

LOCKHEED MARTIN CORP  
Form POS AM  
August 06, 2004  
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As filed with the Securities and Exchange Commission on August 6, 2004

Registration No. 333-108333

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# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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## POST-EFFECTIVE AMENDMENT NO. 3

TO

FORM S-3

REGISTRATION STATEMENT

*UNDER*

*THE SECURITIES ACT OF 1933*

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## LOCKHEED MARTIN CORPORATION

(Exact name of Registrant as Specified in its Charter)

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Maryland  
(State or Other Jurisdiction of  
Incorporation or Organization)

52-1893632  
(I.R.S. Employer  
Identification No.)

6801 Rockledge Drive  
Bethesda, Maryland 20817

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(301) 897-6000

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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**David A. Dedman**

**Associate General Counsel**

**Lockheed Martin Corporation**

**6801 Rockledge Drive**

**Bethesda, Maryland 20817**

**Telephone (301) 897-6000**

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

*Copies requested to:*

**Glenn C. Campbell**

**King & Spalding LLP**

**1730 Pennsylvania Ave., N.W.**

**Washington, D.C. 20006**

**(202) 737-0500**

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**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. "

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. "

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**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED AUGUST 6, 2004**

**PROSPECTUS**

**\$1,000,000,000**

**Lockheed Martin Corporation**

**Floating Rate Convertible Senior Debentures due 2033**

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We issued the debentures in a private placement on August 13, 2003. The initial purchasers resold the debentures to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933, as amended (the Securities Act). This prospectus will be used by the selling securityholders from time to time to resell their debentures and any common stock issuable upon conversion of their debentures. We will not receive any proceeds from the resale of the debentures or any of those shares.

The debentures bear regular interest at an annual rate equal to 3-month LIBOR, reset quarterly, minus 0.25%, which initially was 0.88688%; provided that such rate will never be less than 0% per annum. Regular interest will be payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, each an interest payment date, beginning November 15, 2003, until August 15, 2008. After August 15, 2008, we will not pay regular interest on the debentures prior to maturity. Instead, on August 15, 2033, the stated maturity date of the debentures, a holder will receive the accreted principal amount of a debenture, which will be equal to the original principal amount of \$1,000 per debenture increased daily by a variable yield beginning on August 15, 2008. The yield will be reset quarterly to a rate equal to 3-month LIBOR minus 0.25% per annum; provided that such rate will never be less than 0% per annum.

We will pay contingent interest for each three-month interest period from and including each interest payment date to but excluding the next interest payment date, beginning with the three-month interest period commencing on August 15, 2008, if the average trading price of a debenture is above a specified level during the five trading day period ending on the second trading day immediately prior to such three-month interest period, as described in this prospectus. We will pay contingent interest on the interest payment date immediately following the applicable three-month interest period.

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The debentures are convertible by holders into shares of our common stock at an initial conversion rate of 13.1939 shares of our common stock per \$1,000 original principal amount of debentures (subject to adjustment in certain events), which is equal to an initial conversion price of \$75.79 per share, under the following circumstances: (1) during any calendar quarter commencing prior to August 15, 2028 (and only during such calendar quarter), if the price of our common stock issuable upon conversion reaches a specified threshold during the previous calendar quarter, as described in this prospectus, (2) at any time after August 15, 2028 and prior to maturity, if the price of our common stock issuable upon conversion reaches a specified threshold on any day following August 15, 2028, as described in this prospectus, (3) subject to certain limitations, during the 5 business day period after any 5 consecutive trading day period in which the trading price per debenture for each day of that period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate of the debentures on each such day, (4) if we call the debentures for redemption, (5) upon the occurrence of specified corporate transactions described in this prospectus or (6) during any period in which the credit ratings assigned to the debentures are below the levels described in this prospectus. Upon conversion, we have the right to deliver, in lieu of common stock, cash or a combination of cash and common stock.

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The debentures mature on August 15, 2033. We may redeem some or all of the debentures at any time on or after August 15, 2008 for a price in cash equal to 100% of the accreted principal amount of debentures to be redeemed plus any accrued and unpaid interest, including contingent interest and additional interest, if any, to, but not including, the redemption date.

The debentures are unsecured and rank equally with all of our other existing and future unsecured and unsubordinated indebtedness. Holders have the right to require us to purchase the debentures at a purchase price in cash equal to 100% of the accreted principal amount of the debentures plus accrued and unpaid interest, including contingent interest and additional interest, if any, to, but not including, the purchase date, on August 15, 2008, August 15, 2013, August 15, 2018, August 15, 2023 and August 15, 2028 or upon a fundamental change, as described in this prospectus.

We and each holder agreed in the indenture to treat the debentures as indebtedness for U.S. federal income tax purposes that is subject to the special regulations governing contingent payment debt instruments. See Material United States Federal Income Tax Considerations beginning on page 43. For a more detailed description of the debentures, see Description of the Debentures beginning on page 16.

The debentures have been designated for inclusion in The PORTAL<sup>®</sup> Market of the National Association of Securities Dealers, Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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**Investing in the debentures involves risks. See Risk Factors beginning on page 7.**

August , 2004

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The distribution of this prospectus and the offering and sale of the debentures or our common stock in certain jurisdictions may be restricted by law. This prospectus does not constitute an offer of, or an invitation to purchase, any of the debentures in any jurisdiction in which such offer or invitation would be unlawful.

This prospectus summarizes certain documents and other information in a manner we believe to be accurate, but we refer you to the actual documents for a more complete understanding of what we discuss in this prospectus. In making an investment decision, you must rely on your own examination of us and the terms of the offering and the debentures or our common stock, including the merits and risks involved.

We are not, and the selling securityholders are not, making any representation to any purchaser of the debentures regarding the legality of an investment in the debentures by the purchaser under any applicable laws or regulations. You should consult your own attorney, accountant, business adviser and tax adviser for legal, tax, business and financial advice regarding an investment in the debentures.

You should rely only on the information contained or incorporated by reference in this prospectus. We have not, and the selling securityholders have not, authorized any person to provide you with different information or to make any representation not contained in, or incorporated by reference into, this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume the information contained in this prospectus is accurate after the date on the front cover of this prospectus or that the information contained in documents incorporated by reference is accurate after the respective dates of filing of the incorporated documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

The selling securityholders reserve the right to withdraw this offering of the debentures and our common stock at any time. The selling securityholders also reserve the right to reject any offer to purchase some or all of the debentures or common stock for any reason and to allot to any prospective investor less than the full amount of debentures sought by the investor.

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**FORWARD-LOOKING INFORMATION**

The Private Securities Litigation Reform Act of 1995 provides safe harbor provisions for forward-looking information. Forward-looking information is based on projections and estimates, not historical information. Some statements in prospectus and the documents incorporated by reference herein are forward-looking and use words like may, believe, expect, plan, anticipate, estimate and other expressions. We also provide oral or written forward-looking information in other materials we release to the public. Forward-looking information involves risks and uncertainties and reflects our best judgment based on then current information. Our financial condition and results of operations can be affected by inaccurate assumptions we make or by known or unknown risks and uncertainties. In addition, other factors may affect the accuracy of our forward-looking information. As a result, no forward-looking information can be guaranteed. Actual events and the results of operations may vary materially. While it is not possible to identify all factors, we continue to face many risks and uncertainties that could cause actual results to differ from our forward-looking statements, including the risks described in Risk Factors , in our Annual Report on Form 10-K for the year ended December 31, 2003 and in our Quarterly Reports on Form 10-Q for the three months ended March 31, 2004 and June 30, 2004.

We do not assume any responsibility to publicly update any of our forward-looking statements regardless of whether factors change as a result of new information, future events or for any other reason. You should review any additional disclosures we make in our press releases and Forms 10-K, 10-Q and 8-K filed with the SEC.

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**WHERE YOU CAN FIND MORE INFORMATION**

We are subject to the information requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the rules and regulations thereunder, and accordingly file periodic reports, proxy and information statements and other information with the SEC. Materials we file with the SEC may be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, NW, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings are also available to the public over the Internet at the SEC's web site at [www.sec.gov](http://www.sec.gov). In addition, because our common stock is listed on the New York Stock Exchange, reports and other information concerning us can also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005. Our SEC filings also are available free of charge from our web site at [www.lockheedmartin.com](http://www.lockheedmartin.com). Information contained on our web site or any other web site is not incorporated into this prospectus and does not constitute a part of this prospectus.

We are incorporating by reference into this prospectus certain information we file with the SEC, which means we are disclosing important information to you by referring you to those documents. The following documents we filed with the SEC are incorporated into this prospectus by reference:

(1) our Annual Report on Form 10-K for the year ended December 31, 2003;

(2) our Quarterly Reports on Form 10-Q for the three months ended March 31, 2004 and June 30, 2004;

(3) our Current Reports on Form 8-K filed February 13, 2004, March 2, 2004, March 3, 2004, March 11, 2004, March 12, 2004, April 7, 2004, June 28, 2004 and July 27, 2004; and

(4) the description of our common stock, \$1.00 par value per share, contained in our Registration Statement on Form 8-B, filed with the Commission pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the Exchange Act) (as amended on Form 8-B/A filed on March 9, 1995), and any amendment or report filed for the purpose of updating such description.

All documents we file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and prior to the termination of the shelf registration statement are also incorporated by reference in this prospectus. Information incorporated by reference is considered to be a part of this prospectus, and later information filed with the SEC prior to the termination of the offering will automatically update and supersede information in this prospectus and in our other filings with the SEC. Information we elect to furnish to but not file with the SEC in accordance with SEC rules and regulations is not incorporated into this prospectus and does not constitute part of this prospectus.

We will provide without charge upon written or oral request, a copy of any and all of the documents that have been or may be incorporated by reference, except that exhibits to such documents will not be provided unless they are specifically incorporated by reference into such documents. Requests for copies of any such document should be directed to:

Lockheed Martin Corporation

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6801 Rockledge Drive

Bethesda, Maryland 20817

Attention: Corporate Secretary

Telephone: (301) 897-6000

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In this prospectus, Lockheed Martin Corporation, Lockheed Martin, we, us and our refer to Lockheed Martin Corporation and its subsidiaries unless the context requires or this prospectus states otherwise.

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**SUMMARY**

*The following summary should be read together with the information contained in other parts of this prospectus and the documents we incorporate by reference. You should carefully read this prospectus and the documents we incorporate by reference to fully understand the terms of the debentures as well as the tax and other considerations that are important to you in making a decision about whether to invest in the debentures and the common stock issuable upon their conversion.*

**ABOUT LOCKHEED MARTIN**

**General Description of Business**

We principally research, design, develop, manufacture, integrate and operate advanced technology systems, products and services. We serve customers in domestic and international defense, civil and commercial markets, with our principal customers being agencies of the United States Government.

In 2003, approximately 78% of our net sales were made to the United States Government, either as a prime contractor or as a subcontractor. Approximately 16% of our net sales in 2003 were made to foreign governments (including foreign military sales). The remaining net sales in 2003 were made to commercial customers (mainly launch services, satellites and information technology services).

We operate in five principal business areas. Following is a brief description of the activities of each business area:

**Aeronautics** Engaged in the design, research and development, systems integration, production and support of advanced military aircraft and related technologies. Its customers include the military services of the United States and allied countries throughout the world. Major products and programs include the F-16 multi-role fighter, F/A-22 air dominance and strike fighter, F-35 Joint Strike Fighter, Japanese F-2 combat aircraft, Korean T-50 advanced trainer, C-130 and C-130J tactical airlift aircraft, C-5 strategic airlift aircraft and support for the F-117 stealth fighter and special mission and reconnaissance aircraft (e.g., Big Safari modifications, the P-3 Orion, S-3 Viking and U-2).

**Electronic Systems** Engaged in the design, development, integration and production of high performance systems for undersea, shipboard, land and airborne applications. Major product lines include missiles and fire control systems; air and theater missile defense systems; surface ship and submarine combat systems; anti-submarine and undersea warfare systems; avionics and ground combat vehicle integration; radars; platform integration services; homeland security systems; surveillance and reconnaissance systems; advanced aviation management, security and information technology solutions; simulation and training systems; and postal automation systems.

**Space Systems** Engaged in the design, development, engineering and production of satellites, missile defense systems and launch services. The satellite product line includes both government and commercial satellites. Missile defense systems include airborne and missile defense technologies and fleet ballistic missiles. Launch services include launches on Titan IV, Atlas and Proton launch vehicles, and also include the Space Shuttle's external tank. In addition, the segment has investments in joint ventures that are principally engaged in businesses that

complement and enhance other activities of the segment.

***Integrated Systems & Solutions*** Engaged in the design, development, integration and management of network-centric solutions supporting the intelligence, surveillance and reconnaissance activities of the U.S. Department of Defense and other federal agencies. Our focal point is providing an interconnected set of capabilities for gathering, processing, storing and delivery of on-demand information for mission management, modeling and simulation. The segment also includes the capabilities to develop, test and demonstrate advanced collaborative operational concepts with our customers.

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***Information & Technology Services*** Engaged in a wide array of information management, engineering, scientific and logistic services to federal agencies and other customers. Major product lines include complete life-cycle software support; information systems development; information assurance and enterprise integration for the U.S. Department of Defense and civil government agencies; aircraft and engine maintenance and modification services; management, operation, maintenance, training and logistics support for military, homeland security and civilian systems; launch, mission and analysis services for military, classified and commercial satellites; engineering, science and information services for NASA; and research, development, engineering and science in support of nuclear weapons stewardship and naval reactor programs.

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We are a Maryland corporation formed in March 1995 by combining the businesses of Lockheed Corporation and Martin Marietta Corporation. Our principal executive offices are located at 6801 Rockledge Drive, Bethesda, Maryland 20817, and our telephone number at that address is (301) 897-6000.

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**SUMMARY OF THE OFFERING**

For a more complete description of the terms of the debentures and the common stock issuable upon conversion of the debentures, see Description of the Debentures and Description of Capital Stock.

Issuer	Lockheed Martin Corporation
Debentures	\$1,000,000,000 aggregate original principal amount of Floating Rate Convertible Senior Debentures due 2033.
Maturity	August 15, 2033
Payment at Maturity	<p>On August 15, 2033, the stated maturity date of the debentures, a holder will receive the accreted principal amount per debenture, which will be equal to the original principal amount of \$1,000 per debenture increased daily by a variable yield, which until August 14, 2008 will be 0% per annum and beginning on</p> <p>August 15, 2008 will be reset quarterly to a rate of 3-month LIBOR minus 0.25% per annum. Regardless of the level of 3-month LIBOR, however, this yield will never be less than 0% per annum.</p>
Interest	<p>The debentures bear regular interest at an annual rate equal to 3-month LIBOR, reset quarterly, minus 0.25%, which initially was 0.88688%; provided that such rate will never be less than 0% per annum. Regular interest is payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, each an interest payment date, beginning November 15, 2003, until August 15, 2008. After August 15, 2008, we will not pay regular interest on the debentures prior to maturity. We will also pay contingent interest and additional interest on the debentures under the circumstances described in this prospectus.</p>
Ranking	The debentures are unsecured and rank equally in right of payment with all of our other existing and future unsecured and unsubordinated indebtedness. The debentures are effectively subordinated to existing and future indebtedness and other liabilities of our subsidiaries and to any of our existing and future secured indebtedness.
Contingent Interest	<p>We will make additional payments of interest, referred to in this prospectus as contingent interest, for any three-month interest period from and including each interest payment date to but excluding the next interest payment date, beginning with the three-month interest period commencing on August 15, 2008, if the average trading price of the debentures for the applicable five trading day reference period equals or exceeds 120% of the accreted principal amount of the debentures. We will pay contingent interest on the interest payment date immediately following the applicable three-month interest period. The amount of contingent interest payable per debenture in respect of any three-month interest period is equal to 0.125% of the average trading price of a debenture for the applicable five trading day reference period. The five trading day reference period means the five trading days ending on the second trading day immediately preceding the relevant three-month interest period. For more information about contingent interest, see Description of the Debentures Contingent Interest.</p>

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Conversion Rights

Holders may convert their debentures into shares of our common stock under any of the following circumstances:

(1) during any calendar quarter commencing prior to August 15, 2028 (and only during such calendar quarter) if the last reported sale price of our common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous calendar quarter, is greater than or equal to 130% of the applicable conversion price,

(2) at any time after August 15, 2028 and prior to maturity, if the last reported sale price of our common stock is greater than or equal to 130% of the applicable conversion price on any day after August 15, 2028,

(3) during the 5 business day period after any 5 consecutive trading days in which the trading price per debenture for each day of that period is less than 98% of the product of the last reported sale price of our common stock and the conversion rate of the debentures on each such day, provided that if the price of our common stock issuable upon conversion is between 100% and 130% of the conversion price, then holders are entitled to receive upon conversion only the value of the accreted principal amount of the debentures converted plus accrued and unpaid interest, including contingent interest and additional interest, if any,

(4) if the debentures have been called for redemption,

(5) upon the occurrence of specified corporate transactions described under Description of the Debentures Conversion Rights Conditions to Conversion Conversion Upon Specified Corporate Transactions or

(6) during any period in which the credit rating assigned to the debentures by either Moody's Investor Services and its successors ( Moody's ) or Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. and its successors ( S&P ) is lower than Ba1 or BB+, respectively, or the debentures are no longer rated by at least one of S&P or Moody's.

For each \$1,000 original principal amount of debentures surrendered for conversion, you will receive 13.1939 shares of our common stock. This represents an initial conversion price of \$75.79 per share of common stock. As described in this prospectus, the conversion rate may be adjusted for certain reasons, but it will not be adjusted for accrued and unpaid interest or for accretion of the principal amount of the debentures. Except as otherwise described in this prospectus, you will not receive any payment representing accrued and unpaid interest or accretion upon conversion of a debenture.

Upon conversion, we have the right to deliver, in lieu of shares of our common stock, cash or a combination of cash and shares of our common stock. See Description of the Debentures Conversion Rights Payment Upon Conversion.

Debentures called for redemption may be surrendered for conversion prior to the close of business on the business day immediately preceding the redemption date.

Optional Redemption

Prior to August 15, 2008, the debentures are not redeemable. On or after August 15, 2008, we may redeem for cash all or part of the debentures at any time, upon not less than 20 nor more than 60 days notice before the redemption date, by

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	<p>mail to the trustee, the paying agent and each holder of debentures, for a price equal to 100% of the accreted principal amount of the debentures to be redeemed plus any accrued and unpaid interest, including contingent interest and additional interest, if any, to, but not including, the redemption date. See Description of the Debentures Optional Redemption.</p>
Purchase of Debentures by Us at the Option of the Holder	<p>Holders have the right to require us to purchase all or any portion of their debentures for cash on August 15, 2008, August 15, 2013, August 15, 2018, August 15, 2023 and August 15, 2028. In each case, we will pay a purchase price equal to 100% of the accreted principal amount of the debentures to be purchased plus any accrued and unpaid interest, including contingent interest and additional interest, if any, to, but not including, such purchase date. See Description of the Debentures Purchase of Debentures by Us at the Option of the Holder.</p>
Fundamental Change	<p>If we undergo a Fundamental Change (as defined under Description of the Debentures Fundamental Change Requires Purchase of Debentures by Us at the Option of the Holder ), holders have the right, at their option, to require us to purchase for cash all or any portion of their debentures. The cash price we are required to pay is equal to 100% of the accreted principal amount of the debentures to be purchased plus accrued and unpaid interest, including contingent interest and additional interest, if any, to, but not including, the Fundamental Change purchase date. See Description of the Debentures Fundamental Change Requires Purchase of Debentures by Us at the Option of the Holder.</p>
Use of Proceeds	<p>We will not receive any proceeds from the sale by selling securityholders of the debentures or the shares of common stock issuable upon conversion of the debentures.</p>
Trustee, Paying Agent and Conversion Agent	<p>The Bank of New York.</p>
Risk Factors	<p>You should consider carefully all of the information set forth and incorporated by reference in this prospectus and, in particular, you should evaluate the specific factors set forth under Risk Factors beginning on page 7, before deciding whether to invest in the debentures.</p>
U.S. Federal Income Tax Considerations	<p>Under the indenture governing the debentures we and each holder have agreed to treat the debentures as contingent payment debt instruments for U.S. federal income tax purposes. As a holder of debentures, you agree to accrue interest income on a constant yield to maturity basis at a rate comparable to the rate at which we would borrow in a noncontingent, nonconvertible, fixed rate borrowing (subject to certain adjustments). We have determined this rate to be 6.52%, compounded quarterly. It is likely that you will recognize taxable income in each year under the contingent payment debt regulations significantly in excess of interest payments (including contingent interest payments) actually received during that year. Additionally, you are generally required to recognize, as ordinary interest income, any gain realized on a sale, exchange, conversion, redemption or repurchase of the debentures. In the case of a conversion, this gain is measured by reference to the amount of cash and fair market value of stock received. A summary of the United States federal income tax considerations of ownership of</p>

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the debentures and our common stock is described in this prospectus under the heading "Material United States Federal Income Tax Considerations." Prospective investors should consult their own tax advisors as to the United States federal, state, local or other tax consequences of acquiring, owning and disposing of the debentures and our common stock.

Governing Law

The debentures are governed by, and construed in accordance with, the laws of the State of New York.

Book-Entry Form

The debentures were issued in book-entry form and are represented by permanent global certificates deposited with, or on behalf of, The Depository Trust Company ( "DTC" ) and registered in the name of a nominee of DTC. Beneficial interests in any of the debentures are shown on, and transfers are effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.

Trading

The debentures are not listed on any securities exchange or included in any automated quotation system. No assurance can be given as to the development or liquidity of any trading market for the debentures. Our common stock is listed on the New York Stock Exchange under the symbol "LMT."

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**RISK FACTORS**

In considering whether to purchase the debentures or the common stock issuable upon conversion of the debentures, you should carefully consider the risks described below and the other information we have included or incorporated by reference in this prospectus.

**Risks Related to Our Business**

***We rely heavily on sales to the U.S. Government.***

We derive approximately 80% of our revenue from sales to the U.S. Government. We expect that U.S. Government sales will be the primary source of our revenue for the foreseeable future. Our ability to compete successfully for and retain business is highly dependent on technical excellence, management proficiency, strategic alliances, cost-effective performance and the ability to recruit and retain key personnel. U.S. Government programs are subject to uncertain future funding levels, which can result in the extension or termination of programs. Our business is also highly sensitive to changes in national and international priorities and U.S. Government budgets. Events like Operation Iraqi Freedom, the continued war on terrorism and nuclear proliferation in North Korea may positively or adversely affect funding for our programs or result in changes in U.S. Government programs or spending priorities.

***Our U.S. Government contracts may be terminated at any time and may contain other unfavorable provisions.***

The U.S. Government typically can terminate or modify any of its contracts with us either for its convenience or if we default by failing to perform under the terms of the applicable contract. A termination arising out of our default could expose us to liability and have a material adverse effect on our ability to re-compete for future contracts and orders.

In addition, our U.S. Government contracts typically span one or more base years and multiple option years. U.S. Government agencies generally have the right to not exercise these option periods and may not exercise an option period if the agency is not satisfied with our performance of the contract. If any of our contracts are terminated by the U.S. Government, our backlog would be reduced by the expected value of the remaining terms of such contracts and our financial condition and operating results could be materially adversely affected. In addition, on those contracts for which we are teamed with others and are not the prime contractor, the U.S. Government could terminate a prime contract under which we are a subcontractor, irrespective of the quality of our services as a subcontractor.

In addition to unfavorable termination provisions, our U.S. Government contracts contain provisions that allow the U.S. Government to unilaterally suspend us from receiving new contracts pending resolution of alleged violations of procurement laws or regulations, reduce the value of existing contracts, issue modifications to a contract and control and potentially prohibit the export of our products, services and associated materials.

***As a U.S. Government contractor, we are subject to a number of procurement rules and regulations.***

We must comply with and are affected by laws and regulations relating to the formation, administration and performance of U.S. Government contracts. These laws and regulations, among other things:

require certification and disclosure of all cost and pricing data in connection with contract negotiations,

impose accounting rules that define allowable and unallowable costs and otherwise govern our right to reimbursement under certain cost-based U.S. Government contracts and

restrict the use and dissemination of information classified for national security purposes and the exportation of certain products and technical data.

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These laws and regulations affect how we do business with our customers, and in some instances, impose added costs on our business. A violation of specific laws and regulations could result in the imposition of fines and penalties or the termination of our contracts.

*Our business could be adversely affected by a negative audit by the U.S. Government.*

U.S. Government agencies such as the Defense Contract Audit Agency, or the DCAA, routinely audit and investigate government contractors. These agencies review a contractor's performance under its contracts, cost structure and compliance with applicable laws, regulations and standards. The DCAA also reviews the adequacy of, and a contractor's compliance with, its internal control systems and policies, including the contractor's purchasing, property, estimating, compensation and management information systems. Any costs found to be improperly allocated to a specific contract will not be reimbursed, while such costs already reimbursed must be refunded. If an audit uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from doing business with the U.S. Government. In addition, we could suffer serious reputational harm if allegations of impropriety were made against us.

*Developing new technologies entails significant risks and uncertainties.*

We are exposed to liabilities that are unique to the products and services we provide. A significant portion of our business relates to designing, developing and manufacturing advanced defense and technology systems and products. New technologies may be untested or unproven. Components of certain of the defense systems and products we develop are explosive and inherently dangerous. Failures of launch vehicles, spacecraft and satellites, missile systems, air-traffic control systems, train-control systems, homeland security applications, nuclear facilities and aircraft have the potential to cause loss of life and extensive property damage. We may face liabilities related to the maintenance or servicing of aircraft or other platforms or for training services we supply in the course of our business. In addition, from time-to-time, we have employees deployed on-site at active military installations or locations. In some, but not all, circumstances, we may receive indemnification from the U.S. Government. While we maintain insurance for certain risks, the amount of our insurance coverage may not be adequate to cover all claims or liabilities, and we may be forced to bear substantial costs from an accident. It also is not possible to obtain insurance to protect against all operational risks and liabilities.

Substantial claims resulting from an accident in excess of Government indemnity and our insurance coverage could harm our financial condition and operating results. Moreover, any accident or incident for which we are liable, even if fully insured, could negatively affect our reputation among our customers and the public, thereby making it more difficult for us to compete effectively, and could significantly impact the cost and availability of adequate insurance in the future.

We have a continuing need for numerous skilled and professional personnel to meet contract schedules and obtain new and ongoing orders for our products. The demand for workers with specialized engineering and technical skills within the defense and aerospace industries is likely to remain high for the foreseeable future, while the pool of trained individuals with those skills has been declining. As a result, we will be competing with other companies with similar needs in hiring skilled employees and we may incur increased labor, recruiting or training costs so as to have access to the required skills.

*Cost over-runs on our contracts could subject us to losses or adversely affect our future business.*

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Under fixed-price contracts, we receive a fixed price irrespective of the actual costs we incur, and consequently, any costs in excess of the fixed price are absorbed by us. Under time and materials contracts, we are paid for labor at negotiated hourly billing rates and for certain expenses. Under cost reimbursement contracts, which are subject to a contract-ceiling amount, we are reimbursed for allowable costs and paid a fee, which may be fixed or performance based. However, if our costs exceed the contract ceiling or are not allowable under the

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provisions of the contract or applicable regulations, we may not be able to obtain reimbursement for all such costs. Under each type of contract, if we are unable to control costs we incur in performing under the contract, our financial condition and operating results could be materially adversely affected. Cost over-runs also may adversely affect our ability to sustain existing programs and obtain future contract awards.

*Our earnings and margins may vary based on the mix of our contracts and programs.*

Our backlog includes both cost reimbursement and fixed-price contracts. Cost reimbursement contracts generally have lower profit margins than fixed-price contracts. Production contracts are mainly fixed-price contracts, and developmental contracts are generally cost reimbursement contracts. Our earnings and margins may vary materially depending on the types of long-term government contracts undertaken, the costs incurred in their performance, the achievement of other performance objectives and the stage of performance at which the right to receive fees, particularly under incentive and award fee contracts, is finally determined.

*If our subcontractors or suppliers fail to perform their contractual obligations, our prime contract performance and our ability to obtain future business could be materially and adversely impacted.*

Many of our contracts involve subcontracts with other companies upon which we rely to perform a portion of the services we must provide to our customers. There is a risk that we may have disputes with our subcontractors, including disputes regarding the quality and timeliness of work performed by the subcontractor, customer concerns about the subcontractor, our failure to extend existing task orders or issue new task orders under a subcontract or our hiring of personnel of a subcontractor. A failure by one or more of our subcontractors to satisfactorily provide on a timely basis the agreed-upon supplies or perform the agreed-upon services may materially and adversely impact our ability to perform our obligations as the prime contractor. Subcontractor performance deficiencies could result in a customer terminating our contract for default. A default termination could expose us to liability and have a material adverse effect on our ability to compete for future contracts and orders. In addition, a delay in our ability to obtain components and equipment parts from our suppliers may affect our ability to meet our customers' needs and may have an adverse effect upon our profitability.

*We use estimates in accounting for most programs. Changes in our estimates could adversely affect our future financial results.*

Contract and program accounting require judgment relative to assessing risks, estimating contract revenues and costs and making assumptions for schedule and technical issues. Due to the size and nature of many of our contracts, the estimation of total revenues and cost at completion is complicated and subject to many variables. Assumptions have to be made regarding the length of time to complete the contract because costs also include expected increases in wages and prices for materials. Incentives or penalties related to performance on contracts are considered in estimating sales and profit rates and are recorded when there is sufficient information for us to assess anticipated performance. Estimates of award fees are also used in estimating sales and profit rates based on actual and anticipated awards.

Because of the significance of the judgments and estimation processes described above, it is likely that materially different amounts could be recorded if we used different assumptions or if the underlying circumstances were to change. Changes in underlying assumptions, circumstances or estimates may adversely affect future period financial performance.

*The level of returns on pension and retirement plan assets could affect our earnings in future periods.*

Our earnings may be positively or negatively impacted by the amount of income or expense we record for our employee benefit plans. This is particularly true with income or expense for our pension plans. Generally accepted accounting principles (GAAP) require that we calculate income or expense for the plans using actuarial valuations. These valuations are based on assumptions that we make relating to financial market and other

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economic conditions. Changes in key economic indicators can result in changes in the assumptions we use. The key year-end assumptions used to estimate pension income or expense for the following year are the discount rate, the expected long-term rate of return on plan assets and the rate of increase in future compensation levels. For a discussion regarding how our financial statements can be affected by pension plan accounting policies, see Management's Discussion and Analysis Critical Accounting Policies Post-Retirement Benefit Plans on page 51 of our 2003 Form 10-K.

### ***Declines in the value of our equity investments may affect our future earnings or stockholders' equity.***

We have investments in equity securities of several companies. We review these investments each quarter to evaluate our ability to recover our investments. We record an impairment charge if the fair value of the investment has declined below our carrying value and that decline is viewed to be other than temporary. We estimate the fair values based on market prices when available and other valuation methods (e.g., discounted cash flow analyses, sum-of-the-parts valuations and trading multiples). In estimating fair value, we are required to exercise judgment. Changes in our assumptions could affect the fair value.

Many of our investments are concentrated in the satellite services and telecommunications industries. These industries continue to be adversely affected by the capital markets, excess satellite capacity and competition from other kinds of telecommunications services, including fiber optic cable and other wireless communication technologies. Realization of the value of our equity investments, or related equity earnings for a given period, may be affected by the ability of the companies to successfully execute their business plans, the availability of funding, industry considerations specific to each company's business, general economic conditions and other factors.

### ***International sales pose potentially greater risks.***

Our international business (mainly foreign military sales to various governments in Europe, Asia and the Middle East) tends to have more risk than our domestic business due to the greater potential for changes in foreign economic and political environments. Our business is also highly sensitive to changes in foreign national priorities and government budgets. International transactions frequently involve increased financial and legal risks arising from stringent contractual terms and conditions and the widely differing legal systems and customs in foreign countries. Our contracts, however, generally are denominated in U.S. dollars.

### ***Economic conditions and the outcome of legal proceedings could adversely affect our business.***

General economic conditions and trends can and do affect our businesses. Our business may be adversely affected by the outcome of legal proceedings and other contingencies, which cannot be predicted with certainty. For further discussion, see our Annual Report on Form 10-K for the year ended December 31, 2003, under the headings Legal Proceedings and Note 15 Commitments and Contingencies.

## **Risks Related to the Debentures**

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*From time to time our stock price has been volatile and it may be volatile in the future. The price of our common stock, and therefore the price of the debentures, may fluctuate significantly, which may make it difficult for holders to resell the debentures or the shares of our common stock issuable upon conversion of the debentures when desired or at attractive prices.*

We expect our stock price to be subject to fluctuations as a result of a variety of factors, including factors beyond our control. These factors include:

quarterly fluctuations in our operating and financial results,

changes in financial estimates and recommendations by financial analysts,

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changes in the ratings of our debentures or other securities,

developments related to litigation or regulatory proceedings involving us,

fluctuations in the stock price and operating results of our competitors,

dispositions, acquisitions and financings,

changes in the budget priorities of the U.S. Government or in the overall level of defense spending by the U.S. Government and

general conditions in the industries in which we operate.

In addition, the stock markets in general, including the New York Stock Exchange, recently have experienced significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may affect adversely the market prices of our common stock. Because the debentures are convertible into shares of our common stock, volatility or depressed prices for our common stock could have a similar effect on the trading price of the debentures. Holders who receive common stock upon conversion also will be subject to the risk of volatility and depressed prices of our common stock.

***The trading prices for the debentures will be directly affected by the trading prices for our common stock, which are impossible to predict.***

We expect that the trading price of the debentures in the secondary market will be significantly affected by the trading price of our common stock, the general level of interest rates and our credit quality. This may result in greater volatility in the trading prices of the debentures than would be expected for nonconvertible debt securities.

It is impossible to predict whether the price of our common stock or interest rates will rise or fall. Trading prices of our common stock will be influenced by our operating results and prospects and by economic, financial, regulatory and other factors. In addition, general market conditions, including the level of, and fluctuations in, the trading prices of stocks generally, and sales of substantial amounts of common stock by us in the market after the offering of the debentures, or the perception that such sales may occur, could affect the price of our common stock.

The price of our common stock also could be affected by possible sales of our common stock by investors who view the debentures as a more attractive means of equity participation in our company and by hedging or arbitrage trading activity that we expect to develop involving our common stock as a result of the issuance of the debentures. The hedging or arbitrage could, in turn, affect the trading prices of the debentures.

***The conditional conversion feature of the debentures could result in you receiving less than the value of the common stock into which a debenture would otherwise be convertible.***

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The debentures are convertible into shares of our common stock only if specified conditions are met. If the specific conditions for conversion are not met, you will not be able to convert your debentures, and you may not be able to receive the value of the common stock into which the debentures would otherwise be convertible.

***Conversion of the debentures will dilute the ownership interest of existing stockholders, including holders who had previously converted their debentures.***

The conversion of some or all of the debentures will dilute the ownership interests of existing stockholders. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the debentures may encourage short selling by market participants because the conversion of the debentures could depress the price of our common stock.

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### ***An active trading market may not develop for the debentures.***

The debentures and the common stock issuable upon conversion thereof have not been registered under the Securities Act or any state securities laws. Accordingly, the debentures and the common stock issuable upon conversion thereof may only be offered, transferred and resold pursuant to an exemption from the registration requirements of the Securities Act and applicable state securities laws or pursuant to an effective registration statement.

The debentures are a new issue of securities with no established trading market and will not be listed on any securities exchange. Each of the initial purchasers has informed us that it intends to make a market in the debentures after this offering is completed. However, the initial purchasers are not obligated to do so and may cease their market-making at any time. In addition, such market-making activity will be subject to limits imposed by the Securities Act and the Exchange Act and may be limited during the pendency of the effectiveness of a shelf registration statement or any post-effective amendment. Although under the registration rights agreement we are required to use our reasonable best efforts to have the shelf registration statement declared effective by the SEC, we cannot assure you that an active trading market for the debentures will develop. If an active trading market does not develop, the market price and liquidity of the debentures may be adversely affected.

### ***We may not have the ability to raise the funds necessary to purchase the debentures upon a Fundamental Change or other purchase date, as required by the indenture governing the debentures.***

On August 15, 2008, August 15, 2013, August 15, 2018, August 15, 2023 and August 15, 2028, holders of the debentures may require us to purchase their debentures for cash. In addition, holders of the debentures also may require us to purchase their debentures upon a Fundamental Change as described under [Description of the Debentures](#) [Fundamental Change Requires Purchase of Debentures by Us at the Option of the Holder](#). A Fundamental Change also may constitute an event of default under, and result in the acceleration of the maturity of, our other indebtedness under another indenture or other indebtedness that we may incur in the future. We cannot assure you that we would have sufficient financial resources, or would be able to arrange financing, to pay the purchase price for the debentures tendered by holders. Failure by us to purchase the debentures when required will result in an event of default with respect to the debentures.

### ***You should consider the United States federal income tax considerations relating to owning the debentures.***

We and each holder have agreed in the indenture to treat the debentures as indebtedness for U.S. federal income tax purposes that is subject to the special regulations governing contingent payment debt instruments (which we refer to as the [Contingent Debt Regulations](#) ). Under the [Contingent Debt Regulations](#), you will be required to include amounts in income in advance of cash received in respect of a debenture and to accrue interest on a constant yield to maturity basis at a rate comparable to the rate at which we would borrow in a noncontingent, nonconvertible, fixed rate borrowing. We have determined this rate to be 6.52%, compounded quarterly. It is likely that you will recognize taxable income in each year under the [Contingent Debt Regulations](#) significantly in excess of cash received while the debentures are outstanding. In addition, you will recognize ordinary interest income upon a sale, exchange, conversion, redemption or repurchase of the debentures at a gain. In computing such gain, the amount realized by you will include, in the case of a conversion, the amount of cash and the fair market value of shares of our common stock received. To understand how this may affect you, you should seek advice from your own tax advisor prior to purchasing these debentures. Please read [Material United States Federal Income Tax Considerations](#) in this prospectus.

You may in certain situations be deemed to have received a distribution subject to U.S. federal income tax as a dividend in the event of any taxable distribution to holders of common stock or in certain other situations requiring a conversion rate adjustment. For non-U.S. holders (as defined) this deemed distribution may be subject to U.S. federal withholding requirements. See [Material United States Federal Income Tax](#)

Considerations.

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*The debentures will be effectively subordinated to existing and future indebtedness and other liabilities of our subsidiaries.*

Although we conduct most of our operations through Lockheed Martin Corporation, we derive certain of our revenues from, and hold some of our assets through, our subsidiaries. As a result, we may rely in part upon distributions and advances from our subsidiaries in order to assist us in meeting our payment obligations under the debentures and our other obligations. In general, these subsidiaries are separate and distinct legal entities and will have no obligation to pay any amounts due on our debt securities, including the debentures, or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or otherwise. Our right to receive any assets of any subsidiary in the event of a bankruptcy or liquidation of the subsidiary, and therefore the right of our creditors to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if we were a creditor of any subsidiary, our rights as a creditor would be subordinated to any indebtedness of that subsidiary senior to that held by us, including secured indebtedness to the extent of the assets securing such indebtedness.

*If you hold debentures, you will not be entitled to any rights with respect to our common stock, but you will be subject to all changes made with respect to our common stock.*

If you hold debentures, you are not entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but you are subject to all changes affecting the common stock. You are only be entitled to rights on the common stock if and when we deliver shares of common stock to you upon conversion of your debentures. For example, in the event that an amendment is proposed to our Charter or Bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to your conversion of debentures, you are not entitled to vote on the amendment, although you are nevertheless subject to any changes in the powers, preferences or special rights of our common stock or other classes of capital stock.

*We may issue additional shares of common stock and thereby materially and adversely affect the price of our common stock.*

Except as described under Plan of Distribution, we are not restricted from issuing additional common stock during the life of the debentures and have no obligation to consider your interests for any reason. If we issue additional shares of common stock, it may materially and adversely affect the price of our common stock and, in turn, the price of the debentures.

*The conversion rate of the debentures may not be adjusted for all dilutive events.*

The conversion rate of the debentures is subject to adjustment for certain events, including but not limited to the issuance of stock dividends on our common stock, the issuance of rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness or assets, certain cash dividends and certain issuer tender or exchange offers as described under Description of the Debentures Conversion Rights Conversion Rate Adjustments. The conversion rate will not be adjusted for other events, such as a third party tender or exchange offer or an issuance of common stock for cash, that may adversely affect the trading price of the debentures or the common stock. There can be no assurance that an event that adversely affects the value of the debentures, but does not result in an adjustment to the conversion rate, will not occur.

*The debentures do not restrict our ability to incur additional debt or to take other actions that could negatively impact holders of the debentures.*

We are not restricted under the terms of the indenture and the debentures from incurring additional indebtedness or securing indebtedness other than the debentures. In addition, the debentures do not require us to achieve or maintain any minimum financial results relating to our financial position or results of operations. Our

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ability to recapitalize, incur additional debt, secure existing or future debt and take a number of other actions that are not limited by the terms of the indenture and the debentures could have the effect of diminishing our ability to make payments on the debentures when due. In addition, we are not restricted from repurchasing subordinated indebtedness or common stock by the terms of the indenture and the debentures. If the initial purchasers exercise their option to purchase additional debentures, or if we issue other debt securities in the future, our debt service obligations will increase.

*We may issue preferred stock whose terms could adversely affect the voting power or value of our common stock.*

Our Charter authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such preferences, powers and relative, participating, optional and other rights, including preferences over our common stock respecting dividends and distributions, as our board of directors may determine. The terms of one or more classes or series of preferred stock could adversely impact the voting power or value of our common stock which the debentures are convertible into thereby adversely affecting the value of the debentures. For example, we might afford holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of our common stock which the debentures are convertible into, thereby adversely affecting the value of the debentures.

*Provisions of Maryland law and our Charter could delay or prevent a change in control of us, even if that change would be beneficial to our stockholders.*

We are incorporated under the laws of the State of Maryland. Maryland law and the provisions of our Charter impose some restrictions on mergers and other business combinations between us and holders of 10% or more of our outstanding common stock and, in some circumstances, holders of 5% or more of our common stock. In addition, Maryland law and our Charter authorize our board of directors to take certain actions that could delay or prevent a change in control of us, even if that change would be beneficial to our stockholders. Since the debentures are convertible into our common stock this could adversely affect the value of the debentures.

**Table of Contents****RATIO OF EARNINGS TO FIXED CHARGES**

We have presented in the table below our historical consolidated ratio of earnings to fixed charges for the periods shown.

<b>Six Months Ended</b>		<b>Years Ended December 31</b>				
<b>June 30</b>						
<b>2004</b>	<b>2003</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
4.6	3.4	3.8	1.9	1.3	1.2	2.4

Our computation of the ratio of earnings to fixed charges includes our consolidated subsidiaries and companies in which we own at least 20% but less than 50% of the equity. Earnings are determined by adding total fixed charges, excluding interest capitalized, to earnings from continuing operations before income taxes, eliminating equity in undistributed earnings and adding back losses of companies in which we own at least 20% but less than 50% of the equity. Total fixed charges consists of interest on all indebtedness, amortization of debt discount or premium, interest capitalized and an interest factor attributable to rents.

**USE OF PROCEEDS**

We will not receive any proceeds from the sale by the selling securityholders of the debentures or the shares of common stock issuable upon conversion of the debentures.

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**DESCRIPTION OF THE DEBENTURES**

The following description of the debentures is only a summary and is not intended to be comprehensive. For purposes of this Description of the Debentures, the terms Lockheed Martin, we, our, ours and us refer only to Lockheed Martin Corporation and not to any of our subsidiaries.

**General**

We issued the debentures on August 13, 2003 under an indenture