LOCKHEED MARTIN CORP
Form PRE 14A
February 27, 2009
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES

EXCHANGE ACT OF 1934

Filed by the registrant x

Filed by a party other than the registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

¨ Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e) (2))

¨ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material

Pursuant to Section 240.14a-12

Lockheed Martin Corporation

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of filing fee (check the appropriate box):

x No fee required.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

Lockheed Martin Corporation

6801 Rockledge Drive Bethesda, MD 20817

Robert J. Stevens

Chairman, President and Chief Executive Officer

March 13, 2009

Dear Fellow Stockholders:

On behalf of the Board of Directors, I would like to invite you to attend our 2009 Annual Meeting of Stockholders. We will meet on Thursday, April 23, 2009, at 10:30 a.m., Eastern Daylight Time, at the Doubletree Hotel Philadelphia, 237 South Broad Street, Philadelphia, PA 19107. Prior to the meeting, you are invited to join the Board and senior management at a reception at 10:00 a.m. If you cannot attend, you may listen to a webcast of the Annual Meeting through our website, http://www.lockheedmartin.com/investor.

The Annual Meeting will include discussion and voting on the matters described in the accompanying notice and Proxy Statement. Whether or not you plan to attend, please be sure to vote your shares. You may vote your shares by returning the enclosed proxy card, or by following the instructions for Internet or telephone voting printed on the proxy card. If you plan to attend, please let us know by marking the appropriate box when you cast your vote.

Thank you for your continued support of Lockheed Martin. I look forward to seeing you in Philadelphia.

Sincerely,

Robert J. Stevens

Table of Contents

LOCKHEED MARTIN CORPORATION

6801 Rockledge Drive

Bethesda, MD 20817

NOTICE OF 2009 ANNUAL MEETING OF STOCKHOLDERS

DATE	Thursday, April 23, 2009
TIME	10:30 a.m. Eastern Daylight Time
PLACE	Doubletree Hotel Philadelphia 237 South Broad Street Philadelphia, PA 19107
WEBCAST	You may listen to a live webcast of our Annual Meeting at http://www.lockheedmartin.com/investor. Listening to the webcast will not represent attendance at the Annual Meeting and you will not be able to cast your vote on our website during the live webcast.
ITEMS OF BUSINESS	(1) Election of 13 director-nominees to serve on the Board for a one-year term ending at next year s Annual Meeting; (2) Ratification of the appointment of Ernst & Young LLP, an independent registered public accounting firm, as our independent auditors for the 2009 fiscal year; (3) Management Proposal to amend the Charter to delete the 80% supermajority vote requirement for amendment of Article XIII; (4) Stockholder Proposal to require the Corporation to provide a written report to stockholders on certain information relating to the Corporation s space-based weapons program; (5) Stockholder Proposal to adopt a policy requiring stockholder approval on agreements that would provide payments or awards after a senior executive s death that are unrelated to services rendered to the Corporation; (6) Stockholder Proposal to allow the Corporation s stockholders to adopt a policy to give stockholders an opportunity to vote on a resolution, proposed by management, to ratify the compensation of the named executive officers; and (7) Consideration of any other matters that may properly come before the meeting.
RECORD DATE	Stockholders of record at the close of business on March 2, 2009, are entitled to vote at the meeting.
ANNUAL REPORT	We have enclosed our 2008 Annual Report to Stockholders. The report is not part of the proxy soliciting materials for the Annual Meeting.
PROXY VOTING	It is important that you vote your shares, so that your shares are counted at the Annual Meeting. You may vote your shares by completing and returning the enclosed proxy card, or by following the instructions printed on the proxy card or contained in the Proxy Statement for Internet or telephone voting.

Lillian M. Trippett
Vice President, Corporate Secretary and
Associate General Counsel

March 13, 2009

Table of Contents

TABLE OF CONTENTS

Table of Contents

TABLE OF CONTENTS

Table of Contents

GENERAL INFORMATION

We are furnishing these proxy materials in connection with the solicitation of proxies, on behalf of your Board of Directors (the Board), to be voted at our 2009 Annual Meeting of Stockholders (the Annual Meeting) and at any adjournment or postponement. Lockheed Martin Corporation (the Corporation) is a Maryland corporation.

You are invited to attend our Annual Meeting on April 23, 2009, at 10:30 a.m., Eastern Daylight Time, at the Doubletree Hotel Philadelphia, 237 South Broad Street, Philadelphia, PA. Directions to the meeting appear at the back of this Proxy Statement at Appendix B.

We began mailing the notice, Proxy Statement, and proxy card for the Annual Meeting and our 2008 Annual Report to Stockholders (Annual Report) on or about March 13, 2009.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be Held on April 23, 2009. The Proxy Statement and Annual Report are available at http://www.lockheedmartin.com/investor.

Questions and Answers

Do I need a ticket to attend the Annual Meeting?

You will need both an admission ticket (or proof of ownership) and valid photo identification to attend the Annual Meeting. An admission ticket is attached to your proxy card. Please detach the ticket and bring it with you to the meeting. If you vote electronically through the Internet, you will be guided to an online site where you will be able to print an admission ticket. If you hold shares through an account with a bank or broker, you will need to contact your bank or broker and request a legally valid proxy from the owner of record to vote your shares. This will serve as your admission ticket.

A recent brokerage statement or letter from your broker showing that you owned Lockheed Martin stock in your account as of March 2, 2009 (the Record Date), also serves as an admission ticket.

If you do not have an admission ticket (or proof of ownership) and valid photo identification, you will not be admitted to the Annual Meeting. As a safety measure, all attendees must leave any bags, briefcases, or packages at the registration desk prior to entering the meeting room.

Will the Annual Meeting be webcast?

Yes. We will webcast the Annual Meeting live on April 23, 2009. You are invited to visit http://www.lockheedmartin.com/investor at 10:30 a.m., Eastern Daylight Time, on April 23, 2009, to access the live webcast. Registration for the webcast is required. Stockholders who wish to access the webcast should pre-register on our website. Listening to our Annual Meeting webcast will not represent attendance at the meeting, and you will not be able to cast your vote as part of the live webcast.

Who is entitled to vote at the Annual Meeting?

Holders of our common stock, $1 par value per share, at the close of business on March 2, 2009, are entitled to vote their shares at the Annual Meeting. As of the Record Date, there were shares outstanding. Each share outstanding on the Record Date is entitled to one vote on each proposal presented at the Annual Meeting. This includes shares held through Direct Invest, our dividend reinvestment and stock purchase plan, or through our employee benefit plans. Your proxy card shows the number of shares held in your account(s).

What is the difference between holding shares as a registered stockholder and as a beneficial owner?

If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are considered the registered stockholder of those shares. We mail the proxy materials and our Annual Report to you directly.

1

Table of Contents

GENERAL INFORMATION

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of the shares that are registered in street name. In this case, the proxy materials and our Annual Report were forwarded to you by your broker, bank, or other nominee, who is considered the registered stockholder. As the beneficial owner, you have the right to direct your broker, bank, or other nominee how to vote your shares by following the voting instructions included in the mailing.

Employees with shares allocated in an employee benefit plan account will not receive a paper mailing and should review the information on procedures for employees on page 4.

What am I voting on and what are the Board s voting recommendations?

Our stockholders will be voting on the following proposals which are described in more detail beginning on page 62:

Item No.	Description	Page	Board s Voting Recommendation
1	Election of director-nominees	62	**FOR** all nominees
2	Ratification of appointment of Ernst & Young LLP, independent registered public accounting firm	65	**FOR** this proposal
3	Management proposal	67	**FOR** this proposal
4 6	Stockholder proposals	69	**AGAINST** these proposals

Can other matters be decided at the Annual Meeting?

At the time the Proxy Statement went to press, we were not aware of any other matters to be presented at the Annual Meeting. If other matters are properly presented for consideration at the Annual Meeting, the proxy holders appointed by your Board (who are named in your proxy card if you are a registered stockholder) will have the discretion to vote on those matters for you in accordance with their best judgment.

How do I vote?

If your shares are registered in your name, you may vote using any of the methods described below. If your shares are held in the name of a broker, bank, or other nominee, your nominee will provide you with voting instructions.

Internet or By Telephone

Our Internet and telephone voting procedures for registered stockholders are designed to authenticate your identity, allow you to give your voting instructions, and confirm that those instructions are properly recorded.

You may access the Internet voting site at http://www.investorvote.com. Please have your proxy card in hand when you go online. You will receive instructional screen prompts to guide you through the voting process. You also will have an opportunity to confirm your voting selections before your vote is recorded.

You can vote by calling toll free 1-800-652-8683 within the U.S., Canada, and Puerto Rico, or 1-781-575-2300 from outside the U.S. Please have your proxy card in hand when you call. You will receive voice prompts to guide you through the process. You also will have an opportunity to confirm your voting selections before your vote is recorded.

Internet and telephone voting facilities for registered stockholders will be available 24 hours a day until 1:00 a.m., Eastern Daylight Time, on April 23**,** 2009. If you vote on the Internet or by telephone, you do not have to return your proxy card.

Table of Contents

GENERAL INFORMATION

The availability of Internet and telephone voting for beneficial owners will depend on the voting processes of your broker, bank, or other nominee. We recommend that you follow the voting instructions in the materials that you receive from your nominee.

By Mail

Simply mark, date, and sign the proxy card and return it in the postage-paid envelope provided.

If you want to vote in accordance with the Board s recommendations, simply sign, date, and return the proxy card. The named proxy holders will vote unmarked proxy cards in accordance with the Board s recommendations.

If you are a registered stockholder, and the postage-paid envelope is missing, please mail your completed proxy card to Lockheed Martin Corporation, c/o Computershare Investor Services, P.O. Box 43116, Providence, RI 02940.

In person at the Annual Meeting

All registered stockholders may vote in person at the Annual Meeting. Voting your proxy electronically through the Internet, by telephone, or by mail does not limit your right to vote at the Annual Meeting. You also may be represented by another person at the Annual Meeting by executing a legally valid proxy designating that person to vote on your behalf. If you are a beneficial owner of shares, you must obtain a legally valid proxy from your broker, bank, or other nominee and present it to the inspectors of election with your ballot to be able to vote at the Annual Meeting. A legally valid proxy is an authorization from your broker, bank, or other nominee to vote the shares held in the nominee s name that satisfies Maryland law and Securities and Exchange Commission (SEC) requirements for proxies.

Your vote is important. You can save us the expense of a second mailing by voting promptly, even if you plan to attend the Annual Meeting.

Can I change my proxy vote?

Yes. If you are a registered stockholder, you can change your proxy vote or revoke your proxy at any time before the Annual Meeting by:

- returning a signed proxy card with a later date;
- entering a new vote electronically by the Internet or telephone;
- notifying the Corporate Secretary in writing; or
- submitting a written ballot at the Annual Meeting.

If you are a beneficial owner of shares, you may submit new voting instructions by contacting your bank, broker, or other nominee. You also may vote in person at the Annual Meeting if you obtain a legally valid proxy from the registered stockholder as described in the answer to the previous question.

Your personal attendance at the Annual Meeting does not revoke your proxy. Your last vote, prior to or at the Annual Meeting, is the vote that will be counted.

What if I return my proxy card but do not provide voting instructions?

Proxies that are signed and returned but do not contain voting instructions will be voted:

FOR the election of director-nominees.
FOR the ratification of Ernst & Young LLP as the Corporation s independent registered public accounting firm for the fiscal year ending December 31, 2009.
FOR the management proposal.
AGAINST the stockholder proposals.
In the best judgment of the named proxy holders on other matters properly brought before the Annual Meeting.

Table of Contents

GENERAL INFORMATION

How do I vote if I participate in one of the Corporation s 401(k) or Defined Contribution Plans?

As a participant in one of the 401(k) or defined contribution plans, you may direct the plan trustees how to vote shares allocated to your account(s) on a proxy voting direction card, by telephone, or electronically by the Internet. Most active employees who participate in the savings plans will receive an email notification announcing Internet availability of this Proxy Statement and how to submit voting directions.

If you do not provide timely directions to the plan trustee, shares allocated to your account will be voted by the plan trustee depending on the terms of your plan or other legal requirements.

Plan participants are entitled to attend the Annual Meeting, but may not vote plan shares at the Annual Meeting. If you wish to vote, whether you plan to attend the Annual Meeting or not, you should direct the trustee of your plan(s) how you wish to vote your plan shares no later than 11:59 p.m. Eastern Daylight Time, on April 20, 2009.

How many shares must be present to hold the Annual Meeting?

In order for us to conduct our Annual Meeting, a majority of the shares outstanding and entitled to vote as of March 2, 2009, must be present in person or by proxy. This is referred to as a quorum. Your shares are counted as present at the Annual Meeting if you attend the Annual Meeting and vote in person or if you properly return a proxy by Internet, telephone, or mail. We will count abstentions and broker non-votes for purposes of determining whether a quorum exists at the meeting.

Will my shares be voted if I do not provide my proxy or instruction form?

If you are a registered stockholder, your shares will not be voted unless you provide a proxy or vote in person at the Annual Meeting. If you are a participant in one of the 401(k) or defined contribution plans and you do not provide timely directions to the plan trustee, shares allocated to your account will be voted by the plan trustee depending on the terms of your plan or other legal requirements. If you hold shares through an account with a bank, broker, or other nominee, and you do not provide voting instructions, your shares still may be voted on certain matters.

Brokerage firms have authority under New York Stock Exchange (NYSE) rules to vote shares on routine matters for which their customers do not provide voting instructions. The election of directors, the ratification of Ernst & Young LLP as our independent registered public accounting firm for 2009, and Management Proposal 3 are considered routine matters. As a result, if you hold your shares through a broker and do not direct the broker how to vote your shares on these routine matters, your broker may vote the shares on your behalf.

The stockholder proposals are not considered routine matters by the NYSE. As a result, if you hold your shares through a broker and do not direct the broker how to vote your shares on these non-routine matters, the brokerage firm cannot vote the shares on your behalf. Shares for which a broker is not authorized to vote are known as broker non-votes. A broker non-vote on the stockholder proposals will not result in a vote cast and, therefore, has no effect on the stockholder proposals.

Table of Contents

GENERAL INFORMATION

What are the voting requirements to elect directors and approve each of the proposals?

The affirmative vote of a majority of the votes cast at the meeting, if a quorum is present, is required to take or authorize action upon any matter that properly may come before the meeting, unless applicable law or our Charter or Bylaws provide otherwise for a particular matter. Under Maryland law and our Charter, a higher voting standard is required to approve Management Proposal 3. The voting requirements are as follows:

Proposal	Standard
1 Election of Directors	Majority of votes cast
2 Approval of Ernst & Young LLP	Majority of votes cast
3 Management proposal to amend the Charter to delete the 80% supermajority vote requirement for amendment of Article XIII	80% of the votes entitled to be cast
4-6 Stockholder proposals	Majority of votes cast

Under our Bylaws, to be elected at the Annual Meeting, a nominee for election as a director must receive more votes for his or her election than votes against his or her election. Any director in an uncontested election who fails to receive a majority of the votes cast will be required under the terms of our Corporate Governance Guidelines to offer his or her resignation for consideration by our Nominating and Corporate Governance Committee (Governance Committee) and acceptance or rejection by the Board. See Corporate Governance Majority Voting Policy for Uncontested Director Elections on page 10.

For the vote for each director-nominee, the ratification of the selection of Ernst & Young LLP, and the votes on each of the stockholder proposals, an abstention has no effect. While a stockholder who abstains on some or all matters is considered present for purposes of determining if a quorum is present at the meeting, an abstention is not counted as a vote cast. In the case of the Management Proposal 3, which requires the affirmative vote of at least 80% of the votes entitled to be cast on the amendment, an abstention has the same effect as a vote against the proposal.

Who will count the votes?

Representatives of our transfer agent, Computershare Trust Company, N.A., will tabulate the votes and act as inspectors of election for the 2009 Annual Meeting.

What is householding and how does it affect me?

We have adopted a procedure approved by the SEC called householding. Under this procedure, we send only one Annual Report and Proxy Statement to eligible stockholders who share a single address, unless we have received instructions to the contrary from any stockholder at that address. This practice is designed to reduce our printing and postage costs. Stockholders who participate in householding will continue to receive separate proxy cards. We do not use householding for any other stockholder mailings, such as dividend checks, Forms 1099, or account statements.

If you are eligible for householding, but receive multiple copies of the Annual Report and Proxy Statement and prefer to receive only a single copy of each of these documents for your household, please contact our transfer agent, Computershare Trust Company, N.A., Shareholder Relations, P.O. Box 43078, Providence, RI 02940-3078, or call 1-877-498-8861. If you are a registered stockholder residing at an address with other registered stockholders and wish to receive a separate Annual Report or Proxy Statement in the future, please contact Computershare as indicated above. If you own shares through a bank, broker, or other nominee, you should contact the nominee concerning householding procedures.

Table of Contents

GENERAL INFORMATION

Can I receive a copy of the 2008 Annual Report?

Yes. We will provide a copy of our Annual Report without charge, upon written request, to any registered or beneficial owner of common stock entitled to vote at the Annual Meeting. Requests should be made in writing addressed to Investor Relations, Lockheed Martin Corporation, 6801 Rockledge Drive, Bethesda, MD 20817, by calling Lockheed Martin Shareholder Direct at 1-800-568-9758, or by accessing the Corporation s website at http://www.lockheedmartin.com/investor. The SEC also maintains a website at http://www.sec.gov that contains reports, proxy statements, and other information regarding Lockheed Martin.

Can I view the Proxy Statement and Annual Report on the Internet?

Yes. The Proxy Statement and Annual Report are available on the Internet at http://www.lockheedmartin.com/investor. All stockholders will receive paper copies of the Proxy Statement, proxy card, and Annual Report by mail unless the stockholder has consented to electronic delivery or is an employee with shares allocated in an employee benefit plan.

Can I choose to receive the Proxy Statement and Annual Report on the Internet instead of receiving them by mail?

Yes. If you are a registered or beneficial stockholder, you can elect to receive future Annual Reports and Proxy Statements on the Internet only and not receive copies in the mail by visiting http://investor.shareholder.com/lmt/shareholder.cfm and completing the online consent form. Your request for electronic transmission will remain in effect for all future Annual Reports and Proxy Statements, unless withdrawn. Withdrawal procedures also are located at this website.

Most active employees who participate in the Corporation s savings plans will receive an email notification announcing Internet availability of the 2008 and future editions of the Annual Report and 2009 Proxy Statement. A paper copy will not be provided unless requested by the employee.

Who pays for the cost of this proxy solicitation?

The Corporation pays for the cost of soliciting proxies on behalf of the Board for the Annual Meeting. We may solicit proxies by mail, telephone, Internet, or in person. We may make arrangements with brokerage houses and other custodians, nominees, and fiduciaries to send proxy material to beneficial owners on our behalf. We reimburse them for their reasonable expenses. We have retained Morrow & Co., LLC, 470 West Avenue, Stamford, CT 06902 to aid in the solicitation of proxies and to verify related records at a fee of $45,000, plus expenses. To the extent necessary to ensure sufficient representation at the Annual Meeting, we may request the return of proxies by mail, express delivery, courier, telephone, Internet, or other means. Stockholders are requested to return their proxies without delay.

How do I submit a proposal for the Annual Meeting of Stockholders in 2010?

Any stockholder who wishes to submit a proposal for consideration at the 2010 Annual Meeting and for inclusion in the 2010 Proxy Statement should send their proposal to:

Lockheed Martin Corporation

Attention: Vice President and Corporate Secretary

6801 Rockledge Drive

Bethesda, MD 20817.

Proposals must be received no later than November 13, 2009, and satisfy the requirements under applicable SEC Rules (including SEC Rule 14a-8) to be included in the Proxy Statement and on the proxy card that will be used for solicitation of proxies by the Board for the 2010 Annual Meeting.

Table of Contents

GENERAL INFORMATION

Our Bylaws also require advance notice of any proposal by a stockholder to be presented at the Annual Meeting that is not included in our Proxy Statement and on the proxy card, including any proposal for the nomination of a director for election. To be properly brought before the 2010 Annual Meeting, written nominations for directors or other business to be introduced by a stockholder must be received between the dates of November 13, 2009 and December 13, 2009, inclusive. A notice of a stockholder proposal must contain information required by our Bylaws about the matter to be brought before the meeting and about the stockholder proponent. Waiver of these requirements by us in a particular instance does not constitute a waiver applicable to any other stockholder proposal, nor does it obligate us to waive the requirements for future submissions. A list of the information which is required to be included in a stockholder proposal may be found in Section 1.11 of our Bylaws at http://www.lockheedmartin.com/investor.

How can I contact the Corporation s non-management directors?

Stockholders may communicate confidentially with the presiding director or with the non-management directors as a group. If you wish to raise a question or concern to the presiding director or the non-management directors as a group, you may do so by contacting:

Mr. James R. Ukropina

Chairman, Nominating and Corporate Governance Committee

or

Directors

c/o Nominating and Corporate Governance Committee

Lockheed Martin Corporation

6801 Rockledge Drive, MP 220

Bethesda, MD 20817.

Our Vice President and Corporate Secretary reviews all correspondence sent to the Board. The Board has authorized our Vice President and Corporate Secretary to respond to correspondence regarding routine stockholder matters and services (e.g., stock transfer, dividends, etc.). Correspondence from stockholders relating to accounting, internal controls, or auditing matters are immediately brought to the attention of the Audit Committee. All other correspondence is forwarded to the Chairman of the Nominating and Corporate Governance Committee who determines whether distribution to the full Board for review is appropriate. Any director may, at any time, review a log of all correspondence addressed to the Board and request copies of such correspondence.

Can I find additional information on the Corporation s website?

Yes. Although the information contained on our website is not part of this Proxy Statement, you will find information about the Corporation and our corporate governance practices at http://www.lockheedmartin.com/investor. Our website contains information about our Board, Board committees, our Charter and Bylaws, Code of Ethics and Business Conduct, Corporate Governance Guidelines, and information about insider transactions. Stockholders may obtain, without charge, hard copies of the above documents by writing to:

Investor Relations

Lockheed Martin Corporation

6801 Rockledge Drive

Bethesda, MD 20817.

7

Table of Contents

CORPORATE GOVERNANCE

Corporate Governance Guidelines

Lockheed Martin is committed to maintaining and practicing the highest standards of ethics and corporate governance. The Board has adopted Corporate Governance Guidelines that describe the framework within which the Board and its Committees oversee the governance of the Corporation. The Board amended the guidelines in October 2008 to align the director independence definition to the NYSE modified listing standards. The current guidelines are posted at http://www.lockheedmartin.com/investor.

The guidelines contain the Board s views on a number of governance topics that reflect our commitment to, and appreciation of, the importance of good governance in protecting and enhancing stockholder value. The Governance Committee of the Board regularly assesses our governance practices in light of new or emerging trends and practices.

Our guidelines cover a wide range of subjects, including: the role of the Board and director responsibilities; the designation of a presiding director; a comprehensive Code of Ethics and Business Conduct; director nomination procedures and qualifications; director independence standards; a policy for the review, approval, and ratification of related person transactions; procedures for annual evaluations of the Board, its committees, and directors; director stock ownership; and a clawback policy for executive incentive compensation.

The Corporate Governance Guidelines set forth the Board s expectation that any director-nominee who fails to receive a majority of the votes cast for election would submit his or her resignation to the Board and provide procedures for the Board to use in considering whether to accept or reject the resignation.

Described below are some of the significant corporate governance practices that have been instituted by the Board.

Role of the Board of Directors

The Board plays an active role in overseeing management and representing the interests of stockholders. Directors are expected to attend all Board meetings, the meetings of committees on which they serve, and the Annual Meeting of Stockholders. Directors also are frequently consulted for advice and counsel between formal meetings.

In 2008, the Board met a total of seven times. All directors attended at least 75% of the total board and committee meetings to which they were assigned in 2008. All directors attended the 2008 Annual Meeting of Stockholders.

Presiding Director

Our Corporate Governance Guidelines provide for the Chairman of the Governance Committee to preside over all executive sessions of the independent directors. The Presiding Director also serves as a contact person to facilitate communications among stockholders, the non-management directors, the Corporation s management and employees, and other constituents. James R. Ukropina currently serves as our Presiding Director.

Code of Ethics and Business Conduct

At Lockheed Martin ethics is part of our history and culture. We are committed to ethical behavior in all that we do. This is reflected in our vision statement Powered by Innovation, Guided by Integrity, We Help Our Customers Achieve Their Most Challenging Goals, and our value statements: Do What s Right; Respect Others; and Perform with Excellence.

We have had a code of conduct in place since the Corporation was formed in 1995, well before codes became fashionable or required for stock exchange listing. We and our heritage companies were among the first in the aerospace and defense industry to adopt an ethics code.

8

Table of Contents

CORPORATE GOVERNANCE

Our Code of Ethics and Business Conduct, Setting the Standard, applies to all directors, officers, and employees. It sets forth our policies and expectations on a number of topics, including our commitment to good citizenship and integrity, promoting a positive and safe work environment, transparency in our public disclosures, avoiding conflicts of interest, confidentiality, preservation and use of company assets, compliance with laws (including insider trading laws), and business ethics. Building on our long history of commitment to the highest standard of ethical conduct, in 2008, Setting the Standard was revised and reprinted for the ninth time.

We maintain a toll-free ethics help line for employees as a means of raising concerns or seeking advice. The help line is available to all employees worldwide, 7 days a week, 24 hours a day. Employees using the help line may choose to remain anonymous. All help line inquiries are forwarded to the Corporation s Office of Ethics and Business Conduct. Our Ethics Office is headed by our Vice President - Ethics and Business Conduct who reports directly to the Chief Executive Officer (CEO) and the Ethics and Corporate Responsibility Committee of the Board. Any matters reported to our Ethics Office, whether through the help line or otherwise, involving accounting, internal control or audit matters, or any fraud involving management or persons who have a significant role in the Corporation s internal controls, are reported directly to the Audit Committee.

Our directors and employees participate in annual ethics training, which consists of a live training session. We devote significant resources to our business conduct compliance training program. In 2008, our employees completed over 600,000 on-line business conduct compliance training modules.

Setting the Standard, our Code of Ethics and Business Conduct, is posted on our website at http://www.lockheedmartin.com/investor. Printed copies of our Code may be obtained, without charge, by contacting Investor Relations, Lockheed Martin Corporation, 6801 Rockledge Drive, Bethesda, MD 20817.

In 2008, there were no waivers from any provisions of our Code or amendments applicable to any director or executive officer. It is our intent to disclose any such waivers or amendments promptly to stockholders by posting on our website.

Identifying and Evaluating Nominees for Directors

Each year, the Governance Committee recommends to the Board the slate of directors to serve as management s nominees for election by the stockholders at the Annual Meeting. The process for identifying and evaluating candidates to be nominated to the Board starts with an evaluation of a candidate by the Chairman of the Governance Committee followed by the entire Governance Committee and the CEO. Director candidates may also be identified by stockholders. The Corporation has utilized outside search firms, including Korn/Ferry International and Russell Reynolds Associates, to identify potential candidates in the past. The current slate of nominees are all incumbent directors.

Stockholder Nominees

Stockholder proposals for nominations to the Board should be submitted to the Nominating and Corporate Governance Committee, care of the Vice President and Corporate Secretary, at 6801 Rockledge Drive, Bethesda, MD 20817. To be considered by the Board for nomination at the 2010 Annual Meeting, written notice of nominations by a stockholder must be received between the dates of November 13, 2009 and December 13, 2009, inclusive.

The information requirements for any stockholder proposal or nomination can be found in Section 1.11 of our Bylaws, at http://www.lockheedmartin.com/investor. A summary of the requirements can be found in the General Information section of this Proxy Statement on page 6. Self-nominations will not be considered. Proposed stockholder nominees are presented to the Chairman of the Governance Committee, who decides if further consideration should be given to the nomination by the Governance Committee.

Table of Contents

CORPORATE GOVERNANCE

Director Qualifications

The Board seeks a diverse group of candidates who at a minimum possess the background, skills, expertise, and time to make a significant contribution to the Board, the Corporation, and its stockholders. The Governance Committee annually reviews and establishes the criteria for selection of director-nominees. The criteria used by the Governance Committee in nominating the current slate of director-nominees included the following:

- Meets Bylaw age requirement.
- Reflects highest personal and professional integrity.
- Meets NYSE independence criteria.
- Has relevant educational background.
- Has exemplary professional background.
- Has relevant past and current employment affiliation(s), Board affiliations, and experience.
- Is free from conflicts of interest.
- Is technology-proficient.
- Has demonstrated effectiveness.
- Possesses sound judgment.
- Brings a diverse background.
- Has adequate time to devote to Board responsibilities.
- Represents the best interests of all stockholders.

Director-Nominees for Election at the Annual Meeting

There are 13 director-nominees for election to the Board at the Annual Meeting. Their biographical information starts on page 62. Each director-nominee currently serves as a director. Each director-nominee was recommended for nomination by the Governance Committee of the Board. The Governance Committee has determined that all of the current director-nominees, except for Robert J. Stevens, our CEO, are independent under the listing standards of the NYSE and our Corporate Governance Guidelines.

The Board ratified the slate of director-nominees and recommends that the stockholders vote for the election of all of the individuals nominated by the Board.

Majority Voting Policy for Uncontested Director Elections

In April 2008, the Corporation s stockholders approved a proposal to amend the Corporation s Charter to implement simple majority voting. Effective upon amendment of the Charter, the Board also amended the Corporation s Bylaws and our Corporate Governance Guidelines in order to implement simple majority voting. Pursuant to the revised Corporate Governance Guidelines, in any uncontested election of directors, any incumbent director who fails to receive a majority of the votes cast by the stockholders is required to offer his or her resignation for Board consideration.

Upon receipt of a resignation of a director tendered as a result of the foregoing, the Governance Committee will make a recommendation to the Board as to whether to accept or reject the resignation, or whether other action is recommended. In considering the tendered resignation, the Board will consider the Governance Committee s recommendation as well as any other factors it deems relevant, including, without limitation:

- The qualifications of the director whose resignation has been tendered.
- The director s past and expected future contributions to the Corporation.
- The overall composition of the Board and its committees.

Whether accepting the tendered resignation would cause the Corporation to fail to meet any applicable rule or regulation (including NYSE listing standards and the federal securities laws).

The percentage of outstanding shares represented by the votes cast at the meeting.

Any director whose resignation has been tendered will not participate in the deliberations of the Governance Committee or in the Board s consideration of the Governance Committee s recommendation with respect to such

CORPORATE GOVERNANCE

director. In the event that a majority of the members of the Governance Committee have offered to resign as a result of their failure to receive a majority of the votes cast for their election, then the independent members of the Board who have not offered to resign, without further action by the Board, will constitute a committee of the Board for the purpose of considering the offered resignation(s), and will recommend to the Board whether to accept or reject those offers and, if appropriate, make a recommendation to take other actions. If there are no such independent directors, then all of the independent directors, excluding the director whose offer to resign is being considered, without further action of the Board, will constitute a committee of the Board to consider each offer to resign, make a recommendation to the Board to accept or reject that offer and, if appropriate, make a recommendation to take other actions.

The Board will act on a tendered resignation within 90 days following certification of the stockholder vote for the meeting and will promptly disclose its decision and rationale as to whether to accept the resignation (or the reasons for rejecting the resignation, if applicable) in a press release, in a filing with the SEC or by other public announcement, including a posting on the Corporation s website.

If a director s resignation is accepted by the Board, or if a nominee for director who is not an incumbent director is not elected, the Board may fill the resulting vacancy or may decrease the size of the Board pursuant to the Corporation s Bylaws. The Board may not fill any vacancy so created with a director who was not elected at the meeting by the vote required under the Corporation s Bylaws.

Director Independence

Under applicable NYSE listing standards, a majority of the Board and each member of the Audit Committee, Governance Committee, and Management Development and Compensation Committee (Compensation Committee) must be independent.

Under the NYSE rules and our Corporate Governance Guidelines, a director is not independent if the director has a direct or indirect material relationship with the Corporation. The Governance Committee annually reviews the independence of all directors and reports its findings to the full Board. To assist in this review, the Board has adopted director independence guidelines that are included in our Corporate Governance Guidelines.

Our director independence guidelines set forth certain relationships between the Corporation and directors and their immediate family members, or affiliated entities, that the Board, in its judgment, has deemed to be material or immaterial for purposes of assessing a director s independence. In the event a director has a relationship with the Corporation that is not addressed in the independence guidelines, the independent members of the Board determine whether such relationship is material.

The Board has determined that the following directors are independent: E. C. Pete Aldridge Jr., Nolan D. Archibald, David B. Burritt, James O. Ellis Jr., Gwendolyn S. King, James M. Loy, Douglas H. McCorkindale, Joseph W. Ralston, Frank Savage, James M. Schneider, Anne Stevens, and James R. Ukropina. The Board also determined that Marcus C. Bennett and Eugene F. Murphy (each of whom retired from the Board on April 24, 2008) were independent during their tenure with the Board in 2008. As Chairman, President and CEO, Robert J. Stevens is an employee of the Corporation and is not independent under the NYSE listing standards or our Corporate Governance Guidelines.

In determining that each of the non-management director-nominees is independent, the Board considered the relationships described under Certain Relationships and Related Person Transactions of Directors, Executive Officers, and 5 Percent Stockholders, on page 12, which it determined were immaterial to the individual s independence.

The Governance Committee and Board also considered that the Corporation in the ordinary course of business purchases products and services from, or sells products and services to, companies at which some of our director- nominees are or have been directors. These relationships included: Mr. Aldridge, a director of Alion Science and Technology Corporation and Global Crossing Limited; Mr. Burritt, a director of Factory Mutual Insurance Company (FM Global); Mr. Ellis, a director of Inmarsat plc. and Level 3 Communications, Inc.; Ms. King, a

Table of Contents

CORPORATE GOVERNANCE

director of Marsh & McLennan Companies, Inc.; Mr. Loy, a director of L-1 Identity Solutions, Inc.; Mr. Ralston, a director of The Timken Company and URS Corporation; Mr. Savage, a director of Bloomberg L.P.; and Mr. Schneider, a director of General Communication, Inc. In determining that these relationships did not affect the independence of those directors, the Board considered that none of the director-nominees serving as directors or officers of other companies had any direct material interest in, or received any special compensation in connection with, the Corporation s business relationships with those companies.

The Governance Committee and Board also determined that Mr. Ukropina s status as Of Counsel to O Melveny & Myers LLP, a law firm used by the Corporation, does not affect his independence. Mr. Ukropina, who retired from the firm in 2000, is not a partner, member, or officer of the firm, nor does he provide legal services to the Corporation. The Governance Committee and Board are further satisfied that, because Mr. Ukropina is retired and provides no active services to O Melveny & Myers LLP, he is independent for purposes of serving on the Audit Committee.

Related Person Transaction Policy

The Board has approved a written policy and procedures for the review, approval, and ratification of transactions among the Corporation and its directors, executive officers, and their related interests. A copy of the policy is available at http://www.lockheedmartin.com/investor. Under the policy, all related person transactions (as defined in the policy) are to be reviewed by the Governance Committee of the Board. The Governance Committee may approve or ratify related person transactions at its discretion if deemed fair and reasonable to the Corporation. This may include situations where the Corporation provides products or services to related persons on an arm s length basis on terms comparable to those provided to unrelated third parties. Any director who participates in or is the subject of an existing or potential related person transaction may not participate in the decision-making process of the Governance Committee with respect to that transaction.

Under the policy, and consistent with SEC regulations and NYSE listing standards, a related person transaction is any transaction in which the Corporation was, is, or will be a participant, where the amount involved exceeds $120,000, and in which a related person had, has, or will have a direct or indirect material interest. A related person includes any director or executive officer of the company, any person who is known to be the beneficial owner of more than 5% of any class of the company s voting securities, an immediate family member of any person described above; and any firm, corporation, or other entity controlled by any person described above.

The policy requires each director and executive officer to complete an annual questionnaire to identify their related interests and persons, and to notify the Corporation of changes in that information. Based on that information, the Corporation maintains a master list of related persons for purposes of tracking and reporting related person transactions.

The policy contemplates that the Governance Committee may ratify transactions after they commence or pre-approve categories of transactions or relationships, because it may not be possible or practical to pre-approve all related person transactions. If the Governance Committee declines to approve or ratify, the related person transaction is referred to management to make a recommendation to the Governance Committee concerning whether the transaction should be terminated or amended in a manner that is acceptable to the Governance Committee.

Certain Relationships and Related Person Transactions of Directors, Executive Officers, and 5 Percent Stockholders

The following transactions or relationships are considered to be related person transactions under our corporate policy and applicable SEC regulations and NYSE listing standards. Each of these transactions was reviewed, approved, or ratified by the Governance Committee of the Board in February 2009.

Two of our directors, Mr. Loy and Mr. Ralston, are employed as Senior Counselor and Vice Chairman, respectively, of The Cohen Group, a consulting business that performs services for the Corporation. In 2008, we paid The Cohen Group approximately $679,648 for consulting services and expenses.

12

Table of Contents

CORPORATE GOVERNANCE

We currently employ approximately 146,000 employees and have an active recruitment program for soliciting job applications from qualified candidates. We seek to hire the most qualified candidates and consequently do not preclude the hiring of family members. The employment of various family members of current directors and executive officers is described below.

These relationships (and 2008 base salary including Management Incentive Compensation Plan (MICP) bonus, stock options, restricted stock units (RSUs), or Long-Term Incentive Performance (LTIP) awards granted in 2008, where applicable) include Mr. Bennett s (a former director) son-in-law, Jeffrey D. MacLauchlan, Vice President, Finance and Business Operations for our Information Systems & Global Services (IS&GS) business area ($341,712 in base salary, $270,100 in MICP, a stock option award of 8,800 shares, 650 RSUs, and a target LTIP award for the 2008-2010 performance cycle of $140,000); and Mr. Ralston s brother-in-law, Mark E. Dougherty, Director, Business Development Analyst ($145,952). Those individuals participate in other employee benefit plans and arrangements which are generally made available to other employees at their level (including health, welfare, vacation, and retirement plans). The compensation of each family member was established in accordance with the Corporation s employment and compensation practices applicable to employees with equivalent qualifications, experience, and responsibilities. None of these individuals served as an executive officer during 2008.

From time to time, the Corporation has purchased services in the ordinary course of business from a financial institution that beneficially owns 5% or more of Lockheed Martin s common stock. In 2008, the Corporation paid fees of $4,516,782 to State Street Bank and Trust Company for credit facility and benefit plan administration fees. The Corporation also paid $867,651 to CitiStreet, an affiliate of State Street Bank and Trust Company until July 1, 2008, for benefit plan administration fees.

The Board considered comments made and issues raised by others concerning the qualifications of directors. On May 11, 2004, the Secretary of the U.S. Department of Labor and certain former outside directors of Enron Corporation, including Mr. Savage, entered into a consent decree which provides, among other things, that for the five-year period following entry of the decree, none of the former Enron directors will, without the consent of the Secretary of Labor, serve an ERISA-covered plan in a fiduciary capacity in the manner set forth in the decree. It is the view of the Governance Committee that service by Mr. Savage on the Board of the Corporation or any of its committees is permitted by the decree.

Board Performance Self-Assessment

Each year the Board evaluates its performance and effectiveness. Each director completes an evaluation form developed by the Governance Committee to solicit feedback on specific aspects of the Board s role, organization, and meetings. The collective ratings and comments are compiled by the Vice President, Internal Audit, and presented to the full Board. Each Board Committee conducts an annual performance self-assessment through a similar process.

Shareholder Rights Plan

The Corporation does not have a Shareholder Rights Plan, or so called Poison Pill. As part of our Corporate Governance Guidelines, the Board has communicated that it has no intention of adopting one at this time. If the Board does choose to adopt a Shareholder Rights Plan, the Board has indicated that it would seek stockholder ratification within 12 months from the date of adoption.

Equity Ownership by Directors

The Board believes that directors and management should hold meaningful equity ownership positions in the Corporation. To further encourage a link between director and stockholder interests, the Board has adopted stock ownership guidelines for directors. Similar guidelines apply to our management. Directors receive half their compensation in the form of Lockheed Martin common stock units or stock options (with the potential to defer the remaining cash portion in stock units). Directors are expected to own shares or stock units equal to two times the annual retainer within five years of joining the Board. As of February 1, 2009, each of the directors satisfied the stock ownership guidelines or was within the five-year transition period. The securities counted toward their target threshold include common stock and vested and unvested stock units held under all the director plans.

13

Table of Contents

COMMITTEES OF THE BOARD OF DIRECTORS

BOARD COMMITTEE MEMBERSHIP ROSTER							
Name	Audit	Classified Business Review	Ethics and Corporate Responsibility	Executive	Management Development and Compensation	Nominating and Corporate Governance	Strategic Affairs and Finance
E. C. Pete Aldridge Jr.	X	X			X		
Nolan D. Archibald				X	X *	X	
David B. Burritt	X						X
James O. Ellis Jr.		X *				X	X
Gwendolyn S. King			X *	X		X	
James M. Loy			X				X
Douglas H. McCorkindale	X *			X	X		X *
Joseph W. Ralston		X	X				X
Frank Savage			X				X
James M. Schneider	X				X		
Anne Stevens	X				X		
Robert J. Stevens				X *			
James R. Ukropina	X			X		X *	
Number of Meetings in 2008	5	2	2	0	4	2	3

NOTE TO TABLE:

* Committee Chairman.

Committees

The Board has six standing committees as prescribed by our Bylaws:

- Audit.
- Ethics and Corporate Responsibility.
- Executive.
- Management Development and Compensation.
- Nominating and Corporate Governance.
- Strategic Affairs and Finance.

The Board has established a special Classified Business Review Committee.

Our Bylaws contain the charter for each of the standing committees. Our Bylaws and the charter of the Classified Business Review Committee are posted at http://www.lockheedmartin.com/investor under the heading Corporate Governance.

Table of Contents

COMMITTEES OF THE BOARD OF DIRECTORS

Audit Committee

The Audit Committee oversees our financial reporting process on behalf of the Board. It is directly responsible for the appointment, compensation, and oversight of the Corporation s independent auditors. The functions of the Audit Committee are further described under the heading Audit Committee Report on page 16.

All the members of the Audit Committee are independent within the meaning of the NYSE listing standards, our Corporate Governance Guidelines, and applicable SEC regulations. In order to be considered independent under SEC regulations, a member of the Audit Committee cannot accept any consulting, advisory, or other compensatory fee from the Corporation, or be an affiliated person of the Corporation or its subsidiaries.

The Board has determined that Mr. McCorkindale, Chairman of the Audit Committee, Mr. Burritt, and Mr. Schneider are qualified audit committee financial experts within the meaning of SEC regulations, and they have accounting and related financial management expertise sufficient to be considered financially literate within the meaning of the NYSE listing standards.

Ethics and Corporate Responsibility Committee

The Ethics and Corporate Responsibility Committee monitors compliance and recommends changes to our Code of Ethics and Business Conduct. It reviews our policies, procedures, and compliance in the areas of environmental, safety and health, Equal Employment Opportunity, and diversity. It also oversees matters pertaining to community and public relations, including government relations and charitable contributions.

Executive Committee

The Executive Committee primarily serves as a means for taking action requiring Board approval between regularly scheduled meetings of the Board. The Executive Committee is authorized to act for the full Board on matters other than those specifically reserved by Maryland law to the Board.

Management Development and Compensation Committee

The Management Development and Compensation Committee is responsible for reviewing and approving corporate goals and objectives relevant to the compensation of the CEO, evaluating the performance of the CEO and, either as a committee or together with the other independent members of the Board, determining and approving the compensation levels of the CEO and senior management. The Compensation Committee has not delegated to employees of the Corporation, or any other persons, the authority to make decisions on the amount paid as salary, bonus, long-term incentives, or equity awards to the CEO or the other named executive officers (NEOs) listed in the Summary Compensation Table.

Additional information regarding the role of the Compensation Committee and our compensation practices and procedures is provided under the captions Compensation Committee Report on page 24, Compensation Discussion and Analysis beginning on page 25, and specifically to the discussion on Other Corporate Governance Considerations in Compensation beginning on page 41. All members of the Compensation Committee are independent within the meaning of the NYSE listing standards and our Corporate Governance Guidelines.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is responsible for developing and implementing policies and practices relating to corporate governance, including our Corporate Governance Guidelines. The Governance Committee assists the Board by selecting and recommending Board nominees, making recommendations concerning the composition of Board committees, and by overseeing the Board and committee evaluation process.

15

Table of Contents

COMMITTEES OF THE BOARD OF DIRECTORS

The Governance Committee reviews and recommends to the Board the compensation of directors. Our executive officers do not play a role in determining director pay, although the Chairman of the Board is consulted regarding the impact of any change in director pay on the Corporation as a whole. During 2008, Hewitt Associates LLC (Hewitt), an outside compensation consultant, assisted the Governance Committee by providing data on director pay at other companies. Director pay was not changed in 2008.

The functions of the Governance Committee are further described under the caption Corporate Governance. All members of the Governance Committee are independent within the meaning of the NYSE listing standards and our Corporate Governance Guidelines.

Strategic Affairs and Finance Committee

The Strategic Affairs and Finance Committee (Finance Committee) reviews and recommends to the Board management s long-term strategy including allocation of corporate resources. The Finance Committee also reviews the financial condition of the Corporation, the status of all benefit plans, and proposed changes to capital structure.

Classified Business Review Committee

The Classified Business Review Committee assists the Board in fulfilling its oversight responsibilities relating to the Corporation s business activities that require special security clearance levels for access to information.

Audit Committee Report

We oversee Lockheed Martin s financial reporting process on behalf of the Board.

Lockheed Martin s management is responsible for the financial reporting process and preparation of the quarterly and annual consolidated financial statements, including maintaining a system of internal control over financial reporting. We are directly responsible for the appointment, compensation, retention, oversight and termination of the Corporation s independent auditors, Ernst & Young LLP, an independent registered public accounting firm. The independent auditors are responsible for auditing the annual consolidated financial statements and expressing an opinion on the conformity of those financial statements with U.S. generally accepted accounting principles.

In connection with the December 31, 2008 audited consolidated financial statements, we have:

1. reviewed and discussed with management and the independent auditors the Corporation s audited consolidated financial statements, including discussions regarding critical accounting policies, other financial accounting and reporting principles and practices appropriate for the Corporation, the quality of such principles and practices, and the reasonableness of significant judgments;

2. discussed with the independent auditors the items required to be discussed under the Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended, including discussions about the quality of the financial statements and clarity of the related disclosures; and

3. reviewed and considered the written disclosures in the letter received from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor s communications with the audit committee concerning independence.

Based on the reviews and discussions above, we recommended to the Board of Directors that the audited consolidated financial statements for 2008 be included in Lockheed Martin s Annual Report on Form 10-K for the year ended December 31, 2008 for filing with the SEC. The Board approved our recommendation.

Submitted on February 26, 2009 by the Audit Committee:

Douglas H. McCorkindale, Chairman
E. C. Pete Aldridge Jr.
David B. Burritt
James M. Schneider
Anne Stevens
James R. Ukropina

Table of Contents

DIRECTORS COMPENSATION

2008 ANNUAL DIRECTORS COMPENSATION (Non-Employee Directors)	
Cash retainer	$110,000
Stock retainer	$110,000 payable under the Lockheed Martin Corporation 1999 Directors Equity Plan (Directors Equity Plan)
Committee Chairman retainer	$12,500 (other than Audit Committee Chairman)
Audit Committee Chairman retainer	$20,000
Deferred compensation plan	Cash retainer deferrable with earnings at prime rate, Standard & Poor s 500 Index (S&P 500 Index) or Lockheed Martin stock return
Travel accident insurance	$1,000,000
Matching Gift for Colleges and Universities Program	Match of $1 per $1 of director contributions, up to $10,000 per director, to eligible educational institutions in accordance with matching program generally available to employees
Director education institutes/activities	Reimbursed for costs and expenses
Perquisites	Home computer system, Internet access, technical assistance, tax gross-ups, retirement gift, and company recognition items with our logo

Under the Directors Equity Plan, each non-employee director had the opportunity to elect to receive in 2008:

- a number of stock units with a value on January 15 equal to the annual stock retainer amount ($110,000);
- options to purchase a number of shares of Lockheed Martin common stock, which options have an aggregate value on January 15 of the annual retainer amount; or
- a combination of stock units with a value on January 15 equal to 50% of the annual stock retainer amount and options to purchase a number of shares of Lockheed Martin common stock which options have an aggregate fair market value on January 15 of 50% of the annual stock retainer amount.

Except in certain circumstances, options and stock units vest on the first anniversary of grant. Upon a change in control or a director s retirement, death, or disability, the director s stock units and outstanding options become fully vested, and the director has the right to exercise the options six months following the grant date. Upon a director s termination of service from our Board, we distribute the vested stock units, at the director s election, in whole shares of stock or in cash, in a lump sum, or in up to ten annual installments. Prior to distribution, a director has no voting, dividend, or other rights with respect to the stock units held under the Directors Equity Plan, but is credited with additional stock units representing dividend equivalents (converted to stock units based on the closing market price of our common stock on the dividend payment dates). The options have a term of ten years.

The Directors Equity Plan provides that the grants are made with respect to a calendar year on January 15 or the next business day if January 15 is not a business day. The exercise price (in the case of option grants) is the closing price for our stock on the NYSE on the date of grant.

Effective January 1, 2009, stockholders approved a new plan (2009 Directors Equity Plan) providing comparable compensation to replace the existing Directors Equity Plan, which was due to expire May 2009. The 2009 Directors Equity Plan provides that the grants are made with respect to a calendar year on the second business day following the later of (1) the date of the first regular meeting of the Board in each calendar year, or (2) the date on which the

Table of Contents

DIRECTORS COMPENSATION

Corporation publicly releases its financial results for the previous calendar year; provided, that if the second business day is later than February 15, the award date is February 15 (or the next business day if February 15 is not a business day).

The Lockheed Martin Corporation Directors Deferred Compensation Plan (Directors Deferred Compensation Plan) provides non-employee directors the opportunity to defer up to 100% of the cash portion of their fees. Deferred amounts earn interest at a rate that tracks the performance of the prime rate, the published index for the S&P 500 Index (with dividends reinvested), or our common stock (with dividends reinvested), at the director s election. Participating directors receive a distribution of deferred fees at the director s election in a lump sum or in up to 15 installments commencing at a designated time following termination. The directors have approved a plan amendment that would make the pooled investment options available under the employee salaried 401(k) plans available to the directors under this plan.

The following table provides information on the compensation of our directors for the fiscal year ended December 31, 2008. Mr. Stevens received no separate compensation for his service as director of the Corporation. For information regarding Mr. Stevens compensation as an executive officer of the Corporation, see the section entitled Executive Compensation beginning on page 25.

Table of Contents

DIRECTORS COMPENSATION

DIRECTORS COMPENSATION							
Name	Fees Earned or Paid in Cash [1] ($)	Stock Awards [2] ($)	Option Awards [3] ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings [4] ($)	All Other Compensation [5,6,7] ($)	Total [8] ($)
(a)	(b)	(c)	(d)	(f)	(g)	(h)
E. C. Pete Aldridge Jr.	110,000	(63,794)	0	0	6,137	52,343
Nolan D. Archibald	122,500	(100,576)	0	0	10,000	31,924
Marcus C. Bennett [9]	33,846	(19,398)	0	0	7,672	22,120
David B. Burritt	76,154	29,051	24,447	0	10,963	140,615
James O. Ellis Jr.	122,500	(9,015)	0	0	2,588	116,073
Gwendolyn S. King	122,500	(282,522)	0	0	1,190	(158,832)
James M. Loy	110,000	14,477	0	0	0	124,477
Douglas H. McCorkindale	142,500	(81,309)	55,002	0	9,000	125,193
Eugene F. Murphy	35,962	(3,053)	42,779	0	13,299	88,987
Joseph W. Ralston	110,000	(70,254)	0	0	289	40,035
Frank Savage	110,000	(107,826)	0	0	1,164	3,338
James M. Schneider	110,000	12,176	55,002	0	11,261	188,439
Anne Stevens	110,000	(43,880)	0	0	829	66,949
James R. Ukropina	122,500	(282,522)	0	0	1,206	(158,816)

NOTES TO TABLE:

(1) Represents the aggregate dollar amount of 2008 fees earned or paid in cash for services as a director, including annual retainer fees and committee chairman fees. Mr. Bennett and Mr. Murphy retired from the Board on April 24, 2008.

(2) Represents the amount recognized in our financial statements in 2008 in accordance with Statement of Financial Accounting Standards No. 123(R), *Share-Based Payments* (FAS 123(R)) (other than disregarding the estimate of forfeitures relating to service-based vesting conditions) and the assumptions set forth in Note 12 to our financial statements contained in our Annual Report for stock units awarded to the directors for 2008 under the Directors Equity Plan and the appreciation (depreciation) associated with units awarded in 2008 and prior years under the Directors Equity Plan and Lockheed Martin Corporation Directors Deferred Stock Plan (Directors Deferred Stock Plan), including dividend equivalents credited as stock units. We recognize expense based upon the change in market value during the year for all stock units credited to the director, whether credited in 2008 or prior years. Because the units may be paid in cash at some future time, we are required to mark-to-market the value of the units and recognize changes in our stock price from year to year. For 2008, the expense is negative in some instances due to decline in our stock price. For some directors, the negative expense was large enough to offset cash compensation resulting in the table above showing negative compensation in the Total column. The outstanding number of stock units credited to each director under the 1999 Directors Equity Plan as of December 31, 2008, was Mr. Aldridge 7,517; Mr. Archibald 9,081; Mr. Burritt 346; Mr. Ellis 5,187; Ms. King 15,633; Mr. Loy 4,188; Mr. McCorkindale 5,860; Mr. Ralston 7,791; Mr. Savage 8,203; Mr. Schneider 1,884; Ms. Stevens 6,670; and

Mr. Ukropina 15,633. For 2008, each of Mr. Aldridge, Mr. Archibald, Mr. Ellis, Ms. King, Mr. Loy, Mr. Ralston, Mr. Savage, Ms. Stevens, and Mr. Ukropina was credited with 1,030 stock units with an aggregate grant date value of $110,000; each of Mr. McCorkindale and Mr. Schneider was credited with 515 units with an aggregate grant date value of $55,000; and Mr. Bennett was credited with 343 units with an aggregate grant date value of $36,667. The grant date value is based on the closing price of our stock on January 15, 2008 ($106.81). Mr. Burritt was first

Table of Contents

DIRECTORS COMPENSATION

elected to our Board at the 2008 Annual Meeting. Following his election, on May 1, 2008, Mr. Burritt was credited with 340 stock units with an aggregate grant date value of $36,667, based on the closing price of our stock on May 1, 2008 ($107.72). The outstanding number of stock units credited to each director under the Directors Deferred Stock Plan as of December 31, 2008, was Ms. King 1,186; Mr. Savage 1,186; and Mr. Ukropina 1,186.

(3) Represents the amount recognized in our financial statements in 2008 in accordance with FAS 123(R) (other than disregarding the estimate of forfeitures relating to service-based vesting conditions) for options granted to Mr. McCorkindale, Mr. Murphy, and Mr. Schneider in 2007 and 2008, and Mr. Burritt in 2008. We recognize expense ratably in monthly increments over the one-year vesting period. The assumptions used in determining the fair value of the options granted in 2007 and 2008 is set forth in Note 12 to our financial statements contained in our Annual Report. For 2008, we awarded each of Mr. McCorkindale and Mr. Schneider 2,802 options with an aggregate grant date value of $55,000 and Mr. Murphy 1,868 options with an aggregate grant date value of $36,667. The grant date value for options granted in 2008 ($19.63 per share) is based on the closing price of our stock on January 15, 2008 ($106.81), and for options granted in 2007 ($24.00 per share) is based on the closing price of our stock on January 16, 2007 ($97.00). On May 1, 2008, following his election as a director, we awarded Mr. Burritt 1,901 options with an aggregate grant date value of $36,667. The grant date value for Mr. Burritt s options ($19.29 per share) is based on the closing price of our stock on May 1, 2008 ($107.72). The outstanding number of stock options held by each director as of December 31, 2008, was Mr. Burritt 1,901; Mr. McCorkindale 19,433; Mr. Murphy 45,298; and Mr. Schneider 8,392. The grant date value for options remains the same through the vesting period and no adjustment is made to reflect an increase or decrease in our stock price.

(4) Column (e) deleted because we did not have a Non-Equity Incentive Plan in 2008.

(5) Includes the cost to the Corporation of providing the following perquisites to some of our directors: transportation, tax gross-up payments, computer, Internet access, technical assistance, retirement gifts for Mr. Bennett and Mr. Murphy, and company recognition items with our logo.

(6) Includes contributions made by the Lockheed Martin Corporation Foundation (LM Foundation) to eligible educational institutions in an amount matching the contribution of the director to that institution. Matching contributions in 2008 were made on behalf of Mr. Aldridge $5,980; Mr. Archibald $10,000; Mr. Bennett $5,000; Mr. Burritt $10,000; Mr. Ellis $2,500; Mr. McCorkindale $9,000; Mr. Murphy $10,000; and Mr. Schneider $10,000. The matching gift program is the same as the program generally available to employees.

(7) Neither Mr. Loy s nor Mr. Ralston s compensation includes fees paid to The Cohen Group for consulting services. These fees are described in the section on Certain Relationships and Related Person Transactions of Directors, Executive Officers, and 5 Percent Stockholders on page 12.

(8) Variances in the amounts reported for each director in columns (b), (c), and (d) due to the inclusion of fees for service as a committee chairman and historical variations in equity grant elections and board tenure that result in differences in the amount expensed for each director in 2008. Numbers have been rounded to the nearest dollar. If the expense associated with Stock Awards and Option Awards is disregarded, the total compensation of each director in 2008 was Mr. Aldridge $116,137; Mr. Archibald $132,500; Mr. Bennett $41,518; Mr. Ellis $125,088; Ms. King $123,690; Mr. McCorkindale $151,500; Mr. Murphy $49,261; Mr. Ralston $110,289; Mr. Savage $111,164; Ms. Stevens $110,829; and Mr. Ukropina $123,706.

(9) Mr. Bennett participated in deferred compensation and other plans related to his service as a director of an acquired company (COMSAT Corporation) and his prior service as an officer of Martin Marietta Corporation and Lockheed Martin. None of the benefits under these plans were earned for service as a director of Lockheed Martin and they are not included in the table. Mr. Bennett received a distribution of $14,987 with respect to his service as a director of COMSAT Corporation under the COMSAT deferred stock plan for 2008.

Table of Contents

SECURITIES OWNED BY DIRECTOR-NOMINEES AND NAMED EXECUTIVE OFFICERS

The following table shows the Lockheed Martin common stock beneficially owned and stock units credited to each NEO, director-nominee, and all director-nominees and executive officers as a group as of February 1, 2009. Except as otherwise noted, the named individuals had sole voting and investment power with respect to such securities. The total common stock and stock units owned by each director, each executive officer, and all directors and executive officers as a group represented less than 1% of our outstanding common stock. All amounts are rounded to the nearest whole share. No shares have been pledged.

Name of Individual or Identity of Group	Common Stock Beneficially Owned [1,2]	Stock Units	Total
E. C. Pete Aldridge, Jr.	0	8,850 [4]	8,850
Nolan D. Archibald	9,081	1,333 [4]	10,414
David B. Burritt	346	1,462 [4,5]	1,808
James O. Ellis, Jr.	5,387	1,333 [4]	6,720
Linda R. Gooden	69,751	45,405 [6,8]	115,156
Ralph D. Heath	140,481	68,875 [6,7,8]	209,356
Gwendolyn S. King	580 [3]	18,152 [4,9]	18,732
Christopher E. Kubasik	170,784	105,962 [6,7,8]	276,746
James M. Loy	0	5,521 [4]	5,521
Douglas H. McCorkindale	25,293	12,113 [4,5]	37,406
Joseph W. Ralston	7,791	1,333 [4]	9,124
Frank Savage	1	29,814 [4,5,9,10]	29,815
James M. Schneider	12,276	666 [4]	12,942
Anne Stevens	6,670	1,333 [4]	8,003
Robert J. Stevens	766,787 [3]	275,657 [6,7,8]	1,042,444
Bruce L. Tanner	58,394	43,046 [6,7,8]	101,440
James R. Ukropina	1,630	21,919 [4,5,9,10]	23,549
All director-nominees and executive officers as a group (21 individuals including those named above)	1,525,261	761,397	2,286,658

NOTES TO TABLE:

(1) Includes common stock shares not currently owned but which could be acquired within 60 days following February 1, 2009, through the exercise of stock options for Ms. Gooden 53,100; Mr. Heath 125,299; Mr. Kubasik 138,399; Mr. McCorkindale 19,433; Mr. Schneider 8,392; Mr. Stevens 683,333; and Mr. Tanner 55,599. Includes shares payable at termination with respect to vested stock units credited under the Directors Equity Plan for which a director has elected payment in stock for Mr. Archibald 9,081; Mr. Burritt 346; Mr. Ellis 5,187; Mr. McCorkindale 5,860; Mr. Ralston 7,791; Mr. Schneider 1,884; and Ms. Stevens 6,670. Units for which a director has elected payment in cash are reported in the Stock Units column. There are no voting rights associated with stock units.

(2) Includes shares attributable to the participant s account in the Lockheed Martin Salaried Savings Plan (SSP) for Ms. Gooden 5,020; Mr. Heath 1,603; Mr. Kubasik 158; Mr. Stevens 56; and Mr. Tanner 1,606. Participants have voting power and investment power over the shares.

(3) Includes 580 shares for Ms. King and 5,000 shares for Mr. Stevens that have shared voting or investment power that are held jointly with their respective spouse.

Table of Contents

SECURITIES OWNED BY DIRECTOR-NOMINEES AND NAMED

EXECUTIVE OFFICERS

(4) Includes stock units under the Directors Equity Plan for Mr. Aldridge 8,850; Ms. King 16,966; Mr. Loy 5,521; Mr. Savage 9,536; and Mr. Ukropina 16,966 for which directors have elected to receive distributions of units in the form of cash. Includes shares payable at termination with respect to unvested stock units credited under the 2009 Directors Equity Plan for which a director has elected payment in stock for Mr. Archibald 1,333; Mr. Burritt 666; Mr. Ellis 1,333; Mr. McCorkindale 666; Mr. Ralston 1,333; Mr. Schneider 666; and Ms. Stevens 1,333. There are no voting rights associated with stock units.

(5) Includes stock units under the Directors Deferred Compensation Plan representing deferred cash compensation for Mr. Burritt 796; Mr. McCorkindale 11,447; Mr. Savage 16,590; and Mr. Ukropina 3,273. The stock units (including dividend equivalents credited as stock units) are distributed in the form of cash. There are no voting rights associated with stock units.

(6) Includes stock units attributable to the participant s account under the Lockheed Martin Corporation Deferred Management Incentive Compensation Plan (DMICP) (including units credited under the LTIP program awards under the Lockheed Martin 1995 Omnibus Performance Award Plan (Award Plan) and the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (IPA Plan)) for Ms. Gooden 8,605; Mr. Heath 23,466; Mr. Kubasik 40,195; Mr. Stevens 90,983; and Mr. Tanner 4,529. Although most of the units will be distributed following termination or retirement in shares of stock, none of the units are convertible into shares of stock within 60 days of February 1, 2009. There are no voting rights associated with stock units.

(7) Includes stock units attributable to the participant s account under the Lockheed Martin Corporation Supplemental Savings Plan (NQSSP) for Mr. Heath 2,209; Mr. Kubasik 418; Mr. Stevens 1,174; and Mr. Tanner 1,117. Amounts credited to a participant s account in the NQSSP are distributed in cash following termination of employment. There are no voting rights associated with stock units.

(8) Includes unvested RSUs for Ms. Gooden 36,800; Mr. Heath 43,200; Mr. Kubasik 65,350; Mr. Stevens 183,500; and Mr. Tanner 37,400. The RSUs represent a contingent right to receive one share of common stock. There are no voting rights associated with RSUs.

(9) Includes 1,186 stock units under the Directors Deferred Stock Plan for Ms. King, Mr. Savage, and Mr. Ukropina, respectively. There are no voting rights associated with stock units.

(10) Includes shares held in trust under the former Deferred Compensation Plan for Directors of Lockheed Corporation. Deferred amounts are distributable after a participant ceases to be a director. In the event a participant s status as a director is involuntarily terminated other than by death, common stock in the director s trust account will be distributed within 15 days of termination. Mr. Savage and Mr. Ukropina have been credited with 2,502 and 494 shares, respectively, pursuant to the plan. The directors do not have or share voting or investment power for their respective shares held in the trust except in the event of a tender offer.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires that our executive officers and directors (and persons who own more than 10% of our equity securities) file reports of ownership and changes in ownership with the SEC, the NYSE, and with us. Based solely on our review of copies of forms and written representations from reporting persons, we believe that all ownership filing requirements were timely met during 2008.

Table of Contents

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table shows information regarding each person known to be a beneficial owner of more than 5% of our common stock. For purposes of this table, beneficial ownership of securities generally means the power to vote or dispose of securities, regardless of any economic interest in the securities. All information shown is based on information reported by the filer on a Schedule 13G filed with the SEC on the dates indicated in the footnotes to this table.

Name and Address of Beneficial Owner	Class of Stock	Amount and Nature of Beneficial Ownership	Percent of Class Owned
State Street Bank and Trust Company State Street Financial Center One Lincoln Street Boston, MA 02111	Common	75,946,484 [1]	19.0%
Marsico Capital Management, LLC 1200 17th Street, Suite 1600 Denver, CO 80202	Common	21,548,681 [2]	5.5%

NOTES TO TABLE:

(1) As reported on a Schedule 13G filed on February 17, 2009, as amended on February 19, 2009, by State Street Bank and Trust Company (State Street), State Street had beneficial ownership of and shared dispositive power with respect to 75,946,484 shares of common stock, of which 63,712,822 shares of common stock were held by it as trustee for certain Lockheed Martin employee benefit plans. State Street also reported that it had sole voting power with respect to 12,233,662 shares, of which 2,364,371 shares of common stock it had sole voting power as trustee for certain Lockheed Martin employee benefit plans. State Street has expressly disclaimed beneficial ownership of the shares reported on its Schedule 13G.

(2) As reported on a Schedule 13G filed on February 12, 2009, by Marsico Capital Management, LLC (Marsico), Marsico had beneficial ownership of and sole dispositive power over 21,548,681 shares and sole voting power over 18,205,610 shares.

Table of Contents

EXECUTIVE COMPENSATION

Compensation Committee Report

The Management Development and Compensation Committee makes recommendations to the Board of Directors concerning the compensation of the Corporation s executives. We have reviewed and discussed with management the Compensation Discussion and Analysis included in the Corporation s Schedule 14A Proxy Statement, filed pursuant to Section 14(a) of the Securities Exchange Act of 1934, as amended. Based on that review and discussion, we recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Proxy Statement and incorporated by reference in the Corporation s Annual Report on Form 10-K for the year ended December 31, 2008. The Board approved our recommendation.

Submitted on February 26, 2009 by the Management Development

and Compensation Committee:

Nolan D. Archibald, Chairman
E. C. Pete Aldridge Jr.
Douglas H. McCorkindale
James M. Schneider
Anne Stevens

Compensation Committee Interlocks and Insider Participation

None of our executive officers served as a member of the Board or Compensation Committee of any entity that has one or more executive officers serving as a member of our Board or our Compensation Committee. Accordingly, there were no interlocks with other companies within the meaning of the SEC s proxy rules during 2008.

Table of Contents

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis (CD&A)

Executive Summary

2008 was a year of both outstanding performance and stock price decline. We had strong strategic, operational, and financial performance, including record levels of cash generation, sales, and earnings per share (EPS), all of which exceeded our public guidance. We achieved a record backlog of $80 billion and we returned cash to our stockholders by increasing our dividend for the sixth consecutive year. Although our total stockholder return (TSR) exceeded several S&P indices on an annual and three-year basis, our stock price fell in the third and fourth quarters.

Our compensation takes into account performance as measured by both financial results and changes in our stock price. We tie a significant portion of our executives compensation to our common stock so that our executives interests are aligned with the interests of stockholders. At year end, the value of outstanding and unexercised equity grants awarded in prior years had declined along with the decline in our stock price. Deferred compensation accounts likewise showed losses. Other components of our compensation program measure our results against pre-established business goals and industry indices. In 2008, these elements paid near plan maximums as a result of our exceptional strategic, operational, and financial achievements.

The economic environment has not altered the central goals of our compensation program of attracting and retaining talent. Indeed, the weakness in the financial markets intensifies the demand for exceptional leaders. The pool of executive talent with knowledge of our customer requirements, expertise in government cost accounting standards, high-level security clearances, and experience in managing long-term technically advanced programs is limited. Now more than ever, a sound executive compensation program is critical to the retention of our key leaders.

At the same time, we want to motivate performance without creating incentives for undue financial risk- taking by setting goals that balance increasing the value of our business with an appropriate chance of attaining the goals. We achieve this by:

- Tying the performance-based elements of compensation to overall business results so that an executive s compensation is dependent upon team work and overall corporate performance; for example, our LTIP is based solely on corporate results, and corporate performance is weighted more heavily than individual performance in our annual bonus program.

- Establishing caps for payouts under our cash programs.

- Requiring all NEOs (the executives listed in the Summary Compensation Table) to sign a clawback agreement entitling us to recover compensation when certain misconduct adversely impacts our financial position or reputation.

25

Table of Contents

EXECUTIVE COMPENSATION

To explain our 2008 compensation program, we provide the following information below:

- Our executive compensation philosophy.
- Description of who makes compensation decisions.
- Overview of compensation elements and payments in 2008.
- Other corporate governance considerations in compensation.

Executive Compensation Philosophy

Our primary objectives in compensating employees are:

- Pay Relative to Market To attract and retain the best employees, we must take into account what our competitors for executive talent pay for comparable positions. Competitive pay includes base salary, short-term incentives, long-term incentives, and other benefits and perquisites. We have identified the market for each element as the 50th percentile of our survey data.

- Pay for Performance We intend to award superior pay for superior performance both individually and as an organization. We determine pay for performance by evaluating the achievement of key financial and operational objectives and the executive s role in creating stockholder value. An employee s compensation may be above or below the market, depending on performance. Our compensation plans may result in partial payment, in some circumstances, when objectives are not totally achieved.

Most executive pay varies based on an assessment of our success in reaching our objectives or changes in our stock price. This means that our executives risk being paid below market rates and have an opportunity to be paid above market.

Guiding Principles for Executive Compensation

- Compensation should reflect an appropriate mix of short-term and long-term pay elements. This makes executives accountable for short-term and long-term performance.

- Compensation should be aligned to stockholder interests and the long-term value realized by our stockholders (normally a balance of cash vs. equity).

- The majority of an executive s total compensation should be variable and tied to performance and be based on individual contribution to achievement of key business objectives.

The following tables show the application of these principles in 2008:

Short-Term vs. Long-Term Pay Opportunity *

As Percentage of Total Pay		
	Short-Term Pay Base Salary + Annual Bonus Target	***Long-Term Pay*** Value of All Long-Term Incentives
Mr. Stevens	26%	74%
Other NEOs (Average)	40%	60%

Total Pay The sum of base salary, annual bonus, and economic value of long-term incentives.

Fixed pay Base pay or salary.

Variable Pay Compensation that can vary (up or down) based on performance of the individual or the Corporation (bonuses and incentive pay). Variable pay is at risk.

Cash Compensation that is paid in the form of cash (base salary, annual bonus).

Equity Stock options, restricted stock awards (RSAs) or RSUs, or other equity awards. Equity awards are at risk.

Short-Term Compensation based on performance of one year or less (base salary, annual bonus).

Table of Contents

EXECUTIVE COMPENSATION

Cash vs. Equity Pay Opportunity * As Percentage of Total Pay		
	Cash Base Salary + Annual Bonus Target + LTIP	***Equity*** Options + RSUs (Fair Value)
Mr. Stevens	49%	51%
Other NEOs (Average)	59%	41%

Fixed vs. Variable Pay Opportunity * As Percentage of Total Pay		
	Fixed Base Salary	***Variable Performance-Related Pay*** Annual Bonus Target + Value of All Long-Term Incentives
Mr. Stevens	12%	88%
Other NEOs (Average)	23%	77%

Long-Term Compensation based on performance greater than one year (cash programs like LTIP, equity grants).

Fair Value As measured under FAS 123(R), *Accounting for Stock-Based Compensation.*

Economic Value The value we assign to a grant with a benefit based on future performance using statistical methodologies such as FAS 123(R).

* Using economic value at the time of grant for all long-term incentives.

The relationship between the compensation paid to our CEO and the other NEOs should be comparable to the relationship between CEO pay and pay for other executives found in the broader market. Performance, time in position, and other compensation considerations may lead to deviations from market relationships. The difference in total pay between Mr. Stevens and the other NEOs is the result of several factors:

Market practice Higher pay is consistent with his job function as the senior-most executive, with responsibility for the entire Corporation.

No COO We do not have a chief operating officer (COO) at Lockheed Martin. At many companies, the COO is the second most highly paid position.

Tenure and performance Mr. Stevens has been CEO since August 2004; none of the other NEOs has been in his or her position for as long a period. During his tenure as CEO, Mr. Stevens has demonstrated a sustained level of superior performance in managing the Corporation. The Compensation Committee has concluded that his performance warrants compensating Mr. Stevens at the 75th percentile of the Comparator Group.

Table of Contents

EXECUTIVE COMPENSATION

Elements of Executive Direct Compensation

The following table outlines elements of direct compensation and how it aligns with our objectives and guiding principles.

	What it Rewards		How it Aligns With Our Objectives	Performance Measured	Fixed or Variable/ Performance-Related	Cash or Equity
Base Salary	Sustained high level of performance Demonstrated success in meeting or exceeding key financial and other business objectives Highly developed skills and abilities critical to success of the business Experience and time in position		Competitive base salaries enable us to attract and retain top talent Merit-based salary increases align pay to performance philosophy	Individual	Fixed	Cash
Short-Term Incentive (Annual Bonus)	Organizational performance during the year against our publicly-disclosed guidance and other performance criteria Individual performance during the year measured against identified goals		Targets are based on the market for similar positions Payout of award depends on individual and organizational performance	Individual and Organization	Performance-Related	Cash
Long- Term Incentives	Stock Options	Increase in stock price Retention	Value dependent on price of our stock; no value unless the stock price increases Three-year graded vesting supports retention	Organization	Performance-Related	Equity
	RSUs	Retention Increase in stock price	Three-year cliff vesting supports retention Although RSUs always have value, the value increases or decreases as stock price increases or decreases	Organization	Performance-Related	Equity

28

Table of Contents

EXECUTIVE COMPENSATION

	What it Rewards	How it Aligns With Our Objectives	Performance Measured	Fixed or Variable/ Performance-Related	Cash or Equity
LTIP Award	Performance relative to other companies as measured by TSR Meeting or exceeding return on invested capital (ROIC) goal Meeting or exceeding cash generation goal	Ties pay to performance Three-year performance period, cliff vesting, and mandatory two-year deferral of 50% of payout supports retention Payout is based on metrics important to our stockholders	Organization	Performance-Related	Cash

Determining Market Compensation

We select a group of publicly traded companies (our Comparator Group) to determine appropriate market values for all pay elements based on:

Similarity to the Corporation in terms of size (i.e., revenue, market capitalization), industry, and/or global presence.
Comparable executive officer positions in terms of breadth, complexity, and scope of responsibilities.
Potential to compete with us for talent.
Participation in executive compensation surveys.

In 2008, our Comparator Group companies were:

3M Company	International Business Machines Company
Alcoa Inc.	International Paper Company
Altria Group, Inc.	Johnson & Johnson
Archer Daniels Midland Company	Johnson Controls Inc.
AT&T Inc.	Merck & Co Inc.
The Boeing Company*	Northrop Grumman Corporation*
Bristol Myers Squibb Company (Inc.)	Pepsico, Inc.
Caterpillar Inc.	The Procter & Gamble Company
The Dow Chemical Company	The Raytheon Company*
E.I. duPont de Nemours & Company	United Technologies Corporation*

Fedex Corporation	Valero Energy Corporation
General Dynamics Corporation*	Verizon Communications Inc.
Honeywell International Inc.*	

* *Industry Peer*

Table of Contents

EXECUTIVE COMPENSATION

The Senior Vice President, Human Resources (SVP, HR) reviews the make-up of the Comparator Group with the Compensation Committee annually. Hewitt, the Corporation s compensation consultant, compiles Comparator Group compensation information and determines market values for base salary, short-term incentives, and long-term incentives. Hewitt also prepares information on other compensation practices such as mix of compensation, use of equity, benefits, and perquisites. For each compensation element, we use the 50^{th} percentile (median) of the Comparator Group data to identify market value.

Hewitt provides compensation data for each position based on job responsibilities and revenue scope. Consistent with industry practice, the market data is aged to adjust for the timeliness of the data and set our lead-lag position. Lead-lag is a standard practice that sets the organization s salary structure at the beginning of the plan year to anticipate the level the market will reach by the middle of the plan year. The aged data leads the market during the first six months, matches the market at the middle of the year, and lags the market during the last six months.

In 2008, consistent with historical practices, we did not benchmark or designate a specific percentile as a target for any individual component of compensation or for the total compensation paid to the NEOs. Information on market percentiles was provided by Hewitt as a reference point and for informational purposes to the Compensation Committee rather than as a target. While the Compensation Committee uses the 50^{th} percentile as the starting reference point as a market comparison for the job performed, individual compensation decisions are based primarily on the review and assessment by the Compensation Committee and Mr. Stevens (with respect to each NEO other than himself) of additional subjective factors as discussed below. In particular, discretion is used to adjust an executive s pay compared to the market (*i.e.,* higher or lower than market) depending upon the executive s:

- Sustained high level of performance.
- Demonstrated success in meeting or exceeding key financial and other business objectives.
- Proven ability to create stockholder value.
- Highly-developed skills and abilities critical to our success.
- Experience and time in the position (typically the compensation for individuals who are new to a position is relatively low to market; as they gain experience and increase their ability to perform, standard practice indicates that their pay should move closer to the market and may exceed market).
- Consideration of compensation paid to other executives in the Corporation with comparable responsibilities.

As a result, total compensation (or any particular element of it) was based on a combination of subjective factors and may differ materially from the derived 50^{th} percentile reference point of the Comparator Group.

Table of Contents

EXECUTIVE COMPENSATION

Who Makes Compensation Decisions

Board of Directors

- Reviews and approves the compensation of the CEO and each of the NEOs.

Management Development and Compensation Committee

The Compensation Committee makes recommendations to the Board regarding the compensation of the CEO and each NEO and is responsible for:

- Reviewing and approving corporate goals and objectives.
- Evaluating the CEO s and each NEO s performance against their objectives.
- Recommending to the Board the CEO s and each NEO s compensation level based on this evaluation.
- Reviewing proposed candidates for senior executive positions and recommending their compensation to the Board.
- Making recommendations to the Board with respect to incentive compensation plans.

Management

For NEOs other than the CEO:

- Our Chairman, President and CEO, with input from our SVP, HR and data from Hewitt, provides the Compensation Committee with information and recommendations on:
  - Ø Base salary.
  - Ø Annual bonuses.
  - Ø Long-term incentive grants.
  - Ø Fiftieth percentile of the Comparator Group data.
  - Ø Historical data for each NEO.
- The SVP, HR calculates for the NEOs (other than the CEO) the resulting percentage above or below the market for varying levels of compensation and estimates the market percentile for levels of compensation proposed by the CEO.

For the CEO:

- The SVP, HR presents a schedule with a range of possible payments to the CEO for each element of compensation in relation to the 50^{th} and 75^{th} percentiles. The purpose of this schedule is to estimate what percentile of pay would result from different levels of payments. The SVP, HR does not recommend a specific amount of compensation.

The Executive Vice President and Chief Financial Officer (CFO) develops internal financial goals for our long-term incentive program and assesses organizational performance under those metrics and the strategic, operational, and financial goals set by the Compensation Committee for our short-term incentive program.

Compensation Consultant

The SVP, HR retained Hewitt as the Corporation s compensation consultant to gather, among other things, Comparator Group data. In 2008, Hewitt prepared reports using Comparator Group data on positions other than the NEOs.

The Compensation Committee separately engaged its own compensation consultant, Watson Wyatt Worldwide, Inc. (Watson Wyatt), with whom it reviewed selected matters using data from our Comparator Group. The Compensation

Table of Contents

EXECUTIVE COMPENSATION

Committee reviews the independence of its consultant annually. The Compensation Committee concluded Watson Wyatt was independent in 2008.

In 2008, Watson Wyatt prepared an analysis for the Compensation Committee on the Corporation s short-term incentive targets compared to the market. Watson Wyatt also provided the Compensation Committee with general information on recent trends in executive compensation.

The Compensation Committee pre-approved up to $2 million of non-committee work for us by Watson Wyatt in 2008. The Compensation Committee further determined that the pre-approved services would not impair Watson Wyatt s independence, so long as the total paid to Watson Wyatt did not exceed 2% of Watson Wyatt s annual revenues. For 2008, we paid approximately $758,227 for the pre-approved consulting services including actuarial analysis, benefits consulting, employee communications, HR outsourcing, consulting, and pension estimating and consulting.

The Compensation Committee authorized any member of the Compensation Committee to pre-approve management s request for up to $500,000 in compensation consulting services by Watson Wyatt for the Corporation on behalf of the Compensation Committee, so long as the work was of the same type as the work already approved. The total compensation consulting fees paid to Watson Wyatt in 2008 for these other services were approximately $126,768. The total paid to Watson Wyatt for 2008 for services to the Corporation (and not directly to the Compensation Committee) was approximately $884,995.

Overview of Compensation Elements and Payments in 2008

Base Salary - Merit Increases in 2008 (Column (c) of the Summary Compensation Table)

The Compensation Committee approved merit increases at its January 2008 meeting. The annual base salary increase was 8.4% for Mr. Heath and 9.4% for Mr. Kubasik, in recognition of exceptional performance in 2007. Mr. Tanner received an increase of 29% and Ms. Gooden received an increase of 15%, reflecting superior performance in each case and to bring their base salaries closer to the market for their positions. Mr. Tanner s raise was the second of two raises planned at the time of his promotion to align his compensation with market data. Mr. Stevens received a merit increase of 9.1%. The Compensation Committee concluded that his exceptional leadership skills guided the Corporation to record levels of company performance measured against internal metrics and industry peers, as reflected in our three-year TSR.

The following table shows the salary of each NEO after the merit increase as a percentage of the 50th percentile of our Comparator Group:

NEO	Salary as a Percentage of 50th Percentile (after February 2008 increase)
Mr. Stevens	108%
Mr. Tanner	86%
Ms. Gooden	92%
Mr. Heath	105%
Mr. Kubasik	124%

The Compensation Committee considered merit increases for 2009 at its January 21, 2009 meeting. At the request of Mr. Stevens, no change was made to his base salary for 2009.

Short-Term Opportunities (Annual Bonus)

Our annual bonus program is the MICP. We assign a percentage of salary as a target amount for the bonus. The target for 2008 for Mr. Stevens is 125% of salary and 75% of salary for the other NEOs. Actual payouts can range from 0 to 195% of target and 0 to 243.75% of base salary, based on an assessment of individual and corporate performance.

Table of Contents

EXECUTIVE COMPENSATION

Market Based Targets Targets are expressed as a percentage of the NEO s base salary and are established using market data from Hewitt for comparable positions. We set targets at the beginning of the year (see Grants of Plan-Based Awards table) but may adjust a target if the executive is reassigned or a target change is approved by the Compensation Committee for other reasons. Recent survey information revealed that our NEO targets lag the market. At its January 22, 2009 meeting, the Board amended the MICP to raise Mr. Stevens target for performance in 2009 from 125% to 150% of base salary. The SVP, HR reviews NEO targets annually and the targets had last been adjusted in 2005.

NEO	2008 MICP Target % as a Percentage of 50th Percentile*
Mr. Stevens	85%
Mr. Tanner	81%
Ms. Gooden	89%
Mr. Heath	87%
Mr. Kubasik	81%

* Based on MICP target as a percent of base salary and using the 50th percentile of 2007 Comparator Group data which was the data used to make 2008 compensation decision. Data from the 2008 survey showed an increase in the gap between NEO targets and the 50th percentile.

The target award amount is calculated as:

* Using executive s base salary as of the first pay period in December.

Role of Performance Individual performance ratings range from 0 (performance fails to meet job requirements) to 1.30 (performance superior to expectations and peers within the organization). Organizational performance ratings range from 0 (did not achieve sufficient overall performance level) to 1.50 (far exceeded organizational objectives in all categories). The potential higher ratings for organizational performance reflect the importance we place on team performance and organizational results.

The target award is adjusted for both individual and organizational performance, calculated as follows:

* Award amounts are rounded to the nearest hundred dollar.

Under the MICP terms, the CEO s bonus cannot exceed 0.3% of cash flow and the bonuses for each of the other NEOs cannot exceed 0.2% of cash flow, as defined in the MICP plan. These limitations are intended to qualify MICP payments as performance-based compensation, exempt from the $1 million limit on deductibility under Internal Revenue Code Section 162(m).

Table of Contents

EXECUTIVE COMPENSATION

Results-Based Measurements In the first quarter of each year, the Compensation Committee approves corporate objectives reflecting strategic, operational, and financial goals. These objectives serve as the corporate organizational goals and the individual goals for the CEO.

- Strategic Typically reflect growth in our portfolio, including program capture, positioning our businesses for future success, and growth in people, including leadership effectiveness and succession and transition.

- Operational Typically include successful performance of programs, award fees, performance recovery on troubled programs, continuing efforts on our diversity and inclusion initiative, differentiating our company from competitors, progress in staffing for strategic talent, and cost savings.

- Financial Typically include targets for sales, cash, EBIT (earnings before interest and taxes), ROIC, and operating margin in ranges consistent with our annual outlook as publicly disclosed in connection with our release of earnings for the prior year. We believe that setting objectives consistent with the ranges contained in our public forecast ties compensation to our effectiveness in meeting our public commitments to our stockholders.

The strategic, operational, and financial goals discussed above serve as the organizational and individual goals for Mr. Stevens. Each of the NEOs (other than the CEO) establishes individual performance objectives in the first quarter of each year. For the business area Executive Vice Presidents, these objectives largely reflect the organizational goals for the business area. For functional area NEOs, individual objectives represent achievements important for that year for the functional area.

Performance objectives are both quantitative and qualitative and provide a framework for reviewing performance. Meeting, exceeding, or falling short of an identified objective does not mandate a particular organization or individual rating, but is considered as one factor among many for evaluating the year s performance. The weight given to each objective and the overall organizational rating are at the discretion of the Compensation Committee, which also has the discretion to consider other factors.

Risk of No Payout MICP bonuses are discretionary, take into account performance, and carry a risk that a significant portion of the executive s total compensation may not be paid. If either the individual or the organizational performance factor is rated as 0, the NEO will not receive any annual bonus.

Short-Term Incentives for 2008 Performance (Column (d) of the Summary Compensation Table)

In February 2008, our Board reviewed and approved corporate strategic, operational, and financial objectives. In January 2009, the Board assessed the CEO s and other NEO s achievement of these objectives.

2008 Organizational Performance

Strategic Performance

The Compensation Committee noted the following 2008 accomplishments against our strategic objectives:

- Strong record of winning new business and keeping existing business.
- Key wins in new lines of business or with new customers, including Joint Light Tactical Vehicle, Airborne and Maritime/Fixed Station Joint Tactical Radio System (AMF JTRS), and Fleet Automotive Support Initiative.

Investments in evolving technologies.
Strengthened talent management and succession planning, construction of new Center for Leadership Excellence.
Increased external recognition of the Corporation as a desirable employer.
New business capture rate by IS&GS.

Table of Contents

EXECUTIVE COMPENSATION

Operational Performance

The Compensation Committee considered the following 2008 operational accomplishments:

- Successful completion of a record number of program achievements.
- Aircraft delivery plan exceeded.
- Dramatic improvement in zero defect aircraft.
- First F-35 Short Take-Off Vertical Landing (STOVL) flight.
- First Littoral Combat Ship commissioned.
- Phoenix Mars Lander success.
- Successful missile defense intercepts (Terminal High Altitude Area Defense, Aegis, and Patriot Advanced Capability-3 (PAC-3)).

Financial Performance

The Compensation Committee considered financial performance in relation to our 2008 performance objectives and, in each case, financial results exceeded the February 2008 objectives despite weak economic conditions.

	2008 Performance Objectives*	2008 Results	Assessment
Sales	$41,800 - $42,800M	$42,730M	Record Level
Segment Operating Profit *	$4,715 - $4,840M	$4,970M	Record Level
Cash from Operations	≥$4,200M	$4,420M	Record Level
EPS	$7.05 - $7.25	$7.86	Record Level
ROIC	≥18.5%	21.7%	Record Level
Segment Operating Margin **	11.3%	11.6%	Record Level

* Certain items are excluded from operating profit to produce segment operating profit and segment operating profit (see our Annual Report).

** Based on Corporation s outlook disclosed publicly at the beginning of 2008.

Our stock price declined but 2008 TSR topped the S&P Industrials, S&P Aerospace, and S&P 500 Indices. The year-end backlog of $80 billion represented a record-breaking achievement and positions us well for future performance.

Among disappointments noted by the Compensation Committee was the decline in our stock price, performance issues on selected programs, and growth in pension liability due to pension trust investment losses and lower interest rates used to discount pension liabilities.

Based on the achievements described above, the Compensation Committee recommended, and the Board approved, a corporate performance factor of 1.45.

2008 Individual Performance

In assessing Mr. Stevens performance, the Compensation Committee considered the role Mr. Stevens played in selecting and leading the management team in its outstanding 2008 strategic, operational, and financial performance, and in the preceding four years of similar record performance. The Compensation Committee attributed our success to Mr. Stevens leadership skills both within the Corporation and as an industry leader. The Compensation Committee credited his effort to develop leaders of the future, noting the construction of a new Center for Leadership Excellence, the expansion of the Full Spectrum Leadership program, and improvements in our diversity program. These accomplishments are significant because of the potential impact in future years. The Compensation Committee recommended, and the Board approved, a bonus in the amount of $4,250,000 for Mr. Stevens (based on an individual performance factor of 1.3).

Table of Contents

EXECUTIVE COMPENSATION

For Ms. Gooden, Mr. Heath, and Mr. Kubasik s individual performance factor, the Compensation Committee considered the strategic, operational, and financial results of the business area managed by the NEO. For Mr. Tanner, the Compensation Committee considered our financial performance and Mr. Tanner s role in achieving our financial results. Based on their achievements and contributions to corporate performance, the Compensation Committee approved an individual performance factor (as recommended by the CEO) of 1.3 for each of the NEOs.

NEO	Performance Highlights
Mr. Tanner	Rapid growth in new position Disciplined cash deployment Emphasis on internal control environment
Ms. Gooden	Outstanding new business win rate Successful integration of businesses Superior operational performance
Mr. Heath	Leadership in driving cultural change Superior cash generation Exceeded aircraft delivery plan
Mr. Kubasik	Rapid growth in new position Strong focus on customer relationships Success in new lines of business

Each NEO s individual performance factor, combined with the corporate factor, resulted in the following MICP awards as a percentage of target:

NEO	Target %	2008 MICP Award as a % of Target Percentage *	2008 MICP Award as a % of Salary
Mr. Stevens	125%	189%	236%
Mr. Tanner	75%	189%	141%
Ms. Gooden	75%	189%	141%
Mr. Heath	75%	189%	141%
Mr. Kubasik	75%	189%	141%

* Maximum 195%

Table of Contents

EXECUTIVE COMPENSATION

Long-Term Incentive Opportunity

In 2008, long-term incentive (LTI) compensation for our NEOs was composed of three elements: stock options, RSUs, and a cash-based LTIP award.

Market Based Grants Hewitt provided information on LTI values awarded for comparable positions in the Comparator Group and general information on the mix of elements of LTI. In 2008, the economic value of the elements of our LTI were allocated approximately as follows:

Long-Term Incentives

This mix does not differ significantly from the Comparator Group.

Stock Options The right to purchase the Corporation s stock at a fixed price for a defined period of time.

RSUs A promise to deliver shares of stock in the future after satisfaction of vesting requirements based on continued employment.

LTIP A cash-based program that measures performance over a three-year cycle using performance criteria established by the Compensation Committee at the beginning of the three-year period.

The SVP, HR, using data provided by Hewitt, presented the Compensation Committee with the estimated economic value of total LTI and the allocation of that value among the elements of LTI for each NEO. This means that, as a general matter, 50% of a NEO s LTI will be delivered in the form of options, 20% in the form of RSUs, and 30% in the form of an LTIP award. The data provided by the SVP, HR showed Comparator Group data at the 50th percentile for all NEOs and additionally at the 75th percentile for the CEO. The total economic value of each NEO s award reflected adjustments from the median based on individual performance. Hewitt uses the Black Scholes methodology for the equity portion and similar statistical techniques for LTIP to determine the economic value of LTI.

In addition to making grants of long-term incentive compensation based on market data, we have made grants of RSUs from time to time for retention purposes. At the recommendation of the CEO, the Compensation Committee approved grants of RSUs in January 2009 to Mr. Tanner, Ms. Gooden, Mr. Heath, and Mr. Kubasik in addition to the regular market-based grants. These grants were intended to provide retention incentives to executives considered vulnerable to recruitment efforts by other companies struggling in the current economic environment.

Long-Term Incentives in 2008 (Grants of Plan-Based Awards   Table)

In 2008, long-term incentive awards consisted of stock options, RSUs, and LTIP. The following table shows the relationship between the economic value of long-term incentive awards in 2008 for each NEO and economic value at the 50th percentile for that position within our Comparator Group.

NEO	**LTI Target Economic Value as a Percentage of 50th Percentile ***
Mr. Stevens	118%
Mr. Tanner	79%
Ms. Gooden	97%
Mr. Heath	97%
Mr. Kubasik	125%

* Using the 50th percentile of 2007 survey data which was the data used for 2008 compensation decisions. If the grants were compared to actual grants made in 2008 by the Comparator Group, the percentage of the 50th percentile declines for each NEO.

37

Table of Contents

EXECUTIVE COMPENSATION

The economic value of Mr. Stevens long-term incentive awards at target in 2008 was at the 75th percentile.

Option Grants in 2008

Grant sizes were calculated generally by multiplying the target LTI economic value by 50% (the weighting assigned to the options element) and dividing it by the value of a single option, determined under the Black-Scholes methodology and based on assumptions used for recognizing expense in our financial statements in our 2008 Annual Report on Form 10-K in accordance with FAS 123(R). These assumptions are set out in Note 12 to our financial statement for the year ended December 31, 2008. For the 2008 option grant, the grant date value was $19.31. The exercise price for the grants was $106.87. These options, along with the options granted in January 2007 at an exercise price of $96.06, are underwater currently and will provide no value to a NEO unless, within ten years of the grant, our stock price exceeds the exercise price.

RSU Grants in 2008

RSU grant sizes are calculated generally by multiplying the target LTI economic value by 20% (the weighting assigned to the RSU element) and dividing it by the value of a single RSU, determined using the estimated/actual grant date value. For the 2008 RSU grant, that value was $106.87. Using our December 31, 2008 stock price of $84.08, these RSUs, along with the RSUs granted in 2007 at a grant date value of $96.06, have declined in value 21% and 12%, respectively since their grant.

The RSUs granted in 2008 were forfeitable to the extent the value of the RSUs on the date of grant exceeded a cap of 0.2% (for Mr. Stevens) and 0.04% (for each of the other NEOs) of 2008 corporate cash flow as defined in the RSU award agreement. If the value of the RSUs exceeded the cap, the NEO would forfeit a number of RSUs equal in value to the amount in excess of the cap. This feature is intended to qualify the RSUs as performance-based compensation exempt from the $1 million limit on the deductibility of compensation under Internal Revenue Code Section 162(m). Based on 2008 cash flow, no NEO forfeited RSUs granted in January 2008. The RSUs remain subject to three-year cliff vesting requirements based on continued employment.

LTIP Award LTIP measures performance over three years against pre-established financial goals. The amount to be paid under the LTIP is formulaic; neither management nor the Compensation Committee has authority to increase an LTIP payment. The LTIP program is intended to qualify as performance-based compensation exempt from the $1 million limit on deductibility of compensation under Internal Revenue Code Section 162(m).

Each NEO s LTIP target is determined at the beginning of each performance cycle. The total award at the end of the performance cycle is calculated based on our performance measured against an external performance metric (TSR) and two internal performance metrics (ROIC and cash flow) and can range from 0% (no payout) to 200% of the NEO s target (maximum payout). We chose TSR, ROIC, and cash flow because these metrics are standard measures of performance important to stockholders and provide insight into the quality of earnings. We use our long-range planning process to set the targets for the LTIP internal performance metric because the long-range plan requires us to balance what we want to achieve to continue to grow as a company and what we believe we can achieve in three years through focused teamwork and leadership. The targets (100% payout) are considered risk-balanced goals which we view as reasonably achievable through sound program execution. Payout at the 200% level requires exceptional levels of performance throughout the Corporation.

Table of Contents

EXECUTIVE COMPENSATION

Since its inception in 1999, payments under the LTIP have been as follows:

Performance Cycle	Percent of Target Award Earned
1999-2000	0%
1999-2001	91%
2000-2002	200%
2001-2003	185%
2002-2004	70%
2003-2005	0%
2004-2006	180%
2005-2007	200%
Eight Year Average	***115.8%***

External performance metric Fifty percent of the award is based on the Corporation s performance relative to others. Our percentile ranking for three-year TSR is compared to that of each of the companies in the S&P Industrials Index in accordance with the table below.

Percentile Ranking	External Performance Factor
75th or higher	200%
60th	150%
50th	100%
40th	50%
35th	25%
Below 35th	0%

Internal performance metric Fifty percent of the award is based on achievement of two internal performance metrics measured over the three-year period.

ROIC (25% of the award) One hundred percent of the ROIC target is payable if we achieve the ROIC portion of our three-year long-range plan. Two hundred percent of target would be payable if ROIC exceeds our long-range plan by more than 40 basis points. No amount is payable if the change in ROIC is more than 40 basis points below our long-range plan.

Cash Flow (25% of the award) One hundred percent of the cash flow target is payable if we achieve the level of cumulative cash flow contained in our three-year long-range plan. Two hundred percent of target would be payable if cumulative cash flow exceeds our long-range plan by $1 billion. No amount is payable if cumulative cash flow is more than $1 billion below our plan.

Vesting The point in time when stock options become exercisable, or when other executive compensation becomes nonforfeitable.

Ratable Vesting An equal portion of the award becomes vested in each year of the vesting period. The 2008 options have graded vesting, resulting in one-third of the total award becoming vested each year of the vesting period.

Cliff Vesting No portion of the award is vested until the end of the vesting period. The 2008 RSUs have a cliff vesting term of three years

TSR The change in stock price plus reinvestment of dividends

ROIC Defined in the award agreement as A divided by B, where:

A = Average annual (i) net income plus (ii) interest expense times one minus the highest marginal federal corporate tax rate; and

B = Average year end (beginning with the year end immediately preceding the beginning of the performance period) (i) debt (including current maturities of long-term debt) plus (ii) stockholders equity plus the post-retirement plan amounts determined at year end as included in our Statement of Stockholder Equity.

Cash Flow During the performance period is defined as net cash flow from operations but not taking into account:

The aggregate difference between the amount forecasted in our long-range plan to be contributed to our defined benefit pension plans during the performance period and the actual amounts we contribute during the performance period.

Any tax payments or benefits during the performance period associated with the divestiture of business units.

Table of Contents

EXECUTIVE COMPENSATION

Following is an example of how the total performance payout factor is calculated:

The total award for each NEO is calculated by multiplying their target award by the performance payout factor.

As a further incentive for performance and retention, 50% of the award payout must be deferred for two years. This mandatorily-deferred portion of the award is treated during the deferral period as though it was invested in our stock and is subject to continuing employment requirements. The amount paid at the end of the two-year deferral period will be based on the price of our stock at that time.

LTIP 2008-2010 Targets Opportunities (Column (c), (d), (e) of Grants of Plan-Based Awards Table)

In January 2008, the Compensation Committee established the 2008-2010 LTIP targets for each NEO. The targets were calculated generally by multiplying total LTI economic value by 30% (weighting assigned to the LTIP element) assigned to the NEO and dividing it by the LTIP discount. The discount takes into account performance risk and potential forfeiture. For the 2008-2010 LTIP performance cycle, the discount was 75%.

Payment of LTIP Awards for the 2006-2008 Cycle (Column (g) of the Summary Compensation Table)

The Compensation Committee reviewed and certified performance for the 2006-2008 LTIP at its January 2009 meeting. The 2006-2008 LTIP measured corporate performance over a three-year cycle from January 1, 2006 through December 31, 2008. The Compensation Committee had assigned LTIP targets for each of the NEOs at the beginning of 2006.

The following table outlines the calculation of the performance factor for the 2006-2008 LTIP award:

Element	Measurement	Performance Result	Performance Factor	Weight	Weighted Performance Factor
External Performance Metric TSR	Our relative ranking of its TSR for the performance period compared to the TSR for the companies in the S&P Industrials Index	100th Percentile (maximum)	200%	50%	100%
Internal Performance Metric ROIC	100% of target was an increase of 25 basis points	Increase by more than 100 basis points	200%	25%	50%
Internal Performance Metric Cash Flow	100% of target was $9,667M	$12,445M (129% of long-range plan)	197%	25%	49.25%
Total Performance Payout Factor					**199.25%**

Table of Contents

EXECUTIVE COMPENSATION

Neither the Compensation Committee nor management had any authority to adjust the 2006-2008 LTIP payouts.

Payout of Deferred Portion of LTIP Awards for the 2004-2006 Cycle

Fifty percent of the payment from the 2004-2006 LTIP was mandatorily deferred following the end of the performance cycle in 2006. The amounts were treated during the deferral period as though it was invested in our stock and the value paid at the end of the deferral period was based on the closing stock price on December 31, 2008 ($84.08). At the time of the deferral, the price per share of our stock was $92.07. The amounts were paid out (or further deferred at the election of the NEO) based on the December 31, 2008, closing stock price of $84.08, resulting in a 5.5% decrease in value (after taking into account cash dividend equivalents). A similar drop in value has occurred with respect to the still-deferred portion of the 2005-2007 LTIP. The December 31, 2007, stock price used for deferral was $105.26; based on the December 31, 2008 closing stock price, this represents a 18.6% decrease in value (after taking into account reinvestment of cash dividend equivalents).

Other Corporate Governance Considerations in Compensation

Policy Regarding Timing of Option and Other Equity Grants

The Corporation has a corporate policy statement concerning the grant of equity awards which states that:

- The Compensation Committee is responsible for determining the grant date of all equity awards.

- No equity award may be backdated.

- The grant date will not be earlier than the date the Compensation Committee approves the equity award. A future date may be used. If the Compensation Committee s action occurs in close proximity to the release of earnings or during a trading blackout period, the Compensation Committee s practice has been to designate as the date of grant a future date at least 48 hours following the release of earnings or other material information.

- Proposed equity awards are presented to the Compensation Committee in January of each year. Off-cycle awards may be considered in the Compensation Committee s discretion in special circumstances, which may include hiring, retention, or acquisition transactions.

The closing price for our stock on the NYSE on the date specified as the grant date is the exercise price for an option award. In addition, the IPA Plan prohibits re-pricing of stock options.

Clawback and Other Protective Provisions

In January 2008, the Board amended its Corporate Governance Guidelines to include what is commonly referred to as a clawback policy. Under the policy, if the Board determines that:

- an officer s intentional misconduct or gross negligence, or failure to report another person s such acts, was a contributing factor to a requirement that we restate all or a portion of our financial statements; or an officer engaged in fraud, bribery, or other illegal act, or the officer s intentional misconduct or gross negligence contributed to another person s fraud, bribery or other illegal act (including a failure to report such an act),

that, in either case, adversely impacted our financial position or reputation, the Board shall take such action as it deems in the best interests of the Corporation and necessary to remedy the misconduct and prevent its recurrence. Among other things, the Board may seek to recover or require reimbursement of any amount awarded to the officer after January 1, 2008, in the form of an MICP bonus or long-term incentive award.

Table of Contents

EXECUTIVE COMPENSATION

In order to implement the policy on clawbacks, to ensure that proprietary information is protected, and to facilitate retention of key employees, the Compensation Committee amended the MICP and included provisions in the award agreements for the RSUs, stock options, and LTIP awarded in January 2008, setting forth our right to recapture amounts covered by the policy. The award agreements also contain post-employment restrictive covenants. These covenants include, in the case of the NEOs, an agreement:

- Not to accept employment or provide services to specified companies or solicit our employees or customers for two years following termination.

- To protect our information, cooperate in investigations, and not disparage the Corporation.

No award will be effective unless the NEO agrees to the restrictive covenants and the provision implementing the clawback policy.

Stock Ownership Guidelines

We expect the NEOs to maintain an ownership interest in the Corporation and have established Stock Ownership Guidelines for Key Employees, as follows:

Title	Annual Base Pay Multiple
Chief Executive Officer	5 times
Executive Vice President	3 times

The NEOs are asked annually to report on progress toward attainment of our stock ownership goals, in increments of 25% of goal, and to indicate when they will achieve the next higher level toward their goal. Time in a position and stock performance will affect how quickly a NEO satisfies the guidelines. As of February 1, 2009, each of the NEOs satisfied the stock ownership guidelines. The securities counted toward their respective target threshold include common stock, unvested RSUs, and stock units under the SSP, NQSSP, and DMICP.

Indirect Elements of Executive Compensation

In addition to total pay, our benefits are important in attracting and retaining employees.

Our NEOs are eligible for benefits under the plans available to salaried, non-represented employees. NEOs who have fewer than 15 years of service with the Corporation are eligible for 4 weeks of vacation rather than the standard 3 weeks.

Perquisites We provide limited perquisites as a recruiting and retention tool and to ensure the health and safety of our key executives. The perquisites include paying the cost of physical exams, home security, personal liability insurance ($5 million of coverage), and supplemental Accidental Death & Dismemberment insurance ($1 million of coverage).

Use of corporate aircraft Our NEOs may use corporate aircraft to satisfy business travel requirements in a secure and efficient manner. For security reasons, our Board has directed Mr. Stevens and Mr. Kubasik to use the corporate aircraft for personal as well as business travel.

Post-Employment, Change in Control, and Severance Benefits

Upon certain terminations of employment, including death, disability, retirement, layoff, divestiture, or a change in control, the NEOs may be eligible for continued vesting on the normal schedule, immediate payment of benefits previously earned or accelerated vesting of long-term incentives in full or on a pro-rata basis. The type of event and

Table of Contents

EXECUTIVE COMPENSATION

the nature of the benefit determine which of these approaches applies. The purpose of these provisions is to protect previously earned or granted benefits by making them available following the specified event. We view the vesting (or continued vesting) to be an important retention feature for senior-level employees. Our long-term incentive plans do not provide for additional benefits or tax gross-ups. Because termination benefits consist of previously granted or earned benefits, we do not consider termination benefits as a separate item in compensation decisions.

In the event of a change in control, our plans provide for the acceleration of the payment of the nonqualified portion of earned pension benefits and nonqualified deferred compensation and the vesting of previously granted long-term incentive awards. In the case of stock options and LTIP, vesting following a change in control is single-trigger and occurs upon the change in control. In the case of RSUs and RSAs, the award agreements impose a double-trigger, both a change in control and termination of employment.

RSAs and RSUs generally have been used to address retention issues. The double-trigger is a retention tool. In contrast, stock options are awarded to a larger group of employees and are used for more traditional compensatory reasons; that is, they are intended to reward common stock appreciation and enable recipients to share in both the risk and rewards of stock ownership through stock depreciation or appreciation. Given the predominantly compensatory nature of the awards tied to stock appreciation, immediate vesting upon a change in control permits participants to participate in any price appreciation associated with a change in control or control premium, on a basis similar to that available to stockholders as a whole.

In 2008, we amended our IPA Plan to delete authority for accelerated vesting for stock options and RSUs in the event of a layoff.

Our NEOs do not have employment agreements. In January 2008, the Board approved the Lockheed Martin Corporation Severance Benefit Plan For Certain Management Employees (Executive Severance Plan). Benefits are payable under this plan in the event of a company-initiated termination of employment other than for cause. All of the NEOs are eligible for the new plan.

The Board adopted the plan in order to standardize the process by which company-initiated terminations are handled and to facilitate orderly succession planning. The benefit payable in the plan is one times the NEO s base salary and the equivalent of one year s target MICP bonus. For the CEO, the multiplier is 2.99 instead of 1. The Compensation Committee viewed a higher multiplier for the CEO to be competitive with prevailing market practices.

In addition, NEOs participating in the plan will receive a lump-sum payment to cover the cost of medical benefits for one year and outplacement and relocation services. In order to receive the full severance benefit, the NEO must execute a release of claims and an agreement containing post-employment non-compete and non-solicitation covenants comparable to those included in our 2008 stock option, RSU, and LTIP award agreements.

The section of this Proxy Statement entitled Potential Payments Upon Termination or Change In Control provides further information on post-employment payments.

Government Reimbursement of Compensation

As a government contractor, we are subject to the Federal Acquisition Regulation, which limits the reimbursement of costs by our government customers for senior executive compensation to a benchmark compensation cap established each year. The benchmark cap applies to the five most-highly-compensated executives assigned to our headquarters, intermediate home offices, and business segments. When comparing senior executive compensation to the benchmark cap, all wages, salary, bonuses, and deferred compensation for the year, whether paid, earned, or otherwise accrued, must be included. For 2008, the benchmark compensation cap published in the Federal Register was $612,196. Any amounts over the cap were considered unallowable and, therefore, not recoverable under our government contracts.

We also have contracts that require that we provide a summary of contract performance to the Board or person having responsibility for setting the compensation of senior management annually so that performance can be considered in setting the compensation of the contractor s senior executives defined as the five most-highly-compensated employees at the corporate level, including the CEO.

Table of Contents

EXECUTIVE COMPENSATION

The following table shows annual and long-term compensation awarded, earned, or paid for services in all capacities to the NEOs for the fiscal year ended December 31, 2008. Numbers have been rounded to the nearest dollar.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year [1]	Salary [2] ($)	Bonus [3] ($)	Stock Awards [4] ($)	Option Awards [5] ($)	Non-Equity Incentive Plan Compensation [6] ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings [7] ($)	All Other Compensation [8,9] ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Robert J. Stevens	2008	1,774,038	4,250,000	3,915,102	4,875,021	8,567,750	2,688,524	451,414	26,521,849
	2007	1,627,500	3,900,000	3,262,688	10,233,549	8,500,000	1,870,845	1,544,651	30,939,233
Chairman, President & Chief Executive Officer	2006	1,465,154	3,700,000	2,343,506	4,038,812	3,600,000	2,085,495	1,370,553	18,603,520
Bruce L. Tanner	2008	619,904	911,900	164,027	332,040		924,755	208,534	3,161,160
	2007	398,492	517,500	67,327	149,057		350,134	165,607	1,648,117
Executive Vice President & Chief Financial Officer									
Linda R. Gooden	2008	591,154	855,300	316,961	1,343,146	697,375	1,416,072	234,375	5,454,383
	2007	519,711	742,200	306,855	426,115	700,000	819,481	608,182	4,122,544
Executive Vice President Information Systems & Global Services									
Ralph D. Heath	2008	700,481	1,003,800	381,036	881,098	1,295,125	1,114,226	150,335	5,526,101
	2007	646,346	926,000	364,862	846,789	1,300,000	1,709,864	504,224	6,298,085
Executive Vice President Aeronautics	2006	572,885	884,800	304,394	641,120	585,000	1,382,850	333,321	4,704,370
Christopher E. Kubasik	2008	916,154	1,314,800	811,269	975,903	1,394,750	461,159	185,189	6,059,224
	2007	837,019	1,201,700	683,575	817,777	1,350,000	243,298	701,336	5,834,705
Executive Vice President Electronic Systems	2006	734,731	1,133,400	459,413	657,469	990,000	295,876	115,701	4,386,590

NOTES TO TABLE:

(1) No information is provided for 2006 compensation for Mr. Tanner and Ms. Gooden because neither were NEOs in 2006.

(2) Salary is paid weekly in arrears. In column (c), we reported salary based on the year in which it was paid.

(3) The annual bonuses paid to each NEO for performance under the MICP are listed in column (d) for the year the bonus is earned. MICP awards are based on both quantitative and subjective assessments of performance over a one-year period.

(4) The amounts reported represent the amount recognized in our financial statements in accordance with FAS 123(R) (other than disregarding the estimate of forfeitures relating to service-based vesting) for RSUs granted to each of the listed NEOs in 2008, 2007, and 2006 and RSAs granted in 2004 to Mr. Stevens, Mr. Heath, and Ms. Gooden and in 2003 to Mr. Kubasik. The assumptions used in determining the fair value of the stock awards for which expense is recognized are set forth in Note 12 to our financial statements contained in our Annual Report. The fair value of the grants is based on the grant date value of the RSUs ($106.87 in 2008; $96.06 in 2007; and $67.97 in 2006). The grant date values determined under FAS 123(R) for the RSAs were $45.64 (March 31, 2004 grant), and $48.12 (June 25, 2003 grant). The RSUs and RSAs grant date value takes into account dividend equivalents paid in cash prior to vesting. The grant date value does not change to reflect changes in our stock price after the grant date. We recognize expense ratably over the three-year vesting period for the RSUs. For the

EXECUTIVE COMPENSATION

March 31, 2004 RSA grant, one-third vested in three years and two-thirds vested in four years; for the June 25, 2003 grant, three-fifths vested in three years and two-fifths vested in five years.

(5) The amounts in column (f) represent the amount recognized in our financial statements in accordance with FAS 123(R) (other than disregarding the estimate of forfeitures relating to service-based vesting conditions) for options granted to each of the NEOs in 2008, 2007, and 2006. The assumptions used in determining the fair value of the option grants for which expense is recognized are set forth in Note 12 to our financial statements contained in our Annual Report. We recognize expense ratably in monthly increments over the three-year vesting period for active non-retirement eligible employees and over the initial one-year vesting period for active, retirement eligible employees. When an option holder becomes retirement-eligible, we accelerate the recognition of any expense not previously recognized for options held for at least one year. Because of the varying ages of the NEOs, options granted at the same time are expensed over different time periods. Mr. Stevens, Ms. Gooden, and Mr. Heath attained age 55 in 2006, 2008, and 2004, respectively. Mr. Tanner and Mr. Kubasik had not attained age 55 by the end of 2008. The accounting expense recognized in accordance with FAS 123(R) is based on the grant date value of the options ($17.64 in 2006; $23.99 in 2007; and $19.31 in 2008). The grant date value does not change to reflect changes in our stock price after the grant date.

(6) The amounts listed for LTIP awards were earned in the three-year cycle ending on December 31 of the year reported in column (b) of the table. Fifty percent of the amount shown is deferred by the Corporation for two years and treated during that period as if it were invested in our common stock. Deferred amounts (whether mandatory deferrals by the Corporation or deferrals by the executive) are reported for the year earned and not when paid to the executive. Mr. Tanner was not eligible for the 2006-2008 or 2005-2007 LTIP awards. See footnote (6) to Nonqualified Deferred Compensation table on page 56.

(7) The amounts reported for 2008 represent solely the aggregate change in the accumulated benefit under all defined benefit and actuarial pension plans (including supplemental plans) for the year reported (from December 31 to December 31). The amounts were computed using the same assumptions we used for financial statement reporting purposes under FAS 87, *Employers Accounting for Pensions* and described in Note 10 to our financial statements contained in our Annual Report, except that the amounts were calculated based on benefits commencing at age 60 for each of the NEOs. We used age 60 rather than the plans normal retirement age of 65 because an employee may commence receiving pension benefits at age 60 without any reduction for early commencement. A portion of Mr. Stevens , Mr. Tanner s, and Mr. Heath s benefit was earned under grandfathered plans that apply a reduction for early commencement at age 60. The amounts shown for Mr. Stevens, Mr. Tanner, and Mr. Heath reflect the reduction. Amounts paid under our plans are based on assumptions contained in the plans and may be different than the assumptions used for financial statement reporting purposes.

(8) Perquisites and other personal benefits provided to the NEOs in 2008 included: use of company aircraft for personal travel; home security systems and monitoring; annual executive physicals; home office equipment and expenses; relocation expenses; travel expenses for a family member accompanying the NEO while on business travel; and a one-time, private club initiation fee payment. Some or all of the NEOs also received the following perquisites, none of which individually exceeded $1,000 for any executive: personal liability insurance, accidental death insurance, and occasional meals. In addition, the Corporation made available event tickets and a company-provided car and driver for personal commuting to some of the NEOs, but required the NEOs to reimburse the Corporation for the incremental cost of such items. Not all of the listed perquisites or personal benefits were provided to each NEO. The cost of any category of the listed perquisites and personal benefits did not exceed the greater of $25,000 or 10% of total perquisites and personal benefits for any NEO, except as noted: Mr. Stevens (home security $234,262); Mr. Tanner (home security $28,176 and relocation expense $62,534); Ms. Gooden (relocation expense $143,450); Mr. Heath (accompanying spousal travel $33,207); and Mr. Kubasik (company aircraft $52,298). Home security for Mr. Stevens includes non-recurring installation costs. The incremental cost for use of company aircraft for personal travel was calculated based on the total personal travel flight hours multiplied by the estimated hourly aircraft operating costs for 2008 (including fuel, maintenance, and other variable costs, but excluding fixed capital costs for the aircraft, hangar facilities, and staff salaries). The home security and relocation expense amounts noted above represent the aggregate payments made by the Corporation for such services, products, or reimbursements provided in 2008.

Table of Contents

EXECUTIVE COMPENSATION

(9) In addition to the perquisites described in footnote (8) for 2008, column (i) contains other items of compensation listed in the table below.* All items in the table below are paid under programs for U.S. salaried employees except the tax gross-ups and the NQSSP match. The LM Foundation matching contribution includes charitable contributions made in 2008 or to be made by the LM Foundation in 2009 to match a contribution made by the NEO in a prior year.

* Table for footnote 9

	Tax Gross-Ups ($)	Corporation Matching Contribution to SSP (401(k) Plan) ($)	Corporation Matching Contribution to NQSSP (Nonqualified 401(k) Plan) ($)	Group Life Insurance ($)	LM Foundation Matching Contribution to Gifts for Colleges & Universities Program ($)
Mr. Stevens	101,291	2,480	68,366	10,062	0
Mr. Tanner	70,885	2,480	22,204	1,710	0
Ms. Gooden	66,272	9,200	0	5,114	0
Mr. Heath	40,884	2,480	25,497	9,912	10,000
Mr. Kubasik	62,568	5,636	30,948	2,970	18,900

Table of Contents

EXECUTIVE COMPENSATION

GRANTS OF PLAN-BASED AWARDS

Name	Grant Date		Estimated Future Payouts Under Non-Equity Incentive Plan Awards [1]			Estimated Future Payouts Under Equity Incentive Plan Awards [2]			All Other Option Awards: Number of Securities Underlying Options [5]	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards [6]
			Threshold [3]	Target	Maximum [4]	Threshold	Target	Maximum			
			($)	($)	($)	(#)	(#)	(#)	(#)	($/Sh)	($)
(a)	(b)		(c)	(d)	(e)	(f)	(g)	(h)	(j)	(k)	(l)
Robert J. Stevens	1/28/2008	LTIP	1,150,000	4,600,000	9,200,000	0	28,000	28,000			2,992,360
	1/28/2008								250,000	106.87	4,827,500
Bruce L. Tanner	1/28/2008	LTIP	160,000	640,000	1,280,000	0	2,900	2,900			309,923
	1/28/2008								39,500	106.87	762,745
Linda R. Gooden	1/28/2008	LTIP	177,500	710,000	1,420,000	0	3,300	3,300			352,671
	1/28/2008								44,000	106.87	849,640
Ralph D. Heath	1/28/2008	LTIP	185,000	740,000	1,480,000	0	3,400	3,400			363,358
	1/28/2008								45,700	106.87	882,467
Christopher E. Kubasik	1/28/2008	LTIP	250,000	1,000,000	2,000,000	0	5,000	5,000			534,350
	1/28/2008								61,000	106.87	1,177,910

NOTES TO TABLE:

(1) Includes LTIP grants for the 2008-2010 cycle ending December 31, 2010. At the end of a three-year performance period, 50% of the combined amount earned under the LTIP performance measures is payable in cash. Payment of the remaining portion of the award is deferred for two years, subject to continued employment, and treated during that period as if it were invested in our common stock. Amounts deferred become payable in cash on the second anniversary date of the end of the performance period. Awards are subject to forfeiture upon termination of employment prior to the end of the performance period (or second anniversary of the end of the performance period in the case of the mandatorily deferred portion) except in the event of retirement, death, disability, divestiture, or change in control. If the event occurs prior to the end of the performance cycle, LTIP awards are prorated. If the event occurs during the two-year mandatory deferral period, LTIP awards are paid out immediately.

(2) Shows the number of RSUs granted under the IPA Plan by the Compensation Committee on January 28, 2008. The RSUs were subject to forfeiture to the extent the value of the RSUs on January 28, 2008, was greater than .2% of 2008 cash from operations in the case of Mr. Stevens or .04% of 2008 cash from operations for each of the other NEOs. None of the RSUs was forfeited. The RSUs vest on the third anniversary of the date of grant or upon death, disability, divestiture, or termination following change in control. If the employee retires or is laid off after January 28, 2009, but prior to the third anniversary of the grant, a pro rata portion of the RSUs becomes nonforfeitable. RSU recipients receive cash dividend equivalents during the vesting period. We showed the RSUs in columns (f) through (h) because of the potential for forfeiture based on the metric using 2008 cash from operations. Column (i) deleted because there were no other stock awards in 2008.

(3) The threshold is the minimum amount payable for a certain level of performance stated in the LTIP award agreement. If performance falls below the stated level of performance, no amount would be paid. Assuming any payment is earned, the minimum amount payable under the LTIP is 25% of the target.

(4) The maximum award payable under the LTIP is 200% of the target.

(5) Includes the number of stock options granted under the IPA Plan by the Compensation Committee on January 28, 2008. Under the 2008 award agreements, options have a ten-year term and vest and become exercisable

Table of Contents

EXECUTIVE COMPENSATION

in three equal installments on the first, second, and third anniversary dates following the grant. Options expire 30 days following termination of employment, except in the case of death, disability, divestiture, layoff, or retirement. In the event of death or disability, all outstanding options vest immediately and expire ten years after the date of grant (i.e., the normal expiration date of the award). In the event of layoff, the term of any outstanding options remains ten years and the options become exercisable on the date the options would have otherwise vested had the NEO remained our employee. In the event of divestiture, the options become exercisable on the date the options would have otherwise vested and any outstanding options terminate five years from the effective date of the divestiture or on the option s normal expiration date, whichever occurs first. In the event of retirement on or after the first vesting date, the term of any outstanding options does not change and the options become exercisable on the date the options would have otherwise vested. Retirement before the first vesting date results in forfeiture of the options. Upon a change in control, all options vest immediately.

(6) The assumptions used for determining the grant date fair value are set forth in Note 12 to our financial statements contained in our Annual Report. The grant date fair value for the January 28, 2008 equity awards was $19.31 for each option and $106.87 for each RSU granted on January 28, 2008. The grant date value does not change to reflect changes in our stock price after the grant date.

EXECUTIVE COMPENSATION

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

	OPTION AWARDS				STOCK AWARDS	
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options [1] (#) Unexercisable**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested [2,3] ($)**
(a)	(b)	(c)	(e)	(f)	(g)	(h)
Robert J. Stevens	0	250,000 [4]	106.87	1/26/2018	28,000 [5]	2,354,240
	75,000	150,000 [6]	96.06	1/29/2017	32,500 [7]	2,732,600
	200,000	100,000 [8]	67.97	2/1/2016	92,000 [9]	7,735,360
					40,000 [10]	3,363,200
	150,000	0	57.81	1/31/2015		
Bruce L. Tanner	0	39,500 [4]	106.87	1/26/2018	2,900 [5]	243,832
	2,466	4,934 [6]	96.06	1/29/2017	750 [7]	63,060
	4,000	2,000 [8]	67.97	2/1/2016	2,000 [10]	168,160
	11,500	0	57.81	1/31/2015		
	12,000	0	49.27	1/29/2014		
	8,000	0	51.10	1/28/2013		
Linda R. Gooden	0	44,000 [4]	106.87	1/26/2018	3,300 [5]	277,464
	8,800	17,600 [6]	96.06	1/29/2017	2,600 [7]	218,608
	6,000	6,000 [8]	67.97	2/1/2016	4,300 [10]	361,544
	8,667	0	57.81	1/31/2015		
	167	0	49.27	1/29/2014		
Ralph D. Heath	0	45,700 [4]	106.87	1/26/2018	3,400 [5]	285,872
	12,033	24,067 [6]	96.06	1/29/2017	3,650 [7]	306,892
	24,000	12,000 [8]	67.97	2/1/2016	5,500 [10]	462,440
	50,000	0	57.81	1/31/2015		
Christopher E. Kubasik	0	61,000 [4]	106.87	1/26/2018	5,000 [5]	420,400
	16,033	32,067 [6]	96.06	1/29/2017	4,700 [7]	395,176
	24,000	12,000 [8]	67.97	2/1/2016	17,500 [10,11]	1,471,400
	50,000	0	57.81	1/31/2015		

NOTES TO TABLE:

(1) Column (d) omitted because none of the NEOs held options that qualified as equity incentive plan awards at 2008 year end.

(2) We reported RSUs granted in January 2008 as equity incentive awards in columns (f) through (h) of the Grants of Plan-Based Awards table because there was the potential for forfeiture based on failure to achieve the cash flow levels specified in the award agreements. This feature of the RSU grants was satisfied at the end of 2008. Columns (i) and (j) omitted because none of the NEOs held stock awards that qualified as equity incentive plan awards at 2008 year end.

Table of Contents

EXECUTIVE COMPENSATION

(3) The market value shown in column (h) is calculated by multiplying the number of RSUs or RSAs by the December 31, 2008, closing price for our stock ($84.08).

(4) Represents stock options granted on January 28, 2008, which vest in three equal annual installments on January 28, 2009, January 28, 2010, and January 28, 2011, except that vesting may occur earlier as described in footnote (5) to the Grants of Plan-Based Awards table.

(5) Represents RSUs granted on January 28, 2008, which vest on January 28, 2011, except that vesting may occur earlier as described in footnote (2) to the Grants of Plan-Based Awards table.

(6) Represents stock options granted on January 29, 2007, which vest in three equal annual installments on January 29, 2008, January 29, 2009, and January 29, 2010, except that vesting may occur earlier as described in footnote (5) to the Grants of Plan-Based Awards table.

(7) Represents RSUs granted on January 29, 2007, which vest on January 29, 2010, except that vesting may occur earlier as described in footnote (2) to the Grants of Plan-Based Awards table.

(8) Represents stock options granted on February 1, 2006, which vest in three equal annual installments on February 1, 2007, February 1, 2008, and February 1, 2009, except that vesting may occur earlier as described in footnote (5) to the Grants of Plan-Based Awards table.

(9) The February 1, 2006, RSU award to Mr. Stevens includes extended vesting terms for a portion of the RSUs (92,000) as set forth below. The purpose of the extended vesting was to retain Mr. Stevens to age 60 and beyond. The grant vests gradually as he reaches specified ages ranging from 60 to 65 as shown in the table below.

Vesting Date	Age	Number of RSUs Vesting
September 8, 2011	60	55,200
September 8, 2012	61	7,360
September 8, 2013	62	7,360
September 8, 2014	63	7,360
September 8, 2015	64	7,360
September 8, 2016	65	7,360
Total		92,000

(10) Represents RSUs granted on February 1, 2006, which vested on February 1, 2009.

(11) Mr. Kubasik received an award of 8,500 RSUs on February 1, 2006, and an award of 9,000 RSUs on September 28, 2006. The award terms for Mr. Kubasik s September 2006 award are the same as the terms contained in the February 2006 grants, except the cash flow forfeiture provision is based on 2007 cash flow and the vesting date is September 28, 2009.

Table of Contents

EXECUTIVE COMPENSATION

OPTION EXERCISES AND STOCK VESTED

	OPTION AWARDS		STOCK AWARDS	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise [1] ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting [2] ($)**
(a)	(b)	(c)	(d)	(e)
Robert J. Stevens	412,500	24,330,512	33,334 [3]	3,310,066
Bruce L. Tanner	0	0	0	0
Linda R. Gooden	0	0	10,000 [4]	993,000
Ralph D. Heath	35,000	2,239,158	10,000 [4]	993,000
Christopher E. Kubasik	75,000	4,570,970	10,000 [5]	1,038,300

NOTES TO TABLE:

(1) Value realized calculated based on the difference between the aggregate exercise price of the option and the sale price per share on the date of sale.

(2) Value realized calculated based on the number of shares multiplied by the closing market price of our stock on the date of vesting.

(3) Vesting on March 31, 2008, of RSAs granted on March 31, 2004. The original award was 50,000 RSAs, of which the remaining 33,334 shares vested on March 31, 2008.

(4) Vesting on March 31, 2008, of RSAs granted on March 31, 2004. The original award was 15,000 RSAs, of which the remaining 10,000 shares vested on March 31, 2008.

(5) Vesting on June 25, 2008, of RSAs granted on June 25, 2003. The original award was 25,000 RSAs, of which the remaining 10,000 shares vested on June 25, 2008.

Table of Contents

EXECUTIVE COMPENSATION

Retirement Plans

During 2008, the NEOs participated in the Lockheed Martin Corporation Salaried Employee Retirement Program (LMRP), which is a combination of the following prior plans for salaried employees with some protected benefits: Lockheed Martin Corporation Retirement Income Plan which covered former Martin Marietta employees; Lockheed Martin Corporation Retirement Income Plan III which covered former Loral Corporation employees; and Lockheed Martin Corporation Retirement Plan for Certain Salaried Employees which covered former Lockheed employees (collectively, the Prior Plan).

The calculation of retirement benefits under the LMRP is determined by a formula which takes into account the participant s years of credited service and average compensation for the highest three years of the last ten years of employment. Average compensation includes the NEO s base salary, bonuses earned under the MICP, and lump sum payments in lieu of a salary increase. NEOs must have either five years of service or be actively employed by the Corporation at age 65 to vest in the LMRP. Normal retirement age is 65; however, benefits are payable as early as age 55 (with five years of service) at a reduced amount or without reduction at age 60. Benefits are payable as a monthly annuity for the lifetime of the employee, as a joint and survivor annuity, as a life annuity with a five or ten year guarantee, or as a level income annuity. In addition, a NEO who retires on or before January 1, 2011, between ages 60 and 62 is eligible for temporary supplemental payments ending at age 62 when eligibility for social security commences.

The calculation of retirement benefits under the Prior Plan is based on a number of formulas, some of which take into account the participant s years of credited service and pay over the career of the NEO. Certain other formulas in the Prior Plan are based upon the final average compensation and credited service of the employee. Pay under certain formulas in the Prior Plan currently includes salary, commissions, overtime, shift differential, lump sum pay in lieu of a salary increase, MICP bonuses awarded that year, and 401(k) and pre-tax contributions. The Prior Plan also contains a Personal Retirement Provision which is an account balance based on past allocations. This account balance is available as a lump sum at termination or can be converted to an annuity. A portion of the pension benefits for Mr. Stevens, Mr. Tanner, and Mr. Heath was earned under the Prior Plan.

Mr. Stevens, Ms. Gooden, and Mr. Heath were eligible for early retirement as of December 31, 2008. All of the NEOs are vested in the LMRP.

Table of Contents

EXECUTIVE COMPENSATION

PENSION BENEFITS				
Name	**Plan Name [1]**	**Number of Years Credited Service (#)**	**Present Value of Accumulated Benefit [2,3] ($)**	**Payments During Last Fiscal Year ($)**
(a)	(b)	(c)	(d)	(e)
Robert J. Stevens	Lockheed Martin Corporation Salaried Employee Retirement Program	21.6	529,953	0
	Lockheed Martin Corporation Supplemental Retirement Plan		11,872,609	0
Bruce L. Tanner	Lockheed Martin Corporation Salaried Employee Retirement Program	26.1	514,535	0
	Lockheed Martin Corporation Supplemental Retirement Plan		1,823,607	0
Linda R. Gooden	Lockheed Martin Corporation Salaried Employee Retirement Program	28.5	877,703	0
	Lockheed Martin Corporation Supplemental Retirement Plan		4,145,599	0
Ralph D. Heath	Lockheed Martin Corporation Salaried Employee Retirement Program	32.6	1,133,707	0
	Lockheed Martin Corporation Supplemental Retirement Plan		6,569,214	0
Christopher E. Kubasik	Lockheed Martin Corporation Salaried Employee Retirement Program	9.2	166,757	0
	Lockheed Martin Corporation Supplemental Retirement Plan		1,466,415	0

NOTES TO TABLE:

(1) The Lockheed Martin Corporation Supplemental Retirement Plan (Supplemental Retirement Plan or SERP) provides benefits in excess of the benefit payable under our tax-qualified plans. All service recognized under the tax-qualified plans is recognized under the SERP although a benefit would be earned under the SERP only in years when the employee s total accrued benefit would exceed the benefit accrued under the qualified plans. The SERP benefits are payable in the same form as benefits are paid under the LMRP although lump sum payments are available under the SERP.

(2) The amounts in column (d) were computed using the same assumptions we used for financial statement reporting purposes under FAS 87 and described in Note 10 to our financial statements contained in our Annual Report, except that the amounts were calculated based on benefits commencing at age 60. We used age 60 rather than the plans normal retirement age of 65 because an employee may commence receiving pension benefits at age 60 without any reduction for early commencement. A portion of Mr. Stevens , Mr. Tanner s, and Mr. Heath s benefit was earned under grandfathered plans that apply a reduction for early commencement at age 60. The amounts shown for Mr. Stevens, Mr. Tanner, and Mr. Heath reflect the reduction for early commencement of the benefit. Amounts paid under our plans use assumptions

contained in the plans and may be different than those used for financial statement reporting purposes.

(3) Only the benefit payable under the Supplemental Retirement Plan is payable in the form of a lump sum. If an executive elected a lump sum payment, the amount of the lump sum would be based on plan assumptions and not

53

Table of Contents

EXECUTIVE COMPENSATION

the assumptions used for financial statement reporting purposes. As a result, the actual lump sum payment would be an amount different than what is reported in this table. Because the discount rate used for financial statement purposes (6.125%) was higher than the plan rate of 5.75% on December 31, 2008 (Pension Benefit Guaranty Corporation (or PBGC) rate for terminating pension plans plus 1%), the lump sum payment would be larger than the amount shown in this table. The age of the executive at retirement would also impact the size of the lump sum payment. The amount using plan assumptions is shown on the Potential Payments Upon Termination or Change in Control table.

Nonqualified Deferred Compensation

Participants in our tax-qualified 401(k) plan may contribute up to 25% of base salary. In addition, we make a matching contribution equal to 50% of up to the first 8% of compensation contributed by the participant. Employee and Corporation matching contributions in excess of the Internal Revenue Code limitations are contributed to the NQSSP. Employee and Corporation matching contributions are nonforfeitable at all times. NQSSP contributions are credited with earnings (losses) based on the investment option or options in which the account has been invested, as elected by the NEO. Each of the NQSSP investment options is available under our tax-qualified 401(k) plan for salaried employees. The NQSSP provides for payment following termination of employment in a lump sum or up to 20 annual installments at the NEO s election. All amounts accumulated and unpaid under the NQSSP must be paid in a lump sum within 15 calendar days following a change in control.

The DMICP provides the opportunity to defer, until termination of employment or beyond, the receipt of all or a portion of bonuses earned under the MICP, LTIP awards, and amounts paid in respect of the termination of the Lockheed Martin Post-Retirement Death Benefit (PRDB) Plan. Beginning in 2008, employees may elect any of the investment funds available in the NQSSP (with the exception of the Company Stock Fund) or two investment alternatives available only under the DMICP for crediting earnings (losses). Under the DMICP Stock Investment Option, earnings (losses) on deferred amounts will accrue at a rate that tracks the performance of our common stock, including reinvestment of dividends. Under the DMICP Interest Investment Option earnings accrue at a rate equivalent to the then published rate for computing the present value of future benefits under Cost Accounting Standard No. 415, Deferred Compensation. Amounts credited to the Stock Investment Option may not be reallocated to other options. In addition, Stock Investment Option deferrals will be paid in shares of our common stock. Fifty percent of any LTIP award is mandatorily deferred for two years to the Stock Investment Option and remains subject to the continued employment requirements of the award. Mandatory LTIP deferrals are paid in cash at the end of two years or further deferred at the election of the executive. The DMICP provides for payment the January or July following termination of employment in a lump sum or up to 20 annual installments at the NEO s election. All amounts accumulated under the DMICP must be paid in a lump sum within 15 days following a change in control.

Table of Contents

EXECUTIVE COMPENSATION

NONQUALIFIED DEFERRED COMPENSATION [1]

Name (a)		Executive Contributions in Last FY [2] ($) (b)	Registrant Contributions in Last FY [3] ($) (c)	Aggregate Earnings in Last FY ($) (d)	Aggregate Withdrawals/ Distributions [4] ($) (e)	Aggregate Balance at Last FYE [5,6] ($) (f)
Robert J. Stevens	NQSSP	427,289	68,366	(772,564)	0	2,032,947
	DMICP (Bonus)	4,868,370	0	217,295	0	5,107,566
	DMICP (LTIP1 Mandatory)	0	4,188,375	(1,160,441)	0	5,086,301
	DMICP (LTIP2 Voluntary)	4,188,375	0	195,935	0	4,384,310
	TOTAL	9,484,034	4,256,741	(1,519,775)	0	16,611,124
Bruce L. Tanner	NQSSP	138,779	22,204	(169,677)	0	407,359
	DMICP (Bonus)	0	0	(74,583)	0	636,008
	DMICP (LTIP1 Mandatory)	0	0	0	0	0
	DMICP (LTIP2 Voluntary)	0	0	0	0	0
	TOTAL	138,779	22,204	(244,260)	0	1,043,367
Linda R. Gooden	NQSSP	0	0	0	0	0
	DMICP (Bonus)	24,638	0	(4,012)	0	121,911
	DMICP (LTIP1 Mandatory)	0	344,925	(121,432)	0	532,248
	DMICP (LTIP2 Voluntary)	4,928	0	(4,625)	0	218,767
	TOTAL	29,566	344,925	(130,069)	0	872,926
Ralph D. Heath	NQSSP	159,356	25,497	(303,878)	0	731,792
	DMICP (Bonus)	91,257	0	(56,211)	0	1,964,792
	DMICP (LTIP1 Mandatory)	0	640,575	(181,134)	0	793,925
	DMICP (LTIP2 Voluntary)	0	0	0	0	0
	TOTAL	250,613	666,072	(541,223)	0	3,490,509
Christopher E. Kubasik	NQSSP	85,108	30,948	(161,699)	0	500,448
	DMICP (Bonus)	799,536	0	(515,420)	0	2,014,163
	DMICP (LTIP1 Mandatory)	0	665,213	(228,729)	0	1,002,535
	DMICP (LTIP2 Voluntary)	332,606	0	(222,382)	0	892,124
	TOTAL	1,217,250	696,161	(1,128,230)	0	4,409,270

Table of Contents

EXECUTIVE COMPENSATION

NOTES TO TABLE:

(1) This table reports compensation deferred under our NQSSP and DMICP. The NQSSP is a nonqualified 401(k) plan with an employer match on a portion of the salary deferral. Three types of compensation may be deferred into the DMICP:

Bonuses payable under our MICP Plan (DMICP (Bonus)).

Amounts earned under our LTIP program but mandatorily deferred for two years (and subject to forfeiture) (DMICP (LTIP1 Mandatory)).

Amounts payable under our LTIP program and voluntarily deferred (DMICP (LTIP2 Voluntary)).

For 2008, amounts paid in respect of the termination of the PRDB could also be deferred into the DMICP. In the table above, deferrals of PRDB payments are included in the DMICP (Bonus) entry.

(2) Includes 2008 salary deferrals to NQSSP, MICP bonus paid in 2008 for 2007 performance deferred to DMICP, and voluntary deferrals of LTIP for the 2005-2007 cycle to the DMICP. The table reflects the year in which the deferral is credited to the NEO s account (2008) and not the year in which it was earned (2007).

(3) Includes 2008 Corporation matching contributions to NQSSP. The NQSSP match is also included in column (i) of the Summary Compensation Table.

(4) There were no distributions of mandatory LTIP deferral from the 2003-2005 cycle in January 2008 because no amount was earned under the 2003-2005 cycle.

(5) Of the amounts shown in column (f), the following table* lists the aggregate contributions made by the NEO since commencement of participation in the respective plan (including deferrals of PRDB which are included in DMICP (Bonus)). These amounts were earned by the NEO and voluntarily deferred to a company plan.

* Table for footnote 5

	Amount Reported in Column (f) ($)	NQSSP ($)	DMICP (Bonus) ($)	DMICP (LTIP2 Voluntary) ($)	Total (Contributed by Executive) ($)
Mr. Stevens	16,611,12				