LOCKHEED MARTIN CORP
Form PRE 14A
March 13, 2006

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SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registranto
Filed by a Party other than the Registranto
Check the appropriate box:

þ Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Proxy Statement

o Definitive Additional Materials
o Soliciting Material Pursuant to Rule 14a-11(c) or Rule 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):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:

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Lockheed Martin Corporation
6801 Rockledge Drive Bethesda, MD 20817

Robert J. Stevens
Chairman, President and Chief Executive Officer

March 23, 2006

Dear Fellow Stockholder:

On behalf of our Board of Directors, I cordially invite you to attend Lockheed Martin Corporation s 2006 Annual Meeting of Stockholders on Thursday, April 27, 2006, at 10:30 a.m. Eastern time, at the Norfolk Marriott Waterside Hotel, 235 East Main Street, Norfolk, Virginia 23510. You are also invited to join the Board of Directors and representatives of senior management at a reception beginning at 10:00 a.m. If you are unable to join us in person, you can listen to a webcast of the Annual Meeting, accessible through the Lockheed Martin website, http://www.lockheedmartin.com/investor.

The Annual Meeting will begin with a report on your company s 2005 performance followed by discussion and voting on matters set forth in the accompanying Notice of Annual Meeting and Proxy Statement.

Whether or not you plan to attend, please be sure your shares are voted. Your shares are represented at the meeting by returning your voting instructions in the enclosed envelope. If you plan on attending, let us know by marking the appropriate box on the Annual Meeting Proxy Card, or by indicating your plans when you cast your vote by internet or telephone.

I look forward to seeing you in Norfolk.

Sincerely,

Robert J. Stevens

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LOCKHEED MARTIN CORPORATION

6801 Rockledge Drive
Bethesda, Maryland 20817

NOTICE OF 2006 ANNUAL MEETING OF STOCKHOLDERS

DATE	Thursday, April 27, 2006
TIME	10:30 a.m. Eastern time (Stockholder reception begins at 10:00 a.m.)
PLACE	Norfolk Marriott Waterside Hotel 235 East Main Street Norfolk, Virginia 23510
WEBCAST	A live webcast of the Annual Meeting of Stockholders (Annual Meeting) will feature audio of the meeting, including management presentations, and video of presentation charts. The webcast can be accessed on the Lockheed Martin website, http://www.lockheedmartin.com/investor.
ITEMS OF BUSINESS	(1) Election of fifteen directors 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 this year; (3) Management Proposal Adoption of Performance Goals Within the 2006 Management Incentive Compensation Plan; (4) Management Proposal Approval of Amendment and Restatement of The Charter; (5) Four stockholder proposals shown and discussed in the accompanying Proxy Statement; and (6) Consideration of any other matters which may properly come before the meeting.
RECORD DATE	Holders of Lockheed Martin Corporation common stock of record at the close of business on March 1, 2006 are entitled to vote at the meeting.
ANNUAL REPORT	The Corporation s 2005 Annual Report on Form 10-K (the Annual Report) which is not part of the proxy soliciting materials, is enclosed.
PROXY VOTING	It is important that your shares be represented and voted at the Annual Meeting. You can vote your shares by completing and returning the Annual Meeting Proxy Card (Proxy Card) sent to you. Stockholders can also vote their shares over the internet or by telephone. Instructions for internet and telephone voting are printed on the Proxy Card.

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

March 23, 2006

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GENERAL INFORMATION

Lockheed Martin Corporation (the Corporation) is furnishing this Proxy Statement to solicit proxies on behalf of the Board of Directors (the Board) of the Corporation for the Annual Meeting to be held on Thursday, April 27, 2006 at 10:30 a.m. Eastern time at the Norfolk Marriott Waterside Hotel, 235 East Main Street, Norfolk, Virginia 23510, and at any adjournment or postponement thereof. Please refer to the directions to the meeting location that appear at the back of this Proxy Statement. Our principal executive office is located at 6801 Rockledge Drive, Bethesda, Maryland 20817. The Notice of the Annual Meeting, this Proxy Statement, the Proxy Card and the enclosed Annual Report will be sent to our stockholders commencing on or about March 23, 2006.

Annual Meeting Admission

An admission ticket or proof of ownership (such as a recent brokerage statement or letter from your broker showing that you owned Lockheed Martin s stock as of March 1, 2006) and a form of photo identification are required for admission to the meeting. A detachable admission ticket is attached to your Proxy Card. Internet voters will be guided to a site where they will be able to print an admission ticket.

All bags, briefcases and packages will be held at registration and will not be allowed in the meeting.

Householding of Documents

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, known as householding, is designed to reduce our printing and postage costs. If a registered stockholder residing at an address with other registered stockholders wishes to receive a separate Annual Report or Proxy Statement in the future, he or she may contact Computershare Trust Company, N.A., Shareholder Relations, P.O. Box 43023, Providence, RI 02940-3023 or call 1-877-498-8861. If you own shares through a bank, broker, or other nominee, you should contact the nominee concerning householding procedures.

View Future Annual Reports and Proxy Statements Online and Reduce Mailing Costs

Registered and beneficial stockholders wishing to view future Annual Reports and Proxy Statements over the internet rather than receiving copies in the mail should go online at http://www.shareholder.com/lmt/shareholder.cfm and complete the online consent form. Your request for electronic transmission will remain in effect for all future Annual Reports and Proxy Statements, unless it is withdrawn. Withdrawal procedures are also located online at the above referenced website.

Requests for Written Copies of 2005 Annual Report

We will provide, without charge, a copy of our Annual Report for the year ended December 31, 2005, filed with the Securities and Exchange Commission (SEC) upon the written request of any registered or beneficial owner of common stock entitled to vote at the Annual Meeting. Requests should be made by mailing Investor Relations, Lockheed Martin Corporation, 6801 Rockledge Drive, Bethesda, Maryland 20817, by calling Lockheed Martin Shareholder Direct at 1-800-568-9758 or by accessing the Lockheed Martin 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 registrants including Lockheed Martin.

2007 Annual Meeting and Stockholder Proposals

Under the SEC s Rule 14a-8, proposals of stockholders to be presented at our 2007 Annual Meeting must be received by the Secretary of the Corporation at our principal executive office no later than November 17, 2006 to be included in the Proxy Statement and on the Proxy Card that will be solicited by the Board. The inclusion of any proposal will be subject to applicable rules of the SEC.

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GENERAL INFORMATION

Our bylaws require advance notice of any proposal by a stockholder intended to be presented at the Annual Meeting that is not included in our notice of meeting and proxy statement or made by or at the direction of the Board, including any proposal for the nomination for election of a director. To be properly brought before the 2007 Annual Meeting, written notice of nominations for directors or other business to be introduced by a stockholder must be received between the dates of November 17, 2006 and December 15, 2006, inclusive. A notice of a stockholder proposal must contain specified information concerning the matter to be brought before the meeting and concerning the stockholder proponent. Any waiver by us of these requirements relating to a particular stockholder proposal will not constitute a waiver of any other stockholder proposal nor will it obligate us to waive these requirements regarding future submissions of that or any other stockholder proposal. A complete list of the information required to be included in a stockholder proposal may be found in Section 1.11 of our bylaws on our website at http://www.lockheedmartin.com/investor**.**

Corporate Governance Information

Stockholders will find information about our corporate governance practices on Lockheed Martin s website at http://www.lockheedmartin.com/investor. Our website contains information about our Board, Board committees, copies of our bylaws and charter, Code of Ethics and Business Conduct and Corporate Governance Guidelines. Information about our insider transactions is also available on our website. Stockholders may obtain, without charge, hard copies of the above documents by writing to Lockheed Martin Investor Relations, 6801 Rockledge Drive, Bethesda, MD 20817.

How to Contact the Non-management Directors of Lockheed Martin Corporation

The Nominating and Corporate Governance Committee of the Lockheed Martin Board has created a process by which parties 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
Nominating and Corporate Governance
Committee
Lockheed Martin Corporation
6801 Rockledge Drive, MP 200-10
Bethesda, MD 20817

All correspondence is reviewed by the Secretary of the Corporation. At the direction of the Board, correspondence regarding routine stockholder matters and services (e.g., stock transfer, dividends, etc.) will be resolved by the Secretary of the Corporation. Concerns 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 will determine whether full Board attention is required. Any director may at any time review a log of all correspondence received by the Corporation that is addressed to the Board and request copies of such correspondence.

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VOTING INFORMATION

We are soliciting your vote on the election of directors, ratification of the appointment of the independent auditors, a management proposal on the adoption of the performance goals within the 2006 Management Incentive Compensation Plan, a management proposal to approve the Amendment and Restatement of The Charter and four stockholder proposals. Stockholders as of the close of business on the record date, March 1, 2006 are entitled to vote at the Annual Meeting. On March 1, 2006 there were 439,114,935 shares outstanding of Lockheed Martin s common stock, $1.00 par value per share. Each share outstanding on the record date (including shares held through Direct Invest, our dividend reinvestment and stock purchase plan or through our employee benefit plans) is entitled to one vote on each proposal presented at the Annual Meeting. The number of shares held in your account(s) is shown on the Proxy Card sent to you.

How to Vote

Registered stockholders may vote their proxy by internet, telephone or mail, as explained below. Doing so does not limit your right to vote at the Annual Meeting. If your shares are registered in your name, you will need the control number that appears on your Proxy Card when you access the website or when you call. If your shares are held in the name of a broker, bank or other nominee, you will be provided voting instructions from the nominee.

INTERNET: Access the internet voting site at http://www.computershare.com/expressvote 24 hours a day up until 11:59 p.m. on April 26, 2006. Instructional screen prompts will guide you through the voting process and a confirmation of your voting selections will be required before your vote is recorded.

TELEPHONE: Dial toll free 1-800-652-8683**,** 24 hours a day up until 11:59 p.m. on April 26, 2006 (or 1-781-575-2300 toll call outside of U.S.). Voice prompts will guide you through the voting process and a confirmation of voting selections will be required before your vote is recorded.

PROXY CARD: Simply mark, date and sign the Proxy Card and return it to Computershare Trust Company, N.A. in the postage-paid envelope provided. To vote in accordance with the Board s recommendations, simply sign and date the Proxy Card and return it in the postage-paid envelope provided.

How to Revoke a Vote

You may revoke your vote at any time before the Annual Meeting by resubmitting your vote by internet, telephone or mail; by voting a ballot at the meeting; or by specifically revoking your vote in a letter to the Secretary of the Corporation at our principal executive office or at the Annual Meeting. Your personal attendance at the meeting does not revoke your proxy. Your last vote, prior to or at the Annual Meeting, is the vote that will be counted.

Voting Representation and Tabulation

A quorum, consisting of a majority of the shares outstanding and entitled to vote, is necessary to conduct the Annual Meeting, elect directors and consider the proposals on the agenda at the Annual Meeting. A quorum will be determined by the number of shares represented by persons attending the Annual Meeting and by properly executed and returned proxies. All matters to be presented at the Annual Meeting require the affirmative vote of a majority of the votes entitled to be cast at the meeting.

Votes at the Annual Meeting will be tabulated by two independent judges of election from Computershare Trust Company, N.A. An abstention will not be counted for or against a proposal but will be counted for the purpose of determining the existence of a quorum. Because our bylaws require the affirmative vote of a majority of the votes entitled to be cast at a meeting to authorize action on any matter, abstentions have the effect of a vote against a proposal. Accordingly, votes withheld from

VOTING INFORMATION

director-nominees are tabulated as votes against the director-nominees in the election of directors proposal.

Under the rules of the New York Stock Exchange (NYSE), if your shares are held by a broker, you must give specific voting instructions to the broker on how you wish to vote with regard to the election of directors, the ratification of the appointment of independent auditors and the management proposals on the adoption of the performance goals within the 2006 Management Incentive Compensation Plan and approval of the Amended and Restatement of the Charter or the broker may vote your shares at his or her discretion. Conversely, the NYSE rules do not allow your broker to use his or her discretion to vote on the four stockholder proposals. Without specific instructions from you on how you wish to vote on the four stockholder proposals, a broker non-vote may result, which has the effect of a negative vote on the four stockholder proposals.

If you hold shares through one of our defined contribution plans, you may instruct a plan fiduciary on how you wish to vote shares allocated to your account. You will receive separate information from a plan fiduciary concerning how you can instruct your plan fiduciary. If you don t provide instructions, your shares will be voted at the applicable plan fiduciary s discretion.

Solicitation of Proxies

All expenses of soliciting proxies for the Annual Meeting will be paid by the Corporation. Proxies may be solicited by personal interview, telephone or mail and arrangements are made with brokerage houses and other custodians, nominees and fiduciaries to send proxy material to beneficial owners. We will, upon request, reimburse them for their reasonable expenses. We have retained Morrow & Co., Inc. 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 telephone, internet or otherwise. Stockholders are requested to return their proxies without delay.

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GOVERNANCE MATTERS

Nominating and Corporate Governance Committee

Lockheed Martin s Nominating and Corporate Governance Committee (the Committee) is a standing committee of the Board and its charter is available to stockholders on our website at http://www.lockheedmartin.com/investor. The Committee is independent under the listing standards of the NYSE. Its principal purposes are to recommend to the Board

- the composition of the Board and its committees including size and qualifications;
- the role of the Board in the corporate governance process; and
- compensation for the Board.

The Committee also oversees the evaluation of the Board and its committees.

Identifying and Evaluating Nominees for Directors

Each year, the 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 Corporation s process for identifying and evaluating candidates to be nominated to the Board starts with an evaluation of a candidate by the Chairman of the Nominating and Corporate Governance Committee followed by the Nominating and Corporate Governance Committee in its entirety and the Chief Executive Officer (CEO). Director candidates may also be identified by stockholders. The Corporation has also utilized outside search firms to suggest potential candidates.

Stockholder Nominees

Stockholder proposals for nominations to the Board should be submitted to the Nominating and Corporate Governance Committee, care of the Secretary of the Corporation at our principal executive office, 6801 Rockledge Drive, Bethesda, Maryland 20817. To be considered by the Board for nomination at the 2007 Annual Meeting, written notice of nominations by a stockholder must be received between the dates of November 17, 2006 and December 15, 2006, inclusive. The information requirements for any stockholder proposal or nomination can be found in Section 1.11 of our bylaws, available at http://www.lockheedmartin.com/investor. A summary of the requirements can be found in the General Information section of this Proxy Statement under the heading 2007 Annual Meeting and Stockholder Proposals on page 1. Self-nominations will not be considered. Proposed stockholder nominees will be presented to the Chairman of the Nominating and Corporate Governance Committee, who will decide if further consideration should be given to the nomination by the full Nominating and Corporate Governance Committee.

Director Qualifications

The Committee annually reviews the criteria for selection of director nominees. 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, to the Corporation and its stockholders. Criteria against which the slate of nominees have been measured include 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;

possesses diverse background;

has demonstrated effectiveness;

possesses sound judgment;

has adequate time to devote to Board responsibilities;

brings diversity; and

represents the best interests of all stockholders.

During 2005 particular emphasis was placed on identifying candidates with financial expertise,

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GOVERNANCE MATTERS

government or aerospace industry experience. Korn/Ferry International was retained by the Corporation to assist in identifying potential nominees.

Director Independence

Each director-nominee s independence from the Corporation is evaluated by the Committee and the Board to ensure compliance with the independence requirements of the NYSE listing and other regulatory standards. Our standards are as follows:

The Board believes that a director is independent if the director meets the current NYSE listing standards regarding independence and there is no relationship between the director and Lockheed Martin that would present, or appear to present, any conflict of interest to the Corporation. The Board will make determinations concerning a director s independence based on a broad consideration of all relevant facts and circumstances.

A director is not independent if:

The director is, or has been within the last three years, an employee of Lockheed Martin, or an immediate family member is, or has been within the last three years, an executive officer of Lockheed Martin.

The director has received, or has an immediate family member who is an executive officer and has received, during any twelve-month period within the last three years, more than $100,000 in direct compensation from Lockheed Martin, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

(A) The director or an immediate family member is a current partner of a firm that is Lockheed Martin s internal or external auditor; (B) the director is a current employee of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and who participates in the firm s audit, assurance or tax compliance (but not tax planning) practice; or (D) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on Lockheed Martin s audit within that time.

The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of Lockheed Martin s present executive officers at the same time serves or served on that company s compensation committee.

The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, Lockheed Martin for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million, or 2 percent of such other company s consolidated gross revenues (as reported in the last completed fiscal year of such other company).

No director qualifies as independent unless the Board affirmatively determines that the director has no material relationship with Lockheed Martin (either directly or as a partner, stockholder or officer of an organization that has a relationship with Lockheed Martin).

Under NYSE rules, immediate family member includes a person s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person s home. An executive officer has the same meaning specified for the term officer in Rule 16a-1(f) under the Securities Exchange Act of 1934. Lockheed Martin includes any subsidiary of Lockheed Martin that is required to be consolidated under generally accepted accounting principles.

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GOVERNANCE MATTERS

The Committee and the Board conducted their annual review of director independence in February 2006. As part of this review, the Committee and Board considered transactions and relationships between each director or any member of his or her immediate family and the Corporation and its subsidiaries and affiliates.

As a result of this review, the Board affirmatively determined that all of the directors nominated for election at the Annual Meeting are independent of the Corporation, with the exception of Robert J. Stevens. The Board determined that Mr. Stevens is not independent as a result of his employment as CEO of the Corporation.

In determining that each of the other directors is independent, the Committee and Board considered the relationships described below and those disclosed under Certain Relationships and Related Party Transactions, which it determined were immaterial to the directors independence. The Committee and Board considered that the Corporation and its subsidiaries in the ordinary course of business purchase products and services to, or sell products and services to, companies at which some of our directors are or have been officers. In each case, the amount paid to or received from these companies in each of the last three years did not exceed the greater of $1 million or 2 percent of total revenue threshold described above. The Board also considered that some directors were directors (but not officers) of companies or institutions to which the Corporation purchases or sells products and services. These relationships included: Mrs. King, director of Marsh and McLennan Companies, Inc. and Mr. Ellis, director of Inmarsat plc. In determining that these relationships did not affect the independence of those directors, the Board considered that none of the directors serving on other companies boards had any direct material interest in, or received any special compensation in connection with, Lockheed Martin s business relationships with those companies.

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

The Committee and the Board considered the following relationships:

The Committee and Board determined that Messrs. Loy s and Ralston s employment as Senior Counselor and Vice Chairman, respectively, of The Cohen Group, a consulting business that performs services to the Corporation, does not affect the two directors independence. In 2005, the Corporation paid The Cohen Group approximately $550,000, an amount constituting less than the greater of $1 million or 2 percent of The Cohen Group s revenues in 2005.

The Committee and Board determined that Mr. Ukropina s status as Of Counsel to O Melveny and Myers, 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 Committee and Board are further satisfied that, because Mr. Ukropina is retired and provides no active services to O Melveny and Myers, he is independent for purposes of serving on the Audit Committee.

The Corporation currently employs approximately 135,000 employees and has an active recruitment program for soliciting job applications from qualified candidates. The Corporation seeks to hire the most qualified candidates and consequently does 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 2005 base salary including MICP and stock options granted in 2005, where applicable) include Mr. Bennett s son-in-law, Jeffrey D. MacLauchlan, Vice President, Financial Strategies ($285,000 in base salary, $232,500 in MICP and a stock option

GOVERNANCE MATTERS

award of 11,500 shares); Mr. Ralston s brother-in-law, Mark E. Dougherty, Director, Business Development Analysis ($135,713); Mr. Savage s son, Mark Savage, Financial Analyst-Staff ($91,080); Michael F. Camardo s two sons-in-law, Robert M. Rynkar, Financial Analyst ($59,740) and John P. Foley, Cost Estimation Director ($122,800 in base salary and $20,700 in MICP); and G. Thomas Marsh s brother-in-law, Larry Roubidoux, Engineering Planning Senior Manager ($137,473). 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 executive officers during 2005.

Mr. Kubasik is entitled to a fixed monthly payment at age 65 from an ERISA-qualified pension plan sponsored by Ernst & Young LLP, our independent auditors and Mr. Kubasik s employer from 1983 to 1999. The net present value of this benefit is less than $100,000.

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 Committee that service by Mr. Savage on the Board of Directors of the Corporation or any of its committees is permitted by the decree.

In addition, from time to time, the Corporation has purchased services in the ordinary course of business from financial institutions that beneficially own five percent or more the Corporation s common stock. In 2005, the Corporation paid fees of $323,000 to Barclay s Global Investors, N.A. for serving as a participating bank in certain of the Corporation s credit facilities and $867,000 to State Street Bank and Trust Company and its affiliates for credit-facility and benefit-plan-administration fees.

Nominees for Election at 2006 Annual Meeting

There are 15 nominees for election to the Board in April 2006, and their biographical information is provided on page 35. Each nominee currently serves as a director. Except for Mr. Stevens, the Committee has determined that all of the current directors and nominees are independent under the listing standards of the NYSE.

The Board ratified the slate of directors and recommends that the stockholders vote for the nomination of directors.

Corporate Governance Guidelines

The Corporation s governance guidelines are available for viewing on our corporate website at http://www.lockheedmartin.com/investor.

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COMMITTEES OF THE BOARD OF DIRECTORS

Board Committee Membership Roster

Name	Audit[1]	Ethics and Corporate Responsibility[1]	Executive	Management Development and Compensation	Nominating and Corporate Governance	Strategic Affairs and Finance
E. C. Pete Aldridge, Jr.	X			X[3]		
Nolan D. Archibald			X	X[2, 3]	X	
Marcus C. Bennett		X				X
James O. Ellis, Jr.					X	X
Gwendolyn S. King		X[2]	X	X[3,5]		
James M. Loy		X				X
Douglas H. McCorkindale			X		X[6]	X[2]
Eugene F. Murphy				X[3]	X	
Joseph W. Ralston		X				X
Frank Savage		X				X
James M. Schneider	X[4]			X[3]		
Anne Stevens	X			X[3]		
Robert J. Stevens			X[2]			
James R. Ukropina	X		X		X[2]	
Douglas C. Yearley	X[2, 4]		X			X
Number of Meetings in 2005	**6**	**1**	**0**	**5**	**3**	**3**

NOTES TO TABLE:

(1) Effective August 5, 2005, the Audit and Ethics Committee was renamed the Audit Committee with the transfer of ethics oversight to the new Ethics and Corporate Responsibility Committee.

(2) Committee Chairman

(3) Member, Stock Option Subcommittee

(4) The Board has determined that Messrs. Schneider and Yearley meet the SEC s criteria of an audit committee financial expert. The two directors are independent under the Corporate Governance standards of the NYSE.

(5) Effective April 27, 2006, Mrs. King will leave the membership of the Management Development and Compensation Committee and Stock Option Subcommittee and join the Nominating and Corporate Governance Committee.

(6) Effective April 27, 2006, Mr. McCorkindale will leave the membership of the Nominating and Corporate Governance Committee and join the Management Development and Compensation Committee and Stock Option Subcommittee.

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COMMITTEES OF THE BOARD OF DIRECTORS

Functions of Committees

The complete text of our Committee charters are contained in our bylaws which can be found under the heading Corporate Governance on our website at http://www.lockheedmartin.com/investor.

Audit Committee:

Directly responsible for appointment, termination, compensation and retention of independent auditors;

Responsible for pre-approval of all audit, audit-related, tax and all other services performed by independent auditors;

Reviews results of independent auditors internal quality control procedures;

Reviews and assesses independent auditors independence; monitors lead partner rotation;

Reviews independent auditors report on critical accounting policies and practices, including alternative treatments under GAAP;

Reviews independent auditors reports on management s assessment of internal control over financial reporting and on the effectiveness of internal control over financial reporting;

Reviews with independent auditors any audit issues and management s response;

Reviews results and assessment of disclosure controls and procedures;

Reviews/discusses CEO and Chief Financial Officer (CFO) certifications for financial statements;

Reviews with the General Counsel status of litigation/legal matters;

Reviews and discusses annual report, Form 10-K, Form 10-Qs, including financial statements and Management s Discussion and Analysis;

Reviews and discusses quarterly/annual earnings releases;

Reviews risk assessments and related management policies;

Reviews and assesses Committee s charter;

Performs annual performance evaluation of Committee;

Establishes procedures for hiring former employees of independent auditors;

Reviews qualifications and work of the Corporation s internal audit staff, the scope of the internal audit staff s work plan for the year, and associated resources, as appropriate, significant findings and management s actions to address these findings;

Establishes procedures for (i) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters; and reviews any complaints received pursuant to such procedures;

Reviews the Corporation s internal controls with the internal and independent auditors;

Meets in executive session as a Committee and meets periodically in executive session with representatives of the Corporation s independent auditors, management and internal audit department;

Recommends inclusion of audited consolidated financial statements in Form 10-K; and

Reviews correspondence relating to compliance with the Foreign Corrupt Practices Act.

Ethics and Corporate Responsibility Committee:

Monitors compliance with Code of Ethics and Business Conduct and recommends amendments to that Code;

Reviews and monitors environmental, health and safety laws and regulations;

Reviews and monitors the adequacy of the Corporation s policies and procedures with respect to diversity and Equal Employment Opportunity (EEO);

Oversees matters pertaining to community and public relations, including governmental relations; and

Reviews the proposed charitable contributions budget of the Corporation and makes recommendations to the Board for adoption.

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COMMITTEES OF THE BOARD OF DIRECTORS

Executive Committee:

May exercise powers in the management of our business and affairs as may be authorized by the Board, subject to applicable law.

Management Development and Compensation Committee:

Reviews and approves corporate goals and objectives relevant to the CEO s compensation; evaluates the CEO s performance; and recommends to the independent members of the Board the compensation level based on this evaluation;

Reviews proposed candidates for senior officer positions and their development plans and recommends to the Board the compensation to be paid for services of senior elected officers;

Appraises the performance of management and fixes the compensation of all other elected officers;

Recommends to the Board incentive compensation plans which includes approval of the benefits provided by any bonus, supplemental, and special compensation plans, including pension, insurance, and health plans, but excluding performance-based executive compensation plans; and

Conducts a performance evaluation of the committee.

Stock Option Subcommittee:

Administers any equity or performance-based executive compensation plan and approves awards granted.

Nominating and Corporate Governance Committee:

Recommends to the Board nominees for election to fill any vacancy and the slate of directors to stand for election by the stockholders at the annual meeting; reviews the criteria for selection of director nominees and identifies individuals for nomination as directors;

Oversees the organization and function of the Board s committees; recommends to the Board the membership of each committee and the filling of any vacancy occurring on a committee;

Develops and recommends to the Board corporate governance guidelines;

Reviews and recommends to the Board the compensation of the Board, including the nature and adequacy of director and officer indemnification and liability insurance;

Develops and recommends to the Board an annual self-evaluation of the Board and each of its committees; conducts a performance evaluation of the committee; and

The Chair is the presiding director at Board meetings while in executive sessions of the Board, or when the Chairman is ill, absent, incapacitated or otherwise unable to carry out the duties of Chairman.

Strategic Affairs and Finance Committee:

Reviews and recommends to the Board management s long-term strategy, which includes the allocation of corporate resources;

Reviews and recommends to the Board certain strategic decisions regarding exit from existing lines of business and entry into new lines of business, acquisitions, joint ventures, investments or dispositions of businesses and assets, and the financing of related transactions;

Reviews the allocation of corporate resources, including the relationship of activities and allocations with the long-term business objectives and strategic plans;

Reviews our financial condition and the status of all benefit plans and recommends to the Board proposed changes to the capital structure, including the incurrence of indebtedness and the issuance of additional equity securities; and

Reviews and recommends to the Board our proposed capital expenditure budget.

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COMMITTEES OF THE BOARD OF DIRECTORS

Audit Committee Report

We oversee Lockheed Martin s financial reporting process on behalf of the Board. All members of the Committee meet the independence requirements of the SEC and NYSE. We operate under a written charter approved by the Board, consistent with the corporate governance rules issued by the SEC and the NYSE. Our charter is contained in Section 3.03 of the Corporation s Bylaws, which is available on the Corporation s website at http://www.lockheedmartin.com/investor.

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 external 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, 2005 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 that are required to be discussed under applicable professional auditing standards and regulations, 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 Ernst & Young LLP, as required by Independence Standards Board Standard No. 1, including a discussion about their independence from Lockheed Martin and management.

Based on the reviews and discussions above, we recommended to the Board that the audited consolidated financial statements for 2005 be included in Lockheed Martin s Annual Report on Form 10-K for the year ended December 31, 2005, for filing with the SEC. The Board approved our recommendation.

Submitted on February 23, 2006 by the Audit Committee:

Douglas C. Yearley, Chairman	*Anne Stevens*
E. C. Pete Aldridge, Jr.	*James R. Ukropina*
James M. Schneider	

Compensation Committee Interlocks and Insider Participation

There are no disclosures under this section.

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DIRECTORS COMPENSATION

Directors receive a portion of their compensation in the form of our common stock. Each director has the option to defer all cash compensation and be credited with earnings as though the cash compensation had been invested in our common stock. This approach aligns the interests of the Board with the stockholders.

During 2005, the Board held 10 meetings, and all incumbent directors attended at least 75 percent of scheduled Board and committee meetings.

The following table summarizes the compensation of our directors including changes effective November 1, 2005 for the remainder of 2005 and 2006. Mr. Stevens was not compensated for his service as a director.

2005 Annual Compensation

Cash retainer	$75,000; $90,000 effective November 1, 2005
Stock retainer[1]	$75,000 ($90,000 effective January 1, 2006) in stock units, stock options or 50/50 combination thereof
Non-Employee Chairman of the Board retainer[2]	$500,000 annualized (effective and prorated accordingly for the period January 1, 2005 through April 28, 2005)
Committee Chairman retainer	$5,000; $12,500 effective November 1, 2005
Audit Committee Chairman retainer	$5,000; $20,000 effective November 1, 2005
Deferred compensation plan[3]	Cash retainer deferrable with earnings at prime rate, S&P 500 or LMT stock return
Charitable award program[4] [Participation in program limited to directors elected prior to 2004 Annual Meeting.]	$1,000,000 donation ($100,000 following director s retirement; $900,000 in 9 annual installments following director s death)
Travel accident insurance[5]	$1,000,000
Director education institutes/activities	Reimbursed for costs and expenses
Perquisites[6]	Home computer system

NOTES TO TABLE:

(1) Under the Lockheed Martin Corporation Directors Equity Plan (Directors Equity Plan), each non-employee director may elect to receive (i) a number of stock units with a value on January 15 equal to $75,000 or (ii) options to purchase a number of shares of stock, which options have an aggregate fair market value on January 15 of $75,000 or (iii) a combination of stock units with a value on January 15 equal to $37,500 and options to purchase a number of shares of stock which options have an aggregate fair market value on January 15 of $37,500. The amount a director ultimately receives will depend upon the performance of Lockheed Martin stock following the award. Except in certain circumstances, options and stock units vest on the first anniversary of grant. Upon a change in control, a director s stock units and outstanding options become fully vested, and directors would have the right to exercise their options immediately. Upon a director s termination of service from our

Board, the vested stock units are distributed, at the director s election, in whole shares of stock or in cash, in a

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DIRECTORS COMPENSATION

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 plan, but receives additional stock units representing dividend equivalents (converted to stock units based on the closing market price of our common stock on the applicable dividend payment dates). Stock options are rights to purchase a specified number of shares of our common stock at an exercise price equal to 100 percent of the fair market value of the stock on the grant date. The options granted pursuant to the Directors Equity Plan are non-qualified stock options and have a term of ten years. A director may exercise the options during the ten-year term after meeting a one-year vesting requirement. A director has no voting, dividend or other stockholder rights for the shares of common stock covered by an option until he or she becomes the holder of record of those shares. The Directors Equity Plan was approved by the stockholders in 1999. Effective January 1, 2006, each non-employee director s annual equity award was increased from $75,000 to $90,000.

(2) Dr. Vance D. Coffman served as non-employee Chairman of the Board from January 1, 2005 until his retirement April 28, 2005.

(3) The Lockheed Martin Corporation Directors Deferred Compensation Plan (the Directors Deferred Compensation Plan) provides non-employee directors the opportunity to defer up to 100 percent of the cash portion of their fees. Deferred amounts earn interest at a rate that tracks the performance of (i) the prime rate, (ii) the published index for the Standard & Poor s 500 Index (S&P 500 Index) (with dividends reinvested) or (iii) our common stock (with dividends reinvested), at the director s election. A participating director s deferred fees generally will be distributed (in a lump sum or in up to 15 installments) commencing (i) the January following the year in which the director terminates service; (ii) the next January 15 or July 15 after the director terminates service; or (iii) the January 15 in the year after the director has terminated service, and reached a specified birthday.

(4) The Lockheed Martin Corporation Directors Charitable Award Plan (the Directors Charitable Award Plan), which was amended to limit participation to directors elected prior to the 2004 Annual Meeting, provides that Lockheed Martin will make donations to tax-exempt organizations previously recommended by the director up to an aggregate of $1 million for each director. The Directors Charitable Award Plan, amended effective April 2004, provides that $100,000 will be contributed at the time of retirement of a director; the remaining $900,000 will be contributed upon the death of the director. Directors are vested under this Plan if they have served for at least five years on the Lockheed Martin Board or their service on the Lockheed Martin Board is terminated due to death, disability or retirement. Under the terms of the Directors Charitable Award Plan, if there is a change in control of Lockheed Martin, all participating directors in the plan shall immediately become vested.

(5) Each non-employee director is provided travel accident insurance up to $1 million in the event the director is involved in an accident while traveling on business related to Lockheed Martin.

(6) Each director may elect to be provided a home computer and printer. Technical assistance and internet access are provided by the Corporation. The average cost per director in 2005 was $2,200.

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SECURITIES OWNED BY DIRECTORS, NOMINEES AND NAMED EXECUTIVE OFFICERS

The following table shows the Lockheed Martin common stock beneficially owned by and stock units credited to each named executive officer, director nominee, and all directors and executive officers as a group as of February 1, 2006. 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 and executive officer represented less than one percent of the common stock outstanding. All amounts have been rounded to the nearest whole share.

Name of Individual or Identity of Group	Common Stock Beneficially Owned[1,2]	Stock Units	Total
E. C. Pete Aldridge, Jr.	0	5,041[4]	5,041
Nolan D. Archibald	0	6,530[4]	6,530
Marcus C. Bennett	20,872	12,103[4]	32,975
Michael F. Camardo	337,330	36,886[5,6,7]	374,216
Robert B. Coutts	284,441	32,667[5,6,7]	317,108
James O. Ellis, Jr.	0	2,822[4]	2,822
Gwendolyn S. King	552[3]	13,898[4,8]	14,450
Christopher E. Kubasik	166,238	28,192[5,6,7]	194,430
James M. Loy	0	1,871[4]	1,871
G. Thomas Marsh	159,445	44,116[5,6]	203,561
Douglas H. McCorkindale	11,268	11,489[4,9]	22,757
Eugene F. Murphy	38,704	1,130[8]	39,834
Joseph W. Ralston	0	5,302[4]	5,302
Frank Savage	7,746	25,122[4,8,9,10]	32,868
James M. Schneider	2,000[3]	736[4]	2,736
Anne Stevens	5,078	8,415[4,9]	13,493
Robert J. Stevens	844,301	148,877[5,6,7]	993,178
James R. Ukropina	1,630	17,508[4,8,9,10]	19,138

Douglas C. Yearley	3,260[3]	14,392[4,8,10]	17,652
All directors and executive officers as a group (25 individuals including those named above)	2,130,552	461,755	2,592,307

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SECURITIES OWNED BY DIRECTORS, NOMINEES AND NAMED EXECUTIVE OFFICERS

NOTES TO TABLE:

(1) Includes shares not currently owned but which could be acquired within 60 days following February 1, 2006 through the exercise of stock options for Messrs. Bennett, Camardo, Coutts, Kubasik, Marsh, McCorkindale, Murphy, Savage, Stevens and Ms. Stevens in the amount of 10,000; 289,666; 230,666; 138,332; 133,666; 11,268; 32,704; 7,745; 764,766; and 5,078 shares, respectively.

(2) The shares shown include an approximation of the number of shares attributable to the participant s account in the Lockheed Martin Salaried Savings Plan (Salaried Savings Plan) as of February 1, 2006 for Messrs. Bennett, Camardo, Coutts, Kubasik, Marsh and Stevens of 871; 4,675; 1,363; 906; 779; and 712, respectively. Participants have voting power and investment power over such shares. Previously, participants had only voting power over shares contributed by us as matching contributions to that plan until age 55 when they could also assume investment power over shares contributed by us as matching contributions to the plan.

(3) Shared voting and investment power.

(4) Includes stock units under the Directors Equity Plan. As of February 1, 2006 each of Mrs. King and Messrs. Ukropina and Yearley have been credited with 12,768 stock units respectively; Ms. Stevens and Messrs. Aldridge, Archibald, Bennett, Ellis, Loy, McCorkindale, Ralston, Savage and Schneider have been credited with 4,234; 5,041; 6,530; 12,103; 2,822; 1,871; 4,521; 5,302; 5,694; and 736 units, respectively. There are no voting rights associated with stock units. Units are distributed in the form of cash or stock as elected by the director.

(5) Shares shown also include an approximation of the number of equivalent stock units credited to the Participant s account (if applicable) in the Lockheed Martin Corporation Supplemental Savings Plan (Supplemental Plan) as of February 1, 2006 for Messrs. Camardo, Coutts, Kubasik, Marsh and Stevens of 7,594; 2,913; 1,202; 2,667; and 4,045, respectively. Amounts credited to a participant s account in the Supplemental Plan are distributed from the participant s account in the form of cash following the participant s termination of employment. There are no voting rights associated with stock units.

(6) The shares shown include an approximation of the number of equivalent stock units in the participant s Lockheed Martin Corporation Deferred Management Incentive Compensation Plan (DMICP) (including units credited under the Long Term Incentive Performance (LTIP) program awards under the Lockheed Martin 1995 Omnibus Performance Award Plan (Omnibus Plan)) account as of February 1, 2006 for Messrs. Camardo, Coutts, Kubasik, Marsh and Stevens of 23,792; 22,754; 18,491; 41,449; and 12,833, respectively. There are no voting rights associated with stock units. 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, 2006.

(7) Includes restricted stock units (RSUs) under the Amended and Restated Incentive Performance Award Plan (Award Plan). As of February 1, 2006 each of Messrs. Camardo, Coutts, Kubasik and Stevens have been credited with 5,500; 7,000; 8,500; and 132,000 RSUs, respectively. There are no voting rights associated with RSUs. The RSUs represent a contingent right to receive one share of common stock and a cash payment equal to cash dividends paid on our stock. The RSUs are subject to a one-year performance period. If the value of the RSUs on the date of grant exceeds the performance goal specified in the award agreement, a number of RSUs equal in value to the performance shortfall is forfeited. Subject to the performance period, the RSUs for each of the foregoing executives, except Mr. Stevens, vest 100 percent on February 1, 2009, the third anniversary of the

grant. Vesting may accelerate in the case of retirement, death, disability, layoff, and change in control or divestiture. Subject to the performance period, Mr. Stevens RSUs vest as follows: 40,000 vest on February 1, 2009 (a position of which vests upon retirement after January 31, 2007 but before full vesting); 55,200 vest on September 8, 2011; and the remaining 36,800 vest in equal annual installments of 7,360 RSUs for each of the next 5 years beginning on September 8, 2012.

(8) Includes stock units under the Lockheed Martin Corporation Directors Deferred Stock Plan (Directors Deferred Stock Plan). As of February 1, 2006 each of Mrs. King and Messrs. Murphy, Savage, Ukropina and Yearley have been credited with 1,130 stock units. There are no voting rights associated with stock units.

(9) Includes stock units under the Directors Deferred Compensation Plan representing deferred

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SECURITIES OWNED BY DIRECTORS, NOMINEES AND NAMED EXECUTIVE OFFICERS

cash compensation for Ms. Stevens and Messrs. McCorkindale, Savage and Ukropina. As of February 1, 2006 Ms. Stevens and Messrs. McCorkindale, Savage and Ukropina have been credited with 4,181; 6,967; 15,796; and 3,116 stock units, respectively. There are no voting rights associated with stock units and the stock units are distributable in the form of cash.

(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. As of February 1, 2006 Messrs. Savage, Ukropina and Yearley have been credited with 2,502; 494; 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 officers and directors (and persons who own more than 10 percent 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 we have received or written representations from reporting persons, we believe that all ownership filing requirements were timely met during 2005.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table shows information regarding each person known to be a beneficial owner of more than five percent 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 on Schedule 13G filed with the SEC on the dates indicated in the notes to this table.

Name and Address of Beneficial Owner	Class of Stock	Amount and Nature of Beneficial Ownership	Percent of Class Owned
Barclays Global Investors, N.A 45 Fremont Street San Francisco, California 94105	Common	28,940,875[1]	6.66
State Street Bank and Trust Company 225 Franklin Street Boston, Massachusetts 02110	Common	82,842,904[2]	19.10
U.S. Trust Co., National Association 515 S. Flower Street, #2800 Los Angeles, California 90071	Common	70,562,672[3]	16.25

NOTES TO TABLE:

(1) As reported in Schedule 13G filed on January 26, 2006 by Barclays Global Investors, N.A. (Barclays). Barclays reported it had beneficial ownership of and sole dispositive power over 24,573,512 shares (5.66 percent) and sole voting power over 21,077,339 shares; Barclays Global Fund Advisors reported it had beneficial ownership of and sole dispositive power over 1,523,798 shares (0.35 percent) and sole voting power over 1,509,665 shares; Barclays Global Investors, Ltd., with principal offices at Murray House, 1 Royal Mint Court, London, EC3N 4HH, England, reported it had beneficial ownership of and sole dispositive power over 2,515,300 shares (0.58 percent) and sole voting power over 2,266,904 shares; and Barclays Global Investors Japan Trust and Banking Company Limited, with principal offices at Ebisu Prime Square Tower, 8th Floor, 1-1-39 Hiro Shibuya-Ku, Tokyo 150-0012 Japan, reported it had beneficial ownership of, and sole voting and dispositive power over 328,265 shares (0.08 percent).

(2) As reported in Schedule 13G filed on February 14, 2006 by State Street Bank and Trust Company (State Street). State Street reported it had beneficial ownership of, and shared dispositive power with respect to 82,842,904 shares of common stock of which 70,738,296 shares of common stock (16.28 percent) 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 14,518,622 shares, of which 2,414,014 shares of common stock (0.56 percent) 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.

(3) As reported in Schedule 13G Amendment filed on February 15, 2006 by U.S. Trust Corporation (U.S. Trust). U.S. Trust reported it had beneficial ownership of 70,562,672 shares of common stock, shared voting power with respect to 69,564,709 shares, sole voting power with respect to 742,239 shares, sole dispositive power with respect to 828,410 shares, and shared dispositive power with respect to 196,651 shares. With respect to 68,324,282 shares of the shares reported (15.73 percent), U.S. Trust Company, N.A., a wholly-owned subsidiary

of U.S. Trust, acts as co-fiduciary for certain Lockheed Martin employee benefit plans with State Street. As a result of the two institutions status as co-fiduciaries, both U.S. Trust and State Street have reported beneficial ownership of 68,324,282 shares of the shares reported on their respective Schedules 13G. U.S. Trust also reported beneficial ownership and shared voting power for 558,217 shares (approximately 0.13 percent) for which U.S. Trust Company, N.A. acts as co-fiduciary with Fidelity Management Trust Company, a wholly-owned subsidiary of FMR Corporation, for certain employee benefit plans sponsored by a subsidiary of Lockheed Martin and 654,010 shares (approximately 0.15 percent) for which U.S. Trust Company, N.A. acts as co-fiduciary with Vanguard Fiduciary Trust Company for an employee benefit plan sponsored by a subsidiary of Lockheed Martin.

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STOCK PRICE PERFORMANCE GRAPH

COMPARISON OF CUMULATIVE TOTAL RETURN THROUGH 2005
LOCKHEED MARTIN, S&P 500 INDEX AND
S&P AEROSPACE & DEFENSE INDEX[1,2]

The following chart compares the total return on a cumulative basis of $100 invested in Lockheed Martin common stock (LMT) on December 31, 2000 to the Standard and Poors Aerospace & Defense Index and the S&P 500 Index.

NOTES TO GRAPH:

(1) The S&P Aerospace & Defense Index comprises: The Boeing Company, General Dynamics Corporation, Goodrich Corporation, Honeywell International Inc., L3 Communications, Lockheed Martin Corporation, Northrop Grumman Corporation, Raytheon Company, Rockwell Collins, Inc. and United Technologies Corporation.

(2) The stock performance indicated on the chart is not a guarantee of future performance.

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EXECUTIVE COMPENSATION

Compensation Committee Report on Executive Compensation

Overview

The Board has assigned the Management Development and Compensation Committee and the Stock Option Subcommittee (together the Committee) the task of reviewing and overseeing the Corporation s executive compensation policies and programs. The Committee s charter is part of the Corporation s bylaws and is available on our website at http://www.lockheedmartin.com/investor.

The Committee consists entirely of Board members who are independent and are not officers or employees of the Corporation. The decisions of the Committee involving the compensation of the named executive officers were reviewed with the independent members of the Board and reflect the views of both the Committee and the other independent members of the Board.

None of the Corporation s executive officers have employment agreements. All executive officers are at-will employees and serve at the pleasure of the Board.

Philosophy

Our executive compensation policies are designed to provide Lockheed Martin s executives with incentives and compensation in a manner that advances the long- and short-term interests of shareholders while ensuring that the Corporation is able to attract and retain top executive management talent.

Methodology

Generally, management s recommendations to the Committee are developed in consultation with an independent compensation consultant. The Committee has hired a separate independent compensation consultant with whom it reviews selected matters under our purview. Each year the Committee examines compensation information collected for us by an independent consultant from a group of 25 publicly held companies (referred to as our Comparator Group) of a size, complexity and quality similar to that of the Corporation. The Committee uses this survey data to identify competitive levels of compensation. The Committee compares our compensation program to the compensation levels of the Comparator Group using figures that have been weighted to reflect the relative size of the businesses. The Committee retains discretion over compensation decisions in making compensation awards to executives. Accordingly, the actual compensation (or any particular component of compensation) received by an executive may differ materially from the median of the Comparator Group.

Compensation Structure

Our executive compensation structure consists of three elements:

- Annual base salary;

- Annual incentive compensation which is paid in cash with an option to defer; and

- Long-term incentive compensation which may include cash in the case of long term performance awards, stock options, RSUs, and restricted stock, each of which may be subject to performance-based and/or time-based vesting requirements.

Each element is described further below.

Annual Base Salary. The Committee evaluates each individual executive s base salary by reference to the median for base salary of comparable executive positions in the Comparator Group. Our senior executive base salary philosophy permits the adjustment of an individual executive s actual base salary above or below the median of the Comparator Group upon consideration of the following:

- Sustained high level performance;

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EXECUTIVE COMPENSATION

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 the success of the business unit or Corporation;

Experience and time in position; and

Consideration of compensation paid to other executives with comparable responsibilities.

The Committee historically has evaluated the base salaries of the Corporation s executive officers in September of each year. In September 2005, the Committee decided to review base salaries in the first quarter of each year to coincide with the end of the performance year and annual incentive compensation awards.

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

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

Organizational performance is assessed based on a comparison to the Corporation s long-range plan, as established at the end of the prior year and other standard measures of financial performance such as orders, sales, earnings, cash generation and return on invested capital (ROIC). Contract performance, percentage of contract award fees earned, rate and dollar value of new business won, backlog, achievement of cost efficiencies and effectiveness under the LM21 Program, level of profit margin and inter-company sales and earnings may be taken into account. Non-financial performance factors such as mission success, workplace safety and health, workforce diversity and strategic initiatives are also considered. Management s assessment of performance relative to identified criteria is reviewed with the Committee. Selection of criteria and weighting of the various criteria in determining adjustments is within the discretion of the Committee.

Executives may elect to defer all or a portion of their bonus awards in a bookkeeping account that tracks the performance of the Corporation s common stock, or an interest index, under the Corporation s DMICP.

For 2006 the Committee has adopted, subject to stockholder approval, new performance-based standards to be reflected in the 2006 Management Incentive Compensation Plan (the 2006 MICP). The 2006 MICP is intended to be eligible for full tax deductibility under Section 162(m) of the Internal Revenue Code. Additional information about this plan may be found at page 41.

Long-Term Incentive Compensation. The LTIP program provides for stock-based or cash-based incentive awards, the value of which is based on the Corporation s performance under

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EXECUTIVE COMPENSATION

specified criteria. During 2005 the Committee granted nonqualified stock options and LTIP program awards.

In making long-term incentive compensation awards, the Committee looks at the current economic value provided under long-term awards made by the Comparator Group. Long-term compensation awards are intended to provide the recipient the opportunity to receive a competitive level of long-term compensation where the actual amount received is linked to the performance of the Corporation. Stock options link compensation to the future return of the Corporation s stock on an absolute basis; our LTIP award program links compensation to stockholder return on a comparative basis with the stockholder return of the S&P 500 Index.

Stock options were awarded to named executive officers and a group of approximately 2,140 key personnel in 2005. All options awarded to executive officers have an exercise price equal to the closing market price of our common stock on the date of grant and are subject to a three-year vesting schedule. Information concerning the terms of stock option awards is shown in the footnotes to the table at page 27.

The competitive level of economic value for both stock options and LTIP Awards is expressed as a multiple of base salary. Under the LTIP program, a dollar target amount (the Target Award) is identified for each recipient. At the end of a specified performance period, the actual cash award a participant would be eligible to receive may be larger or smaller than the Target Award, or no award at all, depending on the relative ranking at the end of that period of our total stockholder return (TSR) to the TSR of the companies in the S&P 500 Index of companies at the beginning of the performance period. Based on the Corporation s relative TSR to the S&P 500 Index, over the 2003-2005 performance cycle applicable to the 2003 Target Awards, the Committee determined that the performance criteria were not met. Performance criteria were not met for this period due to the stock s performance during 2003. As a result, no LTIP awards were paid.

LTIP award payments may range from 0 percent to 200 percent of the Target Award. To the extent any payment is made at the end of the performance period, 50 percent is payable in cash and 50 percent is deferred automatically as stock units that track the performance of the Corporation s common stock for a period of two years. The allocation between the percent paid in cash and the percent deferred may be adjusted to satisfy plan limitations. Information concerning additional terms of previous LTIP awards is shown in the footnotes to the table at page 29.

For 2006, following a review of recent trends in executive compensation, the Committee decided to change the long-term incentive compensation program so that executive officers and selected key employees would receive a combination of stock options, RSUs and LTIP awards. Historically, stock options had served as the primary vehicle for equity grants to key employees under the Corporation s 2003 Incentive Performance Award Plan, and a limited number of corporate officers were eligible for LTIP awards. RSUs were added as a new component of long-term compensation, and the relative weighting of stock options was reduced, for the 2006 awards. In deciding to rely less heavily on stock options, the Committee considered changes in accounting rules that require that stock options be expensed as of January 1, 2006, compensation trends at other companies, and the fact that stock options are comparatively more dilutive to earnings than RSUs.

Relationship of Corporate Performance to Compensation

Consistent with its charter responsibilities, the Committee reviewed and approved corporate goals and objectives for 2005 relevant to the CEO s compensation. To confirm that the CEO s compensation package was appropriate and within the market range, the Committee consulted an independent executive compensation consultant. The consultant studied a subset of the Comparator Group consisting of: The Boeing Company, General

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Dynamics Corporation, Honeywell International Inc., Northrop Grumman Corporation, Raytheon Company and United Technologies Corporation. The review included analysis of performance based LTIP awards, restricted stock awards and RSUs. The independent consultant concluded that the 2005 executive pay package for the CEO was appropriate and within a competitive range in light of the Corporation s performance.

The Committee selected 2005 corporate goals and objectives to help evaluate Mr. Stevens performance:

- Financial goals in the Long Range Plan;
- Corporate program objectives;
- Execution of acquisitions opportunistically and efficiently;
- Competitive win rates and customer funding of existing and new programs;
- ROIC improvement;
- Achievement of enterprise-wide savings;
- Enhanced productivity through LM21, our cost efficiencies and effectiveness program;
- Compliance with Sarbanes-Oxley requirements;
- Successful human resources initiatives including diversity and enterprise talent management;
- Company-wide ethics and compliance training; and
- Enhancement of shareholder value through a cash deployment strategy.

In reviewing Mr. Stevens performance for the year, the Committee considered the Corporation s strategic, operational and financial results for 2005:

- All key financial targets in the Operating Plan were exceeded;
- Sales increased by 5 percent to a record level of $37.2 billion and backlog at year-end approximated $75 billion;
- Earnings per share were up 45 percent to $4.10;
- Cash from operations approximated $3.2 billion, reflecting another record level of performance; and
- The Corporation repurchased 19.7 million common shares, and increased quarterly dividends by 20 percent from $0.25 to $0.30 per share, effective fourth quarter 2005.

The Committee also considered the performance of the Corporation relative to the S&P 500 Index which focuses on the large-cap segment of the stock market. Lockheed Martin recorded a TSR of 17 percent in 2005, compared to 5 percent for the S&P 500 Index and 16 percent for the S&P Aerospace & Defense Index. On a three-year basis, Lockheed Martin provided an average annual return of 4 percent, compared to 13 percent for the S&P 500 Index and 17 percent for the S&P Aerospace & Defense Index. Longer-term return data was more favorable. Over the past five years, Lockheed Martin s average annual return was 15 percent, compared to 5 percent for the S&P Aerospace & Defense Index and 0 percent for the S&P 500 Index.

The Committee also reviewed the year s disappointments, including the Aerial Common Sensor (ACS) program termination for convenience (in January 2006) and the loss of the Los Alamos Laboratory management bid with the

Department of Energy.

Compensation for the CEO in 2005

For 2005 Mr. Stevens earned a base salary of $1,380,000 and an MICP bonus of $3,250,000. The Committee credits Mr. Stevens for the outstanding performance of the Corporation in 2005 in key operational, strategic and financial metrics. Mr. Stevens skilled management of the Corporation s sophisticated engineering, scientific and systems integration assets has elevated the Corporation among major aerospace and defense contractors as an industry leader. His focus on leadership development and diversity has also been important to the Corporation s ability to attract the best and the brightest talent and foster an inclusive work environment. Mr. Stevens long-term incentive compensation, awarded in January 2005, consisted of 300,000 stock options and an LTIP award with a target of $4,250,000. These awards link Mr. Stevens future compensation

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directly with the future return on the Corporation s stock.

Mr. Stevens annual cash compensation was set at the middle of the range of total compensation with respect to 2005 for companies included in the Comparator Group. The actual amount awarded to Mr. Stevens is expected to move into the upper range of the Comparator Group. Mr. Stevens compensation is consistent with our philosophy (described earlier in this report), which rewards executives for sustained short-term and long-term performance, and takes into account experience and time in position.

Compensation for Other Named Executives in 2005

For purposes of determining awards for the other named executive officers, the Committee measured the Corporation s or business area s performance against the various financial, operational and strategic factors discussed above, with operational and financial performance as the two most significant criteria. During 2005, for purposes of awarding bonuses under the MICP, particular emphasis was placed on orders, sales, cash-flow generation, earnings per share, ROIC, the record of the business area or unit in performing on existing contracts and securing new business during 2005. The total compensation for the named executive officers, consisting of annual cash compensation and long-term compensation, is at the upper level of the Comparator Group range with respect to 2005.

Tax Matters

Internal Revenue Code Section 162(m) disallows tax deductions to public companies for compensation in excess of $1 million per year paid to the Corporation s chief executive officer or any of the four other most highly compensated executive officers. For 2005 approximately $3.4 million of compensation that would otherwise be deductible in 2005 is not deductible on account of the $1 million limitation. Section 162(m), however, does not limit the deductibility of certain performance-based compensation.

As discussed previously, our stock option grants and LTIP awards are intended to meet the requirements for deductible performance-based compensation under Internal Revenue Code Section 162(m). The Committee has taken further steps to expand the deductibility of executive compensation through the proposed adoption and stockholder approval of the performance standards reflected in the 2006 MICP, described further in this proxy statement at page 41. In addition, RSU awards made in January 2006 to executive officers contain performance goals intended to meet the requirements of Section 162(m).

The Committee considers the anticipated tax treatment to the Company and the executive officers in its review and establishment of compensation programs and payments. Generally, the Committee will seek to maximize the tax deductibility of executive compensation as permitted by Section 162(m), provided that doing so permits the most appropriate methods of compensation and is determined to be in the best interests of the Corporation and its stockholders.

Submitted on February 23, 2006 by the Management Development and Compensation Committee and Stock Option Subcommittee:

Nolan D. Archibald, Chairman	*Eugene F. Murphy*
E. C. Pete Aldridge, Jr.	*James M. Schneider*
Gwendolyn S. King	*Anne Stevens*

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SUMMARY COMPENSATION TABLE

The following table shows annual and long-term compensation awarded, earned or paid for services in all capacities to the named executive officers for the fiscal year ended December 31, 2005. Information in the Option/SAR Grants in Last Fiscal Year and Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year-End Values relate to stock options and stock appreciation rights (SARs) with respect to our Corporation. Numbers have been rounded to the nearest whole dollar or share.

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation[1]	Restricted Stock Awards[2]	Securities Underlying Options/SARs	LTIP Payouts[3]	All Other Compensation[4]