

LOCKHEED MARTIN



March 3, 2011

**LAST, BEST AND FINAL
ECONOMIC PROPOSAL
TO CONCLUDE
2011 NEGOTIATIONS**

between

LOCKHEED MARTIN SPACE SYSTEMS COMPANY

AND

**Aerospace Defense Related District Lodge 725, Area 5, and affiliated Local
Lodge 2228
(Santa Clara and Santa Cruz County Plants)**

**California Central Coast Lodge 2786
(Santa Barbara County Plants)**

**Missile and Electronics District Lodge 166 and affiliated Florida Missiles
System Local Lodge 610
(Brevard County, Florida, Plants)**

Period of Agreement: March 7, 2011 through March 2, 2014

Except as specifically modified by this proposal, and items previously agreed upon by the parties during these negotiations, all terms and conditions of the printed Agreement will remain the same.

In all instances, qualified benefit plan language is the controlling document. Nothing contained herein or expressed by the parties orally or in writing constitutes a waiver/deviation from the plan agreement.

RATIFICATION BONUS

Provided that the membership ratifies the contract on or before **March 6, 2011**, a ~~\$500 \$1,000 \$2,000~~ **\$2,500** ratification bonus will be paid within 60 days of ratification to each bargaining unit employee on the active payroll as of **March 7, 2011**, or employees on an approved leave of absence for less than one year, or on military leave, ~~who have completed the probationary period.~~

DEFERRAL

The entire ratification bonus may be deferred to the Hourly Savings Plan Plus upon completion and timely submittal of the appropriate form.

**ARTICLE VI
WAGES**

SUNNYVALE, SANTA CRUZ, EASTERN RANGE, & VANDENBERG

FIRST YEAR

Within 15 working days of the ratification date, the base rate of each employee on the active payroll or on approved leave of absence on such date shall be increased by ~~1.5%~~ ~~2.0%~~ **3.0%**. The minimums and maximums of rate ranges for all labor grades shall be increased by ~~1.5%~~ ~~2.0%~~ **3.0%** effective the same date. Any employee with a base rate below the minimum of the adjusted rate range shall have their base rate adjusted to the minimum of such rate range.

SECOND YEAR

Effective **March 10, 2012**, the base rate of each employee on the active payroll or on approved leave of absence on such date shall be increased by ~~1.5%~~ ~~2.0%~~ **3.0%**. The minimums and maximums of rate ranges for all labor grades shall be increased by ~~1.5%~~ ~~2.0%~~ **3.0%** effective the same date. Any employee with a base rate below the minimum of the adjusted rate range shall have their base rate adjusted to the minimum of such rate range.

THIRD YEAR

Effective **March 9, 2013**, the base rate of each employee on the active payroll or on approved leave of absence on such date shall be increased by ~~1.5%~~ ~~2.0%~~ **2.5%**. The minimums and maximums of rate ranges for all labor grades shall be increased by ~~1.5%~~ ~~2.0%~~ **2.5%** effective the same date. Any employee with a base rate below the minimum of the adjusted rate range shall have their base rate adjusted to the minimum of such rate range.

EASTERN RANGE

FIRST YEAR

~~Eastern Range employees on the active payroll or on approved leave of absence as of March 7, 2011 will receive a lump sum payment equal to 1.5% 2.0% of their bargaining unit compensation.~~

~~Base year: March 1, 2010, through February 28, 2011~~

~~Payment: Within 15 days of the ratification date~~

DEFERRAL

~~The entire lump sum payment may be deferred to the Hourly Savings Plan Plus upon completion and timely submittal of the appropriate form.~~

SECOND YEAR

~~Employees on the active payroll or on approved leave of absence as of March 10, 2012, or terminated during the "base year" due to retirement, layoff, military service, or death will be eligible to receive a lump sum~~

~~payment equal to 1.5% 2.0% of their bargaining unit compensation.~~

~~Base year: March 1, 2011, through February 29, 2012~~

~~Payment: March 10, 2012~~

~~DEFERRAL~~

~~The entire lump sum payment may be deferred to the Hourly Savings Plan Plus upon completion and timely submittal of the appropriate form.~~

~~THIRD YEAR~~

~~Employees on the active payroll or on approved leave of absence as of March 9, 2013, or terminated during the "base year" due to retirement, layoff, military service, or death will be eligible to receive a lump sum payment equal to 1.5% 2.0% of their bargaining unit compensation.~~

~~Base year: March 1, 2012, through February 28, 2013~~

~~Payment: March 9, 2013~~

~~DEFERRAL~~

~~The entire lump sum payment may be deferred to the Hourly Savings Plan Plus upon completion and timely submitted of the appropriate form.~~

RATE RANGES

Non-GPR Employees

Effective March 12, 2011

Sunnyvale and Santa Cruz

Factory			Technical & Office		
Labor Grade	Current	New March 12, 2011	Labor Grade	Current	New March 12, 2011
19	\$36.58	\$37.68	20	\$35.47	\$36.53
18	\$35.70	\$36.77	19	\$35.14	\$36.19
17	\$33.90	\$34.92	18	\$34.67	\$35.71
16	\$33.42	\$34.42	17	\$33.73	\$34.74
15	\$32.73	\$33.71	16	\$31.33	\$32.27
14	\$29.41	\$30.29	15	\$30.82	\$31.74
13	\$28.38	\$29.23	14	\$26.55	\$27.35
12	\$27.29	\$28.11	13	\$25.56	\$26.33
11	\$26.25	\$27.04	12	\$24.55	\$25.29
10	\$25.14	\$25.89	11	\$23.54	\$24.25
9	\$24.49	\$25.22	10	\$22.54	\$23.22
8	\$23.82	\$24.53	9	\$21.96	\$22.62
7	\$23.21	\$23.91	8	\$21.35	\$21.99
6	\$22.54	\$23.22	7	\$20.73	\$21.35
5	\$21.91	\$22.57	6	\$20.15	\$20.75
4	\$21.57	\$22.22	5	\$19.56	\$20.15
3	\$20.67	\$21.29	4	\$18.95	\$19.52
2	\$19.80	\$20.39	3	\$18.37	\$18.92
1	\$18.91	\$19.48	2	\$17.74	\$18.27
00**	\$29.77	\$30.66	1	\$17.17	\$17.69

**Not in Labor Grade Structure

(2) Skill Adjustment

Rate Range Maximums will be increased by \$0.35 per hour for Factory Labor Grades 18 and 19 in Contract Enforcement Groups (C.E.G.s) B and C effective immediately following the General Wage Increase in the first year of the agreement. Employees in these Labor Grades will then progress to the maximum of their respective grade through the Automatic Rate Progression process.

RATE RANGES

GPR Employees

Effective March 12, 2011

Sunnyvale and Santa Cruz

Factory			Technical & Office		
Labor Grade	Current	New March 12, 2011	Labor Grade	Current	New March 12, 2011
19	\$36.58	\$37.68	20	\$35.47	\$36.53
18	\$35.70	\$36.77	19	\$35.14	\$36.19
17	\$33.90	\$34.92	18	\$34.67	\$35.71
16	\$33.42	\$34.42	17	\$33.73	\$34.74
15	\$32.73	\$33.71	16	\$31.33	\$32.27
14	\$32.22	\$33.19	15	\$30.82	\$31.74
13	\$31.48	\$32.42	14	\$30.42	\$31.33
12	\$31.23	\$32.17	13	\$30.02	\$30.92
11	\$30.61	\$31.53	12	\$29.63	\$30.52
10	\$29.63	\$30.52	11	\$29.19	\$30.07
9	\$29.18	\$30.06	10	\$28.71	\$29.57
8	\$28.98	\$29.85	9	\$28.51	\$29.37
7	\$28.71	\$29.57	8	\$28.26	\$29.11
6	\$26.96	\$27.77	7	\$27.12	\$27.93
5	\$26.59	\$27.39	6	\$26.95	\$27.76
4	\$26.47	\$27.26	5	\$26.57	\$27.37
3	\$26.29	\$27.08	4	\$26.44	\$27.23
2	\$25.88	\$26.66	3	\$26.26	\$27.05
1	\$25.69	\$26.46	2	\$26.01	\$26.79
00**	\$32.39	\$33.36	1	\$25.84	\$26.62

RATE RANGES

Non-GPR Employees

Effective March 12, 2011

Eastern Range

Factory			Technical & Office		
Labor Grade	Current	New March 12, 2011	Labor Grade	Current	New March 12, 2011
19	\$35.37	\$36.43	20	\$35.47	\$36.53
18	\$34.47	\$35.50	19	\$35.14	\$36.19
17	\$33.90	\$34.92	18	\$34.67	\$35.71
16	\$33.42	\$34.42	17	\$33.73	\$34.74
15	\$32.73	\$33.71	16	\$31.33	\$32.27
14	\$29.41	\$30.29	15	\$30.82	\$31.74
13	\$28.38	\$29.23	14	\$26.55	\$27.35
12	\$27.29	\$28.11	13	\$25.56	\$26.33
11	\$26.25	\$27.04	12	\$24.55	\$25.29
10	\$25.14	\$25.89	11	\$23.54	\$24.25
9	\$24.49	\$25.22	10	\$22.54	\$23.22
8	\$23.82	\$24.53	9	\$21.96	\$22.62
7	\$23.21	\$23.91	8	\$21.35	\$21.99
6	\$22.54	\$23.22	7	\$20.73	\$21.35
5	\$21.91	\$22.57	6	\$20.15	\$20.75
4	\$21.57	\$22.22	5	\$19.56	\$20.15
3	\$20.67	\$21.29	4	\$18.95	\$19.52
2	\$19.80	\$20.39	3	\$18.37	\$18.92
1	\$18.91	\$19.48	2	\$17.74	\$18.27
00	\$29.77	\$30.66	1	\$17.17	\$17.69

RATE RANGES

GPR Employees

Effective March 12, 2011

Eastern Range

Factory			Technical & Office		
Labor Grade	Current	New March 12, 2011	Labor Grade	Current	New March 12, 2011
19	\$35.37	\$36.43	20	\$35.47	\$36.53
18	\$34.47	\$35.50	19	\$35.14	\$36.19
17	\$33.90	\$34.92	18	\$34.67	\$35.71
16	\$33.42	\$34.42	17	\$33.73	\$34.74
15	\$32.73	\$33.71	16	\$31.33	\$32.27
14	\$32.22	\$33.19	15	\$30.82	\$31.74
13	\$31.48	\$32.42	14	\$30.42	\$31.33
12	\$31.23	\$32.17	13	\$30.02	\$30.92
11	\$30.61	\$31.53	12	\$29.63	\$30.52
10	\$29.63	\$30.52	11	\$29.19	\$30.07
9	\$29.18	\$30.06	10	\$28.71	\$29.57
8	\$28.98	\$29.85	9	\$28.51	\$29.37
7	\$28.71	\$29.57	8	\$28.26	\$29.11
6	\$26.96	\$27.77	7	\$27.12	\$27.93
5	\$26.59	\$27.39	6	\$26.95	\$27.76
4	\$26.47	\$27.26	5	\$26.57	\$27.37
3	\$26.29	\$27.08	4	\$26.44	\$27.23
2	\$25.88	\$26.66	3	\$26.26	\$27.05
1	\$25.69	\$26.46	2	\$26.01	\$26.79
00	\$32.39	\$33.36	1	\$25.84	\$26.62

For employees hired on or after March 7, 2011 the rate ranges below will be in effect.

RATE RANGES

Effective March 12, 2011

Eastern Range

Factory			Technical & Office		
Labor Grade	Minimum	Maximum	Labor Grade	Minimum	Maximum
19	16.57	28.30	20	15.96	28.38
18	16.12	27.58	19	15.59	28.11
17	15.69	27.12	18	15.22	27.74
16	15.27	26.74	17	14.82	26.98
15	14.84	26.18	16	14.45	25.06
14	14.43	23.53	15	14.07	24.66
13	14.01	22.70	14	13.70	21.24
12	13.60	21.83	13	13.33	20.45
11	13.16	21.00	12	12.94	19.64
10	12.74	20.11	11	12.35	18.83
9	12.31	19.59	10	11.98	18.03
8	11.85	19.06	9	11.71	17.57
7	11.44	18.57	8	11.23	17.08
6	10.97	18.03	7	10.92	16.58
5	10.75	17.53	6	10.60	16.12
4	9.70	17.26	5	10.34	15.65
3	9.45	16.54	4	10.22	15.16
2	9.09	15.84	3	9.34	14.70
1	8.73	15.13	2	9.09	14.19
			1	8.73	13.74

RATE RANGES

Non-GPR Employees

Effective March 12, 2011

Vandenberg

Factory			Technical & Office		
Labor Grade	Current	New March 12, 2011	Labor Grade	Current	New March 12, 2011
19	\$35.37	\$36.43	20	\$35.47	\$36.53
18	\$34.47	\$35.50	19	\$35.14	\$36.19
17	\$33.90	\$34.92	18	\$34.67	\$35.71
16	\$33.42	\$34.42	17	\$33.73	\$34.74
15	\$32.73	\$33.71	16	\$31.33	\$32.27
14	\$29.41	\$30.29	15	\$30.82	\$31.74
13	\$28.38	\$29.23	14	\$26.55	\$27.35
12	\$27.29	\$28.11	13	\$25.56	\$26.33
11	\$26.25	\$27.04	12	\$24.55	\$25.29
10	\$25.14	\$25.89	11	\$23.54	\$24.25
9	\$24.49	\$25.22	10	\$22.54	\$23.22
8	\$23.82	\$24.53	9	\$21.96	\$22.62
7	\$23.21	\$23.91	8	\$21.35	\$21.99
6	\$22.54	\$23.22	7	\$20.73	\$21.35
5	\$21.91	\$22.57	6	\$20.15	\$20.75
4	\$21.57	\$22.22	5	\$19.56	\$20.15
3	\$20.67	\$21.29	4	\$18.95	\$19.52
2	\$19.80	\$20.39	3	\$18.37	\$18.92
1	\$18.91	\$19.48	2	\$17.74	\$18.27
00	\$29.77	\$30.66	1	\$17.17	\$17.69

RATE RANGES

GPR Employees

Effective March 12, 2011

Vandenberg

Factory			Technical & Office		
Labor Grade	Current	New March 12, 2011	Labor Grade	Current	New March 12, 2011
19	\$35.37	\$36.43	20	\$35.47	\$36.53
18	\$34.47	\$35.50	19	\$35.14	\$36.19
17	\$33.90	\$34.92	18	\$34.67	\$35.71
16	\$33.42	\$34.42	17	\$33.73	\$34.74
15	\$32.73	\$33.71	16	\$31.33	\$32.27
14	\$32.22	\$33.19	15	\$30.82	\$31.74
13	\$31.48	\$32.42	14	\$30.42	\$31.33
12	\$31.23	\$32.17	13	\$30.02	\$30.92
11	\$30.61	\$31.53	12	\$29.63	\$30.52
10	\$29.63	\$30.52	11	\$29.19	\$30.07
9	\$29.18	\$30.06	10	\$28.71	\$29.57
8	\$28.98	\$29.85	9	\$28.51	\$29.37
7	\$28.71	\$29.57	8	\$28.26	\$29.11
6	\$26.96	\$27.77	7	\$27.12	\$27.93
5	\$26.59	\$27.39	6	\$26.95	\$27.76
4	\$26.47	\$27.26	5	\$26.57	\$27.37
3	\$26.29	\$27.08	4	\$26.44	\$27.23
2	\$25.88	\$26.66	3	\$26.26	\$27.05
1	\$25.69	\$26.46	2	\$26.01	\$26.79
00	\$32.39	\$33.36	1	\$25.84	\$26.62

ARTICLE VI, SECTION 11. COST-OF-LIVING ADJUSTMENT

- (1) In addition to the base rate of pay of each employee, a Cost-of-Living Adjustment (COLA) shall be paid to each employee in accordance with the provisions of this Section.
- (2) a. Effective **January 7, 2012**, the current cumulative Cost-of-Living Adjustment payable on that date (including the amount effective on that date) shall be added to the maximums of the rate ranges in Article VIII, Section 7, and to the GPR maximums in Article VIII, Section 8.

b. Effective **January 5, 2013**, the difference between the current cumulative Cost-of-Living Adjustment, and such previous adjustment as set forth in Subsection 2 (a), if any, payable on that date (including the amount effective on that date) shall be added to the maximums of the rate ranges in Article VIII, Section 7, and to the GPR maximums in Article VIII, Section 8.

c. Effective **January 4, 2014**, the difference between the current cumulative Cost-of-Living Adjustment, and such previous adjustment as set forth in Subsection 2 (a), if any, payable on that date (including the amount effective on that date) shall be added to the maximums of the rate ranges in Article VIII, Section 7, and to the GPR maximums in Article VIII, Section 8.

On each of the above dates, the employee's base rate will increase by the amount of COLA being received by that employee on that date. Employees hired after the date upon which the COLA is folded into the base rate shall be eligible for only that COLA which becomes effective after their date of hire.

- (3) The Cost-of-Living Adjustment, if any, shall be determined in accordance with changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers, (CPI-W), (United States City Average - All Items, 1982-1984 = 100), revised by the Bureau of Labor Statistics based on the 1982-1984 Survey of Consumer Expenditures, and published monthly by the Bureau of Labor Statistics, U.S. Department of Labor, and hereinafter referred to as the "Price Index".

Except as provided above, Cost-of-Living Adjustments shall not be added to or subtracted from an employee's base rate of pay, nor to the minimums and maximums of the rate ranges.

- (4) During the period of the Agreement, Cost-of-Living Adjustments shall be made at the following times:

<u>Effective Date Of Adjustment:</u>	<u>Based Upon Three Month Average Of The Price Indexes For:</u>
July 2, 2011	March, April, May 2011
October 1, 2011	June, July, August 2011
January 7, 2012	September, October, November 2011
April 7, 2012	December 2011, January, February 2012
July 7, 2012	March, April, May 2012
October 6, 2012	June, July, August 2012
January 5, 2013	September, October, November 2012
April 6, 2013	December 2012, January, February 2013
July 6, 2013	March, April, May 2013
October 5, 2013	June, July, August 2013
January 4, 2014	September, October, November 2013

In determining the three-month average of the Indexes for each specified period, the computed average shall be rounded to the nearest 0.1 Index Point.

- (5) Effective the payroll period commencing on **July 2, 2011**, the Cost-of-Living Adjustments factor will be determined in accordance with the following table:

<u>Three-Month Average BLS Consumer Price Index</u>	<u>COLA Index Factor</u>
216.4 and below	0
216.5 – 216.7	\$.01 per hour
216.8 – 217.0	.02 per hour
217.1 – 217.3	.03 per hour
217.4 – 217.6	.04 per hour
217.7 – 217.9	.05 per hour
218.0 – 218.2	.06 per hour
218.3 – 218.5	.07 per hour
218.6 – 218.8	.08 per hour
218.9 – 219.1	.09 per hour
219.2 – 219.4	.10 per hour

And so forth with \$.01 for 0.3 point change in the Average Price Index for the appropriate date set forth in Paragraph four above.

- (6) The amount of any COLA in effect at the time shall be included for all hours worked after the effective date of the adjustment and in computing overtime payments, vacation and sick leave payments, pay for unused sick leave and injury leave, military leave, holiday, jury duty, jury examination and witness payments, and for no other purpose.

- (7) In the event that the Bureau of Labor Statistics (BLS), United States Department of Labor, discontinues publication of the Price Index described in Paragraph (3) above, the Company and the Union shall enter into immediate negotiations to determine the appropriate index to be used. The purpose of these negotiations shall be to insure that the payments to be made under this Article will be as intended by the parties and shall be no less than that which would have occurred had the Price Index been continued unchanged in its present form. In the event the parties are unable to agree within sixty (60) days of the discontinuance of the Price Index, this dispute shall be submitted to final and binding arbitration as provided for in this Agreement. The Cost-of-Living Adjustment, if any, shall be retroactive to the appropriate effective date.
- (8) In the event the Bureau of Labor Statistics does not issue the appropriate Price Indexes on or before the beginning of one of the pay periods referred to in Paragraph (4), any adjustment in the COLA required by such appropriate Indexes shall be effective at the beginning of the first pay period after receipt of the Indexes.
- (9) No adjustment, retroactive or otherwise, shall be made due to any revision which may later be made in the published figures for the Price Index for any month or months specified in Paragraph (4).

ARTICLE VIII, SECTION 6. COST-OF-LIVING SUPPLEMENTS

On or before **December 16, 2011**, a supplemental Cost-of-Living payment in the amount of ~~\$700 \$750~~ **\$800** will be paid to each employee on the active payroll, or on approved leave of absence ~~for less than one year~~ on **December 3, 2011**, who has completed the probationary period.

On or before **December 14, 2012**, a supplemental Cost-of-Living payment in the amount of ~~\$700 \$750~~ **\$800** will be paid to each employee on the active payroll, or on approved leave of absence ~~for less than one year~~ on **December 1, 2012**, who has completed the probationary period.

On or before **December 20, 2013**, a supplemental Cost-of-Living payment in the amount of ~~\$700 \$750~~ **\$800** will be paid to each employee on the active payroll, or an approved leave of absence ~~for less than one year~~ on **December 7, 2013**, who has completed the probationary period.

DEFERRAL

The entire Supplemental Cost-of-Living Payment may be deferred to the Hourly Savings Plan Plus (401K) upon completion and timely submittal of the appropriate form.

**Article V, Section 4
HOLIDAYS**

Section 4 – Holidays

(A) Days to be observed

The Company recognizes the following holiday schedule during the period of this Agreement:

2011	May through December	Total Holiday Hours
May 30	Mon. - Memorial Day	8
July 4	Mon. - Independence Day	8
Sept. 5	Mon. - Labor Day	8
Nov. 24	Thurs. - Thanksgiving Day	8
Nov. 25	Fri. - Day after Thanksgiving Day	8
Dec 23	Fri. - Holiday Shutdown	8
Dec. 26	Mon. - Holiday Shutdown	8
Dec. 27	Tues. - Holiday Shutdown	8
Dec. 28	Wed. - Holiday Shutdown	8
Dec. 29	Thurs. - Holiday Shutdown	8
Dec. 30	Fri. - Holiday Shutdown	<u>8</u>
		88
2012	January through December	
Jan 2	Mon. - New Year's Holiday	8
May 28	Mon. - Memorial Day	8
July 4	Wed. - Independence Day	8
Sept. 3	Mon. - Labor Day	8
Nov. 22	Thurs. - Thanksgiving Day	8
Nov. 23	Fri. - Day after Thanksgiving Day	8
Dec. 24	Mon. - Holiday Shutdown	8
Dec. 25	Tues. - Holiday Shutdown	8
Dec. 26	Wed. - Holiday Shutdown	8
Dec. 27	Thurs. - Holiday Shutdown	8
Dec. 28	Fri. - Holiday Shutdown	8
Dec. 31	Mon. - Holiday Shutdown	<u>8</u>

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**Article V, Section 4
HOLIDAYS**

(CONTD)

2013 Hours	January through December	Total Holiday
Jan.1	Tues. - New Year's Holiday	8
May 27	Mon. - Memorial Day	8
July 4	Thurs. - Independence Day	8
Sept. 2	Mon. - Labor Day	8
Nov. 28	Thurs. - Thanksgiving Day	8
Nov. 29	Fri. - Day after Thanksgiving Day	8
Dec 23	Mon. - Holiday Shutdown	8
Dec. 24	Tues. - Holiday Shutdown	8
Dec. 25	Wed. - Holiday Shutdown	8
Dec. 26	Thurs. - Holiday Shutdown	8
Dec. 27	Fri. - Holiday Shutdown	8
Dec. 30	Mon. - Holiday Shutdown	8
Dec. 31	Tues - Holiday Shutdown	<u>8</u>
		104
 2014	 January	
Jan.1	Wed. - New Year's Holiday	8
	 Total for Contract Period	 296

**RETIREMENT PLAN
AMENDMENT AGREEMENT**

This Agreement is entered into effective **March 7, 2011** between the International Association of Machinists and Aerospace Workers for itself and on behalf of the following District and Local Lodges (hereinafter referred to as "Union"):

Aerospace Defense Related District Lodge 725, Area 5, and
affiliated Local Lodges 2228 (Santa Clara **and Santa Cruz** County Plants)

California Central Coast Lodge 2786
(Santa Barbara County Plants)

Missile and Electronics District Lodge 166 and affiliated Florida
Missiles System Local Lodge 610 (Brevard County, Florida, Plants)

And Lockheed Martin Space Systems Company (hereinafter referred to as
"Company").

RECITAL

The Company and the Union have negotiated and reached agreement, subject to the conditions set forth below, that the Company will modify the Retirement Plan for Certain Hourly Employees (hereinafter referred to as "Plan").

AGREEMENT

Therefore, subject to the conditions set forth herein, the parties agree as follows:

1. The changes in the Plan as provided herein are subject to the Company's obtaining and retaining all necessary permits and approvals of cognizant State and Federal authorities required to establish and continue the qualification of the Plan for Federal income tax purposes under applicable provisions of the United States Internal Revenue Code and to meet the requirements of the Employee Retirement Income Security Act (ERISA) of 1974, as amended, and regulations thereunder.
2. All legally required changes will be incorporated in the final document.
3. Except as specifically amended as provided herein the Plan as in effect March 2, **2008** shall continue in full force and effect.
4. This Agreement shall remain in effect for the same period as the **2011** Collective Bargaining Agreement, between the Company and the Union and may be opened for amendment or termination at the same time and under the same conditions as provided in that collective bargaining agreement.

5. For a Member who retires and begins receiving a monthly benefit on or after the first day of the month following ratification of the Collective Bargaining Agreement, the monthly Normal Retirement Benefit shall be determined by multiplying the Member's years of Credited Service by ~~seventy seven (\$77)~~ ~~eighty one dollars (\$81)~~ ~~eighty four dollars (\$84)~~ ~~eighty seven dollars (\$87)~~ **eighty-eight dollars (\$88)**. **This rate shall also apply retroactively to retirements on or after January 1, 2011.**

6. For a Member who retires and begins receiving a monthly benefit on or after the first day of the month following ratification of the Collective Bargaining Agreement under Sections 4.05(A) (2), 4.05 (A) (3) and 6.01(B) of the Plan will receive a benefit of ~~twenty nine dollars (\$29)~~ ~~thirty two dollars (\$32)~~ ~~thirty three dollars (\$33)~~ per year of credited service. **This rate shall also apply retroactively to retirements on or after January 1, 2011.** Notwithstanding any provision in the Plan to the contrary, for any Member who retires on or after January 1, 1996 ~~January 1, 2011~~, the Credited Service counted for benefit determination under this Supplement A-6, paragraph 4, will also be counted as Credited Service under Section 6.02 of the Plan (Early Retirement Benefits - 85 point determination only).

7. **Individuals hired or rehired on or before March 6, 2011 will be eligible to participate in the Defined Benefit Pension Plan. Individuals hired or rehired on or after March 7, 2011 will not be eligible for the Defined Benefit Pension Plan.**

As a replacement plan to the Defined Benefit Pension Plan, individuals hired or rehired on or after March 7, 2011 will be immediately eligible to participate in the Company-funded Hourly Capital Accumulation Plan (H-CAP). Participants will receive deposits of ~~\$225.00~~ ~~\$275.00~~ \$350.00 per quarter of active employment into their own H-CAP account and will be able to manage their investment options for future savings and income purposes.

Executed by the authorized representatives of the parties this _____ day of _____, 2011.

For the Union:
IAM, Local Lodge 2228, 2786, 610

For the Company:
Lockheed Martin, Space Systems Company

By: _____

By: _____

By: _____

By: _____

HOURLY BASIC BENEFIT PLAN AMENDMENT AGREEMENT

This Agreement is entered into effective **March 7, 2011** between the International Association of Machinists and Aerospace Workers for itself and on behalf of the following District and Local Lodges (hereinafter referred to as "Union"):

Aerospace Defense Related District Lodge 725, Area 5, and
affiliated Local Lodges 2228 (Santa Clara **and Santa Cruz** County Plants)

California Central Coast Lodge 2786
(Santa Barbara County Plants)

Missile and Electronics District Lodge 166 and affiliated Florida
Missiles System Local Lodge 610 (Brevard County, Florida, Plants)

And Lockheed Martin Space Systems Company (hereinafter referred to as
"Company").

RECITAL

The Company and the Union have negotiated and reached agreement, subject to the conditions set forth below, that the Company will modify and enhance the Lockheed Martin Hourly Basic Benefit Plan (hereinafter referred to as "Plan") as described below.

AGREEMENT

Therefore, subject to the conditions set forth herein, the parties agree as follows:

1. The changes in the Plan as provided herein are subject to the Company's obtaining and retaining all necessary permits and approvals of cognizant state and Federal authorities required to establish and continue the qualification of the Plan for Federal income tax purposes under applicable provisions of the United States Internal Revenue Code and to meet the requirements of the Employee Retirement Income Security Act (ERISA) of 1974, as amended, and regulations thereunder.
2. The Company will increase the quarterly contribution for each employee from \$60 to **\$65**.
3. For employees hired after March 1, 2005, the Company will provide an additional quarterly contribution of ~~\$30~~ **\$35**.

4. All legally required changes will be incorporated in the final document. A draft copy of the proposed Plan document has been provided to the Union.

5. This Agreement is applicable to the employees of the Company covered by the **2011** Collective Bargaining Agreement between the Company and the Union; however, the applicability of the Plan shall be determined and be governed by the Plan's provisions and need not be limited to the employees of the Company. The Company will take no action in contravention of this Agreement with respect to employees covered by said Collective Bargaining Agreement, except as may be necessary to obtain approval of governmental authorities as referred to in paragraph 1 above.

6. The amendments stated herein or incorporated herein shall become effective **March 7, 2011**.

7. This Agreement shall be of no effect after its expiration or termination and shall not affect the rights of the Company thereafter to continue, amend, modify, suspend or terminate the Plan. This Agreement shall remain in effect for the entire period as the **2011** Collective Bargaining Agreement between the Company and the Union and may be opened for modification, amendment, or termination at the same time and under the same conditions as provided in such Collective Bargaining Agreement.

Executed by the authorized representatives of the parties this _____ day of _____, 2011.

For the Union:
IAM, Local Lodge 2228, 2786, 610

For the Company:
Lockheed Martin, Space Systems Company

By: _____

By: _____

By: _____

By: _____

**MEDICAL PLAN
AMENDMENT AGREEMENT**

This Agreement is entered into effective **March 7, 2011** between the International Association of Machinists and Aerospace Workers for itself and on behalf of the following District and Local Lodges (hereinafter referred to as "Union"):

Aerospace Defense Related District Lodge 725, Area 5, and
affiliated Local Lodges 2228 (Santa Clara **and Santa Cruz** County Plants)

California Central Coast Lodge 2786
(Santa Barbara County Plants)

Missile and Electronics District Lodge 166 and affiliated Florida
Missiles System Local Lodge 610 (Brevard County, Florida, Plants)

And Lockheed Martin Space Systems Company (hereinafter referred to as
"Company").

RECITAL

The Company and the Union have negotiated and reached agreement, subject to the conditions set forth below, that the Company will modify the Medical Plan for certain hourly employees (hereinafter referred to as "Plan").

AGREEMENT

Therefore, subject to the conditions set forth herein, the parties agree as follows:

Current medical plan options will be available through December 31, 2011. ~~Effective January 1, 2012, the LM HealthWorks Plan will become the only medical insurance plan design.~~

Effective January 1, 2012, the Corporate-wide LM HealthWorks Plan will be offered to all members individuals of in the Union IAM bargaining unit. During the life of the agreement there will be no changes to the co-insurance, the calendar year deductible amounts, the calendar year out-of-pocket maximum, medical plan or the prescription drug formula. Should the Company expand health care options during the term of this agreement, such options will be extended to the members individuals covered by this agreement on an identical design basis. ~~The Company maintains the right to implement modifications or changes to this Plan. It is understood that such modifications or changes, regardless of whether such modifications or changes are an improvement, reduction or an elimination of a covered benefit under this Plan shall be automatically applicable to bargaining unit employees covered by this agreement.~~

Furthermore, this language is not intended to provide to the Company any greater right to terminate this Plan than which is provided for under the terms of the Plan itself. Employees will have coverage level options of Employee Only, Employee + 1 or Employee + 2 or more.

The Kaiser Northern California HMO will continue to be available where it is currently offered to all bargaining unit employees for so long as it is made available to Lockheed Martin non-represented employees in Northern California. Blue Cross Blue Shield of California HMO will continue to be available where it is currently offered to all bargaining unit employees in Santa Cruz and Vandenberg, CA. Aetna Florida HMO will continue to be available where it is currently offered to all bargaining unit employees in Brevard County. The HMO plans will continue through the length of the collective bargaining agreement.

Effective January 1, 2012, provided the Kaiser Northern California HMO is offered, the Company shall will pay 80% 85% of the premium cost, and the employee shall will pay 20% 15% of the premium cost of the HMO medical plans (Kaiser Northern California HMO, BCBS of California HMO, and Aetna Florida HMO), as outlined in Section I, B and C in the Summary of Health and Welfare Benefit changes.

Executed by the authorized representatives of the parties this _____ day of _____, 2011.

For the Union:
IAM, Local Lodge 2228, 2786, 610

For the Company:
Lockheed Martin, Space Systems Company

By: _____

By: _____

By: _____

By: _____

LOCKHEED MARTIN HOURLY EMPLOYEE SAVINGS PLAN PLUS AMENDMENT AGREEMENT

This Agreement is entered into effective **March 7, 2011** between the International Association of Machinists and Aerospace Workers for itself and on behalf of the following District and Local Lodges (hereinafter referred to as "Union"):

Aerospace Defense Related District Lodge 725, Area 5, and
affiliated Local Lodge 2228 (Santa Clara **and Santa Cruz** County Plants)

California Central Coast Lodge 2786 (Santa Barbara County Plants)

Missile and Electronics District Lodge 166 and affiliated Florida
Missiles Systems Local Lodge 610 (Brevard County, Florida, Plants)

And Lockheed Martin Space Systems Company (hereinafter referred to as
"Company").

RECITAL

The Company and Union have negotiated and reached an Agreement, subject to the conditions set forth below, that the Company will modify and enhance the Lockheed Martin Hourly Employee Savings Plan Plus (hereinafter referred to as "Plan").

AGREEMENT

Therefore, subject to the conditions set forth herein, the parties agree as follows:

1. The changes in the Plan as provided hereunder are subject to Company's obtaining and retaining all necessary permits and approvals of cognizant state and Federal authorities required to establish and continue the qualification of the Plan for Federal income tax purposes under applicable provisions of the United States Internal Revenue Code and to meet the requirements of the Employee Retirement Income Security Act of 1974 (ERISA), as amended, and regulations thereunder.
2. The Company will amend the Plan as follows effective on **March 7, 2011** or on such other date as provided below, with respect to employees of the Company on such effective date who are covered by the collective bargaining agreement between the Company and the Union:

A. Amend Supplement A-4 as follows:

Company matching contributions will be in Cash and will be 50% of the Matched Elective Deferral Amount.

A weekly Elective Deferral Amount subject to Corporation Matching Contributions under Section 4.01 may be specified as follows for eligible employees of Lockheed Martin Space Systems Company and IS&GS.

Elective Deferral Amount (Dollars)
Subject to
Corporation Matching Contributions

From \$64 to ~~\$66 \$69~~ **\$71** weekly in \$1 dollar increments

B. Amend Supplement A-4 as follows:

Paragraph (2) (b)(iii) has been amended to provide a maximum unmatched Elective Deferral Amount of **\$200** for all eligible employees of Lockheed Martin Space Systems Company.

These changes are effective as soon as administratively feasible after the ratification of the agreement.

Executed by the authorized representatives of the parties this _____ day of _____, 2011.

For the Union:
IAM, Local Lodge 2228, 2786, 610

For the Company:
Lockheed Martin, Space Systems Company

By: _____

By: _____

By: _____

By: _____

Article I Section 1-D Effective Date and Period of Agreement

This Agreement, including all Parts hereof, shall remain in full force and effect from **March 7, 2011** until and including **March 2, 2014** and thereafter from year to year until modified, amended or terminated, as hereinafter provided.