

ECONOMIC PROPOSAL

2011 NEGOTIATIONS

between

**LOCKHEED MARTIN AERONAUTICS COMPANY
Palmdale, California**

and

**INTERNATIONAL ASSOCIATION OF
MACHINISTS AND AEROSPACE WORKERS
Aeronautical Industrial District Lodge 725**

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** ratification bonus will be paid within 60 days of ratification to each bargaining unit employee on the active payroll **March 7, 2011**, on approved leave of absence for less than one year or military leave, who has completed the probationary period. The entire payment may be deferred to the Hourly Savings Plan Plus (401K) upon completion of the appropriate form.

Lockheed Martin Aeronautics Company - Palmdale

ARTICLE IX

WAGES

FIRST YEAR

Within 15 days of ratification, a **general wage increase** in the amount of **1.5%** will be effective for each bargaining unit employee on the active payroll, on approved leave of absence for less than one year, or military leave who has completed the probationary period. The minimum and maximum for all GPR and non-GPR labor grades shall also be increased by **1.5%**.

SECOND YEAR

On or before **March 10, 2012** a **general wage increase** in the amount of **1.5%** will be effective for each bargaining unit employee on the active payroll, on approved leave of absence for less than one year, or military leave who has completed the probationary period. The minimum and maximum for all GPR and non-GPR labor grades shall also be increased by **1.5%**.

THIRD YEAR

On **March 9, 2013**, a **general wage increase** in the amount of **1.5%** will be effective for each bargaining unit employee on the active payroll, on approved leave of absence for less than one year, or military leave who has completed the probationary period. The minimum and maximum for all GPR and non-GPR labor grades shall also be increased by **1.5%**

Lockheed Martin Aeronautics Company - Palmdale

ARTICLE VIII, SECTION 3

RATE RANGES FOR LABOR GRADES

A. FACTORY RATE RANGES

LABOR GRADE	CURRENT STRUCTURE RATE RANGES		MARCH 12, 2011 RATE RANGES	
	MINIMUM	MAXIMUM	MINIMUM	MAXIMUM
18	20.80	33.11	21.11	33.61
17	20.24	32.67	20.54	33.16
16	19.71	32.06	20.01	32.54
15	19.18	31.56	19.47	32.03
14	18.64	31.10	18.92	31.57
13	18.09	30.64	18.36	31.10
12	15.49	29.33	15.72	29.77
11	14.89	28.92	15.11	29.35
10	14.54	28.52	14.76	28.95
9	14.12	28.09	14.33	28.51
8	13.88	27.71	14.09	28.13
7	13.53	27.34	13.73	27.75
6	13.31	23.56	13.51	23.91
5	13.05	22.86	13.25	23.20
4	12.92	22.19	13.11	22.52
3	10.77	21.52	10.93	21.84
2	10.60	20.81	10.76	21.12
1	10.49	20.13	10.65	20.43

NOTE: These ranges are applicable to employees hired after June 14, 1993.

Lockheed Martin Aeronautics Company - Palmdale

B. OFFICE & TECHNICAL RATE RANGES

LABOR GRADE	CURRENT STRUCTURE RATE RANGES		MARCH 12, 2011 RATE RANGES	
	MINIMUM	MAXIMUM	MINIMUM	MAXIMUM
18	19.49	33.80	19.78	34.31
17	18.98	32.63	19.26	33.12
16	18.47	31.68	18.75	32.16
15	17.95	31.11	18.22	31.58
14	17.45	29.42	17.71	29.86
13	16.93	29.21	17.18	29.65
12	15.55	25.59	15.78	25.97
11	14.98	25.03	15.20	25.41
10	14.54	24.47	14.76	24.84
9	14.18	23.90	14.39	24.26
8	13.88	23.30	14.09	23.65
7	13.53	23.02	13.73	23.37
6	13.30	22.36	13.50	22.70
5	11.02	21.70	11.19	22.03
4	10.91	21.06	11.07	21.38
3	10.71	20.45	10.87	20.76
2	10.53	19.79	10.69	20.09
1	10.49	19.15	10.65	19.44

NOTE: These ranges are applicable to employees hired after June 14, 1993.

Lockheed Martin Aeronautics Company - Palmdale

ARTICLE VIII, SECTION 4

GUARANTEED PERSONAL RATE (GPR)

GPR MAXIMUMS

LABOR GRADE	FACTORY		OFFICE & TECHNICAL	
	<u>Current</u>	<u>New</u> March 12, 2011	<u>Current</u>	<u>New</u> March 12, 2011
18	--	--	--	--
17	--	--	--	--
16	--	--	--	--
15	--	--	--	--
14	--	--	--	--
13	--	--	--	--
12	30.46	30.92	28.90	29.33
11	30.09	30.54	28.69	29.12
10	29.16	29.60	28.47	28.90
9	28.94	29.37	28.28	28.70
8	28.77	29.20	28.05	28.47
7	28.56	28.99	27.10	27.51
6	26.88	27.28	26.87	27.27
5	26.68	27.08	26.68	27.08
4	26.55	26.95	26.55	26.95
3	26.43	26.83	26.43	26.83
2	26.29	26.68	26.29	26.68
1	26.10	26.49	26.10	26.49

NOTE: These rates are applicable to employees with bargaining unit rights on the active payroll, or approved leave of absence on March 2, 1993, or employees on layoff on June 14, 1993 and who are recalled to the active payroll while assigned to Labor Grades 1-12.

Lockheed Martin Aeronautics Company - Palmdale

ARTICLE VIII, SECTION 5

COST-OF-LIVING ADJUSTMENT

A. 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.

1. Effective **January 7, 2012**, the current cumulative COLA payable on that date (including the amount effective on that date) shall be added to the GPR and non-GPR maximums of the rate ranges.
2. Effective **January 5, 2013**, the difference between the current cumulative Cost-of-Living Adjustment and such previous adjustment as set forth in subsection 1, if any, payable on that date (including the amount effective on that date) shall be added to the GPR and non-GPR maximums of the rate ranges.
3. Effective **January 4, 2014**, the difference between the current cumulative Cost-of-Living Adjustment and such previous adjustment as set forth in subsection 2, if any, payable on that date (including the amount effective on that date) shall be added to the GPR and non-GPR maximums of the rate ranges.

On each of the above dates, the employee's base rate will increase by the amount of Cost-of-Living 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.

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- B. 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.”
- C. During the period of Agreement, Cost-of-Living Adjustments shall be made at the following times:

**Effective Date of Adjustment -
Pay Period Commencing on:**

July 2, 2011
October 1, 2011
January 7, 2012
April 7, 2012
July 7, 2012
October 6, 2012
January 5, 2013
April 6, 2013
July 6, 2013
October 5, 2013
January 4, 2014

**Based Upon Three-Month Average
of the Price Indexes for:**

Mar 2011, Apr, May
Jun, July, Aug
Sept, Oct, Nov
Dec 2011, Jan 2012, Feb
Mar, Apr, May
June, July, Aug
Sept, Oct, Nov
Dec 2012, Jan 2013, Feb
Mar, Apr, May
June, July, Aug
Sept, Oct, Nov

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.

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

Three-Month Average BLS Consumer Price Index	COLA Factor
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 adjustment for 0.3 point change in the Average Index for the appropriate date set forth in subsection C above.

- E. 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 and injury leave, military leave, holiday, jury duty, jury examination and witness payments, and for no other purpose.
- F. In the event that the Bureau of Labor Statistics (BLS), United States Department of Labor, discontinues publication of the Price Index described in subsection B 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 ensure 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 60 days of the discontinuance of the Price Index, this dispute shall be submitted to final and binding arbitration as provided for in the Agreement. The Cost-of-Living adjustment, if any, shall be retroactive to the appropriate effective date.

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- G. 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 subsection C, 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.

- H. 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 subsection C.

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ARTICLE IX, SECTION 5

COST-OF-LIVING SUPPLEMENT

On or before **December 16, 2011**, a supplemental Cost-of-Living payment in the amount of **\$700** will be paid to each employee on the active payroll, on approved leave of absence for less than one year, or military leave 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** will be paid to each employee on the active payroll, on approved leave of absence for less than one year, or military leave 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** will be paid to each employee on the active payroll, on approved leave of absence for less than one year, or military leave on **December 7, 2013** who has completed the probationary period.

The entire Supplemental COLA Payment may be deferred to the Hourly Savings Plan Plus (401K) upon completion of the appropriate form.

ARTICLE VI, SECTION 3

HOLIDAYS

37 holidays paid at 8 hours each totaling **296** hours for the period of this Agreement

Article VI, Section 3

- B. Full Pay (eight hours at the employee's regular base rate of pay, including the amount of cost-of-living adjustment, shift bonus, lead bonus, A&P bonus and odd workweek bonus, if any, shall be paid to employees for each of these holidays regardless of day of the week upon which the holiday falls. In addition, two times the regular rate of the employee shall be paid for hours worked on holidays. Work by an employee on a holiday shall be voluntary, except for employees who may be required to work on functions necessary for the protection of the plant and equipment.
- C. In order to be eligible for holiday pay, an employee must have worked or have been on a vacation or a paid leave (other than paid sick leave) or on a bona fide Union call out on the last workday before or the first workday after the holiday, except that when the holiday falls on the day before employment or the day after termination or during an employee's leave, no pay under this Section shall be granted.
- D. Should a holiday fall upon the sixth or seventh day of the workweek of an employee assigned to an odd workweek, the preceding or the following day, respectively, shall be considered a holiday for such employee.
- E. An additional day of pay (eight hours at the employee's regular base rate of pay which shall include the amount of cost-of-living adjustment, shift bonus, lead bonus, A&P bonus and odd workweek bonus, if any, but not including any other premium) shall be granted to an employee on vacation if a holiday for which the employee would have been paid, had such employee been working, falls during his or her vacation. In lieu of such additional day of pay, the employee will upon request be granted an additional day of vacation.

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ARTICLE VI, SECTION 3

HOLIDAYS

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. - Christmas Holiday	8
Dec. 26	Mon. - Christmas Holiday	8
Dec. 27	Tues. - Christmas Holiday	8
Dec. 28	Wed. - Christmas Holiday	8
Dec. 29	Thurs. - Christmas Holiday	8
Dec. 30	Fri. - Christmas Holiday	<u>8</u>
		88
2012	January through December	
Jan 2	Mon. - Christmas 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. - Christmas Holiday	8
Dec. 25	Tues. - Christmas Holiday	8
Dec. 26	Wed. - Christmas Holiday	8
Dec. 27	Thurs. - Christmas Holiday	8
Dec. 28	Fri. - Christmas Holiday	8
Dec. 31	Mon. - Christmas Holiday	<u>8</u>
		96

Lockheed Martin Aeronautics Company - Palmdale

RETIREMENT PLAN AMENDMENT AGREEMENT

This Agreement is entered into effective **March 7, 2011** between the International Association of Machinists and Aerospace Workers (hereinafter referred to as "Union") for itself and on behalf of the Aeronautical Industrial District Lodge 725 and Lockheed Martin Aeronautics Company, Palmdale, California (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 on **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.

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- 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 **eighty-one dollars (\$81)**.
- 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) per year of credited service. Notwithstanding any provision in the Plan to the contrary, for any Member who retires on or after January 1, 1996, 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 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:

FOR THE COMPANY:

Aeronautical Industrial District
Local Lodge 725

Lockheed Martin Aeronautics Co. - Palmdale

By: _____

By: _____

By: _____

By: _____

Lockheed Martin Aeronautics Company - Palmdale

MEDICAL PLAN AMENDMENT AGREEMENT

This Agreement is entered into effective **March 7, 2011** between the International Association of Machinists and Aerospace Workers (hereinafter referred to as "Union") for itself and on behalf of the Aeronautical Industrial District Lodge 725 and Lockheed Martin Aeronautics Company, Palmdale, California (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 of the Union. 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.

Lockheed Martin Aeronautics Company - Palmdale

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

FOR THE UNION:

Aeronautical Industrial District
Local Lodge 725

By: _____

By: _____

FOR THE COMPANY:

Lockheed Martin Aeronautics Co. - Palmdale

By: _____

By: _____

Lockheed Martin Aeronautics Company - Palmdale

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 (hereinafter referred to as "Union") for itself on behalf of the Aeronautical Industrial District Lodge 725 and Lockheed Martin Aeronautics Company, Palmdale, California (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 Employee Savings Plan (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 (ERISA) of 1974, as amended, and regulations thereunder.
2. The Company will amend the Plan as follows effective **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

Lockheed Martin Aeronautics Company - Palmdale

Aeronautics Company – Palmdale.

Elective deferral amount (dollars) subject to Corporation matching contributions from **\$64 to \$66 weekly** in \$1 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 Aeronautics – Palmdale.

These changes will be effective as soon as administratively feasible after ratification of the Agreement.

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

FOR THE UNION:

FOR THE COMPANY:

Aeronautical Industrial District
Local Lodge 725

Lockheed Martin Aeronautics Co. - Palmdale

By: _____

By: _____

By: _____

By: _____

Article I, Section 2, Period of Agreement modified as follows:

This Agreement shall remain in full force and effect from the effective date provided in Article IX, Section 1 hereof, until and including **March 2, 2014** and thereafter from year to year, unless one party or the other gives notice in writing during the period from 12:01 a.m., **December 1, 2013 through midnight, December 31, 2013**, or during a like period in subsequent years, proposing modifications or amendments. Such notice shall specify the modifications or amendments desired. The parties agree to commence negotiations within 15 days after the giving of such notice, and it is the intent of the parties to confine negotiations to such modifications or amendments as are specified in such notice.

Lockheed Martin Aeronautics Company - Palmdale

Article VII, Section 16, Bonus for A&P Certificate

The Company will pay a bonus, outside of the rate structure set forth in Article VIII, Section 3 of the Agreement, in the amount of ~~twenty cents~~ **twenty-five cents** (~~\$.20~~ **.25**) per hour to those employees who possess a valid FAA Airframe & Power Plant Certificate. The bonus will be paid to employees when assigned to one of the following classifications: General Flight Mechanic (Code 4156), Inspector General Flight (Code 6236), General Flight Electrical and Instrument Mechanic (Code 4124), ~~or~~ Flight Test Instrument Technician (Code 4143), **or Advanced Technology and Systems Technician (Code 3569)**. To be paid the bonus, employees must present the original certificate for verification to Hourly Placement.