased \$60 million, or 2%, compared to the six months ended June 29, 2014. Net sales increased by approximately \$200 million for integrated warfare systems and sensors programs due to the start of new programs (primarily Space Fence) and volume (including Aegis); and about \$55 million for undersea systems due to an increase in deliveries on various programs. These increases were partially offset by lower net sales of approximately \$195 million for ship and aviation systems programs due to lower volume (including MCSP) and fewer deliveries (primarily MH-60).

MST's operating profit for the six months ended June 28, 2015 increased \$18 million, or 4%, compared to the six months ended June 29, 2014. The increase was primarily attributable to higher operating profit of approximately \$50 million for training and logistics solutions programs due to reserves recorded during the second quarter of 2014 that were not repeated in 2015. These increases were partially offset by lower operating profit of approximately \$40 million for ship and aviation systems programs due to decreased risk retirements (including naval launchers) and lower volume. Adjustments not related to volume, including net profit booking rate adjustments and other matters, were approximately \$10 million higher for the six months ended June 28, 2015 compared to the six months ended June 29, 2014.

We expect MST's 2015 net sales to be comparable to 2014 net sales, with increased volume from new program starts, specifically Space Fence and the Combat Rescue and Presidential Helicopter programs; offset by a decline in volume due to the wind-down or completion of certain programs. Operating profit and margins are also expected to be comparable to 2014 levels.

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Management's Discussion and Analysis of Financial Condition
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Space Systems

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

	Quarters Ended		Six Months Ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Net sales	\$ 2,029	\$ 1,848	\$ 3,983	\$ 3,707
Operating profit	259	248	547	502
Operating margins	12.8%	13.4%	13.7%	13.5%

Space Systems' net sales for the quarter ended June 28, 2015 increased \$181 million, or 10%, compared to the quarter ended June 29, 2014. The increase was attributable to higher net sales of approximately \$105 million for the Orion program due to increased volume; and about \$80 million for businesses acquired in the second half of 2014.

Space Systems' operating profit for the quarter ended June 28, 2015 increased \$11 million, or 4%, compared to the quarter ended June 29, 2014. The increase was attributable to higher operating profit of approximately \$55 million for government satellite programs due to increased risk retirements (primarily Mobile User Objective System (MUOS) and Space Based Infrared System (SBIRS)). The increases were partially offset by lower operating profit of approximately \$40 million primarily due to lower equity earnings for joint ventures. Adjustments not related to volume, including net profit booking rate adjustments and other matters, were approximately \$75 million higher for the quarter ended June 28, 2015 compared to the quarter ended June 29, 2014.

Space Systems' net sales for the six months ended June 28, 2015 increased \$276 million, or 7%, compared to the six months ended June 29, 2014. The increase was attributable to higher net sales of approximately \$210 million for the Orion program due to increased volume; and about \$170 million for businesses acquired in the second half of 2014. These increases were partially offset by lower net sales of approximately \$60 million for government satellite programs due to decreased volume (primarily Advanced Extremely High Frequency (AEHF)); and about \$30 million for strategic and defensive missile systems due to decreased volume.

Space Systems' operating profit for the six months ended June 28, 2015 increased \$45 million, or 9%, compared to the six months ended June 29, 2014. The increase was attributable to higher operating profit of about \$65 million for government satellite programs due to increased risk retirements (primarily MUOS and SBIRS) partially offset by lower volume (AEHF); and approximately \$30 million for the Orion program due to higher volume and risk retirements. These increases were partially offset by lower operating profit of about \$50 million due to decreased equity earnings for joint ventures and other program activities. Adjustments not related to volume, including net profit booking rate adjustments and other matters, were approximately \$125 million higher for the six months ended June 28, 2015 compared to the six months ended June 29, 2014.

Total equity earnings recognized by Space Systems (primarily ULA) represented approximately \$40 million, or 15%, and approximately \$115 million, or 21%, of this business segment's operating profit for the quarter and six months ended June 28, 2015, compared to approximately \$80 million, or 32%, and \$150 million, or 30% for the quarter and six months ended June 29, 2014.

We expect Space Systems' net sales to decline in the low-single digit percentage range in 2015 as compared to 2014, primarily due to lower delivery-based sales in 2015. Operating profit is expected to decline in the mid-to-high single digit percentage range, primarily driven by lower equity earnings in 2015 compared to 2014. As a result, operating profit margin is expected to decline between the years.

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Management's Discussion and Analysis of Financial Condition
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FINANCIAL CONDITION**Liquidity and Cash Flows**

We have a balanced cash deployment strategy to enhance stockholder value and position ourselves to take advantage of new business opportunities when they arise. Consistent with that strategy, we have continued to invest in our business, including capital expenditures, independent research and development and have made selective business acquisitions, while returning cash to stockholders through dividends and share repurchases, and managing our debt levels, maturities and interest rates.

We have generated strong operating cash flows, which have been the primary source of funding for our operations, capital expenditures, acquisitions, debt service and repayments, dividends, share repurchases and postretirement benefit plan contributions. We have accessed the capital markets on limited occasions, as needed or when opportunistic as we did in February 2015 when we issued \$2.25 billion of long-term debt. We expect our cash from operations will continue to be sufficient to support our operations and anticipated capital expenditures for the foreseeable future. As mentioned in the "Capital Resources" section below, we have financing resources available to fund potential cash outflows that are less predictable or more discretionary, should they occur. We also have access to credit markets, if needed, for liquidity or general corporate purposes, including, but not limited to, our revolving credit facility or the ability to issue commercial paper, and letters of credit to support customer advance payments and for other trade finance purposes such as guaranteeing our performance on particular contracts.

As mentioned in the "Business Overview" section, on July 20, 2015, we announced that we entered into a definitive agreement to acquire Sikorsky for \$9.0 billion of cash, subject to certain adjustments. We expect to fund the acquisition through a combination of new debt issuances and available cash. This transaction will not change our previously outlined plan to return cash to shareholders through dividends and stock repurchases, and to reduce outstanding share count to below 300 million shares by 2017, market conditions and our fiduciary obligations permitting.

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

	Six Months Ended	
	June 28, 2015	June 29, 2014
Cash and cash equivalents at beginning of year	\$ 1,446	\$ 2,617
Operating activities		
Net earnings	1,807	1,822
Non-cash adjustments	579	576
Changes in working capital	(1,095)	106
Other, net	929	573
Net cash provided by operating activities	2,220	3,077
Net cash used for investing activities	(218)	(426)
Net cash used for financing activities	(246)	(1,832)
Net change in cash and cash equivalents	1,756	819
Cash and cash equivalents at end of period	\$ 3,202	\$ 3,436

Operating Activities

Net cash provided by operating activities decreased \$857 million for the six months ended June 28, 2015 compared to the six months ended June 29, 2014 primarily due to changes in working capital, partially offset by lower pension contributions. The \$1.2 billion decrease in cash flows related to working capital (defined as receivables and inventories less accounts payable and customer advances and amounts in excess of costs incurred) was attributable to an increase in receivables due to timing of customer collections (primarily F-35 contracts) as well as the timing of production and billing cycles affecting customer advances and progress payments applied to inventories. We made no pension contributions to our qualified defined benefit pension plans during the six months ended June 28, 2015, compared to \$515 million during the six months ended June 29, 2014.

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Investing Activities

Net cash used for investing activities was \$218 million for the six months ended June 28, 2015 compared to net cash used for investing activities of \$426 million for the six months ended June 29, 2014. The decrease was attributable to cash proceeds of approximately \$70 million related to two properties sold in California during the quarter ended June 28, 2015. In addition, during the six months ended June 29, 2014, we paid \$172 million related to the acquisitions of businesses and investments in affiliates. Capital expenditures amounted to \$309 million and \$253 million for the six months ended June 28, 2015 and June 29, 2014. The majority of our capital expenditures were for equipment and facilities infrastructure that generally are incurred to support new and existing programs across all of our business segments. We also incur capital expenditures for information technology to support programs and general enterprise information technology infrastructure, inclusive of costs for the development or purchase of internal-use software.

Financing Activities

Net cash used for financing activities was \$246 million for the six months ended June 28, 2015 compared to net cash used for financing activities of \$1.8 billion for the six months ended June 29, 2014. The difference between the periods was primarily due to proceeds received from the February 2015 debt issuance, partially offset by higher share repurchases of common stock, lower cash received from the issuance of common stock in connection with employee stock option exercises, and higher dividends paid.

On February 20, 2015, we received proceeds of \$2.21 billion for the issuance of \$2.25 billion of fixed interest-rate long-term notes.

Cash received from the issuance of our common stock in connection with employee stock option exercises during the six months ended June 28, 2015 and June 29, 2014 totaled \$84 million and \$223 million. Those exercises resulted in the issuance of 1.1 million and 2.6 million shares of our common stock.

We paid \$1.5 billion and \$1.2 billion to repurchase 7.9 million and 7.7 million shares of our common stock during the six months ended June 28, 2015 and June 29, 2014.

During the six months ended June 28, 2015, we paid dividends totaling \$965 million, which included our 2015 first and second quarter dividends (\$1.50 per share each quarter) and dividend-equivalent cash payments associated with the vesting of the January 2012 restricted stock unit grants. During the six months ended June 29, 2014, we paid dividends totaling \$865 million, which included our 2014 first and second quarter dividends (\$1.33 per share each quarter) and dividend-equivalent cash payments associated with the vesting of the January 2011 restricted stock unit grants.

Capital Resources

At June 28, 2015, we held cash and cash equivalents of \$3.2 billion. As of June 28, 2015, approximately \$600 million of our cash and cash equivalents was held outside of the U.S. by our international subsidiaries. Although those balances are generally available to fund ordinary business operations without legal or other restrictions, a significant portion is not immediately available to fund U.S. operations unless repatriated. Our intention is to permanently reinvest earnings from our international subsidiaries. While we do not intend to do so, if this cash had been repatriated at June 28, 2015, the amount of additional U.S. federal income tax that would be due after considering international tax credits would not be significant.

Our outstanding debt, net of unamortized discounts, amounted to \$8.4 billion, which is inclusive of the issuance of the \$2.25 billion notes in February 2015 (Note 9 under the caption "Long-term Debt"), and mainly is in the form of publicly-issued notes that bear interest at fixed rates. As of June 28, 2015, we were in compliance with all covenants contained in our debt and credit agreements. There were no other material changes during the quarter and six months ended June 28, 2015 to our contractual commitments as presented in "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2014 Form 10-K that were outside the ordinary course of our business.

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Management's Discussion and Analysis of Financial Condition
and Results of Operations (continued)**

At June 28, 2015, we had a \$1.5 billion revolving credit facility with a syndicate of banks that expires in August 2019. We may request and the banks may grant, at their discretion, an increase to the credit facility up to an additional \$500 million. The credit facility also includes a sublimit of up to \$300 million available for the issuance of letters of credit. There were no borrowings outstanding under the credit facility through June 28, 2015. We also have agreements in place with financial institutions to provide for the issuance of commercial paper. There were no commercial paper borrowings outstanding through June 28, 2015. If we were to issue commercial paper, the borrowings would be supported by the credit facility. We also have an effective shelf registration statement on Form S-3 on file with the U.S. Securities and Exchange Commission to provide for the issuance of an indeterminate amount of debt securities.

Our stockholders' equity was \$3.0 billion at June 28, 2015, a decrease of \$418 million from December 31, 2014. The decrease was primarily attributable to the repurchase of 7.9 million common shares for \$1.5 billion and dividends declared of \$1.4 billion during the six months ended June 28, 2015. These decreases were partially offset by net earnings of \$1.8 billion, the amortization of \$425 million in 2015 postretirement benefit plan expense, and employee stock activity of \$321 million (including the impacts of stock option exercises, ESOP activity and stock-based compensation). As we repurchase our common shares, we reduce common stock for the \$1 of par value of the shares repurchased, with the excess purchase price over par value recorded as a reduction of additional paid-in capital. If additional paid-in capital is reduced to zero, we record the remainder of the excess purchase price over par value as a reduction of retained earnings.

OTHER MATTERS

Status of the F-35 Program

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

The U.S. Government continues to complete various operational tests, including ship trials, mission system evaluations, and weapons testing, with the F-35 aircraft fleet recently surpassing 30,000 flight hours. Progress continues to be made on the production of aircraft. In preparation for the U.S. Marine Corps' (USMC) initial operating capability anticipated in 2015, the USMC conducted operational and integration tests aboard the USS Wasp, including night landings on the carrier. As of June 28, 2015, we have delivered 128 production aircraft to our U.S. and international partners and have 81 production aircraft in backlog, including orders from our international partners.

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

Contingencies

See Note 7 for information regarding our contingent obligations, including off-balance sheet arrangements.

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Management's Discussion and Analysis of Financial Condition
and Results of Operations (continued)**

Critical Accounting Policies

There have been no significant changes to the critical accounting policies we disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2014 Form 10-K.

Goodwill

We continue to experience uncertainty in our business environment due to significant fiscal and economic challenges facing the U.S. Government, our primary customer, as well as market pressures. While initiatives such as the Bipartisan Budget Act provided a more measured and strategic approach to addressing the U.S. Government's fiscal challenges through 2015, budget reductions, including sequestration, remain a long-term concern as the Bipartisan Budget Act retained sequestration cuts for GFYs 2016 through 2021 and the across-the-board spending reduction methodology provided for in the Budget Control Act. Generally, our businesses with smaller, short-term contracts are the most susceptible to the impacts of budget reductions, such as our Civil reporting unit within our IS&GS business segment, Technical Services reporting unit within our MFC business segment and certain services businesses within our MST business segment. The Civil reporting unit has been impacted by the continued downturn in certain federal agencies' information technology budgets and increased re-competition on existing contracts coupled with fragmentation of large contracts into multiple smaller contracts that are awarded primarily on the basis of price.

The carrying value of our Civil reporting unit included goodwill of \$2.2 billion as of June 28, 2015. In our last annual goodwill impairment analysis, which was performed in the fourth quarter of 2014, we estimated that the fair value of our Civil reporting unit exceeded its carrying value by a margin of approximately 15%. Budget reductions, contract cancellations and terminations or market pressures could cause our sales, earnings and cash flows to further decline below our current projections. Similarly, market factors utilized in the impairment analysis, including long-term growth rates, discount rates and market pricing multiples, could negatively impact the fair value of our reporting units. Based on our assessment of these circumstances, we have determined that our Civil reporting unit is at risk of a future goodwill impairment should there be further deterioration of projected cash flows, negative changes in market factors or a significant increase in the carrying value of this reporting unit.

Impairment assessments inherently involve management judgments regarding a number of assumptions such as those described above. Due to the many variables inherent in the estimation of a reporting unit's fair value and the relative size of our recorded goodwill, differences in assumptions could have a material effect on the estimated fair value of one or more of our reporting units and could result in a goodwill impairment charge in a future period.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued a new standard that will change the way we recognize revenue and significantly expand the disclosure requirements for revenue recognition. On July 9, 2015, the FASB approved a one-year deferral of the effective date of the standard to 2018 for public companies, with an option that would permit companies to adopt the standard as early as the original effective date of 2017. Early adoption prior to the original effective date is not permitted. In addition, the FASB is contemplating making additional changes to certain elements of the new standard. See Note 9 (under the caption "New Accounting Pronouncements") for additional information related to this new standard.

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ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

For quantitative and qualitative disclosures about market risk, refer to the following sections of our Annual Report on Form 10-K for the year ended December 31, 2014: “Quantitative and Qualitative Disclosures About Market Risk,” Note 1, under the caption “Derivative financial instruments,” and Note 9. Our exposures to market risk have not changed materially since December 31, 2014.

ITEM 4. Controls and Procedures.

We performed an evaluation of the effectiveness of our disclosure controls and procedures as of June 28, 2015. The evaluation was performed with the participation of senior management of each business segment and key Corporate functions, under the supervision of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO). Based on this evaluation, the CEO and CFO concluded that our disclosure controls and procedures were operating and effective as of June 28, 2015.

There were no changes in our internal control over financial reporting during the quarter ended June 28, 2015 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Forward-Looking Statements

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

- our reliance on contracts with the U.S. Government, all of which are conditioned upon the availability of funding;
- declining budgets; affordability initiatives; the implementation of automatic sequestration under the Budget Control Act of 2011; U.S. Government operations under a continuing resolution or the failure to adopt a budget which may cause contracts to be delayed, canceled or funded at lower levels or which may impact our operating results and cash flows;
- risks related to the development, performance, schedule, cost and requirements of complex and technologically advanced programs including our largest, the F-35 program;
- economic, industry, business and political conditions (domestic and international) including their effects on governmental policy;
- our success in growing international sales and expanding into adjacent markets and risks associated with doing business in new markets and internationally;
- the competitive environment for our products and services, including increased market pressures in our services businesses, competition from outside the aerospace and defense industry, and increased bid protests;
- planned production rates for significant programs and compliance with stringent performance and reliability standards;
- the performance of key suppliers, teammates, venture partners, subcontractors and customers;
- the timing and customer acceptance of product deliveries;
- our ability to attract and retain key personnel and transfer knowledge to new personnel; the impact of work stoppages or other labor disruptions;
- the impact of cyber or other security threats or other disruptions to our businesses;
- our ability to implement, pace and effect capitalization changes such as share repurchase activity and pension funding or debt levels;
- our ability to recover certain costs under U.S. Government contracts and changes in contract mix;
- the accuracy of our estimates and projections;
- risk of a future impairment of goodwill or other long-term assets;
- movements in interest rates and other changes that may affect pension plan assumptions and actual returns on pension plan assets;

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- realizing the anticipated benefits of acquisitions or divestitures, ventures, teaming arrangements or internal reorganizations, and our efforts to increase the efficiency of our operations and improve the affordability of our products and services;
- the satisfaction of conditions to (including regulatory approvals) and consummation of our previously announced acquisition of Sikorsky, the timing and terms of any financing for such acquisition, and our ability to successfully integrate the Sikorsky business and realize synergies and other expected benefits of the transaction;
- the terms, timing or structure of a potential transaction related to our government IT and technical services businesses (or whether any such transaction will take place at all);
- the adequacy of our insurance and indemnities;
- materials availability;
- the effect of changes in or interpretation of: legislation, regulation or policy, including those applicable to procurement, cost allowability or recovery, accounting, taxation, or export; and
- the outcome of legal proceedings, bid protests, environmental remediation efforts, government allegations that we have failed to comply with law, other contingencies and U.S. Government identification of deficiencies in our business systems.

These are only some of the factors that may affect the forward-looking statements contained in this Form 10-Q. For a discussion identifying additional important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see our filings with the U.S. Securities and Exchange Commission (SEC) including, but not limited to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014 and this Form 10-Q. Our filings may be accessed through the Investor Relations page of our website, www.lockheedmartin.com/investor, or through the website maintained by the SEC at www.sec.gov.

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

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PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.

We are a party to or have property subject to litigation and other proceedings that arise in the ordinary course of our business, including matters arising under provisions relating to the protection of the environment and are subject to contingencies related to certain businesses we previously owned. These types of matters could result in fines, penalties, compensatory or treble damages or non-monetary relief. We believe the probability is remote that the outcome of these matters will have a material adverse effect on the Corporation as a whole, notwithstanding that the unfavorable resolution of any matter may have a material effect on our net earnings in any particular interim reporting period. We cannot predict the outcome of legal or other proceedings with certainty. These matters include the proceedings summarized in Note 7 in this Form 10-Q and Note 12 in our Annual Report on Form 10-K for the year ended December 31, 2014 (2014 Form 10-K) filed with the U.S. Securities and Exchange Commission.

We are subject to federal, state, local and foreign requirements for protection of the environment, including those for discharge of hazardous materials and remediation of contaminated sites. As a result, we are a party to or have our property subject to various lawsuits or proceedings involving environmental protection matters. Due in part to their complexity and pervasiveness, such requirements have resulted in us being involved with related legal proceedings, claims and remediation obligations. The extent of our financial exposure cannot in all cases be reasonably estimated at this time. For information regarding these matters, including current estimates of the amounts that we believe are required for remediation or clean-up to the extent estimable, see Note 7 in this Form 10-Q. See also "Critical Accounting Policies – Environmental Matters" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 12, each in our 2014 Form 10-K for a description of previously reported matters.

As a U.S. Government contractor, we are subject to various audits and investigations by the U.S. Government to determine whether our operations are being conducted in accordance with applicable regulatory requirements. U.S. Government investigations of us, whether relating to government contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed upon us, or could lead to suspension, proposed debarment, debarment from eligibility for future U.S. Government contracting or suspension of export privileges. Suspension or debarment could have a material adverse effect on us because of our dependence on contracts with the U.S. Government. U.S. Government investigations often take years to complete and many result in no adverse action against us. We also provide products and services to customers outside of the U.S., which are subject to U.S. and foreign laws and regulations and foreign procurement policies and practices. Our compliance with local regulations or applicable U.S. Government regulations also may be audited or investigated.

ITEM 1A. Risk Factors.

While we attempt to identify, manage and mitigate risks and uncertainties associated with our business to the extent practical under the circumstances, some level of risk and uncertainty will always be present. "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2014 (2014 Form 10-K) describes some of the risks and uncertainties associated with our business, including U.S. Government defense spending priorities, as further described in the "Industry Considerations" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-Q. These risks and uncertainties have the potential to materially affect our business, results of operations, financial condition, cash flows, projected results and future prospects. The information below describes material changes from the risk factors disclosed in our 2014 Form 10-K and should be read in conjunction with the risk factors and information described therein.

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

In pursuing our business strategy, we routinely conduct discussions, evaluate targets and enter into agreements regarding possible acquisitions, divestitures, ventures and equity investments. We seek to identify acquisition or investment opportunities that will expand or complement our existing products and services or customer base, at attractive valuations. We often compete with others for the same opportunities. To be successful, we must conduct due diligence to identify valuation issues and potential loss contingencies, negotiate transaction terms, complete and close complex transactions, integrate acquired companies and employees and realize anticipated operating synergies efficiently

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and effectively. Acquisition, divestiture, venture and investment transactions often require substantial management resources and have the potential to divert our attention from our existing business. Unidentified pre-closing liabilities could affect our future financial results, particularly successor liability under anti-corruption, import-export and technology transfer laws which provide for civil and criminal penalties and the potential for debarment. We also may incur unanticipated costs or expenses, including post-closing asset impairment charges, expenses associated with eliminating duplicate facilities, employee retention, transaction-related or other litigation, and other liabilities. Any of the foregoing could adversely affect our business and results of operations.

On July 20, 2015, we announced that we entered into a definitive agreement to acquire Sikorsky Aircraft (Sikorsky). We believe that we will benefit from the integration of our products and technologies with those of the Sikorsky business, and realize synergies and potential for long term growth and expanded capabilities and customer relationships as a result of the acquisition. However, we may not be able to capture anticipated synergies and cost savings and business opportunities in the time frame anticipated, or at all, and Sikorsky may not perform as expected. In addition, we anticipate that the acquisition of Sikorsky will qualify for a joint election under Section 338(h)(10) of the Internal Revenue Code. However, we may not be able to realize the intended tax benefits from the transaction. The acquisition is subject to customary closing conditions, including regulatory approvals, and there can be no assurance that we will receive the required approvals in a timely manner or at all, or that such approvals will not contain adverse conditions. We expect to fund the purchase price for the acquisition with a combination of new debt issuances and available cash. However, we do not currently have financing commitments or other arrangements in place for such new debt and we may be unable to obtain the necessary debt to finance the purchase price on favorable terms or at all, and the issuance of such debt could also affect our credit rating and cost of debt and result in an increase in our leverage ratio under our revolving credit agreement. The announcement and pendency of the acquisition could also cause disruptions in our and Sikorsky's business, including potential adverse reactions or changes to business relationships and competitive responses to any transaction. Any of the foregoing could adversely affect our business, financial condition and results of operations.

On July 20, 2015, we also announced that we will conduct a strategic review of our government IT infrastructure services business within our Information Systems & Global Solutions business segment and our technical services business within our Missiles and Fire Control business segment. There can be no assurance of the terms, timing or structure of any transaction involving such business, or whether any such transaction will take place at all, and any such transaction is subject to risks and uncertainties.

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

There were no sales of unregistered equity securities during the quarter ended June 28, 2015.

The following table provides information about our repurchases of our common stock that is registered pursuant to Section 12 of the Securities Exchange Act of 1934 during the quarter ended June 28, 2015.

Period (a)	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Amount Available for Future Share Repurchases Under the Plans or Programs (b) (in millions)
March 30, 2015 – April 26, 2015	1,579,848	\$ 198.93	1,579,709	\$ 2,753
April 27, 2015 – May 31, 2015	2,507,555	\$ 190.81	2,507,533	\$ 2,274
June 1, 2015 – June 28, 2015	<u>760,576</u>	\$ 189.80	<u>760,576</u>	\$ 2,130
Total	4,847,979 ^(c)	\$ 193.30	4,847,818	\$ 2,130

(a) We close our books and records on the last Sunday of each month to align our financial closing with our business processes, except for the month of December, as our fiscal year ends on December 31. As a result, our fiscal months often differ from the calendar months. For example, April 26, 2015 was the last day of our April 2015 fiscal month.

(b) In October 2010, our Board of Directors approved a share repurchase program pursuant to which we are authorized to repurchase our common stock in privately negotiated transactions or in the open market at prices per share not exceeding the then-current market prices. Under the program, management has discretion to determine the dollar amount of shares to be repurchased and the timing of any repurchases in compliance with applicable law and regulation. This includes purchases pursuant to Rule 10b5-1 plans. The program does not have an expiration date.

(c) During the quarter ended June 28, 2015, the total number of shares purchased included 161 shares that were transferred to us by employees in satisfaction of minimum tax withholding obligations associated with the vesting of restricted stock units. These purchases were made pursuant to a separate authorization by our Board of Directors and are not included within the program.

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ITEM 6. Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
10.1	Lockheed Martin Corporation Executive Severance Plan, as amended and restated effective June 1, 2015.
10.2	Non-Employee Director Compensation Summary (incorporated by reference to Exhibit 10.1 to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on June 26, 2015).
10.3	Lockheed Martin Corporation Supplemental Retirement Plan, as amended and restated.
10.4	Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation, as amended and restated.
15	Acknowledgment of Ernst & Young LLP, Independent Registered Public Accounting Firm
31.1	Certification of Marillyn A. Hewson pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Bruce L. Tanner pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Marillyn A. Hewson and Bruce L. Tanner pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Lockheed Martin Corporation

SIGNATURE

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

Lockheed Martin Corporation
(Registrant)

Date: July 22, 2015

By: /s/ Brian P. Colan
Brian P. Colan
Vice President and Controller
(Duly Authorized Officer and Chief Accounting Officer)

**LOCKHEED MARTIN CORPORATION
EXECUTIVE SEVERANCE PLAN**

Originally Effective January 1, 2008
Amended and Restated Effective June 26, 2008
Amended and Restated Effective December 31, 2010
Amended and Restated Effective April 3, 2012
Amended and Restated Effective September 18, 2012
Amended and Restated Effective December 14, 2012
Amended and Restated Effective November 1, 2013
Amended and Restated Effective June 1, 2015

This document sets forth the terms of the Lockheed Martin Corporation Executive Severance Plan (formerly known as the Lockheed Martin Corporation Severance Benefit Plan for Certain Management Employees) (the "Plan"). The Plan provides benefits to Eligible Employees who leave the employment of the Corporation as a result of an Executive Layoff Event and otherwise satisfy the eligibility requirements of the Plan. The Plan is intended to constitute an employee welfare benefit plan under the Employee Retirement Income Security Act of 1974 ("ERISA") that provides severance benefits to a select group of management or highly compensated employees.

1. **Definitions.** The following terms when capitalized have the following meaning:

- (a) **Affiliate** - Any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporations), is owned or controlled (directly or indirectly) by the Company or by one or more of its Affiliates, or by a combination thereof.
- (b) **Annual Base Pay** – The annual base salary of an Eligible Employee at the time of the Eligible Employee's Termination of Employment, excluding management incentive compensation, overtime, or any other additions to salary.
- (c) **Base Pay** -The Annual Base Pay of an Eligible Employee divided by 52. Base Pay shall not include management incentive compensation, overtime or any other additions to salary.
- (d) **Basic Severance Benefit** - The benefit payable under Section 5(a) of the Plan.
- (e) **Cause** - Any of the following: (i) Commission of a crime that the Company determines could harm the Company's reputation or financial prospects or could subject the Company to penalties or sanctions; (ii) A violation of any of the Company's corporate policy statements that involve compliance with law which violation the Company determines could harm the Company's reputation or financial prospects; (iii) A violation of the Company's Code of Ethics and Business Conduct that the Company determines could harm the Company's reputation or financial prospects; (iv) Refusal to cooperate with the Company in a Company investigation; or (v) Any similar conduct with respect to which the Company determines in its sole discretion that the payment of a benefit under the Plan would not be in the Company's best interest.
- (f) **Claims Administrator** – The Committee, in the case of an Officer, and the Savings Plan Administrative Committee, in the case of any other Employee.
- (g) **Committee** – The Management Development and Compensation Committee of the Company's Board of Directors.

- (h) **Company** - Lockheed Martin Corporation. For the purposes of the Plan, the term "Company" shall include any successor entity (by merger or otherwise).
- (i) **Eligible Employee** – An Employee who satisfies the requirements for eligibility for coverage under Section 3 and who is not covered by any of the exceptions described in Section 4.
- (j) **Employee** – An individual who is employed by the Company and is treated on the Company's payroll records as a salaried employee of the Company. The term "Employee" includes an Officer but does not include anyone who is not a citizen or resident of the United States and whose duties are primarily performed outside the United States.
- (k) **Executive Layoff Event** – Termination of Employment of an Eligible Employee that is (i) initiated by the Company (including under a separation window program offered by the Company that incorporates the terms of this Plan or a portion thereof and that meets the applicable exception from Code section 409A and the accompanying Treasury Regulations) for reasons other than for Cause; and (ii) designated by the Board of Directors in the case of an Officer, or the Senior Vice President, Human Resources or his or her delegate in the case of any Eligible Employee other than an Officer, as an Executive Layoff Event. An Executive Layoff Event does not include a termination that is described in Section 4.
- (l) **Follow-on Benefits** – A payment equal to the cost to the Eligible Employee of continuing for one year his or her coverage under the Company's medical, dental and vision plans under the plans and with the same level of coverage as elected by the Eligible Employee during open enrollment for the Plan Year in which the Executive Layoff Event occurs (but excluding flexible spending account plans). The amount will be equal to the cost charged Employees for coverage provided by the Company pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1987 (COBRA coverage).
- (m) **Full Bonus Equivalent** - An amount equal to an Eligible Employee's Annual Base Pay multiplied by the target level assigned to the Eligible Employee under Paragraph B of Exhibit A to the Lockheed Martin Corporation 2006 Management Incentive Compensation Plan (Performance-Based) or any successor plan.
- (n) **Officer** – An Employee who is elected as an officer of the Company by the Board of Directors.
- (o) **Plan Administrator** - Lockheed Martin Corporation.
- (p) **Plan Year** – The 12-month period beginning on January 1 each year and ending on the following December 31.
- (q) **Prorated Bonus Equivalent** – With respect to an Eligible Employee who is a participant in the Lockheed Martin Corporation 2006 Management Incentive Compensation Plan (2006) (or any successor plan), the Attorney Incentive Plan, or the Lockheed Martin Corporation Cyber Compensation Plan, or, with respect to Eligible Employees who are not Officers, other annual incentive plan that is designated by the Senior Vice President, Human Resources in his or her sole discretion, an amount equal to (i) an Eligible Employee's Base Pay multiplied by the target percentage assigned to the Eligible Employee under the applicable annual incentive plan, or, with respect to an Eligible Employee who is a participant in the Lockheed Martin Corporation Employee Incentive Plan, or, with respect to Eligible Employees who are not Officers, other annual incentive plan that is designated by the Senior Vice President, Human Resources in his or her sole discretion, an amount equal to (ii) an Eligible Employee's Base Pay multiplied by the percentage assigned to the "achieved" payout under the applicable annual incentive plan and (iii) then multiplying the product obtained under (i) or (ii), as applicable, by the number of weeks in the Plan Year in which the Executive Layoff Event occurs for which the Eligible Employee was paid by the Company for at least one day. For the purposes of this Section 1(q), no week may be counted twice. For the avoidance of doubt, (l) no Eligible Employee who, at the time of the Executive Layoff Event, works for Lockheed Martin Investment Management

Company and is a participant in any Lockheed Martin Investment Management Company investment incentive plan will receive a Prorated Bonus Equivalent under the Plan; rather, any bonus payable under any such investment incentive plan will be governed by the terms of that investment incentive plan; and (II) no Eligible Employee who receives a Pro Rata Bonus Equivalent under the Plan will be eligible to receive any payment under the applicable annual incentive plan for the year in which the Executive Layoff Event occurs.

- (r) **Salaried Employee Plan** - The Severance Benefit Plan for Eligible Salaried Employees of Lockheed Martin Corporation or any successor plan that provides benefits in the case of a layoff or reduction in force to salaried employees of the Company or its Affiliates.
- (t) **Severance Benefit** - Benefits payable under the Plan which could be a Basic Severance Benefit or a Supplemental Severance Benefit.
- (u) **Supplemental Severance Benefit** - The benefit payable under Section 5(b) of the Plan.
- (v) **Termination of Employment** - A separation from service as such term is defined in Code section 409A and the regulations thereunder.
- (w) **Years of Service** - The number of consecutive calendar months from (and including) the month of the Eligible Employee's date of hire through and including the month in which the applicable Employee's Executive Layoff Event occurs, divided by 12, subject to the following:
 - (i) Service Limited to Whole Years. Fractional Years of Service will be disregarded, so that only full Years of Service will be recognized. The only exception relating to fractional years of service pertains to Eligible Employees who have more than six months of service, but less than a full year of service, in which case the Years of Service will be calculated as one year;
 - (ii) Certain Periods of Leave. Time periods of leave during the Employee's employment that do not or would not qualify for credited service under the pension plan applicable to the Eligible Employee will be deducted from the total period of employment to calculate the Eligible Employee's Years of Service;
 - (iii) An Eligible Employee's Years of Service under the foregoing rules shall never exceed the actual number of full years worked by the Employee for the Company.

2. **Effective Date.** The Plan shall be effective with respect to Executive Layoff Events that occur and are announced on or after January 1, 2008. Amendments to the Plan are effective as of the dates set forth above.

3. **Eligibility for Coverage.** An Employee shall be eligible for coverage under the Plan if the Employee satisfies all of the following:

- (a) At the time of the Executive Layoff Event, the Employee is either:
 - (i) an Officer;
 - (ii) a Level 7 or Level 8 Employee;

(iii) any other Employee (other than an Employee described in (i) or (ii) of this Section 3(a)) who is designated in writing by the Senior Vice President, Human Resources or his or her delegate as eligible to participate in the Plan, provided that such Employee was an Employee described in (i) or (ii) of this Section 3(a) within the 6-month period prior to the date that the Employee is designated as eligible for the Plan.

- (b) The Employee has not waived coverage under the Plan;
- (c) The Employee is not receiving a benefit under the Salaried Employee Plan and is not a party to another plan, agreement or arrangement providing severance or similar benefits on account of termination of employment;
- (d) The Employee is not disqualified for a Severance Benefit because the Employee's Termination of Employment is on account of one of the exceptions set forth in Section 4; and
- (e) The Senior Vice President, Human Resources or his or her delegate determines in his or her sole discretion that the Employee's employment has terminated or will terminate on account of Executive Layoff Event (including acceptance of a separation window program offered by the Company that incorporates this Plan or a portion thereof by reference). In the case of an Officer, this determination will be made by the Committee in its sole discretion.

4. **Exceptions To Coverage As An Executive Layoff Event.** Notwithstanding Section 3 or anything else to the contrary, an Employee's Executive Layoff Event will not be considered to have occurred and the Employee will not be entitled to a Severance Benefit if:

- (a) the Employee is transferred to or assumes another position within the Company or with any Affiliate;
- (b) the Employee is transferred to, assumes, or is offered a job or position with (A) a purchaser of stock of the Company, or of assets of the Company, or of a business unit(s) of the Company, or of stock or other equity interests or assets of an Affiliate(s) or of a business unit(s) of an Affiliate; (B) the surviving entity following a merger or consolidation of the Company or an Affiliate(s) with another entity; (C) an entity serving as a contractor or a succeeding contractor (including a subcontractor or outsourcer) for business or functions performed by the Company; (D) an entity including but not limited to a joint venture, limited liability company or partnership to whom control of a business unit, organization or function within the Company or a business unit of the Company or of an Affiliate, or contract is transferred, whether by a stock or asset sale or other means; or (E) an affiliate of any such purchaser, contractor, succeeding contractor, subcontractor, outsourcer or entity;
- (c) the Employee is terminated for Cause; or
- (d) the Employee (i) terminates employment on his or her own initiative including retirement, resignation, failure to return from leave of absence or disability, or (ii) dies. If an Employee elects to retire concurrent with an Executive Layoff Event, then the Employee will not fall within this exception to coverage.

5. **Calculation of Severance Benefit.**

- (a) Basic Severance Benefit Applicable to all Eligible Employees. The Basic Severance Benefit payable to an Eligible Employee shall equal two weeks of the Eligible Employee's Base Pay.
- (b) Supplemental Severance Benefit. The following Supplemental Severance Benefits are in addition to the Basic Severance Benefit and are available only to Eligible Employees who within 45 calendar

days of the Eligible Employee's Termination of Employment as a result of an Executive Layoff Event execute (i) a valid and binding written release of the Company and its directors, officers and Employees of claims of any kind or nature in respect of the Employee's employment with the Company and any predecessor employer (and each of their affiliates) in the form supplied by the Company; and do not revoke any such release of claims within any revocation period provided for in the release of claims, and, (ii) except where prohibited under applicable law, a Post-Employment Conduct Agreement substantially in the form attached to the Plan as Exhibit A.1 (for Officers) or A.2 (for Eligible Employees who are not Officers) and as amended to reflect specific jurisdictional or other requirements.

- (i) For the Chief Executive Officer – a lump sum payment equal to the sum of 2.99 times Annual Base Pay plus 2.99 times Full Bonus Equivalent plus Follow-on Benefits.
 - (ii) For an Officer other than the Chief Executive Officer – a lump sum payment equal to the sum of Annual Base Pay plus Full Bonus Equivalent plus Follow-on Benefits.
 - (iii) For an Eligible Employee under Section 3(a)(ii) or (iii) who is not an Officer on the date of the Eligible Employee's Executive Layoff Event– a lump sum payment equal to the sum of:
 - (a) 15 weeks of the Eligible Employee's Base Pay; plus
 - (b) the product of the number of full Years of Service credited to the Eligible Employee multiplied by the Eligible Employee's weekly rate of Base Pay; provided that the sum of (a) and (b) of this Section 5 (b)(iii) may not exceed 39 weeks of the Eligible Employee's Base Pay; plus
 - (c) the Eligible Employee's Pro Rata Bonus Equivalent, provided that in order to be eligible for payment of Pro Rata Bonus Equivalent, the Eligible Employee must be employed on a full time basis during the first calendar quarter of the Plan Year in which the Eligible Employee's Executive Layoff Event occurs with a termination date no earlier than April 1 of such Plan Year; plus
 - (d) Follow-on Benefits.
 - (iv) In addition to the applicable amount specified in Section (b) (i), (ii), or (iii) above, an Eligible Employee who is receiving a Supplemental Severance Benefit also will be eligible to receive (a) outplacement services for one year (or, with respect to Eligible Employees who are not Officers, the cash value of the outplacement services as set forth in Section 5(c)(iii)(a), if applicable); and (b) if the Eligible Employee relocated in order to fill the position held by the Eligible Employee at the time of the Executive Layoff Event, he or she will also be eligible for relocation services in accordance with CPS 538 (or, with respect to Eligible Employees who are not Officers and who relocated pursuant to CPS 538 within 60 months prior to their Executive Layoff Event, the cash payment set forth in Section 5(c)(iii)(b), if applicable).
- (c) Timing of Payment of Severance Benefit - The amount of the Severance Benefit payable under Section 5(a) and Section 5 (b)(i), (ii) or (iii) above will be paid in a lump sum, less applicable tax withholdings as follows:
- (i) In the case of payment of a Basic Severance Benefit, within 90 days following the Eligible Employee's Executive Layoff Event, but in no event later than the March 15 immediately following the year in which the Eligible Employee's Executive Layoff Event; and
 - (ii) In the case of payment of a Supplemental Severance Benefit, within 90 days following the Eligible Employee's (a) Executive Layoff Event, and (b) execution of a release of claims and

the expiration of any applicable revocation period thereunder following such Executive Layoff Event, but in no event later than the March 15 immediately following the year in which the Eligible Employee's Executive Layoff Event occurs. Outplacement and relocation expenses paid as part of the Supplemental Severance Benefit will be provided by a third party provider selected by the Company. Outplacement or relocation expenses will be paid by the Company to the third party providing the services following billing to the Company and must be incurred no later than December 31 of the second year following the year in which the Eligible Employee's Executive Layoff Event occurred and paid by the Company no later than December 31 of the third year following the year in which the Eligible Employee's termination of employment occurred. To the extent that (i) Internal Revenue Code Section 409A applies to any payment under this Plan, and (ii) the employee is required to sign a release of claims or noncompetition agreement in order to receive payment, payments under this Plan shall be made no later than 90 days following the Executive Layoff Event; provided that if the payment period or the period in which the employee may consider whether to sign the release or other agreement spans two taxable years, payment shall be made or shall commence in the later taxable year.

(iii) Notwithstanding the foregoing:

- (a) an Eligible Employee other than an Officer may elect to receive (in lieu of outplacement services) a cash payment equal to \$10,000 for Level 7 Employees and \$15,000 for Level 8 Employees.
- (b) an Eligible Employee who is not an Officer and who relocated pursuant to CPS 538 within 60 months prior to his or her Executive Layoff Event may elect to receive (in lieu of relocation services) a cash payment in the amount of \$75,000.
- (c) The cash payments described in Section 5(c)(iii) will be paid (less applicable tax withholdings) on the same terms and conditions as the Supplemental Severance Benefit within 90 days following the Eligible Employee's (a) Executive Layoff Event, and (b) execution of a release of claims and the expiration of any applicable revocation period thereunder following such Executive Layoff Event, but in no event later than the March 15 immediately following the year in which the Eligible Employee's Executive Layoff Event occurs; provided that, to the extent that a payment is subject to Code section 409A, if the payment period or the period during which the employee may consider whether to execute the release spans two taxable years, the payment shall be made in the later taxable year. The elections described in this Section 5(c)(iii) shall be made at such time and in such manner as determined by the Company in its sole discretion. If no such election is made, the Eligible Employee shall remain eligible for outplacement and relocation services as set forth in Section 5(c)(ii), and the amounts paid by the Company for such services shall be reported as taxable income to the Eligible Employee.
- (d) Maximum Benefit Payable – Notwithstanding anything in the Plan to the contrary, if the total amount of benefits, including Plan benefits, provided to an Eligible Employee would result in an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended, the Company, in its sole discretion, may reduce the benefits provided under the Plan so that the total payment will not result in an excess parachute payment to the Eligible Employee.
- (e) Specified Employees – The benefits under this Plan are intended to meet the exceptions under Code section 409A for short term deferrals, involuntary severance payments, and/or benefits payable within a limited time after separation from service. However, to the extent any benefit payable under this Plan

to an Eligible Employee who is a "specified employee" (as defined in Code section 409A) is subject to Code section 409A, such benefit payment shall be delayed until 6 months following the month in which the Eligible Employee has a Termination of Employment from the Company.

6. Further Conditions on Payment of Severance Benefit.

- (a) The Company retains the right to condition payment of a Basic Severance Benefit or Supplemental Severance Benefit upon the Eligible Employee maintaining fully satisfactory work performance until the effective date of the Eligible Employee's Executive Layoff Event as agreed to by the Company, including the Eligible Employee's faithful performance of any remaining obligations the Eligible Employee may owe to the Company such as prompt reimbursement to the Company for cash advances and debit balances and the return of all Company property. To the extent the Eligible Employee fails to maintain fully satisfactory work performance until the effective date of the Eligible Employee's Executive Layoff Event, such Eligible Employee shall forfeit his or her Basic Severance Benefit and/or Supplemental Severance Benefit, in their entirety, to the extent of any such benefit.
- (b) In the event an Eligible Employee who is entitled to a Supplemental Severance Benefit becomes employed by the Company (or an Affiliate) prior to the first anniversary of his or her Executive Layoff Event, the Eligible Employee shall be obligated to repay to the Company an amount equal to the amount of the Employee's Supplemental Severance Benefit multiplied by a fraction, the numerator of which is the number of weeks (capped at 52) in the one-year period following the Employee's termination of employment during which the Employee is employed by the Company and the denominator of which is fifty-two (52).
- (c) If an Eligible Employee dies after his or her Termination of Employment, but before payment of a Basic Severance Benefit is made, the Basic Severance Benefit will be paid to his or her estate. If an Eligible Employee dies after he or she has signed the release of claims and the release of claims is delivered to the Company within the time limit provided in Section 5(b) of the Plan, then the Supplemental Severance Benefit will be paid to his or her estate in accordance with the timing rules in Section 5(d).
- (d) The benefits under the Plan are in lieu of, and not in addition to, any other severance or similar benefits for which the Eligible Employee may be eligible under any Company plan, policy, agreement or arrangement (including but not limited to the Salaried Employee Plan). As a condition to receiving a benefit under the Plan, the Company may require that the Eligible Employee waive rights under all other plans, policies, agreements or arrangements providing severance or similar benefits or may reduce the amount payable under the Plan by the amount payable under any other such plan policy, agreement or arrangement. In no event shall the Company's administration of the Plan in accordance with the preceding sentence operate to delay payment of a benefit under the Plan to an Eligible Employee beyond March 15th immediately following the year in which such Eligible Employee's Executive Layoff Event occurs.

7. Administration. The Company may appoint or employ such persons as it deems necessary to render advice with respect to any responsibility of the Company under the Plan. The Committee, with respect to Officers, and the Savings Plan Administrative Committee, with respect to all other Employees shall determine the eligibility of any Employee to participate in the Plan and the right of any Employee to any benefit and the amount of any benefit payable under the Plan to any individual. The Committee and the Savings Plan Administrative Committee shall have the discretionary authority to interpret any term of the Plan.

8. Claims Procedure.

- (a) The Senior Vice President, Human Resources or his or her delegate shall notify each Eligible Employee who has been determined to have incurred an Executive Layoff Event and who is eligible to receive benefits under the Plan and shall provide any forms required in connection with application for

such benefits. If any Employee disagrees with determination of his or her benefits, the Employee may submit a written statement to the Claims Administrator describing the basis of the claim for benefits, together with any forms required in connection with application for a benefit, at any time within the 120 day period following the date on which the Employee claims to have become entitled to the Basic Severance Benefits or the Supplemental Severance Benefits.

- (b) The procedures when a claim under the Plan is wholly or partially denied are as follows:
- (i) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.
 - (ii) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his or her duly authorized representative may request review of the denial of his or her claim by the Claims Administrator.
 - (iii) In connection with review by the Claims Administrator, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits under the Plan to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under federal law.
 - (iv) The Claims Administrator will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended by the Claims Administrator to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60-day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached. The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information "relevant" to the claimant's claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant's right to obtain information about such

procedures, if any; and (6) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review. In the event that the Claims Administrator must make a determination of disability in order to decide a claim, the Claims Administrator shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The Claims Administrator shall render a decision within a reasonable time (not to exceed 90 days) after the claimant's request for review, rather than within 120 days as set forth in the above paragraph.

(v) In filing a claim or appeal under this Section 8, an Employee at his or her option may act through an authorized representative.

9. **Funding.** The Plan shall not be funded through a trust, insurance contract or otherwise, and all benefit payments from the Plan shall be made from the general assets of the Company. Accordingly, an Employee shall not have any claim against specific assets of the Company, and shall be only a general creditor, with respect to any rights he/she may have under the Plan.
10. **Amendment and Termination of Plan.** The Plan may be amended, in whole or in part, at any time by action of the Committee or by any authorized delegate, without notice, except that any amendment that would change the eligibility requirements or the amount of benefits payable under the Plan must be approved by the Committee. The Plan may be terminated by action of the Committee at any time. Upon termination of the Plan, the Company shall have no further liability hereunder, and all Plan benefits (including any amounts payable to Employees who separated from service before the date of Plan termination) shall cease.
11. **No Assignment.** No Basic Severance Benefit or Supplemental Severance Benefit payable under the Plan may be assigned, transferred, pledged as a security for indebtedness or otherwise encumbered, or subjected to any legal process for the payment of any claim against an Employee.
12. **Relationship to Other Benefits.** An Employee's Basic Severance Benefit or Supplemental Severance Benefit shall not be taken into account to increase any benefits provided (or to continue coverage) under any other plan, policy, or arrangement of the Company or any Affiliate, except as otherwise expressly provided in writing in the other plan, policy, or arrangement, including accelerating vesting or other rights under the Lockheed Martin Corporation Amended and Restated Incentive Performance Award Plan (or any successor plan).
13. **Governing Law.** Except to the extent preempted by Federal law, the Plan shall be construed, administered and enforced according to the laws of the State of Maryland, without regard to its conflict of laws provisions. Notwithstanding anything herein to the contrary, payments under this Award Agreement shall be made at a time and in a manner that satisfies the requirements of Internal Revenue Code Section 409A.

The Plan was approved by the Management Development and Compensation Committee and was originally effective as of January 1, 2008. Amendments to the Plan are effective as of the date(s) set forth above.

LOCKHEED MARTIN CORPORATION

By: /s/ Patricia L. Lewis
Patricia L. Lewis
Senior Vice President, Human Resources

Date: 5/21/15

Exhibit A.1
Post-Employment Conduct Agreement for Elected Officers

[PECA will vary by state law and current legal and professional requirements at time of termination]

[Applicable provisions may be incorporated into the release of claims agreement in lieu of a separate PECA]

This Post Employment Conduct Agreement dated _____ (this "PECA"), together with the Release of Claims being entered into contemporaneous with this PECA, is entered into in consideration of the payment ("Severance Payment") to be made to me under the Lockheed Martin Corporation Executive Severance Plan ("Severance Plan"). By signing below, I agree as follows:

(1) Restrictions Following Termination of Employment.

(a) Covenant Not To Compete – **[NOT APPLICABLE IN CALIFORNIA]** Without the express written consent of the Chief Executive Officer of the Company (or the Committee with respect to the Chief Executive Officer of the Company), during the two-year period following the date of my termination of employment with the Company ("Termination Date"), I will not, directly or indirectly, be employed by, provide services to, or advise a "Restricted Company" (as defined in Section 6 below), whether as an employee, advisor, director, officer, partner or consultant, or in any other position, function or role that, in any such case,

- (i) oversees, controls or affects the design, operation, research, manufacture, marketing, sale or distribution of "Competitive Products or Services" (as defined in Section 6 below) of or by the Restricted Company, or
- (ii) would involve a substantial risk that the "Confidential or Proprietary Information" (as defined in Section 1(c) below) of the Company (including but not limited to technical information or intellectual property, strategic plans, information relating to pricing offered to the Company by vendors or suppliers or to prices charged or pricing contemplated to be charged by the Company, information relating to employee performance, promotions or identification for promotion, or information relating to the Company's cost base) could be used to the disadvantage of the Company.

To the extent permitted by applicable law, including but not limited to any applicable rules governing attorney conduct (such as the ABA Model Rules of Professional Conduct and state versions thereof), Sections 1(a)(i) and (ii) and Section 1(b) relating to non-solicitation, shall apply to individuals who are employed by the Corporation in an attorney position and whose occupation during the two-year period following employment with the Corporation does not include practicing law.

In lieu of Section 1(a)(i) and (ii), as well as Section 1(b) relating to non-solicitation, the following Section 1(a)(iii) shall apply to individuals who are employed by the Corporation in an attorney position, and whose occupation during the two-year period following employment with the Corporation includes practicing law.

- (iii) Post-employment Activity As a Lawyer – I acknowledge that as counsel to the Corporation, I owe ethical and fiduciary obligations to the Corporation and that at least some of these obligations will continue even after my Termination Date with the Corporation. 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:

- a. Represent any client in the same or a substantially related matter in which I represented the Corporation where the client's interests are materially adverse to the Corporation; or
- b. Disclose confidential information relating to my representation of the Corporation, including the disclosure of information that is to the disadvantage of the Corporation, except for information that is or becomes generally known.

The Corporation's Senior Vice President, General Counsel, and Corporate Secretary or the General Tax Counsel, as applicable, will determine in his or her discretion whether an individual is employed by the Corporation in an attorney position.

(b) Non-Solicit – Without the express written consent of the Chief Executive Officer of the Company (or the Committee with respect to the Chief Executive Officer of the Company), during the two-year period following the Termination Date, I will not (i) interfere with any contractual relationship between the Company and any customer, supplier, distributor or manufacturer of or to the Company to the detriment of the Company or (ii) induce or attempt to induce any person who is an employee of the Company to perform work or services for any entity other than the Company.

(c) Protection of Proprietary Information – Except to the extent required by law, following my Termination Date, I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Company committing to hold confidential the "Confidential or Proprietary Information" (as defined below) of the Company or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity of Confidential or Proprietary Information of the Company or others to which I had access or that I was responsible for creating or overseeing during my employment with the Company. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Company's Senior Vice President, General Counsel and Corporate Secretary as to the existence of the obligation and will cooperate with any reasonable request by the Company for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Company shall be and remain the property of the Company. For purposes of this PECA, "Confidential or Proprietary Information" means Proprietary Information within the meaning of CRX-015C (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person's or entity's employees or agents in an unauthorized manner, might be detrimental to the person's or entity's interests. Confidential or Proprietary Information may include, but is not limited to:

- (i) existing and contemplated business, marketing and financial business information such as business plans and methods, marketing information, cost estimates, forecasts, financial data, cost or pricing data, bid and proposal information, customer identification, sources of supply, contemplated product lines, proposed business alliances, and information about customers or competitors, or
- (ii) existing or contemplated technical information and documentation pertaining to technology, know how, equipment, machines, devices and systems, computer hardware and software, compositions, formulas, products, processes, methods, designs, specifications, mask works, testing or evaluation procedures, manufacturing processes, or production processes.

(d) No disparagement – Following the Termination Date, I will not make any statements, whether verbal or written, that disparage or reasonably may be interpreted to disparage the Company or its directors, officers, employees, technology, products or services with respect to any matter whatsoever.

(e) Cooperation in Litigation and Investigations - Following the Termination Date, I will, to the extent reasonably requested, cooperate with the Company in any pending or future litigation (including alternative dispute resolution proceedings) or investigations in which the Company or any of its subsidiaries or affiliates is a party or is required or requested to provide testimony and regarding which, as a result of my employment with the Company, I reasonably could be expected to have knowledge or information relevant to the litigation or investigation. Notwithstanding any other provision of this PECA, nothing in this PECA shall affect my obligation to cooperate with any governmental inquiry or investigation or to give truthful testimony in court.

2. Consideration and Release of Claims. I acknowledge and agree that the Severance Payment being made to me is in addition to the payments or benefits that otherwise are or would be owed to me by the Company and that the Severance Benefit being provided to me is in consideration for my entering into this PECA and the Release of Claims attached to this PECA. I acknowledge that the scope and duration of the restrictions in Section 1 are necessary to be effective and are fair and reasonable in light of the value of the payments being made to me. I further acknowledge and agree that as a result of the high level executive and management positions I have held within the Company and the access to and extensive knowledge of the Company's Confidential or Proprietary Information, employees, suppliers and customers, these restrictions are reasonably required for the protection of the Company's legitimate business interests.

3. Remedies For Breach of Section 1; Additional Remedies of Clawback and Recoupment.

(a) I agree, upon demand by the Company, to repay the Severance Payment to the Company in the event any of the following occur:

- (i) I breach any of the covenants in Section 1;
- (ii) The Company determines that either (a) my intentional misconduct or gross negligence, or (b) my failure to report another person's intentional misconduct or gross negligence of which I had knowledge during the period I was employed by the Company, contributed to the Company having to restate all or a portion of its financial statements filed for any period with the Securities and Exchange Commission; or
- (iii) The Company determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report the acts of another person of which I had knowledge during the period I was employed by the Company) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Company's financial position or reputation.

(b) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Company for any of the conduct described in Section 3(a) and shall not limit the Company from seeking damages or injunctive relief.

4. Injunctive Relief. I acknowledge that the Company's remedies at law may be inadequate to protect the Company against any actual or threatened breach of the provisions of Section 1 or the conduct described in Section 3(a), and, therefore, without prejudice to any other rights and remedies otherwise available to the Company at law or in equity (including but not limited to, an action under Section 3(a), the Company shall be entitled to injunctive relief in its favor and to specific performance without proof of actual damages and without the requirement of the posting of any bond or similar security.

5. Invalidity; Unenforceability. It is the desire and intent of the parties that the provisions of this PECA shall be enforced to the fullest extent permissible. Accordingly, if any particular provision of this PECA is

adjudicated to be invalid or unenforceable, this PECA shall be deemed amended to delete the portion adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of this provision in the particular jurisdiction in which such adjudication is made.

6. Definitions. Capitalized terms not defined in this PECA have the meaning given to them in the Severance Plan, as applicable. For purposes of this PECA, the following terms have the meanings given below:

(a) "Restricted Company" means The Boeing Company, General Dynamics Corporation, Northrop Grumman Corporation, the Raytheon Company, United Technologies Corporation, Honeywell International Inc., BAE Systems Inc., L-3 Communications Corporation, the Harris Corporation, Thales, Airbus Group, Inc., 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, and (iii), if the box at the beginning of this Section 6(a) is checked, any entity or business identified in Annex A to this PECA.

(b) "Competitive Products or Services" means products or services that compete with, or are an alternative or potential alternative to, products sold or services provided by a subsidiary, business area, division or operating unit or business of the Company as of the Termination Date and at any time within the two-year period ending on the Termination Date; provided, that, (i) if I had direct responsibility for the business of, or function with respect to, a subsidiary, or for a business area, division or operating unit or business of the Company at any time within the two-year period ending on the Termination Date, Competitive Products or Services includes the products so sold or the services so provided during that two-year period by the subsidiary, business area, division or operating unit of the Company for which I had responsibility, and (ii) if I did not have direct responsibility for the business of, or function with respect to, a subsidiary, or for a business area, division or operating unit or business of the Company at any time within the two-year period ending on the Termination Date, Competitive Products or Services includes the products so sold or the services so provided by a subsidiary, business area, division or operating unit of the Company for which I had access (or was required or permitted such access in the performance of my duties or responsibilities with the Company) to Confidential or Proprietary Information of the Company at any time during the two-year period ending on the Termination Date.

7. Miscellaneous

(a) The Severance Plan, this PECA with the attached Release of Claims constitute the entire agreement governing the terms of the Severance Payment and supersede all other prior agreements and understandings, both written and oral, between me and the Company or any employee, officer or director of the Company concerning payments on account of my termination of employment.

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law.

(c) This PECA shall inure to the benefit of the Company's successors and assigns and may be assigned by the Company without my consent.

SIGNED this ____ day of _____, 2__.

(Signature)

(Printed Name)

(Title)

FOR LOCKHEED MARTIN CORPORATION:

(Signature)

(Printed Name)

(Title)

(Date)

NOTE: HRBP must scan and upload the executed PECA (and Annex A, if applicable) to the Executive Action System in order for payments to be processed. If Annex A is applicable, be sure to check the box at the beginning of Section 6(a) of the PECA and have Legal review Annex A.

Annex A

Additional "Restricted Companies" For Purposes of Section 6(a) of the PECA

Entity Name	Description of the Competitive Business

Exhibit A.2
Post-Employment Conduct Agreement for Non-Officers

[PECA will vary by state law and current legal and professional requirements at time of termination]

[Applicable provisions may be incorporated into the release of claims agreement in lieu of a separate PECA]

This Post Employment Conduct Agreement dated _____ (this "PECA"), together with the Release of Claims being entered into contemporaneous with this PECA, is entered into in consideration of the payment ("Severance Payment") to be made to me under the Lockheed Martin Corporation Executive Severance Plan ("Severance Plan"). By signing below, I agree as follows:

(1) Restrictions Following Termination of Employment.

(a) Covenant Not To Compete – **[NOT APPLICABLE IN CALIFORNIA]** Without the express written consent of the Senior Vice President, Human Resources of the Company, during the one-year period following the date of my termination of employment with the Company ("Termination Date"), I will not, directly or indirectly, be employed by, provide services to, or advise a "Restricted Company" (as defined in Section 6 below), whether as an employee, advisor, director, officer, partner or consultant, or in any other position, function or role that, in any such case,

- (i) oversees, controls or affects the design, operation, research, manufacture, marketing, sale or distribution of "Competitive Products or Services" (as defined in Section 6 below) of or by the Restricted Company, or
- (ii) would involve a substantial risk that the "Confidential or Proprietary Information" (as defined in Section 1(c) below) of the Company (including but not limited to technical information or intellectual property, strategic plans, information relating to pricing offered to the Company by vendors or suppliers or to prices charged or pricing contemplated to be charged by the Company, information relating to employee performance, promotions or identification for promotion, or information relating to the Company's cost base) could be used to the disadvantage of the Company.

To the extent permitted by applicable law, including but not limited to any applicable rules governing attorney conduct (such as the ABA Model Rules of Professional Conduct and state versions thereof), Sections 1(a)(i) and (ii) and Section 1(b) relating to non-solicitation, shall apply to individuals who are employed by the Corporation in an attorney position and whose occupation during the one-year period following employment with the Corporation does not include practicing law.

In lieu of Section 1(a)(i) and (ii), as well as Section 1(b) relating to non-solicitation, the following Section 1(a)(iii) shall apply to individuals who are employed by the Corporation in an attorney position, and whose occupation during the one-year period following employment with the Corporation includes practicing law.

- (iii) Post-employment Activity As a Lawyer – I acknowledge that as counsel to the Corporation, I owe ethical and fiduciary obligations to the Corporation and that at least some of these obligations will continue even after my Termination Date with the Corporation. 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:
 - a. Represent any client in the same or a substantially related matter in which I represented the Corporation where the client's interests are materially adverse to the Corporation; or

- b. Disclose confidential information relating to my representation of the Corporation, including the disclosure of information that is to the disadvantage of the Corporation, except for information that is or becomes generally known.

The Corporation's Senior Vice President, General Counsel, and Corporate Secretary or the General Tax Counsel, as applicable, will determine in his or her discretion whether an individual is employed by the Corporation in an attorney position.

(b) Non-Solicit – Without the express written consent of the Senior Vice President, Human Resources of the Company, during the one-year period following the Termination Date, I will not (i) interfere with any contractual relationship between the Company and any customer, supplier, distributor or manufacturer of or to the Company to the detriment of the Company or (ii) induce or attempt to induce any person who is an employee of the Company to perform work or services for any entity other than the Company.

(c) Protection of Proprietary Information – Except to the extent required by law, following my Termination Date, I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Company committing to hold confidential the “Confidential or Proprietary Information” (as defined below) of the Company or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity of Confidential or Proprietary Information of the Company or others to which I had access or that I was responsible for creating or overseeing during my employment with the Company. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Company's Senior Vice President, General Counsel and Corporate Secretary as to the existence of the obligation and will cooperate with any reasonable request by the Company for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Company shall be and remain the property of the Company. For purposes of this PECA, “Confidential or Proprietary Information” means Proprietary Information within the meaning of CRX-015C (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person's or entity's employees or agents in an unauthorized manner, might be detrimental to the person's or entity's interests. Confidential or Proprietary Information may include, but is not limited to:

(i) existing and contemplated business, marketing and financial business information such as business plans and methods, marketing information, cost estimates, forecasts, financial data, cost or pricing data, bid and proposal information, customer identification, sources of supply, contemplated product lines, proposed business alliances, and information about customers or competitors, or

(ii) existing or contemplated technical information and documentation pertaining to technology, know how, equipment, machines, devices and systems, computer hardware and software, compositions, formulas, products, processes, methods, designs, specifications, mask works, testing or evaluation procedures, manufacturing processes, or production processes.

(d) No disparagement – Following the Termination Date, I will not make any statements, whether verbal or written, that disparage or reasonably may be interpreted to disparage the Company or its directors, officers, employees, technology, products or services with respect to any matter whatsoever.

(e) Cooperation in Litigation and Investigations - Following the Termination Date, I will, to the extent reasonably requested, cooperate with the Company in any pending or future litigation (including alternative

dispute resolution proceedings) or investigations in which the Company or any of its subsidiaries or affiliates is a party or is required or requested to provide testimony and regarding which, as a result of my employment with the Company, I reasonably could be expected to have knowledge or information relevant to the litigation or investigation. Notwithstanding any other provision of this PECA, nothing in this PECA shall affect my obligation to cooperate with any governmental inquiry or investigation or to give truthful testimony in court.

2. Consideration and Release of Claims. I acknowledge and agree that the Severance Payment being made to me is in addition to the payments or benefits that otherwise are or would be owed to me by the Company and that the Severance Benefit being provided to me is in consideration for my entering into this PECA and the Release of Claims attached to this PECA. I acknowledge that the scope and duration of the restrictions in Section 1 are necessary to be effective and are fair and reasonable in light of the value of the payments being made to me. I further acknowledge and agree that as a result of the high level executive and management positions I have held within the Company and the access to and extensive knowledge of the Company's Confidential or Proprietary Information, employees, suppliers and customers, these restrictions are reasonably required for the protection of the Company's legitimate business interests.

3. Remedies For Breach of Section 1; Additional Remedies of Clawback and Recoupment.

(a) I agree, upon demand by the Company, to repay the Severance Payment to the Company in the event any of the following occur:

- (i) I breach any of the covenants in Section 1;
- (ii) The Company determines that either (a) my intentional misconduct or gross negligence, or (b) my failure to report another person's intentional misconduct or gross negligence of which I had knowledge during the period I was employed by the Company, contributed to the Company having to restate all or a portion of its financial statements filed for any period with the Securities and Exchange Commission; or
- (iii) The Company determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report the acts of another person of which I had knowledge during the period I was employed by the Company) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Company's financial position or reputation.

(b) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Company for any of the conduct described in Section 3(a) and shall not limit the Company from seeking damages or injunctive relief.

4. Injunctive Relief. I acknowledge that the Company's remedies at law may be inadequate to protect the Company against any actual or threatened breach of the provisions of Section 1 or the conduct described in Section 3(a), and, therefore, without prejudice to any other rights and remedies otherwise available to the Company at law or in equity (including but not limited to, an action under Section 3(a), the Company shall be entitled to injunctive relief in its favor and to specific performance without proof of actual damages and without the requirement of the posting of any bond or similar security.

5. Invalidity; Unenforceability. It is the desire and intent of the parties that the provisions of this PECA shall be enforced to the fullest extent permissible. Accordingly, if any particular provision of this PECA is adjudicated to be invalid or unenforceable, this PECA shall be deemed amended to delete the portion adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of this provision in the particular jurisdiction in which such adjudication is made.

6. Definitions. Capitalized terms not defined in this PECA have the meaning given to them in the Severance Plan, as applicable. For purposes of this PECA, the following terms have the meanings given below:

(a) "Restricted Company" means The Boeing Company, General Dynamics Corporation, Northrop Grumman Corporation, the Raytheon Company, United Technologies Corporation, Honeywell International Inc., BAE Systems Inc., L-3 Communications Corporation, the Harris Corporation, Thales, Airbus Group, Inc. 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, and (iii), if the box at the beginning of this paragraph is checked, any entity or business identified in Annex A to this PECA.

(b) "Competitive Products or Services" means products or services that compete with, or are an alternative or potential alternative to, products sold or services provided by a subsidiary, business area, division or operating unit or business of the Company as of the Termination Date and at any time within the two-year period ending on the Termination Date; provided, that, (i) if I had direct responsibility for the business of, or function with respect to, a subsidiary, or for a business area, division or operating unit or business of the Company at any time within the two-year period ending on the Termination Date, Competitive Products or Services includes the products so sold or the services so provided during that two-year period by the subsidiary, business area, division or operating unit of the Company for which I had responsibility, and (ii) if I did not have direct responsibility for the business of, or function with respect to, a subsidiary, or for a business area, division or operating unit or business of the Company at any time within the two-year period ending on the Termination Date, Competitive Products or Services includes the products so sold or the services so provided by a subsidiary, business area, division or operating unit of the Company for which I had access (or was required or permitted such access in the performance of my duties or responsibilities with the Company) to Confidential or Proprietary Information of the Company at any time during the two-year period ending on the Termination Date.

7. Miscellaneous

(a) The Severance Plan, this PECA with the attached Release of Claims constitute the entire agreement governing the terms of the Severance Payment and supersede all other prior agreements and understandings, both written and oral, between me and the Company or any employee, officer or director of the Company concerning payments on account of my termination of employment.

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law.

(c) This PECA shall inure to the benefit of the Company's successors and assigns and may be assigned by the Company without my consent.

SIGNED this ____ day of _____, 2__.

(Signature)

(Printed Name)

(Title)

FOR LOCKHEED MARTIN CORPORATION:

(Signature)

(Printed Name)

(Title)

(Date)

NOTE: HRBP must scan and upload the executed PECA (and Annex A, if applicable) to the Executive Action System in order for payments to be processed. If Annex A is applicable, be sure to check the box at the beginning of Section 6(a) of the PECA and have Legal review Annex A.

Annex A

Additional "Restricted Companies" For Purposes of Section 6(a) of the PECA

Entity Name	Description of the Competitive Business

RELEASE OF CLAIMS

[Will Vary By State Law and Current Legal Requirements at Time of Termination]

NOTE: HRBP must scan and upload the executed Release of Claims to the Executive Action System in order for payments to be processed.

LOCKHEED MARTIN CORPORATION
SUPPLEMENTAL RETIREMENT PLAN

(Effective July 1, 2015)

EXECUTION COPY

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Supplemental Retirement Plan (the "Plan") are:

- (a) to provide certain employees of Lockheed Martin Corporation and its subsidiaries (the "Company") with those benefits that cannot be paid from the Company's tax-qualified plans because of the limitations on contributions and benefits contained in Internal Revenue Code section 415;
- (b) to provide certain key management employees of the Company with those benefits that cannot be paid from the Company's tax-qualified plans because of other limitations on contributions and benefits contained in the Internal Revenue Code, such as the limitations contained in Code section 401(a)(17); and
- (c) to provide certain key management employees of the Company with other supplemental benefits.

The following plans and predecessor plans were amended, restated and merged to form a single Plan, effective July 1, 2004:

- 1. Supplemental Retirement Benefit Plan of Lockheed Martin Corporation (formerly the Supplemental Retirement Benefit Plan of Lockheed Corporation)
- 2. Lockheed Martin Corporation Supplemental Excess Retirement Plan (formerly the Martin Marietta Corporation Supplemental Excess Retirement Plan)
- 3. Lockheed Martin Supplemental Retirement Income Plan (formerly the Martin Marietta Supplemental Retirement Income Plan)
- 4. Lockheed Martin Tactical Systems Supplemental Executive Retirement Plan (formerly the Loral Supplemental Executive Retirement Plan).

The Plan was amended and restated, effective January 1, 2005, in order to comply with the requirements of Code section 409A. The 2005 amendment and restatement of the Plan, as further amended and restated from time to time, shall apply only to the portion of a Participant's benefit that accrued and vested on or after January 1, 2005. The portion of a Participant's benefit that accrued and vested prior to January 1, 2005 shall be governed by the terms of the Plan in effect on December 31, 2004, attached as Appendix B. The Plan was amended and restated, effective June 26, 2008, in order to clarify certain provisions in accordance with the final Treasury Regulations issued under Code section 409A and to make other clarifications with respect to eligibility and benefits. The Plan was amended and restated effective December 31, 2008 to order to make further clarifications in accordance with the final Treasury Regulations issued under Code section 409A and to make other administrative clarifications.

On June 26, 2014, the Qualified Pension Plan was amended: (i) to provide that pensionable earnings under the Qualified Pension Plan shall not include amounts earned for or relating to any period after December 31, 2015; and (2) to freeze credited service under the Qualified Pension Plan effective January 1, 2020 and to provide that no Qualified Pension Plan participant shall accrue credited service with respect to any period after December 31, 2019. Effective July 1, 2014, the Plan was amended and restated to confirm that these Qualified Pension Plan amendments shall carry through to any applicable provision in this Plan, including Article III and IV and all Annexes and Appendices to the Plan. Accordingly, base rate of pay, bonuses or other incentive compensation, or other amounts earned for or relating to the period after December 31, 2015 shall not be used in determining benefits under the Plan, and service after December 31, 2019 shall not be considered, deemed to be, or otherwise treated as Credited Service or similar benefit accrual service in determining benefits payable under the Plan.

The Plan is hereby amended and restated, effective for terminations from active service and pre-retirement deaths on or after July 1, 2015, to update the mortality table used for determining the present value of benefits accrued under the Plan after December 31, 2004 when an individual is eligible for a lump sum payout of such benefits and for certain benefit conversions involving benefits accrued under the Plan after December 31, 2004, from the 1983 Group Annuity Mortality Table with sex distinction to the mortality table approved by the Internal Revenue Service for calculating the present value of benefits for determining lump sums payable under Code section 417(e)(3); provided, however, the 1983 Group Annuity Mortality Table with sex distinction will be used instead of the Code section 417(e)(3) applicable mortality table when use of the Code section 417(e)(3) applicable mortality table would cause a reduction in the amount of benefits payable under the Plan.

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise or the term is defined below, all terms shall be defined in accordance with the Lockheed Martin Corporation Retirement Program.

1. **ACTUARIAL EQUIVALENT** – The Actuarial Equivalent shall mean a benefit which has the equivalent value computed using the interest rate which would be used by the Pension Benefit Guaranty Corporation to determine the present value of an immediate lump sum distribution on termination of a pension plan, as in effect on the first day of the month of termination of employment plus one percent (1%), and the 1983 Group Annuity Mortality Table with sex distinction; provided that for Years beginning on or after January 1, 2011, in no event shall the interest rate plus 1% exceed 7% or be less than 4%. Notwithstanding the foregoing, effective for terminations from active service and pre-retirement deaths on or after July 1, 2015, 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 applicable mortality table under Code section 417(e)(3); provided that (i) in no event shall the interest rate plus 1% exceed 7% or be less than 4%, and (ii) if use of the applicable mortality table under Code section 417(e)(3) results in any Participant's or Surviving Spouse's benefit under the Plan having an Actuarial Equivalent that is less than the Actuarial Equivalent of the Participant's or Surviving Spouse's benefit computed using the 1983 Group Annuity Mortality Table with sex distinction, as determined at the time benefits become payable pursuant to Article V, then the Actuarial Equivalent of the Participant's or Surviving Spouse's Plan benefit will be computed using the 1983 Group Annuity Mortality Table with sex distinction.

2. **BENEFICIARY** — The Beneficiary of a Participant shall be (a) the Participant's Spouse or (b) if there is no Spouse surviving the Participant, the Participant's estate.

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

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

5. **COMMITTEE** — The committee described in Section 1 of Article VIII.

6. **COMPANY** – Lockheed Martin Corporation and its Subsidiaries.

7. **ELIGIBLE EMPLOYEE** — An employee of the Company who (1) participates in a Qualified Pension Plan and whose benefits thereunder are affected by the limitation on benefits imposed by Section 415 or 401(a)(17) of the Code, or (2) is designated by the Committee as eligible to participate in the Plan; and who

satisfies such additional requirements for participation in this Plan as the Committee may from time to time establish. The Lockheed Martin Pension Plans Administration Committee (the "Pension Committee") shall interpret the participation requirements established by the Committee for all participants except elected officers subject to Section 16(b) of the Securities and Exchange Act of 1934. Determinations of participation requirements for elected officers shall be made by the Committee.

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

9. PARTICIPANT — An Eligible Employee who meets the requirements for participation contained in Article III or the Annexes; the term shall include a former employee and survivors/beneficiaries whose benefit has not been fully distributed. A Participant shall cease to be an active Participant upon termination of employment, when he otherwise ceases to be an Eligible Employee, or when he otherwise ceases to meet the requirements for participation as amended from time to time.

10. QUALIFIED PENSION PLAN – A defined benefit plan specified in Appendix A in which the Participant participates.

11. PLAN – The Lockheed Martin Corporation Supplemental Retirement Plan, or any successor plan.

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

12A. TERMINATION OF EMPLOYMENT – A separation from service as such term is defined in Code section 409A and the regulations thereunder.

13. YEAR — The calendar year.

ARTICLE III

EXCESS BENEFIT PROVISIONS

1. Introduction. This Article sets forth the terms of the Plan relating to benefits determined by reference to the limitations imposed by Code section 415 and/or Code section 401(a)(17). This Article amends and restates the provisions relating to those benefits previously contained in the following plans:

- (a) the Supplemental Retirement Benefit Plan of Lockheed Martin Corporation (formerly known as the Supplemental Benefit Plan of Lockheed Corporation);
- (b) the Lockheed Martin Corporation Supplemental Excess Retirement Plan (formerly know as the Martin Marietta Corporation Supplemental Excess Retirement Plan); and
- (c) the Lockheed Martin Tactical Systems Supplemental Executive Retirement Plan (formerly known as the Loral Supplemental Executive Retirement Plan).

2. Purpose. Benefits under this Article III supplement the benefits of Eligible Employees to the extent that such benefits cannot be paid from the Company's tax-qualified defined benefit plans because of the limitations

on benefits contained in Code section 415 and/or Code section 401(a)(17). It is intended that the provisions of this Article which relate to the limitations imposed by Code section 415 constitute a separate plan for purposes of Section 3(36) of the Employee Retirement Income Security Act of 1974 (ERISA).

3. Eligibility. An Eligible Employee who is entitled to benefits under a Qualified Pension Plan, and whose retirement income benefits are limited by the provisions of the Qualified Pension Plan (as amended from time to time) relating to the limits under Code section 415 and/or Code section 401(a)(17) shall receive benefits pursuant to this Article III.

4. Amount of Benefit. The benefit that each Participant shall be entitled to receive under the Plan is the amount reasonably determined by the Company to be the difference between the Participant's actual benefit under the applicable Qualified Pension Plan and the benefits that would have been payable under that Plan if:

- (a) the Qualified Pension Plan had determined pensionable earnings on a "mix and match" basis, as defined below; and
- (b) the Participant's benefit under the Qualified Pension Plan had not been limited by Code section 415 and/or Code section 401(a)(17).

If a Participant's compensation under the Management Incentive Compensation Plan ("MICP") is included in pensionable earnings under a Qualified Pension Plan, the Participant's total pensionable earnings shall be determined on a "mix and match" basis. The Participant's annual compensation earned under the MICP shall be calculated separately from other annual pensionable earnings. The average of the three (3) highest years of MICP compensation during the last 10 years shall be added to the average of the three (3) highest years of other pensionable earnings during the last 10 years to arrive at total final average pensionable earnings for the applicable period under the Qualified Pension Plan.

Benefits under this Article III are intended to supplement the Participant's actual benefit under the applicable Qualified Pension Plan as necessary to provide the Participant with the full benefit the Participant would have received under the applicable Qualified Pension Plan on a "mix and match" basis and without regard to the limitations of Code section 415 and Code section 401(a)(17). To prevent duplication of benefits, the full benefit under the applicable Qualified Pension Plan (without regard of to the portion of the benefit attributable to employee contributions, if any) shall be calculated without reduction for Code section 415 and Code section 401(a)(17), then reduced by the benefit payable from the applicable Qualified Pension Plan, and then reduced further by the Grandfathered 2004 Benefit, then further reduced by the benefit payable from other nonqualified pension plans of the Company which corresponds to the benefit payable under the applicable Qualified Pension Plan (including any benefit payable under Annex B of this Plan and excluding any nonqualified plans designed to supplement qualified defined contribution plans) to the extent permitted under Code section 409A. The remaining benefit shall be paid from this Plan pursuant to this Article III. Participants have no right to duplicate benefits with respect to the same period of service, and the Committee may make such adjustments to the benefits under this Plan as the Committee deems necessary to prevent duplication of benefits.

The benefit payable under this Article III shall be payable to the Participant or Beneficiary who is receiving or entitled to receive benefits with respect to the Participant under the Qualified Pension Plan.

If the benefits payable under the Qualified Pension Plan to any Participant are increased following the Participant's retirement as a result of a general increase in the benefits payable to retired employees under that Plan, no such increase will be made under this Plan.

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

ARTICLE IV

SUPPLEMENTAL BENEFITS

In addition to the benefits described in Article III, the Plan also provides benefits to certain key management employees, as set forth in the Annexes. Eligibility for, and the amount of, such benefits is set forth in the applicable Annex. Payment options for such benefits are described in Article V.

ARTICLE V

PAYMENT OF BENEFITS

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

2. Form and Timing of Payment. Except as otherwise provided herein, a Participant may make an initial payment election between an annuity and a lump sum payment under the terms and conditions described in this Section 2. All elections under this Section 2 must be made in the form and manner prescribed by the Senior Vice President, Human Resources. No election made pursuant to this Section 2 may affect a payment due in the same calendar year in which the election is made or accelerate payment into the calendar year in which the election is made.

a. Regular Form. Unless a Participant has elected a lump sum payment under Section 2.b of this Article V, benefits under this Plan shall be paid in the form of an annuity. Participants who first become eligible for participation in the Plan after December 16, 2005 shall receive their benefits in the form of an annuity. Benefits paid in a form described in this Section 2.a. shall commence as soon as administratively practicable (but no more than 90 days) following the later of (i) the month in which the Participant has a Termination of Employment, or (ii) the month in which the Participant attains age fifty-five (55). Notwithstanding the foregoing sentence, benefits paid in a form described in this Section 2.a. to a Participant who is reasonably determined by the Company to be a "specified employee" within the meaning of Code section 409A(2)(B)(i), shall not commence before the later of (i) six (6) months following the month in which the Participant has a Termination of Employment, or (ii) the month in which the Participant attains age fifty-five (55). No interest shall be paid between the date of Termination of Employment or attainment of age fifty-five (55), as applicable, and the payment date.

i. Selection of Annuity Form. Prior to his Termination of Employment or attainment of age 55, as applicable, a Participant may elect to receive benefits in any actuarially equivalent annuity form that is available under the applicable Qualified Pension Plan on the date of the Participant's election that has been designated by the Senior Vice President, Human Resources as available for election under this Plan. If the Participant has not validly elected an annuity form before his Termination of Employment or attainment of age 55, as applicable, under this Section 2.a. or a lump sum payment as provided in Section 2.b. of Article V, (i) an

unmarried Participant shall be deemed to have elected payment in the form of a monthly annuity for the life of the Participant with no further payments to anyone after his or her death, and (ii) a married Participant shall be deemed to have elected payment in the form of a reduced monthly annuity for the life of the Participant with, after the Participant's death, a 50% survivor annuity for the life of the Participant's spouse. Actuarial adjustments shall be based on the factors set forth in the Qualified Pension Plan.

b. Lump Sum Option. This Section shall not apply to Participants who first become eligible for participation in the Plan after December 16, 2005. In lieu of the forms described in Section 2.a. of Article V, a Participant may make a one-time initial election to receive a full lump sum payment in an amount which is the Actuarial Equivalent of a monthly annuity for the life of the Participant with no further payments to anyone after his or her death, provided the election is filed with the Company in writing no later than December 31, 2008 (or such other date determined by the Senior Vice President, Human Resources and communicated to Participants) and the Participant's employment has not terminated employment prior to filing the election. For all Participants who elect a lump sum under this Section 2.b., the lump sum payment shall be made six (6) months following the later of (i) the month in which the Participant has a Termination of Employment, or (ii) the month in which the Participant attains age fifty-five (55). No interest shall be paid between the date of Termination of Employment or attainment of age fifty-five (55), as applicable, and the payment date. All elections under this Section 2.b. must be made in the form and manner prescribed by the Company. Such election shall be irrevocable except as provided in Section 2(e) of Article V.

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

d. Payment Upon Death or Disability.

i. Death. No other death benefits are provided under this Plan other than as specified in this Section 2.d.i.

A. Pre-Retirement Survivor Benefit. In the event the Participant dies prior to terminating employment or attaining age 55, a pre-retirement survivor benefit will be payable to the Participant's surviving spouse (if any) (the "Pre-Retirement Survivor Benefit" and the "Surviving Spouse") in the form elected by the Participant under the terms of the Plan. If the Participant's benefit was payable in a lump sum, the lump sum shall be the Actuarial Equivalent of a monthly annuity payable for the life of the Surviving Spouse with no further payments to anyone after his or her death. The Pre-Retirement Survivor Benefit shall commence as soon as administratively practicable (but no later than 90 days) following the later of (i) the month in which the

Participant dies, or (ii) the month in which the Participant would have attained age fifty-five (55). No Pre-Retirement Survivor Benefit is payable to anyone other than the Participant's Surviving Spouse. Notwithstanding the foregoing, with respect to all Participants who elected a lump sum under Section 2.b., a lump sum Pre-Retirement Survivor Benefit shall be paid to the Participant's Surviving Spouse six (6) months following the later of (i) the month in which the Participant dies, or (ii) the month in which the Participant would have attained age fifty-five (55).

B. Death After Termination of Employment or Attainment of Age 55. If a Participant who is required to wait six (6) months for a lump sum payment (in accordance with Section 2 of Article V) dies after the Participant's Termination of Employment or attainment of age fifty-five (55), as applicable, but before payment is made, the lump sum payment shall be made to the Participant's Beneficiary as administratively practicable (but no later than 90 days) following the death of the Participant.

ii. Disability. Notwithstanding the provisions of this Article V, the benefit of a Disabled Participant who is eligible for a disability pension from the Lockheed Martin Retirement Income Plan, the KAPL Inc. Pension Plan for Salaried Employees, or the Lockheed Martin Corporation Retirement Income Plan III shall be paid in the form elected by the Participant under the terms of the Plan as soon as administratively practicable (but no later than 90 days) following the date the Participant is reasonably determined by the Company to be Disabled. For the purposes of this Section 2.d.ii., the terms "Disabled" or "Disability" shall have the meaning set forth in the Lockheed Martin Retirement Income Plan, the KAPL Inc. Pension Plan for Salaried Employees, or the Lockheed Martin Corporation Retirement Income Plan III, as applicable, to the extent consistent with the requirements of Code section 409A(a)(2)(C).

e. Prospective Change of Payment Elections. Participants may elect to change the form of payment of benefits or further delay the commencement of benefits as provided in this Section 2.e. All elections under this Section 2.e. must be made in the form and manner prescribed by the Company. This Section 2.e. does not apply to Surviving Spouses or Beneficiaries. Subject to the requirements of Code section 409A, other changes in the form of benefit, including changes between actuarially equivalent forms of benefit, if any, may be made only as determined by the Senior Vice President, Human Resources, of the Company in accordance with Code section 409A.

i. Form of Payment. A Participant who has validly elected (or deemed to have elected) payment as an annuity (as described in Section 2.a. of Article V) or has validly elected a lump sum payment (in accordance with Section 2.b. of Article V) may later elect to receive payment in any form (annuity or lump sum) designated by the Senior Vice President, Human Resources, of the Company, provided that such election is made in the form and manner determined by the Senior Vice President, Human Resources not less than twelve (12) months before the date the payment would have first commenced under the Participant's prior election. In addition, the first payment under the new election must commence no earlier than sixty (60) months from the date when the payment would have first commenced under the Participant's prior election. Such change in election shall not be given effect until twelve (12) months from the date that the change in election is delivered to the Company.

ii. Timing of Payment. Regardless of the form of payment, a Participant may elect to delay payment of his benefit provided such election is made in writing in the form and manner determined by the Senior Vice President, Human Resources, not less than twelve (12) months before the date the payment would have first commenced under the Participant's prior election. In addition, the first payment under the new election must commence no earlier than sixty (60) months from when the payment would have first commenced

under the Participant's prior election. No interest shall be paid between the date of termination of employment or attainment of age fifty-five (55), as applicable, and the payment date. Such change in election shall not be given effect until twelve (12) months from the date that the change in election is delivered to the Company.

This Section 2.e. does not apply to Surviving Spouses or Beneficiaries.

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

g. If a Participant participates in more than one supplemental pension plan sponsored by the Corporation, the Participant must make a single election that shall apply to his or her benefits under all such plans with respect to the form of annuity (under Section 2.a. of this Article 5) and with respect to prospective changes of payment (under Section 2.e. of this Article 5).

3. Deductibility of Payments. Subject to the provisions of Section Code section 409A, in the event that the Company reasonably anticipates that the payment of benefits in accordance with the Participant's election under Section 2 would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid under Code section 162(m), the Committee shall have the right to delay the timing of distributions from the Participant's Account as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a delayed distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as the Company reasonably anticipates, or should reasonably anticipate, that if the payment is made during such year, the deduction will not be barred by Code section 162(m) or upon a Termination of Employment in accordance with Treasury Regulation section 1.409A-2(b)(7)(i), consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's Account Balance or to pay aggregate benefits less than the Participant's Account Balance in the event that all or a portion thereof would not be deductible by the Company. All scheduled payments under this Plan and any other plan required to be aggregated with this Plan must be delayed in order for such payment to be delayed pursuant to this Section 3.

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

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

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

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

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

Notwithstanding the foregoing, no distribution shall be made solely on account of a Change in Control and prior to the benefit commencement date specified in Section 2 of Article V unless the Change in Control is both an event qualifying for a distribution of deferred compensation under Section 409A(a)(2)(A)(v) of the Code and an event qualifying under this Section 5. This Section 5 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of benefits under this Plan in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

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

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

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

8. Reemployment. The retirement benefit otherwise payable hereunder to any Participant who previously retired or otherwise had a Termination of Employment and is subsequently reemployed may not be suspended during the Participant's period of reemployment except as permitted under Code section 409A.

9. Mistaken Payments. No Participant or Beneficiary shall have any right to any payment made (1) in error, (2) in contravention to the terms of the Plan, the Code, or ERISA, or (3) because the Committee or its delegates were not informed of any death. The Committee shall have full rights under the law and ERISA to recover any such mistaken payment, and the right to recover attorney's fees and other costs incurred with respect to such recovery. Recovery shall be made from future Plan payments, or by any other available means.

ARTICLE VI

EXTENT OF PARTICIPANTS' RIGHTS

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

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

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

ARTICLE VII

AMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate may amend, modify, suspend or discontinue this Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however,

that no such amendment shall have the effect of reducing a Participant's accrued benefit or postponing the time when a Participant is entitled to receive a distribution of his accrued benefit unless each affected Participant consents to such change.

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

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

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

ARTICLE VIII

ADMINISTRATION

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

2. Delegation and Reliance. The Committee may delegate to the officers or employees of the Company the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Plan in accordance with its terms and purpose. In making any determination or in taking or not taking any action under this Plan, the Committee may obtain and rely upon the advice of experts, including professional advisors to the Company. Except as otherwise provided in Section 6, the Committee delegates the authority to adjudicate claims to the Pension Plans Administrative Committee. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Plan.

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

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

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

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

- (a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.
- (b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.
- (c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under federal law.

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

ARTICLE IX

GENERAL AND MISCELLANEOUS PROVISIONS

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

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

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

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

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

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

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

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

ARTICLE X

EFFECTIVE DATE

This Plan, including any amendment and restatement of the prior plans, is generally effective July 1, 2015 or such other date as set forth herein for a particular provision.

Lockheed Martin Corporation has caused this instrument to be executed this 20th day of July, 2015.

LOCKHEED MARTIN CORPORATION

By: /s/ Patricia L. Lewis
Patricia L. Lewis
Senior Vice President, Human Resources

ANNEX B TO JANUARY 1, 2005 RESTATEMENT

Additional Benefits Previously Provided under the Lockheed Martin Corporation Supplemental Excess Retirement Plan

1. Introduction. The benefits described in this Annex previously were provided as part of the Lockheed Martin Corporation Supplemental Excess Retirement Plan. That Plan was formerly known as the Martin Marietta Corporation Supplemental Excess Retirement Plan, and included provisions previously contained in the Lockheed Martin Supplemental Retirement Income Plan.

2. Purpose. This Annex provides a supplemental benefit to salaried employees who were considered highly compensated employees as of December 31, 1990 and who were also participants in the Martin Marietta Corporation Retirement Income Plan as of September 30, 1975, whose benefits are limited by Code section 401(a)(4).

3. Eligibility. This Annex provides benefits to salaried employees who were considered highly compensated employees as of December 31, 1990 (as determined under the Martin Marietta Corporation Retirement Income Plan as in effect on that date) and who were also covered employees in the Martin Marietta Corporation Retirement Income Plan as of September 30, 1975 or were participants for 12 consecutive months prior to September 30, 1975 who receive a pension benefit calculated under the Pre-ERISA formula in the Martin Marietta Corporation Retirement Income Plan.

4. Amount of Benefit. Participants shall receive a retirement benefit from this Plan that is reasonably determined by the Company to equal to the excess, if any, of (1) the pension benefit calculated based on the formula described in Article V(1)(b) or Article IX(2)(b) of the January 1, 1995 Martin Marietta Corporation Retirement Income Plan without regard to the limitation described in Article V(1)(c), Article IX(2)(c) or Code section 415 or Code section 401(a)(17), reduced by the greater of the pension benefits described in Article V(1)(b) or Article IX(2)(b) of the January 1, 1995 Retirement Income Plan. To prevent duplication of benefits, the benefit payable under this Annex shall be coordinated with any benefit payable under Article III of the Plan, as set forth in Article III.

In no event shall the computation of benefits under this Annex take into account any service performed by a Participant after separation from employment with the Company or its subsidiaries.

APPENDIX A TO JANUARY 1, 2005 RESTATEMENT

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

APPENDIX B TO JANUARY 1, 2005 RESTATEMENT

This Appendix B shall govern the portion of a Participant's benefit that accrued and vested under the Plan on or before December 31, 2004. This Appendix B shall not apply to the portion of a Participant's benefit that accrued and vested under the Plan on or after January 1, 2005.

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Supplemental Retirement Plan (the "Plan") are:

- (a) to provide certain employees of Lockheed Martin Corporation and its subsidiaries (the "Company") with those benefits that cannot be paid from the Company's tax-qualified plans because of the limitations on contributions and benefits contained in Internal Revenue Code section 415;
- (b) to provide certain key management employees of the Company with those benefits that cannot be paid from the Company's tax-qualified plans because of other limitations on contributions and benefits contained in the Internal Revenue Code, such as the limitations contained in Code section 401(a)(17); and
- (c) to provide certain key management employees of the Company with other supplemental benefits.

The following plans and predecessor plans are amended, restated and merged to form this Plan, effective July 1, 2004:

- 5. Supplemental Retirement Benefit Plan of Lockheed Martin Corporation (formerly the Supplemental Retirement Benefit Plan of Lockheed Corporation)
- 6. Lockheed Martin Corporation Supplemental Excess Retirement Plan (formerly the Martin Marietta Corporation Supplemental Excess Retirement Plan)
- 7. Lockheed Martin Supplemental Retirement Income Plan (formerly the Martin Marietta Supplemental Retirement Income Plan)
- 8. Lockheed Martin Tactical Systems Supplemental Executive Retirement Plan (formerly the Loral Supplemental Executive Retirement Plan).

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise or the term is defined below, all terms shall be defined in accordance with the Lockheed Martin Corporation Retirement Program.

- 3. **ACTUARIAL EQUIVALENT** – The Actuarial equivalent shall mean a benefit which has the equivalent value computed using the interest rate which would be used by the Pension Benefit Guaranty Corporation to determine the present value of an immediate lump sum distribution on termination of a pension plan, as in effect on first day of the month of termination of employment plus one percent (1%), and the 1983 Group Annuity Mortality Table with sex distinction.

4. BENEFICIARY — The person or persons designated by the Participant as his or her beneficiary under the Qualified Pension Plan. If no beneficiary is designated under the Qualified Pension Plan, then the beneficiary shall be (a) the Participant's Spouse or (b) if there is no Spouse surviving the Participant, the Participant's estate.
3. BOARD — The Board of Directors of Lockheed Martin Corporation.
4. CODE — The Internal Revenue Code of 1986, as amended.
5. COMMITTEE — The committee described in Section 1 of Article VIII.
6. COMPANY – Lockheed Martin Corporation and its subsidiaries.
7. ELIGIBLE EMPLOYEE — An employee of the Company who (1) participates in a Qualified Pension Plan and whose benefits thereunder are affected by the limitation on benefits imposed by Section 415 or 401(a)(17) of the Code, or (2) is designated by the Committee as eligible to participate in the Plan; and who satisfies such additional requirements for participation in this Plan as the Committee may from time to time establish. The Lockheed Martin Pension Plans Administration Committee (the "Pension Committee") shall interpret the participation requirements established by the Committee for all participants except elected officers subject to Section 16(b) of the Securities and Exchange Act of 1934. Determinations of participation requirements for elected officers shall be made by the Committee.
8. PARTICIPANT — An Eligible Employee who meets the requirements for participation contained in Article III or the Annexes; the term shall include a former employee and survivors/beneficiaries whose benefit has not been fully distributed. A Participant shall cease to be an active Participant upon termination of employment, when he otherwise ceases to be an Eligible Employee, or when he otherwise ceases to meet the requirements for participation as amended from time to time.
9. QUALIFIED PENSION PLAN – A defined benefit plan specified in Appendix A in which the Participant participates.
10. PLAN – The Lockheed Martin Corporation Supplemental Retirement Plan, or any successor plan.
11. YEAR — The calendar year.

ARTICLE III

EXCESS BENEFIT PROVISIONS

1. Introduction. This Article sets forth the terms of the Plan relating to benefits determined by reference to the limitations imposed by Code section 415 and/or Code section 401(a)(17). This Article amends and restates the provisions relating to those benefits previously contained in the following plans:

- (a) the Supplemental Retirement Benefit Plan of Lockheed Martin Corporation (formerly known as the Supplemental Benefit Plan of Lockheed Corporation);
- (b) the Lockheed Martin Corporation Supplemental Excess Retirement Plan (formerly known as the Martin Marietta Corporation Supplemental Excess Retirement Plan); and

- (c) the Lockheed Martin Tactical Systems Supplemental Executive Retirement Plan (formerly known as the Loral Supplemental Executive Retirement Plan).

2. Purpose. Benefits under this Article III supplement the benefits of Eligible Employees to the extent that such benefits cannot be paid from the Company's tax-qualified defined benefit plans because of the limitations on benefits contained in Code section 415 and/or Code section 401(a)(17). It is intended that the provisions of this Article which relate to the limitations imposed by Code section 415 constitute a separate plan for purposes of Section 3(36) of the Employee Retirement Income Security Act of 1974 (ERISA).

3. Eligibility. An Eligible Employee who is entitled to benefits under a Qualified Pension Plan, and whose retirement income benefits are limited by the provisions of the Qualified Pension Plan (as amended from time to time) relating to the limits under Code section 415 and/or Code section 401(a)(17) shall receive benefits pursuant to this Article III.

4. Amount of Benefit. The benefit that each Participant shall be entitled to receive is the difference between the Participant's actual benefit under the applicable Qualified Pension Plan and the benefits that would have been payable under that Plan if:

- (a) the Qualified Pension Plan had determined pensionable earnings on a "mix and match" basis, as defined below; and
- (b) the Participant's benefit under the Qualified Pension Plan had not been limited by Code section 415 and/or Code section 401(a)(17).

If a Participant's compensation under the Management Incentive Compensation Plan ("MICP") is included in pensionable earnings under a Qualified Pension Plan, the Participant's total pensionable earnings shall be determined on a "mix and match" basis. The Participant's annual compensation earned under the MICP shall be calculated separately from other annual pensionable earnings. The average of the three (3) highest years of MICP compensation during the last 10 years shall be added to the average of the three (3) highest years of other pensionable earnings during the last 10 years to arrive at total final average pensionable earnings for the applicable period under the Qualified Pension Plan.

Benefits under this Article III are intended to supplement the Participant's actual benefit under the applicable Qualified Pension Plan as necessary to provide the Participant with the full benefit the Participant would have received under the applicable Qualified Pension Plan on a "mix and match" basis and without regard to the limitations of Code section 415 and Code section 401(a)(17). To prevent duplication of benefits, the full benefit under the applicable Qualified Pension Plan shall be calculated without reduction for Code section 415 and Code section 401(a)(17), then reduced by the benefit payable from the applicable Qualified Pension Plan, and then reduced further by the benefit payable from other nonqualified pension plans of the Company which corresponds to the benefit payable under the applicable Qualified Pension Plan (including any benefit payable under Annex B of this Plan and excluding any nonqualified plans designed to supplement qualified defined contribution plans). The remaining benefit shall be paid from this Plan pursuant to this Article III. Participants have no right to duplicate benefits with respect to the same period of service, and the Committee may make such adjustments to the benefits under this Plan as the Committee deems necessary to prevent duplication of benefits.

The benefit payable under this Article III shall be payable to the Participant or Beneficiary or any other person who is receiving or entitled to receive benefits with respect to the Participant under the Qualified Pension Plan.

If the benefits payable under the Qualified Pension Plan to any Participant are increased following the Participant's retirement as a result of a general increase in the benefits payable to retired employees under that Plan, no such increase will be made under this Plan unless the Committee expressly so provides in writing.

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

ARTICLE IV

SUPPLEMENTAL BENEFITS

In addition to the benefits described in Article III, the Plan also provides benefits to certain key management employees, as set forth in the Annexes. Eligibility for, and the amount of, such benefits is set forth in the applicable Annex. Payment options for such benefits are described in Article V.

ARTICLE V

PAYMENT OF BENEFITS

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

2. Form of Payment. Benefits shall be paid in the same form at the same times and for the same period as benefits are paid with respect to the Participant under the applicable Qualified Pension Plan, except as provided in the following paragraphs. Actuarial adjustments shall be based on the factors set forth in the Qualified Pension Plan, except as provided in the following paragraphs. If the benefits payable under this Plan correspond to Qualified Pension Plan benefits with multiple commencement dates, each portion of the benefits payable under this Plan shall be paid at the same time as the corresponding portion of the benefits is paid from the Qualified Pension Plan. If an Employee's benefits under the Qualified Pension Plan are suspended for any month in accordance with the re-employment provisions thereof, the Participant's benefit for that month shall likewise be suspended under this Plan.

Lump Sum Option. A Participant may irrevocably elect to receive a full or partial single lump sum payment in an amount which is the Actuarial Equivalent of the benefit described above, and with no interest for the period between the date of termination of employment and the payment date. This election must be made within the time period for electing the form of benefit under the corresponding Qualified Pension Plan, by filing a written election in the form and manner prescribed by the Company. Payment will be made six (6) months following the date payments would otherwise begin pursuant to the above paragraph.

Pre-Retirement Survivor Benefit. In the event the Participant dies prior to the date his or her retirement has commenced under this Plan and the corresponding Qualified Pension Plan, the pre-retirement

survivor benefit payable to the surviving spouse (if any) under this Plan (the “Pre-Retirement Survivor Benefit” and the “Surviving Spouse”) will be payable, at the election of the Surviving Spouse, in any of the following forms:

- (a) in the form of a monthly annuity payable to the Surviving Spouse for his lifetime, with no further payments to anyone after his death (which will be referred to as the “Regular Form”);
- (b) in the form of a lump sum payment which is the Actuarial Equivalent of the Regular Form (the “100% Lump Sum”), but with Actuarial Equivalent determined as of the Election Date , and with no interest for the period between the Election Date (or, if later, the date the Participant would have attained age 55 had he survived) and the payment date; or
- (c) in the form of a combined lump sum and life annuity benefit of (x) and (y), where (x) equals a lump sum amount selected by the Surviving Spouse which is less than the 100% Lump Sum and (y) is a monthly single life annuity for the life of Surviving Spouse (with no further payments to anyone after his death) in an amount that can be provided with the difference between (x) and the 100% Lump Sum.

Any election to receive the benefit in the form of a lump sum as set forth in (b) above or a combined lump sum and annuity as set forth in (c) above must be made by the Surviving Spouse no later than 90 days after the date of the Participant’s death or, if later, the date the Participant would have attained age 55 had he survived (with the date such election is made by the Surviving Spouse referred to as the “Election Date”). In the event the Surviving Spouse makes an election for a lump sum or partial lump sum payment within this period, payment will not be made to the Surviving Spouse until six months after the Election Date (or, if later, six months after the date the benefit would otherwise be payable under this Plan).

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

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

4. Change of Law. Notwithstanding anything to the contrary herein, if the Committee determines in good faith, based on consultation with counsel, that the federal income tax treatment or legal status of this Plan has or may be adversely affected by a change in the Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct

that the benefits of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

5. Acceleration upon Change in Control.

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

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

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

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

The Committee may cancel or modify this Section 5 at any time prior to a Change in Control. In the event of a Change in Control, this Section 5 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 6 shall not, for purposes of Section 5, be subject to cancellation or modification during the five year period

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

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

8. Reemployment. The retirement benefit otherwise payable hereunder to any Participant who previously retired or otherwise had a Termination of Employment and is subsequently reemployed shall be treated in a manner consistent with the treatment of the benefit under the applicable Qualified Plan.

9. Mistaken Payments. No participant or Beneficiary shall have any right to any payment made (1) in error, (2) in contravention to the terms of the Plan, the Code, or ERISA, or (3) because the Committee or its delegates were not informed of any death. The Committee shall have full rights under the law and ERISA to recover any such mistaken payment, and the right to recover attorney's fees and other costs incurred with respect to such recovery. Recovery shall be made from future Plan payments, or by any other available means.

ARTICLE VI

EXTENT OF PARTICIPANTS' RIGHTS

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

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

3. Forfeiture. If, following the date on which a Participant shall retire under this Plan, a Participant shall engage in the operation or management of a business, whether as owner, stockholder, partner, officer, employee, consultant, or otherwise, which at such time is in competition with the Company or any of its subsidiaries, or shall disclose to unauthorized persons information relative to the business of the Company or any of its subsidiaries which the Participant shall have reason to believe is confidential, or otherwise act, or

conduct oneself, in a manner which the Participant shall have reason to believe is contrary to the best interest of the Company, or shall be found by the Committee to have committed an act during the term of the Participant's employment which would have justified the Participant being discharged for cause, the Participant's retirement benefit under this Plan shall terminate. Application of this Section will be at the discretion of the Committee.

ARTICLE VII

AMENDMENT OR TERMINATION

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

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

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

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

ARTICLE VIII

ADMINISTRATION

1. The Committee. This Plan shall be administered by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee and its delegates (including the Claims Administrator) shall have full discretion to construe and interpret the terms and provisions of the Plan, which interpretation or construction shall be final, conclusive and binding on all parties, including but not limited to the Company and any Participant or Beneficiary, except as otherwise provided by law. Except as otherwise provided in Section 6, the Committee delegates the authority to adjudicate claims to the Pension -Plans Administrative Committee.

2. Delegation and Reliance. The Committee may delegate to the officers or employees of the Company the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Plan in accordance with its terms and purpose. In making any determination or in taking or not taking any action under this Plan, the

Committee or its delegate may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Plan.

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

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

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

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

- (a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.
- (b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.
- (c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the

benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under federal law.

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

ARTICLE IX

GENERAL AND MISCELLANEOUS PROVISIONS

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

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

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

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

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

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

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

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

ARTICLE X

EFFECTIVE DATE

This Plan, including any amendment and restatement of the prior plans, is generally effective July 1, 2014 or such other date set forth herein for a specific provision.

ANNEX A TO APPENDIX B

Additional Benefits under Lockheed Martin Corporation Termination Benefits Agreements

1. Introduction. The benefits described in this Annex previously were provided as part of the Supplemental Retirement Benefit Plan of Lockheed Martin Corporation. That Plan was formerly known as the Supplemental Benefit Plan of Lockheed Corporation.

2. Purpose. This Annex provides a supplemental benefit to those employees who entered into certain Termination Benefits Agreements with Lockheed Corporation (now Lockheed Martin Corporation).

3. Eligibility. An Eligible Employee who entered into a Termination Benefits Agreement with Lockheed Corporation (now Lockheed Martin Corporation) prior to August 29, 1994, shall receive benefits pursuant to this Annex.

4. Amount of Benefit. The benefit that each Eligible Employee shall be entitled to receive is any additional benefit to which the Eligible Employee becomes entitled with respect to the Lockheed Martin Corporation Retirement Plan for Certain Salaried Employees pursuant to Section 6(a) of his or her Termination Benefits Agreement on account of the merger of Lockheed Corporation contemplated by the Agreement and Plan of Reorganization, dated as of August 29, 1994, by and among Lockheed Martin Corporation, Martin Marietta Corporation, and Lockheed Corporation.

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

ANNEX B TO APPENDIX B

Additional Benefits Previously Provided under the Lockheed Martin Corporation Supplemental Excess Retirement Plan

1. Introduction. The benefits described in this Annex previously were provided as part of the Lockheed Martin Corporation Supplemental Excess Retirement Plan. That Plan was formerly known as the Martin Marietta Corporation Supplemental Excess Retirement Plan, and included provisions previously contained in the Lockheed Martin Supplemental Retirement Income Plan.

2. Purpose. This Annex provides a supplemental benefit to salaried employees who were considered highly compensated employees as of December 31, 1990 and who were also participants in the Martin Marietta Corporation Retirement Income Plan as of September 30, 1975, whose benefits are limited by Code section 401(a)(4).

3. Eligibility. This Annex provides benefits to salaried employees who were considered highly compensated employees as of December 31, 1990 (as determined under the Martin Marietta Corporation Retirement Income Plan as in effect on that date) and who were also covered employees in the Martin Marietta Corporation Retirement Income Plan as of September 30, 1975 or were participants for 12 consecutive months prior to September 30, 1975 who receive a pension benefit calculated under the Pre-ERISA formula in the Martin Marietta Corporation Retirement Income Plan.

4. Amount of Benefit. Participants shall receive a retirement benefit from this Plan equal to the excess, if any, of (1) the pension benefit calculated based on the formula described in Article V(1)(b) or Article IX(2)(b) of the January 1, 1995 Martin Marietta Corporation Retirement Income Plan without regard to the limitation described in Article V(1)(c), Article IX(2)(c) or Code section 415 or Code section 401(a)(17), reduced by the greater of the pension benefits described in Article V(1)(b) or Article IX(2)(b) of the January 1, 1995 Retirement Income Plan. To prevent duplication of benefits, the benefit payable under this Annex shall be coordinated with any benefit payable under Article III of the Plan, as set forth in Article III.

In no event shall the computation of benefits under this Annex take into account any service performed by a Participant after separation from employment with the Company or its subsidiaries.

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

Qualified Pension Plans

1. Lockheed Martin Corporation Retirement Plan for Certain Salaried Employees
2. Lockheed Martin Corporation Retirement Income Plan
3. Lockheed Martin Account Balance Retirement Plan
4. Lockheed Martin Corporation Retirement Income Plan III
5. Lockheed Martin Pension Plan for Former Salaried and Hourly Employees of Inactive Commercial Divisions
6. KAPL Inc. Pension Plan for Salaried Employees

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

(Restated through July 1, 2015)

EXECUTION COPY

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation (the "Plan") are:

- (a) to provide an additional retirement benefit for certain employees whose regular retirement benefits have been limited as a result of employment service at a Lockheed Martin company that does not have a Qualified Pension Plan; and
- (b) to provide an additional retirement benefit for certain employees hired on or after January 1, 2006 (January 1, 2007 for KAPL, Inc.) at a Lockheed Martin company that has a Qualified Pension Plan that is frozen to new participants as of such date; and
- (c) to provide the above employees with those benefits that cannot be paid from the tax-qualified plans of Lockheed Martin Corporation and its subsidiaries because of the limitations on contributions and benefits contained in Internal Revenue Code sections 415 and 401(a)(17).

The following plans and predecessor plans were amended, restated and merged to form this Plan, effective July 1, 2004:

- 1. Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation (formerly known as the Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Corporation)
- 2. Incentive Retirement Benefit Plan for Certain Executives of Lockheed Martin Corporation (formerly known as the Incentive Retirement Benefit Plan for Certain Executives of Lockheed Corporation)

The Plan was amended and restated, effective January 1, 2005, in order to comply with the requirements of Code section 409A. The 2005 amendment and restatement of the Plan applied only to the portion of a Participant's benefit that accrued on or after January 1, 2005. The portion of a Participant's benefit that accrued prior to January 1, 2005 shall be governed by the terms of the Plan in effect on December 31, 2004, attached as Appendix A. The Plan was amended and restated, effective June 26, 2008, in order to clarify certain provisions in accordance with the final Treasury Regulations issued under Code section 409A and to make other clarifications with respect to eligibility and benefits. The Plan was amended and restated effective December 31, 2008 to order to make further clarifications in accordance with the final Treasury Regulations issued under Code section 409A and to make other administrative clarifications. The Plan was amended and restated effective December 31, 2010 to order to make further clarifications in accordance with the final Treasury Regulations issued under Code section 409A and to make other administrative clarifications.

On June 26, 2014, the Qualified Pension Plan was amended: (i) effective January 1, 2016, to provide that pensionable earnings under the Qualified Pension Plan shall not include amounts earned for or relating to any period after December 31, 2015; and (2) effective January 1, 2020, to freeze credited service under the Qualified Pension Plan and to provide that no Qualified Pension Plan participant shall accrue credited service with respect to any period after December 31, 2019. Effective July 1, 2014, the Plan was amended and restated to confirm these Qualified Pension Plan amendments shall carry through to any applicable provision in this Plan, including all Annexes and Appendices to the Plan. Accordingly, base rate of pay, bonuses or other incentive compensation, or other amounts earned for or relating to the period after December 31, 2015 shall not

be used in determining benefits under the Plan, and service after December 31, 2019 shall not be considered, deemed to be, or otherwise treated as Credited Service or similar benefit accrual service in determining benefits payable under the Plan. Furthermore, the Plan was amended and restated to close the Plan to new entrants effective July 1, 2014.

The Plan is hereby amended and restated, effective for terminations from active service and pre-retirement deaths on or after July 1, 2015, to update the mortality table used for determining the present value of benefits accrued under the Plan after December 31, 2004 when an individual is eligible for a lump sum payout of such benefits and for certain benefit conversions involving benefits accrued under the Plan after December 31, 2004, from the 1983 Group Annuity Mortality Table with sex distinction to the mortality table approved by the Internal Revenue Service for calculating the present value of benefits for determining lump sums payable under Code section 417(e)(3); provided, however, the 1983 Group Annuity Mortality Table with sex distinction will be used instead of the Code section 417(e) applicable mortality table when use of the Code section 417(e)(3) applicable mortality table would cause a reduction in the amount of benefits payable under the Plan.

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise or the term is defined below, all terms shall be defined in accordance with the Lockheed Martin Corporation 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%. Notwithstanding the foregoing, effective for terminations from active service and pre-retirement deaths on or after July 1, 2015, 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 applicable mortality table under Code section 417(e)(3); provided that (i) in no event shall the interest rate plus 1% exceed 7% or be less than 4%, and (ii) if use of the applicable mortality table under Code section 417(e)(3) results in any Participant's or Surviving Spouse's benefit under the Plan having an Actuarial Equivalent that is less than the Actuarial Equivalent of the Participant's or Surviving Spouse's benefit computed using the 1983 Group Annuity Mortality Table with sex distinction, as determined at the time benefits become payable pursuant to Article V, then the Actuarial Equivalent of the Participant's or Surviving Spouse's Plan benefit will be computed using the 1983 Group Annuity Mortality Table with sex distinction.
2. **BENEFICIARY** — The Beneficiary of a Participant shall be (a) the Participant's Spouse or (b) if there is no Spouse surviving the Participant, the Participant's estate.
3. **BOARD** — The Board of Directors of Lockheed Martin Corporation.
4. **CODE** — The Internal Revenue Code of 1986, as amended.

5. COMMITTEE — The committee described in Section 1 of Article VIII.
6. COMPANY – Lockheed Martin Corporation and its Subsidiaries.
7. ELIGIBLE EMPLOYEE — An employee of the Company who meets the eligibility criteria in Section 1 of Article III or Section 1 of Article IV, and who satisfies such additional requirements for participation in this Plan as the Committee may from time to time establish. The Lockheed Martin Pension Plans Administrative Committee (the “Pension Committee”) shall interpret the participation requirements established by the Committee for all Participants except elected officers subject to Section 16(b) of the Securities and Exchange Act of 1934. Determinations of participation requirements for elected officers shall be made by the Committee. Notwithstanding the foregoing, no employee of the Company who is hired by a Participating Company or promoted to Vice President (Level 8) or above with a Participating Company on or after July 1, 2014 shall become an Eligible Employee.
8. GRANDFATHERED 2004 BENEFIT — The benefit calculated under the terms of the Plan in effect prior to January 1, 2005 (attached as Appendix A), determined as if the Participant had terminated from employment on December 31, 2004 (or the Participant’s actual termination date, if earlier).
9. PARTICIPANT — An Eligible Employee who meets the requirements for participation contained in Article III or Article IV; the term shall include a former employee and survivors/beneficiaries whose benefit has not been fully distributed. A Participant shall cease to be an active Participant upon Termination of Employment, when he ceases to be an Eligible Employee, or when he ceases to meet the requirements for participation as amended from time to time. Notwithstanding the foregoing, no employee of the Company who is hired by a Participating Company or promoted to Vice President (Level 8) or above with a Participating Company on or after July 1, 2014 shall become a Participant in the Plan.
10. QUALIFIED PENSION PLAN – The Lockheed Martin Corporation Retirement Plan for Certain Salaried Employees, the Lockheed Martin Corporation Retirement Income Plan and the Lockheed Martin Corporation Retirement Income Plan III, or any successor plans.
11. PLAN – The Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation, or any successor plan.
12. SUBSIDIARY — As to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporation), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.
- 12A. TERMINATION OF EMPLOYMENT – A separation from service as such term is defined in Code section 409A and the regulations thereunder.
13. YEAR — The calendar year.

ARTICLE III

TRANSFER BENEFITS

1. Eligibility. Benefits pursuant to this Article III are available to employees of the Company who:

- (a) are Members of the Qualified Pension Plan, and
 - (i) are transferred, prior to July 1, 2014 to a Participating Company that does not have a Qualified Pension Plan, and
 - (ii) are identified by such Participating Company as a key employee at the time of such transfer, and
 - (iii) are designated in writing, prior to July 1, 2014, by the Committee as a Participant in this Plan;
- (b) effective January 1, 2006 (January 1, 2007 for KAPL, Inc.), are not Members of the Qualified Pension Plan, and
 - (i) are hired by a Participating Company on or after January 1, 2006 (or by KAPL, Inc. on or after January 1, 2007) and before July 1, 2014, and
 - (ii) are Vice Presidents (Level 8) or above on their date of hire, or are promoted to Vice President (Level 8) after their date of hire and before July 1, 2014, and
 - (iii) are not hired by a Participating Company pursuant to the Company's acquisition of an entity that does not sponsor a qualified defined benefit pension plan.

A "Participating Company" is a business unit designated in writing by the Committee as a unit participating in this Plan. A list of Participating Units is set forth in Schedule 1.

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

2. Amount of Benefit. The benefit that each Participant shall be entitled to receive under the Plan is the amount reasonably determined by the Company to be the difference between the Participant's actual benefit, if any, under the Qualified Pension Plan and the benefits that would have been payable under that Plan, subject to the offset below, if:

- (a) the Qualified Pension Plan had determined pensionable earnings on a "mix and match" basis, as defined below;
- (b) the Participant's period of employment service as a Participant at a Participating Company at which no Credited Service is earned was deemed to be years of Credited Service under the Qualified Pension Plan; and
- (c) the Participant's benefit under the Qualified Pension Plan had not been limited by Code section 415 and/or Code section 401(a)(17).

If a Participant's compensation under the Management Incentive Compensation Plan ("MICP") is included in pensionable earnings under the Qualified Pension Plan, the Participant's total pensionable earnings shall be determined on a "mix and match" basis. The Participant's annual compensation earned under the MICP shall be calculated separately from other annual pensionable earnings. The average of the three (3) highest years of MICP compensation during the last 10 years shall be added to the average of the three (3) highest years of other pensionable earnings during the last 10 years to arrive at total final average pensionable earnings for the applicable period under the Qualified Pension Plan.

The above benefit (the "Transfer Benefit") shall be offset by the benefits payable on behalf of the Participant under the Lockheed Martin Corporation Capital Accumulation Plan (the "Lockheed Martin CAP") and under the Lockheed Martin Account Balance Retirement Plan ("ABRP"). In calculating the offset, the Participant's total account balance from the Lockheed Martin CAP shall be converted into an annuity using the 1983 Group Annuity Mortality Table 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. Notwithstanding the foregoing, effective for terminations from active service and pre-retirement deaths on or after July 1, 2015, the offset and prior distribution reduction described above each shall be converted into an annuity using the applicable mortality table under Code section 417(e)(3); provided that if use of the applicable mortality table under Code section 417(e)(3) results in an annuity that is more than the annuity calculated using the 1983 Group Annuity Mortality Table with sex distinction, as determined at the time benefits become payable pursuant to Article V, then the annuity shall be calculated using the 1983 Group Annuity Mortality Table with sex distinction.

Combined benefits under this Article III, the Lockheed Martin CAP and the ABRP are intended to supplement the Participant's actual benefit under the Qualified Pension Plan as necessary to provide the Participant with the full benefit the Participant would have received under the Qualified Pension Plan on a "mix and match" basis, without regard to the limitations of Code section 415 and Code section 401(a)(17), and with the special adjustments described above. To prevent duplication of benefits, the full benefit under the Qualified Pension Plan and the enhanced Transfer Benefit described above shall be calculated without reduction for Code section 415 and Code section 401(a)(17), then reduced by the benefit payable from the Qualified Pension Plan (without regard to the portion of such benefit attributable to employee contributions, if any), then reduced by the benefit payable from the Lockheed Martin CAP and ABRP, and then reduced by the 2004 Grandfathered Benefit, to the extent permissible under Code section 409A. The remainder of the benefit shall be paid from this Plan. Participants have no right to duplicate benefits with respect to the same period of service, and the Committee may make such adjustments to the benefits under this Plan as the Committee deems necessary to prevent duplication of benefits.

The benefit payable under this Article III shall be payable to the Participant or Beneficiary or any other person who is receiving or entitled to receive benefits with respect to the Participant under the Qualified Pension Plan.

If the benefits payable under the Qualified Pension Plan to any Participant are increased following the Participant's retirement as a result of a general increase in the benefits payable to retired employees under that Plan, no such increase will be made under this Plan.

3. Plan Freeze

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

ARTICLE IV

INCENTIVE BENEFITS

1. Eligibility. Benefits pursuant to this Article IV are available to the employees described below. However, an employee who terminated employment with Lockheed Corporation prior to January 1, 1984, when eligible for a deferred retirement benefit under Section 5.03 of the Lockheed Retirement Plan for Certain Salaried Employees is not eligible to receive a benefit under this Article IV.

An employee or former employee of Lockheed Martin Corporation and its subsidiaries who, prior to July 2, 2014:

- (a) is employed by a Lockheed Martin business unit that is not covered by a Qualified Pension Plan, and
- (b) is identified by such business unit as a key employee, and
- (c) at the time of eligibility for benefits is, or for any year during his or her last ten (10) years of service]with Lockheed Martin Corporation prior to July 1, 2014 was, a participant in the Lockheed Martin Corporation Management Incentive Compensation Plan (including the Deferred Management Incentive Compensation Plan of Lockheed Martin Corporation), or any incentive compensation plan of any subsidiary or affiliated corporation of Lockheed Martin Corporation which the Committee determines is a corresponding incentive plan; and
- (d) who has been specifically designated in writing before July 1, 2014 by the Committee as a Participant; and
- (e) who is not eligible for a benefit under Article III of this Plan

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

2. Amount of Benefit.

A. Normal or Disability Retirement. The benefit payable under this Article IV to a Participant is the amount reasonably determined to be the difference between the Participant's actual benefit under the Lockheed Martin Retirement Plan for Certain Salaried Employees (or such other Qualified Pension Plan as designated by the Committee (the "Designated Qualified Plan") and the benefits that would have been payable under that Plan, subject to the offset below, if:

- (a) the Designated Qualified Plan had determined pensionable earnings on a "mix and match" basis, as defined below;

- (b) the Participant's period of employment service as a Participant with the Company during which period no Credited Service is earned either because the Participant was not in a covered group or because of a limitation on Credited Service under the Qualified Pension, was deemed to be years of Credited Service under the Designated Qualified Pension Plan; and
- (c) the Participant's benefit under the Designated Qualified Plan had not been limited by Code section 415 and/or Code section 401(a)(17).

If a Participant's compensation under the Management Incentive Compensation Plan ("MICP") is included in pensionable earnings under the Qualified Pension Plan, the Participant's total pensionable earnings shall be determined on a "mix and match" basis. The Participant's annual compensation earned under the MICP shall be calculated separately from other annual pensionable earnings. The average of the highest years of MICP compensation shall be added to the average of the highest years of other pensionable earnings to arrive at total final average pensionable earnings for the applicable period under the Qualified Pension Plan.

The above benefit (the "Incentive Benefit") shall be offset by the benefits payable on behalf of the Participant under the Lockheed Martin Corporation Capital Accumulation Plan (the "Lockheed Martin CAP") and under the Lockheed Martin Account Balance Retirement Plan ("ABRP"). In calculating the offset, the Participant's total account balance from the Lockheed Martin CAP shall be converted into an annuity using the 1983 Group Annuity Mortality Table and shall be calculated as of the Participant's termination of employment, using the PBGC immediate interest rate for lump sums rate plus 1% and Participant's age on the date of distribution. If the Participant received any prior distributions from the Lockheed Martin CAP, the Incentive Benefit shall be reduced by the annuity value of the prior distribution, using the Lockheed Martin CAP distribution amount, PBGC immediate interest rate for lump sums rate plus 1% and Participant's age on the date of distribution. The Incentive Benefit is then reduced for the amount of the Participant's normal retirement benefit from the ABRP, and then reduced by the Participant's 2004 Grandfathered Benefit, to the extent permissible under Code section 409A. Notwithstanding the foregoing, effective for terminations from active service and pre-retirement deaths on or after July 1, 2015, the offset and prior distribution reduction described above each shall be converted into an annuity using the applicable mortality table under Code section 417(e)(3); provided that if use of the applicable mortality table under Code section 417(e)(3) results in an annuity that is more than the annuity calculated using the 1983 Group Annuity Mortality Table with sex distinction, as determined at the time benefits become payable pursuant to Article V, then the annuity shall be calculated using the 1983 Group Annuity Mortality Table with sex distinction.

C. No Duplication. Combined benefits under this Article IV, the Lockheed Martin CAP and the ABRP are intended to supplement the Participant's actual benefit under the Qualified Pension Plan as necessary to provide the Participant with the full benefit the Participant would have received under the Qualified Pension Plan on a "mix and match" basis, without regard to the limitations of Code section 415 and Code section 401(a)(17), and with the special adjustments described above. To prevent duplication of benefits, the full benefit under the Qualified Pension Plan and the enhanced Incentive Benefit described above shall be calculated without reduction for Code section 415 and Code section 401(a)(17), then reduced by the benefit payable from the Qualified Pension Plan then reduced by the benefit payable from the Lockheed Martin CAP and ABRP, and then reduced by the Participant's 2004 Grandfathered Benefit, to the extent permissible under Code section 409A. The remainder of the benefit shall be paid from this Plan. Participants have no right to duplicate benefits with respect to the same period of service, and the Committee may make such adjustments to the benefits under this Plan as the Committee deems necessary to prevent duplication of benefits.

The benefit payable under this Article IV shall be payable to the Participant or Beneficiary or any other person who would be entitled to receive benefits with respect to the Participant under the Designated Qualified Plan.

If the benefits that would be payable under the Designated Qualified Plan to any Participant are increased following the Participant's retirement as a result of a general increase in the benefits payable to retired employees under that Plan, no such increase will be made under this Plan.

3. Plan Freeze

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

ARTICLE V

PAYMENT OF BENEFITS

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

2. Form and Timing of Payment. Except as otherwise provided herein, a Participant may make an initial payment election between an annuity and a lump sum payment under the terms and conditions described in this Section 2. All elections under this Section 2 must be made in the form and manner prescribed by the Senior Vice President, Human Resources. No election made pursuant to this Section 2 may affect a payment due in the same calendar year in which the election is made or accelerate payment into the calendar year in which the election is made.

(a) Regular Form. Unless a Participant has elected a lump sum payment under Section 2(b) of this Article V, benefits under this Plan shall be paid in the form of an annuity. Participants who first become eligible for participation in the Plan after December 16, 2005 shall receive their benefits in the form of an annuity. Benefits paid in a form described in this Section 2(a) shall commence as soon as administratively practicable (but no more than 90 days) following the later of (i) the month in which the Participant has a Termination of Employment, or (ii) the month in which the Participant attains age fifty-five (55). Notwithstanding the foregoing sentence, benefits paid in a form described in this Section 2(a) to a Participant who is reasonably determined by the Company to be a "specified employee" within the meaning of Code section 409A(2)(B)(i), shall not commence before the later of (i) six (6) months following the month in which the Participant has a Termination of Employment, or (ii) the month in which the Participant attains age fifty-five (55). No interest shall be paid between the date of Termination of Employment or attainment of age fifty-five (55), as applicable, and the payment date.

i. Selection of Annuity Form. Prior to his Termination of Employment or attainment of age 55, as applicable, a Participant may elect to receive benefits in any actuarially equivalent annuity form that is available under the applicable Qualified Pension Plan on the date of the Participant's election that has been designated by the Senior Vice President, Human Resources as available for election under this Plan. If the Participant has not validly elected an annuity form before his Termination of Employment or attainment of age 55, as applicable, under this Section 2(a) or a lump sum payment as provided in Section 2(b) of Article V, (i) an unmarried Participant shall be deemed to have elected payment in the form of a monthly annuity

for the life of the Participant with no further payments to anyone after his or her death, and (ii) a married Participant shall be deemed to have elected payment in the form of a reduced monthly annuity for the life of the Participant with, after the Participant's death, a 50% survivor annuity for the life of the Participant's spouse. Actuarial adjustments shall be based on the factors set forth in the Qualified Pension Plan.

(b) Lump Sum Option. This Section shall not apply to Participants who first become eligible for participation in the Plan after December 16, 2005. In lieu of the forms described in Section 2(a) of Article V, a Participant may make a one-time initial election to receive a full lump sum payment in an amount which is the Actuarial Equivalent of a monthly annuity for the life of the Participant with no further payments to anyone after his or her death, provided the election is filed with the Company in writing no later than December 31, 2008 (or such other date determined by the Senior Vice President, Human Resources and communicated to Participants) and the Participant's employment has not terminated employment prior to filing the election. For all Participants who elect a lump sum under this Section 2(b), the lump sum payment shall be made six (6) months following the later of (i) the month in which the Participant has a Termination of Employment, or (ii) the month in which the Participant attains age fifty-five (55). No interest shall be paid between the date of Termination of Employment or attainment of age fifty-five (55), as applicable, and the payment date. All elections under this Section (b) must be made in the form and manner prescribed by the Company. Such election shall be irrevocable except as provided in Section 2(e) of Article V.

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

(d) Payment Upon Death or Disability.

i. Death. No other death benefits are provided under this Plan other than as specified in this Section 2.d.i.

A. Pre-Retirement Survivor Benefit. In the event the Participant dies prior to Termination of Employment or the attainment of age fifty-five (55), a pre-retirement survivor benefit will be payable to the Participant's surviving spouse (if any) (the "Pre-Retirement Survivor Benefit" and the "Surviving Spouse") in the form elected by the Participant under the terms of the Plan. If the Participant's benefit was payable in a lump sum, the lump sum shall be the Actuarial Equivalent of a monthly annuity payable for the life of the Surviving Spouse with no further payments to anyone after his or her death. The

Pre-Retirement Survivor Benefit shall commence as soon as administratively practicable (but no later than 90 days) following the later of (i) the month in which the Participant dies, or (ii) the month in which the Participant would have attained age fifty-five (55). Notwithstanding the foregoing, with respect to all Participants who validly elected a lump sum under Section 2.b., a lump sum Pre-Retirement Survivor Benefit shall be paid to the Participant's Surviving Spouse six (6) months following the later of (i) the month in which the Participant dies, or (ii) the month in which the Participant would have attained age fifty-five (55). No Pre-Retirement Survivor Benefit is payable to anyone other than the Participant's Surviving Spouse.

B. Death After Termination of Employment or Attainment of Age 55. If a Participant who is required to wait six (6) months for a lump sum payment (in accordance with Section 2 of Article V) dies after the Participant's Termination of Employment or attainment of age fifty-five (55), as applicable, but before payment is made, the lump sum payment shall be made to the Participant's Beneficiary as administratively practicable (but no later than 90 days) following the death of the Participant.

ii. **Disability.** Notwithstanding the provisions of this Article V, the benefit of a Disabled Participant who is eligible for a disability pension from the Lockheed Martin Retirement Income Plan or the Lockheed Martin Corporation Retirement Income Plan III shall be paid in the form elected by the Participant under the terms of the Plan as soon as administratively practicable (but no later than 90 days) following the date the Participant is reasonably determined by the Company to be Disabled. For the purposes of this Section 2.d.ii., the terms "Disabled" or "Disability" shall have the meaning set forth in the Lockheed Martin Retirement Income Plan or the Lockheed Martin Corporation Retirement Income Plan III, as applicable, to the extent consistent with the requirements of Code section 409A(a)(2)(C).

(e) **Prospective Change of Payment Elections.** Participants may elect to change the form of payment of benefits or further delay the commencement of benefits as provided in this Section 2(e). All elections under this Section 2(e) must be made in the form and manner prescribed by the Company. This Section 2(e) does not apply to Surviving Spouses or Beneficiaries. Subject to the provisions of Code section 409A, other changes in the form of benefit, including changes between actuarially equivalent forms of benefit, if any, may be made only as determined by the Senior Vice President, Human Resources, of the Company in accordance with Code section 409A.

- i. **Form of Payment.** A Participant who has validly elected (or deemed to have elected) payment as an annuity (as described in Section 2(a) of Article V) or has validly elected a lump sum payment (in accordance with Section 2(b) of Article V) may later elect to receive payment in any form (annuity or lump sum) designated by the Senior Vice President, Human Resources, of the Company, provided that such election is made in the form and manner determined by the Senior Vice President, Human Resources not less than twelve (12) months before the date the payment would have first commenced under the Participant's prior election. In addition, the first payment under the new election must commence no earlier than sixty (60) months from the date when the payment would have first commenced under the Participant's prior election. Such change in election shall not be given effect until twelve (12) months from the date that the change in election is delivered to the Company.
- j. ii. **Timing of Payment.** Regardless of the form of payment, a Participant may elect to delay payment of his benefit provided such election is made in writing in the form and manner determined by the Senior Vice President, Human Resources, not less than twelve (12) months before the date the payment would have first commenced under the Participant's prior election.

In addition, the first payment under the new election must commence no earlier than sixty (60) months from when the payment would have first commenced under the Participant's prior election. No interest shall be paid between the date of Termination of Employment or attainment of age fifty-five (55), as applicable, and the payment date. Such change in election shall not be given effect until twelve (12) months from the date that the change in election is delivered to the Company.

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

g. If a Participant participates in more than one supplemental pension plan sponsored by the Corporation, the Participant must make a single election that shall apply to his or her benefits under all such plans with respect to the form of annuity (under Section 2(a) of this Article 5) and with respect to prospective changes of payment (under Section 2(e) of this Article 5).

3. Deductibility of Payments. Subject to the provisions of Section Code section 409A, in the event that the Company reasonably anticipates that the payment of benefits in accordance with the Participant's election under Section 2 would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid under Code section 162(m), the Committee shall have the right to delay the timing of distributions from the Participant's Account as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a delayed distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as the Company reasonably anticipates, or should reasonably anticipate, that if the payment is made during such year, the deduction will not be barred by Code section 162(m) or upon a Termination of Employment in accordance with Treasury Regulation section 1.409A-2(b)(7)(i), consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's Account Balance or to pay aggregate benefits less than the Participant's Account Balance in the event that all or a portion thereof would not be deductible by the Company. All scheduled payments under this Plan and any other plan required to be aggregated with this Plan must be delayed in order for such payment to be delayed pursuant to this Section 8.

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

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

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

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

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

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

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

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

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

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

8. Reemployment. The retirement benefit otherwise payable hereunder to any Participant who previously retired or otherwise had a Termination of Employment and is subsequently reemployed may not be suspended during the Participant's period of reemployment except as permitted under Code section 409A.

9. Mistaken Payments. No Participant or Beneficiary shall have any right to any payment made (1) in error, (2) in contravention to the terms of the Plan, the Code, or ERISA, or (3) because the Committee or its delegates were not informed of any death. The Committee shall have full rights under the law and ERISA to recover any such mistaken payment, and the right to recover attorney's fees and other costs incurred with respect to such recovery. Recovery shall be made from future Plan payments, or by any other available means.

ARTICLE VI

EXTENT OF PARTICIPANTS' RIGHTS

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

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

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

ARTICLE VII

AMENDMENT OR TERMINATION

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

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

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

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

ARTICLE VIII

ADMINISTRATION

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

2. Delegation and Reliance. The Committee may delegate to the officers or employees of the Company the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Plan in accordance with its terms and purpose. In making any determination or in taking or not taking any action under this Plan, the Committee or its delegate may obtain and rely upon the advice of experts, including professional advisors to the Company. Except as otherwise provided in Section 6, the Committee delegates the authority to adjudicate claims to the Pension Plans Administrative Committee. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in

good faith under this Plan or for the failure of the Plan or any Participant's rights under the Plan to achieve intended tax consequences, or to comply with any other law, compliance with which is not required on the part of the Company.

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

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

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

- (a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.
- (b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.
- (c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under Federal law.
- (d) The Plan will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days

after receipt by the Claims Administrator of the request for review. This period may be extended to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60 day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached. The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information "relevant" to the claimant's claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant's right to obtain information about such procedures, if any; and (6) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review. If in the event that the reviewing committee must make a determination of disability in order to decide a claim, the reviewing committee shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The reviewing committee shall render a decision within a reasonable time (not to exceed 90 days) after the claimant's request for review, rather than within 120 days as set forth in the above paragraph.

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

ARTICLE IX

GENERAL AND MISCELLANEOUS PROVISIONS

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

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

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

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

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

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

7. 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, 2015 or such other date set forth herein for a particular provision.

Lockheed Martin Corporation has caused this instrument to be executed the 20th day of July, 2015.

LOCKHEED MARTIN CORPORATION

By: /s/ Patricia L. Lewis
Patricia L. Lewis
Senior Vice President, Human Resources

APPENDIX A TO JANUARY 1, 2005 RESTATEMENT

This Appendix A shall apply to the portion of a Participant's benefit that accrued and vested on or before December 31, 2004. This Appendix A shall not apply to the portion of a Participant's benefit that accrues or becomes vested on or after January 1, 2005.

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation (the "Plan") are:

- (a) to provide an additional retirement benefit for certain employees whose regular retirement benefits have been limited as a result of employment service at a Lockheed Martin company that does not have a Qualified Pension Plan; and

- (b) to provide the above employees with those benefits that cannot be paid from the tax-qualified plans of Lockheed Martin Corporation and its subsidiaries because of the limitations on contributions and benefits contained in Internal Revenue Code sections 415 and 401(a)(17).

The following plans and predecessor plans are amended, restated and merged to form this Plan, effective July 1, 2004:

3. Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation (formerly known as the Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Corporation)
4. Incentive Retirement Benefit Plan for Certain Executives of Lockheed Martin Corporation (formerly known as the Incentive Retirement Benefit Plan for Certain Executives of Lockheed Corporation)

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise or the term is defined below, all terms shall be defined in accordance with the Lockheed Martin Corporation Salaried Retirement Program:

1. **ACTUARIAL EQUIVALENT** – The Actuarial Equivalent shall mean a benefit which has the equivalent value computed using the interest rate which would be used by the Pension Benefit Guaranty Corporation to determine the present value of an immediate lump sum distribution on termination of a pension plan, as in effect on first day of the month of termination of employment plus one percent (1%), and the 1983 Group Annuity Mortality Table with sex distinction.
2. **BENEFICIARY** — The person or persons designated by the Participant as his or her beneficiary under the applicable Qualified Pension Plan (or, if the Participant has never been covered under a Qualified Pension Plan, the person or persons designated by the Participant as his or her beneficiary under this Plan on such form as required by the Committee). If no beneficiary is designated under the Qualified Pension Plan or under this Plan, or if no designated beneficiary survives the Participant, the Participant’s estate shall be the beneficiary.
3. **BOARD** — The Board of Directors of Lockheed Martin Corporation.
4. **CODE** — The Internal Revenue Code of 1986, as amended.
5. **COMMITTEE** — The committee described in Section 1 of Article VIII.
6. **COMPANY** – Lockheed Martin Corporation and its subsidiaries.
7. **ELIGIBLE EMPLOYEE** — An employee of the Company who meets the eligibility criteria in Section 1 of Article III or Section 1 of Article IV, and who satisfies such additional requirements for participation in this Plan as the Committee may from time to time establish. The Lockheed Martin Pension Plans Administrative Committee (the “Pension Committee”) shall interpret the participation requirements established by the Committee for all Participants except elected officers subject to Section 16(b) of the Securities and Exchange Act of 1934. Determinations of participation requirements for elected officers shall be made by the Committee

8. PARTICIPANT — An Eligible Employee who meets the requirements for participation contained in Article III or Article IV; the term shall include a former employee and survivors/beneficiaries whose benefit has not been fully distributed. A Participant shall cease to be an active Participant upon termination of employment, when he ceases to be an Eligible Employee, or when he ceases to meet the requirements for participation as amended from time to time.

9. QUALIFIED PENSION PLAN – The Lockheed Martin Corporation Retirement Plan for Certain Salaried Employees, the Lockheed Martin Corporation Retirement Income Plan and the Lockheed Martin Corporation Retirement Income Plan III, or any successor plans.

10. PLAN – The Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation, or any successor plan.

11. YEAR — The calendar year.

ARTICLE III

TRANSFER BENEFITS

1. Eligibility. Benefits pursuant to this Article III are available to employees of the Company who:

- (a) are Members of the Qualified Pension Plan, and
- (b) are transferred to a Participating Company that does not have a Qualified Pension Plan, and
- (c) are identified by such Participating Company as a key employee at the time of such transfer, and
- (d) are designated in writing by the Committee as a Participant in this Plan.

A “Participating Company” is a business unit designated in writing by the Committee as a unit participating in this Plan. A list of Participating Units is set forth in Schedule 1.

2. Amount of Benefit. The benefit that each Participant shall be entitled to receive is the difference between the Participant’s actual benefit under the Qualified Pension Plan and the benefits that would have been payable under that Plan, subject to the offset below, if:

- (a) the Qualified Pension Plan had determined pensionable earnings on a “mix and match” basis, as defined below;
- (b) the Participant’s period of employment service as a Participant at a Participating Company at which no Credited Service is earned was deemed to be years of Credited Service under the Qualified Pension Plan; and
- (c) the Participant’s benefit under the Qualified Pension Plan had not been limited by Code section 415 and/or Code section 401(a)(17).

If a Participant’s compensation under the Management Incentive Compensation Plan (“MICP”) is included in pensionable earnings under the Qualified Pension Plan, the Participant’s total pensionable earnings shall be determined on a “mix and match” basis. The Participant’s annual compensation earned under the MICP shall be calculated separately from other annual pensionable earnings. The average of the three (3) highest years

of MICP compensation during the last 10 years shall be added to the average of the three (3) highest years of other pensionable earnings during the last 10 years to arrive at total final average pensionable earnings for the applicable period under the Qualified Pension Plan.

The above benefit (the "Transfer Benefit") shall be offset by the benefits payable on behalf of the Participant under the Lockheed Martin Corporation Capital Accumulation Plan (the "Lockheed Martin CAP") and under the Lockheed Martin Account Balance Retirement Plan ("ABRP"). In calculating the offset, the Participant's total account balance from the Lockheed Martin CAP shall be converted into an annuity using the 1983 Group Annuity Mortality Table for males and the PBGC interest rate. The benefits payable under the Lockheed Martin CAP shall be calculated as of the Participant's termination of employment, using the Actuarial Equivalent. If the Participant received any prior distributions from the Lockheed Martin CAP, the Transfer Benefit shall be reduced by the annuity value of the prior distribution, using the Lockheed Martin CAP distribution amount, the PBGC interest rate plus 1% and Participant's age on the date of distribution. The Transfer Benefit is then reduced for the amount of the normal retirement benefit from the ABRP.

Combined benefits under this Article III, the Lockheed Martin CAP and the ABRP are intended to supplement the Participant's actual benefit under the Qualified Pension Plan as necessary to provide the Participant with the full benefit the Participant would have received under the Qualified Pension Plan on a "mix and match" basis, without regard to the limitations of Code section 415 and Code section 401(a)(17), and with the special adjustments described above. To prevent duplication of benefits, the full benefit under the Qualified Pension Plan and the enhanced Transfer Benefit described above shall be calculated without reduction for Code section 415 and Code section 401(a)(17), then reduced by the benefit payable from the Qualified Pension Plan, and then reduced by the benefit payable from the Lockheed Martin CAP and ABRP. The remainder of the benefit shall be paid from this Plan. Participants have no right to duplicate benefits with respect to the same period of service, and the Committee may make such adjustments to the benefits under this Plan as the Committee deems necessary to prevent duplication of benefits.

The benefit payable under this Article III shall be payable to the Participant or Beneficiary or any other person who is receiving or entitled to receive benefits with respect to the Participant under the Qualified Pension Plan.

If the benefits payable under the Qualified Pension Plan to any Participant are increased following the Participant's retirement as a result of a general increase in the benefits payable to retired employees under that Plan, no such increase will be made under this Plan unless the Committee expressly so provides in writing.

3. Plan Freeze

Notwithstanding anything herein to the contrary, base rate of pay, bonuses or other incentive compensation, or other amounts earned for or relating to the period after December 31, 2015 shall not be used in determining benefits under the Plan, and service after December 31, 2019 shall not be considered, deemed to be, or otherwise treated as Credited Service or similar benefit accrual service in determining benefits payable under 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 at normal retirement age is the difference between the Participant's actual benefit under the Lockheed Martin Retirement Plan for Certain Salaried Employees (or such other Qualified Pension Plan as designated by the Committee (the "Designated Qualified Plan") and the benefits that would have been payable under that Plan, subject to the offset below, if:

- (a) the Designated Qualified Plan had determined pensionable earnings on a "mix and match" basis, as defined below;
- (b) the Participant's period of employment service as a Participant with the Company at which no Credited Service is earned because the Participant was not in a covered group or because of a limitation on Credited Service under the Qualified Pension Plan was deemed to be years of Credited Service under the Designated Qualified Pension Plan; and
- (c) the Participant's benefit under the Designated Qualified Plan had not been limited by Code section 415 and/or Code section 401(a)(17).

If a Participant's compensation under the Management Incentive Compensation Plan ("MICP") is included in pensionable earnings under the Qualified Pension Plan, the Participant's total pensionable earnings shall be determined on a "mix and match" basis. The Participant's annual compensation earned under the MICP shall be calculated separately from other annual pensionable earnings. The average of the highest years of MICP compensation shall be added to the average of the highest years of other pensionable earnings to arrive at total final average pensionable earnings for the applicable period under the Qualified Pension Plan.

The above benefit (the "Incentive Benefit") shall be offset by the benefits payable on behalf of the Participant under the Lockheed Martin Corporation Capital Accumulation Plan (the "Lockheed Martin CAP") and under the Lockheed Martin Account Balance Retirement Plan ("ABRP"). In calculating the offset, the Participant's total account balance from the Lockheed Martin CAP shall be converted into an annuity using the 1983 Group Annuity Mortality Table and the PBGC interest rate. The benefits payable under the Lockheed Martin CAP shall be calculated as of the Participant's termination of employment, using the Actuarial Equivalent. If the Participant received any prior distributions from the Lockheed Martin CAP, the Incentive Benefit shall be reduced by the annuity value of the prior distribution, using the Lockheed Martin CAP distribution amount, PBGC immediate interest rate for lump sums rate plus 1% and Participant's age on the date of distribution. The Incentive Benefit is then reduced for the amount of the Participant's normal retirement benefit from the ABRP.

B. Early Retirement. The benefit payable under this Article IV to a Participant who satisfies the Designated Qualified Plan rules for early retirement eligibility as set forth in Article IV of the Qualified Pension Plan or for a deferred monthly retirement benefit in accordance with the rules set forth in Article VIII of the Qualified Pension Plan, whether or not such Participant is a member of the Qualified Pension Plan, shall be calculated in accordance with the provisions of Article V of the Qualified Pension Plan, for early retirement, or Article VIII of the Qualified Pension Plan, for deferred retirement, as applied to the benefit amount calculated in accordance with Paragraph A, above.

C. Pre-Retirement Surviving Spouse Benefit. If a Pre-retirement Surviving Spouse Benefit would have applied had the Participant been eligible to participate in the Designated Qualified Plan, such survivor benefit shall automatically apply to any benefit which he or she may be eligible under this Plan. The survivor benefit shall be adjusted and paid in the same manner as such pension payable under the Designated Qualified Plan would be adjusted and paid on account of such survivor benefit.

Combined benefits under this Article IV, the Lockheed Martin CAP and the ABRP are intended to supplement the Participant's actual benefit under the Qualified Pension Plan as necessary to provide the Participant with the full benefit the Participant would have received under the Qualified Pension Plan on a "mix and match" basis, without regard to the limitations of Code section 415 and Code section 401(a)(17), and with the special adjustments described above. To prevent duplication of benefits, the full benefit under the Qualified Pension Plan and the enhanced Incentive Benefit described above shall be calculated without reduction for Code section 415 and Code section 401(a)(17), then reduced by the benefit payable from the Qualified Pension Plan, and then reduced by the benefit payable from the Lockheed Martin CAP and ABRP. The remainder of the benefit shall be paid from this Plan. Participants have no right to duplicate benefits with respect to the same period of service, and the Committee may make such adjustments to the benefits under this Plan as the Committee deems necessary to prevent duplication of benefits.

The benefit payable under this Article IV shall be payable to the Participant or Beneficiary or any other person who would be entitled to receive benefits with respect to the Participant under the Designated Qualified Plan.

If the benefits that would be payable under the Designated Qualified Plan to any Participant are increased following the Participant's retirement as a result of a general increase in the benefits payable to retired employees under that Plan, no such increase will be made under this Plan unless the Committee expressly so provides in writing.

3. Plan Freeze

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

ARTICLE V

PAYMENT OF BENEFITS

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

2. Form of Payment. Benefits shall be paid in the same form at the same times and for the same period as benefits are paid with respect to the Participant under the applicable Qualified Pension Plan, except as provided in the following paragraphs. Actuarial adjustments shall be based on the factors set forth in the Qualified Pension Plan, except as provided in the following paragraphs. If the benefits payable under this Plan correspond to Qualified Pension Plan benefits with multiple commencement dates, each portion of the benefits payable under this Plan shall be paid at the same time as the corresponding portion of the benefits is paid from the Qualified Pension Plan. If a Participant is not entitled to benefits under the Qualified Pension Plan, benefits shall be paid as if the Participant had been a member of the Lockheed Martin Retirement Plan for Certain Salaried Employees (or such other Qualified Retirement Plan as designated by the Committee) and had chosen from among the forms of payment available under such Plan. If an Employee's benefits under the Qualified Pension Plan are suspended for any month in accordance with the re-employment provisions thereof, the Participant's benefit for that month shall likewise be suspended under Articles III and IV of this Plan.

Lump Sum Option. A Participant may irrevocably elect to receive a full or partial single lump sum payment in an amount which is the actuarial equivalent of the benefit described above. The actuarial equivalent will be computed using the Actuarial Equivalent, and with no interest for the period between the date of termination of employment and the payment date. This election must be made within the time period for electing the form of benefit under the corresponding Qualified Pension Plan, by filing a written election in the form and manner prescribed by the Company. Payment will be made six (6) months following the date payments would otherwise begin pursuant to the above paragraph. If a Participant is not entitled to benefits under the Qualified Pension Plan, the Participant may make the election at any time after the Participant would have qualified for early retirement under the Qualified Pension Plan had the Participant been a member of such Plan. Payment will be made six (6) months following the date of such Participant's election.

Pre-Retirement Survivor Benefit. In the event the Participant dies prior to the date his or her retirement has commenced under this Plan and the corresponding Qualified Pension Plan, the pre-retirement survivor benefit payable to the surviving spouse (if any) under this Plan (the "Pre-Retirement Survivor Benefit" and the "Surviving Spouse") will be payable, at the election of the Surviving Spouse, in any of the following forms:

- (a) in the form of a monthly annuity payable to the Surviving Spouse for his lifetime, with no further payments to anyone after his death (which will be referred to as the "Regular Form");

- (b) in the form of a lump sum payment which is the actuarial equivalent of the Regular Form (the “100% Lump Sum”), but with actuarial equivalence determined as of the Election Date using the Actuarial Equivalent, and with no interest for the period between the Election Date (or, if later, the date the Participant would have attained age 55 had he survived) and the payment date; or
- (c) in the form of a combined lump sum and life annuity benefit of (x) and (y), where (x) equals a lump sum amount selected by the Surviving Spouse which is less than the 100% Lump Sum and (y) is a monthly single life annuity for the life of Surviving Spouse (with no further payments to anyone after his death) in an amount that can be provided with the difference between (x) and the 100% Lump Sum.

Any election to receive the benefit in the form of a lump sum as set forth in (b) above or a combined lump sum and annuity as set forth in (c) above must be made by the Surviving Spouse no later than 90 days after the date of the Participant’s death or, if later, the date the Participant would have attained age 55 had he survived (with the date such election is made by the Surviving Spouse referred to as the “Election Date”). In the event the Surviving Spouse makes an election for a lump sum or partial lump sum payment within this period, payment will not be made to the Surviving Spouse until six months after the Election Date (or, if later, six months after the date the benefit would otherwise be payable under this Plan).

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

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

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

5. Acceleration upon Change in Control.

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

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

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

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

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

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

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

8. Reemployment. The retirement benefit otherwise payable hereunder to any Participant who previously retired or otherwise had a Termination of Employment and is subsequently reemployed shall be treated in a manner consistent with the treatment of the benefit under the applicable Qualified Pension Plan or Designated Qualified Plan.

9. Mistaken Payments. No Participant or Beneficiary shall have any right to any payment made (1) in error, (2) in contravention to the terms of the Plan, the Code, or ERISA, or (3) because the Committee or its delegates were not informed of any death. The Committee shall have full rights under the law and ERISA to recover any such mistaken payment, and the right to recover attorney's fees and other costs incurred with respect to such recovery. Recovery shall be made from future Plan payments, or by any other available means.

ARTICLE VI

EXTENT OF PARTICIPANTS' RIGHTS

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

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

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

ARTICLE VII

AMENDMENT OR TERMINATION

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

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

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

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

ARTICLE VIII

ADMINISTRATION

1. The Committee. This Plan shall be administered by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee and its delegates (including the Claims Administrator) shall have full discretion to construe and interpret the terms and provisions of the Plan, which interpretation or construction shall be final, conclusive and binding on all parties, including but not limited to the Company and any Participant or Beneficiary, except as otherwise provided by law. Except as otherwise provided in Section 6, the Committee delegates the authority to adjudicate claims to the Pension Plans Administrative Committee.

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

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Plan, or in the interpretation,

administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Plan or for the failure of the Plan or any Participant's rights under the Plan to achieve intended tax consequences, or to comply with any other law, compliance with which is not required on the part of the Company.

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

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

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

- (a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.
- (b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.
- (c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under federal law.

- (d) The Plan will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60 day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached,
- (e) The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information "relevant" to the claimant's claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant's right to obtain information about such procedures, if any; and (6) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review.
- (f) In the event that the Claims Administrator must make a determination of disability in order to decide a claim, the Claims Administrator shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The Claims Administrator shall render a decision within a reasonable time (not to exceed 90 days) after the claimant's request for review, rather than within 120 days as set forth in the above paragraph.
- (g) For purposes of this Section 6, claimant shall include the duly authorized representative of claimant, if any.
- (h) The Claims Administrator shall be the Lockheed Martin Corporation Pension Plans Administration Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee.

ARTICLE IX

GENERAL AND MISCELLANEOUS PROVISIONS

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

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

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

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

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

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

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

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

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

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

Board of Directors
Lockheed Martin Corporation

We are aware of the incorporation by reference of our report dated July 22, 2015, relating to the unaudited consolidated interim financial statements of Lockheed Martin Corporation that is included in its Form 10-Q for the quarter ended June 28, 2015, in the following Registration Statements of Lockheed Martin Corporation:

- 33-58073, 33-58077, 33-58079, and 333-58097 on Form S-8, each dated March 15, 1995;
- 33-63155 on Form S-8, dated October 3, 1995;
- 33-58083 on Form S-8 (Post-Effective Amendment No. 1), dated January 22, 1997;
- 333-20117 and 333-20139 on Form S-8, each dated January 22, 1997;
- 333-27309 on Form S-8, dated May 16, 1997;
- 333-37069 on Form S-8, dated October 2, 1997;
- 333-40997 on Form S-8, dated November 25, 1997;
- 333-58069 on Form S-8, dated June 30, 1998;
- 333-69295 on Form S-8, dated December 18, 1998;
- 333-92197 on Form S-8, dated December 6, 1999;
- 333-92363 on Form S-8, dated December 8, 1999;
- 333-78279 on Form S-8 (Post-Effective Amendments No. 2 and 3), each dated August 3, 2000;
- 333-56926 on Form S-8, dated March 12, 2001;
- 333-84154 on Form S-8, dated March 12, 2002;
- 333-105118 on Form S-8, dated May 9, 2003;
- 333-113769, 333-113770, 333-113771, 333-113772, and 333-113773 on Form S-8, each dated March 19, 2004;
- 333-115357 on Form S-8, dated May 10, 2004;
- 333-127084 on Form S-8, dated August 1, 2005;
- 333-146963 on Form S-8, dated October 26, 2007;
- 333-155687 on Form S-8, dated November 25, 2008;
- 333-162716 on Form S-8, dated October 28, 2009;
- 333-155684 on Form S-8 (Post-Effective Amendment No. 1), dated August 23, 2011;
- 333-176440 on Form S-8, dated August 23, 2011;
- 333-188118 on Form S-8, dated April 25, 2013;
- 333-195466 on Form S-8, dated April 24, 2014 and July 23, 2014 (Post-Effective Amendment No.1);
- 333-197577 on Form S-3, dated July 23, 2014; and
- 333-199570 on Form S-3, dated October 23, 2014.

/s/ Ernst & Young LLP

McLean, Virginia
July 22, 2015

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

I, Marillyn A. Hewson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lockheed Martin Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Marillyn A. Hewson

Marillyn A. Hewson
Chief Executive Officer

Date: July 22, 2015

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

I, Bruce L. Tanner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lockheed Martin Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Bruce L. Tanner

Bruce L. Tanner
Chief Financial Officer

Date: July 22, 2015

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

In connection with the Quarterly Report of Lockheed Martin Corporation (the "Corporation") on Form 10-Q for the quarter ended June 28, 2015, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Marillyn A. Hewson, Chief Executive Officer of the Corporation, and I, Bruce L. Tanner, Chief Financial Officer of the Corporation, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Marillyn A. Hewson
Marillyn A. Hewson
Chief Executive Officer

/s/ Bruce L. Tanner
Bruce L. Tanner
Chief Financial Officer

Date: July 22, 2015