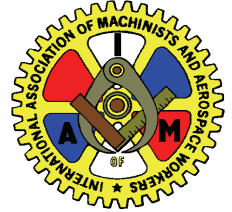


Summary of 2014 Last, Best & Final Offer



The proposed agreement would cover the period between **March 3, 2014, and March 4, 2018***.

The IAM Bargaining Committee unanimously recommends ratification of a four-year agreement that delivers generous annual pay increases, substantial retirement contributions and a competitive benefits package.

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**This document represents a summary of the terms that are contained within the tentatively agreed upon Collective Bargaining Agreement with Lockheed Martin and the IAM. To the extent that any terms and/or language contradicts what is contained in the final agreement with the IAM, that agreement shall prevail.*

3% Lump Sum, GWIs Totaling 7.5%, \$2,700 Bonus Offered

- Up front **\$2,700** ratification bonus
(NOTE: ONLY APPLICABLE IF OFFER IS RATIFIED on March 2, 2014)
- **3%** Lump Sum payment in first year
- **2.5%** General Wage Increase in second year
- **2.5%** General Wage Increase in third year
- **2.5%** General Wage Increase in fourth year

Cost of Living Allowance Supplement Provided

- Annual COLA Supplement of **\$800** for all employees
- Current COLA formula continued for all employees

Voluntary Separation Incentive Program Introduced

- New program pays **\$1,000 per year** of seniority, up to **\$30,000**, for those who participate

8% Pension Increase for Current Employees — NO FREEZE

- The pension benefit increases from \$88 to **\$95** per month per year of credited service for current employees
- Bridged service benefit will be **\$33** per year of credited service

Valuable Health Care Coverage for You and Your Family

- Maintained HMO choice for current active employees and pre-65 retirees
- Company-paid costs will **remain** at 85% for active employees for HMO plan
- *LM HealthWorks* continues, company-paid costs at 87% for active employees
- Lockheed Martin will add **\$250/year** for employee only and **\$500/year** for employee plus one or more in the *LM HealthWorks* HealthFund

Increases in Savings and Basic Benefit Plans

- Employees may contribute up to **\$78** weekly in the Savings Plan with a 50% company match. The unmatched contribution limit will be raised to **\$250**
- The company contribution for the Basic Benefit Plan will be raised \$5 to **\$70** per quarter

Increase to the Hourly Capital Accumulation Plan

- Increased the guaranteed contribution Hourly Capital Accumulation Plan (HCAP) for employees hired after March 7, 2011, to **\$400** per quarter

Other Modifications Included in Package

- The company has **waived proof of insurability** for group insurance plans during next year's enrollment
- Starting in 2015, dental implants will be covered as part of some dental plans

392 Hours of Company Paid Holidays Over Four Years

Wage Package

IAM Bargaining Unit Delivers Significant Pay Package and Ratification Bonus

Your IAM Bargaining Committee has negotiated a competitive package that provides for significant gains in wages over the next four years through a combination of a lump sum payment, three General Wage Increases, a \$2,700 ratification bonus (**NOTE: Only applicable if offer is ratified March 2, 2014**) and \$800 in annual COLA supplements.

Agreement Includes \$2,700 Ratification Bonus

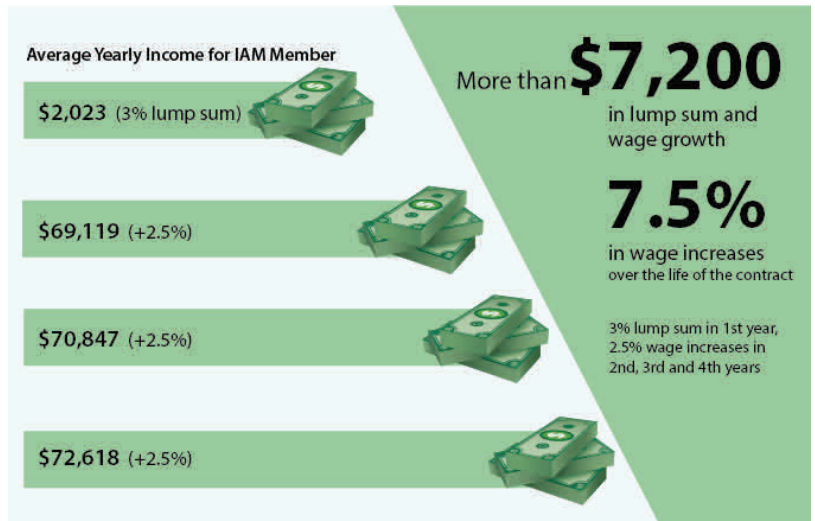
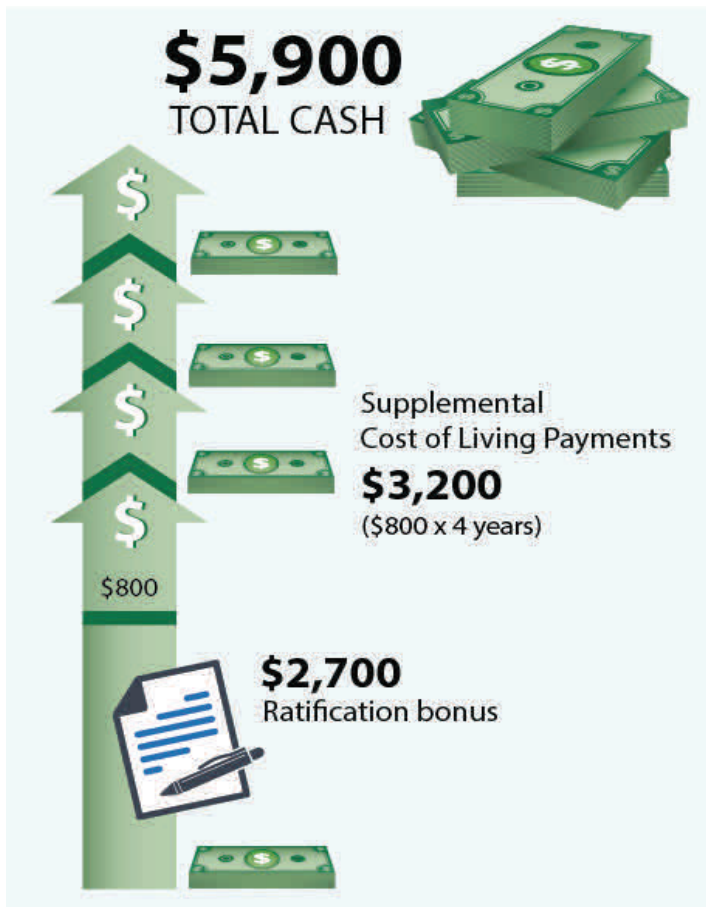
Employees on the active payroll as of March 3, 2014, or on an authorized leave of absence of less than six months will receive a **\$2,700** lump-sum payment by May 1, 2014, if the offer is ratified March 2, 2014.

The ratification bonus may be deferred to the Hourly Savings Plan Plus (401(k)) upon completion and timely submittal of the form provided by the company.

General Wage Increase of 7.5% Over Life of Agreement

There will be one Lump Sum payment of 3% in the first year, followed by three annual General Wage Increases equaling **7.5%** (2.5% in each of the **second, third and fourth years**). In addition, the maximum and minimum rates will increase accordingly. GWIs of **2.5%** will be effective on March 14, 2015; March 12, 2016; and March 11, 2017.

The first year lump sum payment may be deferred to the Hourly Savings Plan Plus (401(k)).



\$800 COLA Supplement Offered Annually

Your IAM Bargaining Committee fought hard to maintain the COLA supplement. Employees will receive a COLA supplement of **\$800** in each year of the agreement. The first supplement will be paid on or before Jan. 3, 2015.

Pension and Savings Plan — NO PENSION FREEZE

Improvements to Pension, Savings Plan Provide for Your Retirement

At a time when we've seen many pension freezes, your IAM Bargaining Committee has secured a major pension increase. The combination of the pension and the Hourly Savings Plan Plus 401(k) provide employees and their families with powerful resources to plan for a secure financial future. In addition, employees who have the Hourly Capital Accumulation Plan (HCAP) will have financial security with a generous increase to the company-funded quarterly contribution toward retirement.

IAM Receives 8% Pension Increase; NO PENSION FREEZE

For eligible employees who retire from active service on or after March 3, 2014, their monthly pension benefit increases 8% — from \$88 to **\$95** per year of credited service. Employees will receive a benefit of **\$33** per year of credited service. At a time when we've seen companies freeze pensions, your Bargaining Committee secured a major increase.

Industry-leading pension plan

Pension Plan \$95 PER MONTH

**Thirty years of credited service



Generous Increase Offered to HCAP

Any employee hired on or after March 7, 2011, will receive an increase in the Hourly Capital Accumulation Plan (HCAP) with a guaranteed company contribution of **\$400** per quarter toward retirement.

Hourly Capital Accumulation Plan (HCAP)
\$6,400 TOTAL



Voluntary Separation Incentive Plan Offered

A Voluntary Separation Incentive Program (VSIP) was introduced that will enable eligible employees to receive **\$1,000** per year of seniority, up to **\$30,000**.

In certain states, the VSIP is viewed as a layoff event, participating employees may be eligible to receive unemployment compensation.

Unemployment varies state by state and eligibility is governed by state law.

Savings Plan Contributions Increase

The company will match 50 percent of up to **\$78 per week** of your employee contributions. That compares to \$71 in the previous agreement — a substantial improvement in the value of this benefit. In addition, employees may increase their unmatched contributions up to **\$250 per week**.

401(k) **\$8,112** (over life of contract)

\$78 PER WEEK* / **\$2,028 PER YEAR =**



*Assumes full company match

In addition - the Basic Benefit Plan offers employees hired after March 1, 2005, \$40 per quarter.

Who is Eligible

- Employees with at least 25 years of seniority who volunteer for layoff
- Actively employed or on company-approved leave
- Designated classification with excess manpower
- Designated by management

What You Receive

- \$1,000 per year of seniority up to \$30,000
- Vacation payout



Basic Benefit Plan Improved

There will also be an increase in the company's contribution to the Basic Benefit Plan. The company will increase its quarterly contribution to **\$70 for all employees**. For employees hired on or after March 1, 2005, the company will increase an additional **\$40 to \$110**.

Health Care Benefits

High-Quality, Competitive Medical, Dental and Vision Benefits

At a time of major health care uncertainty, your Bargaining Committee was able to maintain two health care options, including the Kaiser South HMO and LM HealthWorks, which is an Aetna PPO. The company will contribute 85% of the cost of health premiums for the HMO and 87% for LM HealthWorks. Highlights of the proposal are outlined below. These options are guaranteed until 2018, when they may be impacted by the Cadillac tax due to Health Care reform.

Company Offers Choice of Medical Plans

Employees hired before March 3, 2014, may select the Kaiser Southern California HMO medical plan. Lockheed Martin will contribute the majority of the cost of the plan at **85%**. You will pay **15%** of the cost of the plan.

The company will also continue to offer *LM HealthWorks*, an Aetna Preferred Provider Organization (PPO) medical plan, and active employees will pay only **13%** of the cost. Lockheed Martin will contribute the majority of the cost of the plan at **87%**. New hires will be offered the *LM HealthWorks* plan only. The *LM HealthWorks* plan combines comprehensive coverage with a HealthFund that helps with medical expenses.

Vision Plan Maintained

Vision care will remain unchanged with two options available — Vision 24 Plan and Vision 12 Plan. The Vision 24 Plan **remains 100% company paid**.

Early Retiree Medical

We've increased the annual contribution cap for early retiree medical by \$500 for retiree only and \$1,000 for family.

Competitive Medical Plans Keep You and Your Family Well

Medical plan users will share a relatively small amount of the actual costs. All medical plans are high-quality, easy to use and competitive in our industry.

You have a choice of medical plan options available to you:

- Health Maintenance Organization (HMO)
- *LM HealthWorks* Plan

HMO co-pays will **remain** at the low rate of **\$20** for an office visit — representing only a fraction of the cost of service and the amount paid by the plan.

LM HealthWorks plan offers comprehensive medical coverage for you and your family.

There are no co-pays associated with the *LM HealthWorks* Plan. You can choose any doctor. No referrals are required. You earn money through taking healthy actions, such as getting an annual physical, taking the well-being assessment or being physically active. Those funds are used before you pay anything out of pocket and any money that is not used in a calendar year carries over to the next year.

Health, Vision and Dental Continued

HealthFund Credits Offset Medical Costs

Your Bargaining Committee secured money toward your HealthFund for employees who choose the *LM HealthWorks Plan*.

The company will contribute **\$250 per year** for every year of the agreement to the HealthFund for employee only coverage. It will contribute **\$500 per year** for each year of the agreement to the HealthFund for employee plus one or more coverage.

Existing Dental Plans Maintained; Dental Implants Now Included

Employees will continue to have three options for dental care — Comprehensive Dental Plan, a Comprehensive Plus Dental Plan and a dental HMO. The Comprehensive Dental Plan **remains** 100% paid by Lockheed Martin. If you select Comprehensive Plus, you will still pay only the difference in the cost of the two plans. The dental HMO also remains unchanged. Dental implants are now covered as part of the Comprehensive and Comprehensive Plus plans.

Your HealthFund Gets a Boost Each Year

The company will contribute

\$250 / \$500
individual coverage employee +1 or more

to your HealthFund at the start of each calendar year*.

Even if you earn no additional funds through healthy actions, you'll receive

\$1,000 / \$2,000
individual coverage employee +1 or more

to offset your deductible*.

*over the life of the contract

In 2014, you can earn additional HealthFund credits by taking the following healthy actions:

- Well-Being Assessment
- Preventive Care
- Condition Management
- HealthMiles

Credits for employee/spouse:

- Well-Being Assessment: \$100/\$100
- Preventive Care: \$200/\$200
- Condition Management: \$100/\$100
- HealthMiles: \$600/\$200



Insurance Benefits and Other Modifications

Enhanced Protection Offered for You and Your Family

Life, disability, and accidental death insurance plans provide an important source of financial security for your family in the event of your death or serious injury. A variety of insurance plans continue to be available to you, including both company-paid and optional programs. Improvements made to these plans are shown below, plus information on other insurance offerings, including flexible spending accounts.

Special Accident Insurance

The Special Accident plan has new special provisions and increases in payout on certain items.

Waiving Proof of Insurability

Your Bargaining Committee fought hard to waive proof of insurability requirements. This means that anyone, regardless of health, can qualify for group insurance plans or increase one level up to the plan maximum at the next annual enrollment period.

Life, Accidental Death and Dismemberment Insurance

All employees actively at work as of Jan. 1, 2014, will have their benefits increased from \$34,000 to **\$38,000** under each plan. The company pays the full cost for this coverage. This is a nearly **12%** increase.

Short-Term Disability

Increased

All employees actively at work as of Jan. 1, 2015, will have their weekly maximum short-term disability benefit improved from \$340 to **\$370** weekly. The company pays the full cost for this coverage. Please note that for California residents, this coordinates with the California State Disability Insurance benefit.

Other Optional Employee-Paid Coverage Maintained

- Group Universal Life insurance
- Dependent Optional Term Life
- Special Accident Insurance
- Health Care Spending Account
- Dependent Care Spending Account

Bereavement Leave

Your Bargaining Committee secured three unpaid days off per year in the event of death of a spouse, parent, same-sex domestic partner or Lockheed Martin registered dependent.



The Value of the Offer

This graphic illustrates the value of the company offer based on an average employee's income and 30 years of credited service. The combination of a cash bonus, annual cost of living allowance combined with your wages and retirement plans are just some of the pieces that make up the total value of the offer presented.

\$5,900

CASH



Ratification bonus + supplemental COLA payments



\$282,040

in total wages, including lump sum and GWI

3% lump sum in 1st year, 2.5% wage increases in 2nd, 3rd and 4th years

\$8,112

in your 401(k)



\$2,028
1st YEAR



\$4,056
2nd YEAR



\$6,084
3rd YEAR



\$8,112
4th YEAR

*Based on IAM average wage of \$32.42 per hour:

** Thirty years credited service



\$34,200**
PER YEAR UPON RETIREMENT

\$5,900 + \$8,112 + \$282,040 =

\$296,052

over the life of the contract*

8% Gain in Pension

2011 Contract
\$88 x 30
per month years of service
\$475,200***

\$95 x 30 =
per month years of service

\$513,000***

***collected over 15 years

