

LOCKHEED MARTIN CORP

Form DEF 14A

March 20, 2002

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

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

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

- Definitive Additional Materials
 - Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

Lockheed Martin Corporation

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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(1) Amount previously paid:

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

(3) Filing party:

(4) Date filed:

Lockheed Martin Corporation
6801 Rockledge Drive Bethesda, MD 20817
Vance D. Coffman
Chairman and
Chief Executive Officer

March 20, 2002

Dear Fellow Stockholders:

I hope you will plan to attend Lockheed Martin's 2002 Annual Meeting of Stockholders, which will be held at 10:30 a.m. on Thursday, April 25, 2002 at the San Diego Marriott Hotel, 333 W. Harbor Drive, San Diego, California. You are invited to join the Board of Directors and representatives of senior management at a reception beginning at 10:00 a.m. For stockholders not able to join us in person, I invite you to listen in to the Annual Meeting, which will be webcast through the Lockheed Martin website, www.lockheedmartin.com/investor.

At the meeting, I'll report to you on Lockheed Martin's 2001 performance. The meeting will also include discussion and voting on matters set forth in the accompanying Notice of Annual Meeting and Proxy Statement. We will also say good-bye to our colleagues James F. Gibbons and Caleb B. Hurtt, who will be retiring from the Board of Directors following this year's Annual Meeting. Their contributions to Lockheed Martin have been extensive and they will be truly missed.

Your vote is important. Please be sure your shares are represented at the meeting by returning your voting instructions. Please alert us to your planned attendance at the meeting by marking the appropriate box on the proxy solicitation/voting instruction card, or by indicating your plans when you cast your vote by internet or telephone.

I look forward to seeing you in San Diego.

Sincerely,

Vance D. Coffman

LOCKHEED MARTIN CORPORATION

6801 Rockledge Drive

Bethesda, Maryland 20817

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TIME	10:30 a.m. Pacific time (Stockholder reception begins at 10:00 a.m.) Thursday, April 25, 2002
PLACE	San Diego Marriott Hotel 333 W. Harbor Drive San Diego, California 92101-7700
WEBCAST	A live webcast of the Annual Meeting will feature audio of management presentations, and video of presentation charts. The webcast can be accessed on the Lockheed Martin website, www.lockheedmartin.com/investor .
ITEMS OF BUSINESS	(1) Election of directors to serve on the Board for a one-year term ending at next year's annual meeting. (2) Ratification of the appointment of Ernst & Young LLP as our independent auditors for this year. (3) Five stockholder proposals shown and discussed in the accompanying proxy statement. (4) Consideration of any other matters which may properly come before the meeting.
RECORD DATE	Holders of Lockheed Martin Corporation common stock of record at the close of business on March 4, 2002, are entitled to vote at the meeting.
ANNUAL REPORT	The Corporation's 2001 annual report, which is not part of the proxy soliciting materials, is enclosed.
PROXY VOTING	It is important that your shares be represented and voted at the meeting. You can vote your shares by completing and returning the proxy card sent to you. Most stockholders can also vote their shares over the internet or by telephone. If internet or telephone voting is available to you, voting instructions are printed on the proxy card sent to you.

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

March 20, 2002

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

Stockholders wishing to view future annual reports and proxy statements over the internet rather than receiving copies in the mail should complete the online consent form at <http://www.econsent.com/lmt>. Your request for electronic transmission will remain in effect for all future annual reports and proxy statements unless it is withdrawn through written notification to EquiServe Trust Company, N.A., (P. O. Box 2500, Jersey City, New Jersey 07303-2500).

Requests for Written Copies of 2001 Annual Report

We will provide without charge a copy of our Annual Report on Form 10-K for the year ended December 31, 2001, filed with the Securities and Exchange Commission upon the written request of any record holder or beneficial owner of common stock entitled to vote at the Annual Meeting of Stockholders. Requests should be mailed to James R. Ryan, Vice President Investor Relations, Lockheed Martin Corporation, 6801 Rockledge Drive, Bethesda, Maryland 20817, by calling Lockheed Martin Shareholder Direct at 1-800-568-9758 or by accessing the Lockheed Martin website at <http://www.lockheedmartin.com/investor>. The Securities and Exchange Commission also maintains a website at <http://www.sec.gov> that contains reports, proxy statements and other information regarding registrants including Lockheed Martin.

Annual Meeting Admission

An admission ticket or proof of ownership (such as a recent brokerage statement or letter from your broker) is required for admission to the meeting. A detachable admission ticket is attached to your proxy solicitation/voting instruction card. Internet voters will be guided to a site where they will be able to print an admission ticket.

GENERAL INFORMATION

Lockheed Martin's Annual Meeting of Stockholders (Annual Meeting) will be held at 10:30 a.m. Pacific time on Thursday, April 25, 2002 at the San Diego Marriott Hotel, 333 W. Harbor Drive, San Diego, California. The purposes of the Annual Meeting are set forth in the Notice of Annual Meeting of Stockholders. Your vote is important.

Our principal executive office is located at 6801 Rockledge Drive, Bethesda, Maryland 20817. This proxy statement, the proxy solicitation/voting instruction card and the notice of the Annual Meeting will be sent to our stockholders commencing March 20, 2002.

VOTING INFORMATION

We are soliciting your vote on the election of directors, ratification of appointment of the independent auditors and five stockholder proposals. Stockholders as of the close of business on the record date, March 4, 2002, are entitled to vote at the Annual Meeting. On March 4, 2002, there were 446,449,541 shares outstanding of Lockheed Martin's common stock, \$1.00 par value per share. Each share outstanding on the record date (including shares held through Direct Invest, our dividend reinvestment and stock purchase plan or through our employee benefit plans) is entitled to one vote on each proposal presented at the Annual Meeting. The number of shares held in your account(s) is included in the proxy sent to you.

How to Vote

You may vote your proxy by internet, telephone or mail, as explained below. Doing so does not limit your right to vote at the Annual Meeting. If your shares are held in the name of a broker, bank or other holder of record, you will be provided voting instructions from the holder of record.

INTERNET: Access the internet voting site at <http://www.eproxyvote.com/lmt>, 24 hours a day. Instructional screen prompts will guide you through the voting process and a confirmation of your voting selections will be required before your vote is recorded.

TELEPHONE: Dial toll free 1-877-779-8683, 24 hours a day (or 1-201-536-8073 toll call outside of U.S.). Voice prompts will guide you through the voting process and a confirmation of voting selections will be required before your vote is recorded.

PROXY SOLICITATION/ VOTING INSTRUCTION CARD (PROXY CARD): Simply mark, date and sign the proxy card and return it to EquiServe Trust Company, N.A. in the postage-paid envelope provided. To vote in accordance with the Board of Directors' recommendations, simply sign and date the proxy card and return it in the postage-paid envelope provided.

VOTING INFORMATION

How to Revoke a Vote

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

Voting Representation and Tabulation

A quorum, or majority of the shares outstanding and entitled to vote, is necessary to conduct the meeting, elect directors and adopt the proposals set forth in the next section. A quorum will be determined by the number of shares represented by persons attending the meeting and by properly executed and returned proxies.

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

Under the rules of the New York Stock Exchange, if your shares are held by a broker, you must give specific voting instructions to the broker on how you wish to vote with regard to election of directors and ratification of appointment of independent auditors described later in this proxy statement, or the broker may vote your shares at his or her discretion. Conversely, the New York Stock Exchange rules do not allow your broker to use his or her discretion to vote on the five stockholder proposals, so without specific instructions from you on how you wish to vote, a broker non-vote may result which has the effect of a negative vote on these proposals.

If you hold shares through one of our defined contribution plans, you may instruct a plan fiduciary on how you wish to vote shares allocated to your account. If you don't provide instructions, your allocated shares will be voted at the applicable plan fiduciary's discretion. In addition, if you are a participant in our Salaried Savings Plan, you will be asked to indicate whether you elect to direct a plan fiduciary as to the voting of a portion of unallocated shares held by the plan's trust. Unallocated shares for which no instructions are received will be voted by a plan fiduciary in the same proportion as unallocated shares for which instructions are received. If you are a plan participant, you will receive separate information from a plan fiduciary concerning how you can instruct the applicable plan fiduciary.

ELECTION OF DIRECTORS

There are eleven nominees for election to the Board of Directors this year, and their biographical information is provided below. Although fewer nominees are named than the number fixed by the Corporation's charter and bylaws, proxies cannot be voted for a greater number of persons than the number of nominees named. Eleven individuals rather than twelve have been nominated because the process of identifying qualified candidates is still ongoing. Candidates identified after the 2002 Annual Meeting will be considered by the Board of Directors as nominees to serve until the 2003 Annual Meeting. Each nominee except Mr. Archibald is currently serving as a director. All directors are elected to a one-year annual term that will end at the 2003 Annual Meeting. If any of the nominees is unable to stand for re-election at the 2002 Annual Meeting (an event which is not anticipated), the Board may reduce its size or designate a substitute. If a substitute is designated, proxies may vote for the substitute nominee or refrain from voting for any other nominee at their discretion.

If any other matters come before the stockholders at the Annual Meeting, the persons holding the proxies will vote in their discretion the shares represented by proxy.

The Board unanimously recommends a vote FOR each of the director-nominees.

Nolan D. Archibald (58)

Nominee for Election April 2002

Chairman of the Board and Chief Executive Officer of The Black & Decker Corporation since 1986, President of The Black & Decker Corporation since 1985, and Chief Operating Officer of The Black & Decker Corporation from 1985 to 1986. Held various management positions at Beatrice Companies, Inc., from 1977 to 1985, including Senior Vice President and President of the Consumer & Commercial Products Group. Director of The Black & Decker Corporation and Brunswick Corporation.

Norman R. Augustine (66)

Director since March 1995

Lecturer with the rank of Professor, Department of Mechanical and Aerospace Engineering, School of Engineering and Applied Science, Princeton University, from September 1997 until July 1999; Chairman of Lockheed Martin from January 1997 until his retirement as Chairman in April 1998, Chief Executive Officer of Lockheed Martin from January 1996 until his retirement in August 1997, Vice Chairman of Lockheed Martin from April 1996 through December 1996, President of Lockheed Martin from March 1995 to June 1996; Chairman and Chief Executive Officer of Martin Marietta Corporation (Martin Marietta) from April 1988 to March 1995, director of Martin Marietta from 1986 to 1995; director of The Black & Decker Corporation, Phillips Petroleum Company and Procter & Gamble Co.

ELECTION OF DIRECTORS

Marcus C. Bennett (66)

Director since March 1995

Executive Vice President and Chief Financial Officer of Lockheed Martin from July 1996 until his retirement in January 1999, Senior Vice President and Chief Financial Officer of Lockheed Martin from March 1995 to July 1996; Vice President and Chief Financial Officer of Martin Marietta from 1988 to 1995; director of Martin Marietta from 1993 to 1995; director of Carpenter Technology, Inc., and Martin Marietta Materials, Inc.

Vance D. Coffman (57)

Director since January 1996

Chairman of Lockheed Martin since April 1998, Chief Executive Officer of Lockheed Martin since August 1997, President of Lockheed Martin from October 1999 until April 2000 and from June 1996 until August 1997, Vice Chairman of Lockheed Martin from August 1997 to April 1998, Chief Operating Officer of Lockheed Martin from January 1996 until August 1997, Executive Vice President of Lockheed Martin from January to June 1996, President and Chief Operating Officer of Lockheed Martin's Space & Strategic Missiles Sector from March 1995 to December 1995; Executive Vice President of Lockheed from 1992 to 1995, and President of Lockheed Space Systems Division from 1988 to 1992; director of Bristol-Myers Squibb Company and 3M.

Gwendolyn S. King (61)

Director since March 1995

President of Podium Prose, a Washington, D.C. speaker's bureau and speechwriting service. Senior Vice President of Corporate and Public Affairs of PECO Energy Company (formerly Philadelphia Electric Company) from October 1992 until her retirement in February 1998; Commissioner of the Social Security Administration from August 1989 to September 1992; director of Martin Marietta from 1992 to 1995; director of Pharmacia Corporation, Monsanto Company, Marsh and McLennan Companies and Countrywide Credit Industries.

Douglas H. McCorkindale (62)

Director since April 2001

Chairman of Gannett Co., Inc. (Gannett) since February 1, 2001, Chief Executive Officer of Gannett since June 1, 2000, President of Gannett since 1997, Vice Chairman of Gannett from 1984 to January 31, 2001, Chief Financial Officer of Gannett from 1979 to 1997, Chief Administrative Officer of Gannett from 1985 to 1997; director of Gannett, Continental Airlines, Inc. and a director or trustee of a number of investment funds in the family of Prudential Mutual Funds.

ELECTION OF DIRECTORS

Eugene F. Murphy (66)

Director since March 1995

Vice Chairman and Executive Officer of General Electric Company from September 1997 to July 1999, President and Chief Executive Officer of GE Aircraft Engines from 1993 to September 1997, President and Chief Executive Officer of GE Aerospace from 1992 to 1993, Senior Vice President of GE Communications & Services from 1986 to 1992; director of Martin Marietta from 1993 to 1995; director of BellSouth Corporation; Chairman, St. Francis Hospital; director of University of Limerick; member of President Reagan's National Security Telecommunications Advisory Committee; former Chairman and permanent member of the Board of Directors of the Armed Forces Communications and Electronics Association.

Frank Savage (63)

Director since March 1995

Chief Executive Officer of Savage Holdings LLC since August 2001; Chairman of Alliance Capital Management International, a division of Alliance Capital Management LP, an investment management company from 1993 to July 31, 2001; Chairman of the Board of Alliance Corporate Finance Group, Inc. since 1993; Senior Vice President of The Equitable Life Assurance Society of the United States from 1987 to 1996; Chairman of the Board of Equitable Capital Management Corporation from 1992 to 1993, Vice Chairman of the Board of Equitable Capital Management Corporation from 1986 to 1992; director of Alliance Capital Management LP, Qualcomm Inc. and Enron Corporation; trustee of Johns Hopkins University and Chairman of the Board of Trustees of Howard University; director of Lockheed from 1990 to 1995; director of the Council on Foreign Relations and the New York Philharmonic; former U.S. Presidential appointee to the Board of Directors of U.S. Synthetic Fuels Corporation.

Robert J. Stevens (50)

Director since October 2000

President and Chief Operating Officer of Lockheed Martin since October 23, 2000, Executive Vice President and Chief Financial Officer of Lockheed Martin from October 1999 to March 2001, Vice President of Strategic Development of Lockheed Martin from November 1998 to October 1999; President and Chief Operating Officer of the former Lockheed Martin Energy and Environment Sector from January 1998 to June 1999; President of Lockheed Martin Air Traffic Management Division from June 1996 through January 1998; Executive Vice President and Senior Vice President and Chief Financial Officer of Air Traffic Management from December 1993 to May 1996; and General Manager of Loral Systems Manufacturing Company from 1987 to 1993.

ELECTION OF DIRECTORS

James R. Ukropina (64)

Director since March 1995

Of Counsel, O Melveny & Myers LLP (Partner from 1992 - 2000); Chairman of the Board and Chief Executive Officer of Pacific Enterprises from 1989 to 1991; director of Lockheed from 1988 to 1995; director of Pacific Life Insurance Company, Central Natural Resources Corporation, Trust Company of the West, the W. M. Keck Foundation and Indymac Bancorp, Inc.

Douglas C. Yearley (66)

Director since March 1995

Chairman Emeritus of the Board of Phelps Dodge Corporation (Phelps Dodge), Chairman of the Board of Phelps Dodge from 1989 until his retirement in May 2000 and Chief Executive Officer of Phelps Dodge from 1989 to 1999, President of Phelps Dodge from 1991 to 1997, Executive Vice President of Phelps Dodge from 1987 to 1989, President of Phelps Dodge Industries, a division of Phelps Dodge, from 1988 to 1990, Senior Vice President of Phelps Dodge from 1982 to 1986; director of Lockheed from 1990 to 1995, J.P. Morgan & Co. Incorporated, Morgan Guaranty Trust Company of New York from 1993 to 2000, Southern Peru Copper Corporation from 1991 to 2000, USX Corporation from 1992-2001, and United States Steel Corporation and Marathon Oil Corporation beginning in 2002. Also chairman of the International Council on Mining and Metals; director of the Compatible Ventures Group of The Nature Conservancy; member of the National Council of the World Wildlife Fund; and graduate member of The Business Council.

COMMITTEES OF THE BOARD OF DIRECTORS

Board Committee Membership Roster

Name	Audit and Ethics	Executive	Finance	Management Development and Compensation	Nominating and Corporate Governance
Nolan D. Archibald ¹					
Norman R. Augustine		x ²	x		x ²
Marcus C. Bennett		x	x		
Vance D. Coffman		x			
James F. Gibbons ³	x			x ⁴	x
Caleb B. Hurtt ³	x		x		
Gwendolyn S. King	x ²	x		x ⁴	
Douglas H. McCorkindale	x		x		
Eugene F. Murphy		x		x ^{2,4}	x
Frank Savage		x	x ²	x ⁴	
Robert J. Stevens					
James R. Ukropina	x				x
Douglas C. Yearley	x		x		

**Number of Meetings in
2001 5 0 3 9 2**

NOTES TO TABLE:

- (1) Not a director in 2001
- (2) Chairman
- (3) Retiring as a director on April 25, 2002
- (4) Member, Stock Option Subcommittee

COMMITTEES OF THE BOARD OF DIRECTORS

Functions of Committees

Audit and Ethics Committee:

Has general powers relating to accounting, financial disclosure and auditing matters;
Recommends the selection and monitors the independence of our independent auditors;
Reviews the scope of the internal audit and independent auditors' work;
Reviews the financial accounting and reporting policies and principles appropriate for the Corporation, and any recommendations to improve existing practices;
Reviews the financial statements to be included in the Corporation's Annual Report on Form 10-K;
Reviews accounting and financial reporting issues, including the adequacy of disclosures;
Monitors compliance with the Code of Ethics and Standards of Conduct;
Reviews and resolves all matters presented to it by our Ethics office;
Reviews and monitors the adequacy of our policies and procedures, and the organizational structure for ensuring general compliance with environmental, health and safety laws and regulations;
Reviews with the General Counsel the status of pending claims, litigation and other legal matters;
Meets separately and independently with the Vice President, Internal Audit and our independent auditors.

The Audit and Ethics Committee's 2002 Report is on page 10. A copy of the Audit and Ethics Committee charter is in Appendix I.

Executive Committee:

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

Finance Committee:

Has general powers relating to the management of our financial affairs, including borrowing arrangements and the investment of our available cash resources;
Reviews our financial condition and the financial impact of all proposed changes in our capital structure;
Reviews and recommends to the Board our proposed capital expenditure and contributions budgets;
Monitors the financial impact of all our trusteed benefit plans and reviews the performance of the assets and administration of our trusteed benefit plans.

COMMITTEES OF THE BOARD OF DIRECTORS

Management Development and Compensation Committee:

Recommends to the Board compensation to be paid to officers reporting to the Executive Office and approves compensation for all other elected officers;

Has the power to approve employee benefits provided by all bonus, supplemental and special compensation plans, including pension, insurance and health plans.

Stock Option Subcommittee:

Oversees all performance-based compensation plans, including stock options and long-term incentive performance awards.

Nominating and Corporate Governance Committee:

Recommends to the Board the Board's composition (including size and qualifications for membership) and compensation;

Recommends to the Board nominees to fill vacancies or new positions on the Board of Directors and the Board's nominees for election at an annual meeting of stockholders;

Recommends to the Board chairpersons and members for appointment to committees;

Monitors the role and effectiveness of the Board and our corporate governance process.

COMMITTEES OF THE BOARD OF DIRECTORS

Audit and Ethics Committee Report

Pursuant to the Committee's written charter, which is reviewed annually, and on behalf of the Board of Directors, we oversee the Corporation's financial reporting process and monitor compliance with its Code of Ethics and Business Conduct. Management has the primary responsibility for the financial reporting process and the consolidated financial statements, including the systems of internal control. The Corporation's independent auditors, Ernst & Young LLP, are responsible for auditing the annual consolidated financial statements and for expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States.

The Audit and Ethics Committee is not responsible for preparing financial statements or conducting audits, which are the responsibility of management and the independent auditors, respectively. However, consistent with our discussions with management and the internal and independent auditors, we are in agreement that quality financial reporting is the result of a strong internal control environment, supported by the highest standards of ethics and business conduct, clear and effective control systems and procedures designed to manage risk, and accountability for compliance with the Corporation's policies and procedures. As members of the Audit and Ethics Committee, we are independent under the rules of the New York Stock Exchange.

In connection with the December 31, 2001 financial statements, we have:

discussed with the internal and independent auditors the overall scope and plans for their audits;

reviewed and discussed the audited consolidated financial statements included in the Corporation's 2001 Annual Report with management and the independent auditors and received management's representation that the consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States;

discussed with the independent auditors the matters (including the quality of the financial statements and clarity of disclosures) required to be discussed under the American Institute of Certified Public Accountants Statement on Auditing Standards No. 61, *Communications with Audit Committees*;

reviewed and considered the written disclosures and the letter received from the independent auditors, as required by Independence Standards Board Standard No. 1, and have discussed with the independent auditors their independence from the Corporation and its management;

evaluated the nature of the nonaudit services performed by the independent auditors, including the compatibility of those services with their independence; and

met with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the

COMMITTEES OF THE BOARD OF DIRECTORS

Corporation's internal controls, and the overall quality of the Corporation's financial reporting. Based on the reviews and discussions referred to above, we recommended to the Board of Directors, and the Board has approved, the inclusion of the audited consolidated financial statements referred to above in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2001, for filing with the Securities and Exchange Commission.

Members of the Audit and Ethics Committee:

Gwendolyn S. King, Chairman
James F. Gibbons
Caleb B. Hurtt

Douglas H. McCorkindale
James R. Ukropina
Douglas C. Yearley

Compensation Committee Interlocks and Insider Participation

There are no discloseable items under this section.

DIRECTORS COMPENSATION

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

During 2001, the Board held 9 meetings, and all incumbent directors attended at least 75 percent of regularly scheduled Board of Directors and committee meetings. Average attendance at all Board of Directors and committee meetings was 93 percent.

The following table summarizes the compensation of our directors during 2001 (with the exception of Dr. Coffman and Mr. Stevens who as executive officers are not paid for their service as directors) and details changes in the compensation program effective January 2002:

	2001	Effective January 2002
Cash retainer	\$60,000	\$75,000
Stock retainer ¹	\$60,000 in stock units, stock options or 50/50 combination thereof	\$75,000 in stock units, stock options or 50/50 combination thereof
Committee Chairman retainer	\$5,000	Same as 2001
Deferred compensation plan ^{2,3}	Cash deferrable with earnings at prime rate, S&P 500 or LMT stock return	Same as 2001
Charitable award program ⁴	\$1,000,000 donation (at director's death)	Same as 2001
Travel accident insurance ⁵	\$1,000,000	Same as 2001

NOTES TO TABLE:

- (1) Under the Lockheed Martin Corporation Directors Equity Plan (Directors Equity Plan), effective January 2002, each non-employee director may elect to receive (i) a number of stock units with a value on January 15 equal to \$75,000 or (ii) options to purchase a number of shares of stock, which options have an aggregate fair market value on January 15 of \$75,000 or (iii) a combination of stock units with a fair market value on January 15 equal to \$37,500 and options to purchase a number of shares of stock which options have an aggregate fair market value on January 15 of \$37,500. In 2001, the value of the awards was set at \$60,000; the fair market value for purposes of determining the number of stock units was based on the closing price of our stock on May 1, 2001; options were valued on May 1, 2001 using the Black Scholes option pricing methodology. Beginning January 1, 2002, equity awards will be made on January 15 of each year. The amount a director ultimately receives will depend upon the

DIRECTORS COMPENSATION

performance of Lockheed Martin stock following the award. Except in certain circumstances, options and stock units vest on the first anniversary of grant. Upon a change in control (as defined in the Directors' Equity Plan) a director's stock units and outstanding options become fully vested, and directors will have the right to exercise their options immediately. Upon a director's termination of service from our Board of Directors, the stock units will be distributed, at the director's election, in whole shares of stock or in cash, in a lump sum or in up to ten annual installments. During the period a director's interest is represented by stock units, a director has no voting, dividend or other rights with respect to the shares, but will receive additional stock units representing dividend equivalents (converted to stock units based on the closing market price of our common stock on the applicable dividend payment dates). Stock options are rights to purchase a specified number of shares of our common stock at an exercise price equal to 100 percent of the fair market value of the stock on the grant date. The options granted pursuant to the Directors' Equity Plan are non-qualified stock options and have a term of ten years. A director may exercise the options during the ten year term after meeting a one-year vesting requirement. A director has no voting, dividend or other stockholder rights for the shares of common stock covered by an option until he or she becomes the holder of record of those shares.

- (2) Effective May 1, 1999, the Board of Directors terminated the Lockheed Martin Corporation Directors' Retirement Plan (Directors' Retirement Plan) and death benefit. Upon termination of the Directors' Retirement Plan, the present value of the benefits attributable to each current employee or non-employee director prior to that date and the actuarial value of the death benefit for each non-employee director was credited to the director's account under the Lockheed Martin Corporation Directors' Deferred Compensation Plan (Directors' Deferred Compensation Plan). Amounts credited from the Directors' Retirement Plan and the death benefit are subject to the same investment and distribution choices as are available for other cash compensation deferred under the Directors' Deferred Compensation Plan.
- (3) The Directors' Deferred Compensation Plan provides non-employee directors the opportunity to defer up to 100 percent of the cash portion of their fees. Deferred amounts earn interest at a rate that tracks the performance of (i) the prime rate, (ii) the published index for the Standard & Poor's 500 (with dividends reinvested) or (iii) our common stock (with dividends reinvested), at the director's election. A participating director's deferred fees generally will be distributed (in a lump sum or in up to ten installments) in the January following the year in which the director terminates service.
- (4) The Lockheed Martin Corporation Directors' Charitable Award Plan provides that upon the death of a director, Lockheed Martin will make donations to tax-exempt organizations previously recommended by the director up to an aggregate of \$1 million. Directors are vested under this plan if (a) they have served for at least five years on the Lockheed Martin Board of Directors, including service on the former Lockheed or Martin Marietta Boards of Directors, or (b) their service on the Lockheed Martin Board of Directors is terminated due to death, disability or retirement. Under the terms of the plan, if there is a change in control of Lockheed Martin, all participating directors in the plan shall immediately become vested. Those directors who previously served on Martin Marietta's Board of Directors became vested as a result of the combination of the businesses of Lockheed and Martin Marietta.
- (5) Each non-employee director is provided travel accident insurance up to \$1 million in the event the director is involved in an accident while traveling on business related to Lockheed Martin.

SECURITIES OWNED BY DIRECTORS, NOMINEES AND NAMED EXECUTIVE OFFICERS

The following table shows the Lockheed Martin common stock owned by each named executive officer, director nominee, and all directors and executive officers as a group as of January 31, 2002. The stock owned by each director and executive officer represented less than 1 percent of the common stock outstanding. The stock owned by directors and executive officers as a group represented approximately 1 percent of the common stock outstanding. Individuals have sole voting and investment power over the stock unless otherwise indicated in the notes to this table.

Name of Individual or Identity of Group	Amount and Nature of Beneficial Ownership ¹
Nolan D. Archibald	0
Norman R. Augustine	742,0662,3,4,8
Marcus C. Bennett	223,6452,3,8
Vance D. Coffman	1,594,4862,3,5,6
Robert B. Coutts	218,8822,3,5
James F. Gibbons	15,8332,4,7,8
Dain M. Hancock	202,5142,3,5
Caleb B. Hurtt	22,8782,4,8
Gwendolyn S. King	8,3024,8,9
Douglas H. McCorkindale	2,6036,8
Eugene F. Murphy	17,2362,4
Frank Savage	28,7172,4,6,7
Albert E. Smith	169,5092,3,5
Robert J. Stevens	263,6992,3,5
James R. Ukropina	14,4884,6,7,8
Douglas C. Yearley	11,5334,7,8,9
All executive officers and directors as a group (21 individuals including those named above)	4,397,07310

NOTES TO TABLE:

(1) All amounts have been rounded.

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SECURITIES OWNED BY DIRECTORS, NOMINEES AND NAMED EXECUTIVE OFFICERS

- (2) Includes shares not currently owned but which could be acquired within 60 days following January 31, 2002 for Messrs. Augustine, Bennett, Coffman, Coutts, Gibbons, Hancock, Hurtt, Murphy, Savage, Smith and Stevens in the amount of 723,600; 206,683; 1,325,000; 171,000; 1,800; 179,425; 9,922; 10,165; 10,165; 130,000; and 223,100 shares, respectively.
- (3) The shares shown include an approximation of the number of shares attributable to the participant's account (if applicable) in the Lockheed Martin Salaried Savings Plan (Salaried Savings Plan) as of January 31, 2002, for Messrs. Augustine, Bennett, Coffman, Coutts, Hancock, Smith and Stevens of 704; 850; 3,574; 966; 1,435; 816; and 417, respectively. Participants have voting power but do not have investment power over shares contributed by us as matching contributions to that plan. Participants have voting and investment power over shares purchased with their own contributions or contributed by us prior to January 1, 1997 as matching contributions to the Lockheed Martin Corporation Performance Sharing Plan. Shares shown also include an approximation of the number of stock units in the participant's account (if applicable) in the Lockheed Martin Corporation Supplemental Savings Plan (Supplemental Plan) as of January 31, 2002, for Messrs. Bennett, Coffman, Coutts, Hancock, Smith and Stevens of 33; 5,823; 1,210; 1,624; 1,030; and 1,267, respectively. Amounts credited to a participant's account in the Supplemental Plan are distributed from the participant's account in the form of cash following the participant's termination of employment. There are no voting rights associated with stock units.
- (4) Includes stock units under the Lockheed Martin Corporation Directors' Deferred Stock Plan. As of January 31, 2002, each of Mrs. King and Messrs. Gibbons, Hurtt, Murphy, Savage, Ukropina and Yearley have been credited with 1,071 stock units and Mr. Augustine has been credited with 190 stock units. There are no voting rights associated with stock units.
- (5) The shares shown include an approximation of the number of stock units in the participant's Lockheed Martin Corporation Deferred Management Incentive Compensation Plan account as of January 31, 2002, for Messrs. Coffman, Coutts, Hancock, Smith and Stevens of 160,566; 20,206; 3,363; 12,667 and 4,515, respectively. There are no voting rights associated with the stock units.
- (6) Includes stock units under the Directors' Deferred Compensation Plan representing deferred cash compensation for Messrs. Coffman, McCorkindale, Savage and Ukropina. As of January 31, 2002, Messrs. Coffman, McCorkindale, Savage and Ukropina have been credited with 2,894, 1,016, 14,978 and 2,955 stock units, respectively. The directors do not have or share voting or investment power for their respective stock units.
- (7) Includes shares and cash held in trust under the former Lockheed Corporation Directors' Deferred Compensation Plan. Cash amounts voluntarily deferred by directors are credited with interest at the current rate of interest specified and published by the Secretary of the Treasury pursuant to Public Law 92-41, 85 Stat. 97. Deferred amounts are distributable after a participant ceases to be a director. In the event a participant's status as a director is involuntarily terminated other than by death, all deferred cash remuneration (plus interest) and all common stock in the director's trust account will be distributed within fifteen days of termination. As of January 31, 2002, Messrs. Gibbons, Savage, Ukropina and Yearley have been credited with 4,656; 2,502; 494 and 494 shares, respectively, pursuant to the plan. The directors do not have or share voting or investment power for their respective shares held in the trust except in the event of a tender offer.

SECURITIES OWNED BY DIRECTORS, NOMINEES AND NAMED EXECUTIVE OFFICERS

- (8) Includes stock units under the Directors Equity Plan. As of January 31, 2002, each of Mrs. King and Messrs. Ukropina and Yearley has been credited with 6,708 stock units respectively; Messrs. Augustine, Bennett, Dr. Gibbons, Hurtt and McCorkindale have been credited with 5,446; 6,077; 5,046; 5,677 and 1,588 units, respectively. There are no voting rights associated with the stock units.
- (9) Shared voting and investment power.
- (10) Includes 3,685,960 shares of common stock not currently owned but which could be acquired by members of the group within 60 days following January 31, 2002 through the exercise of stock options; 15,125 shares attributable to participants accounts in the Salaried Savings Plan as of January 31, 2002; 20,061 shares attributable to participants accounts in the Supplemental Plan; and 263,876 shares attributable to participants accounts in the Lockheed Martin Corporation Deferred Management Incentive Compensation Plan.

COMPLIANCE WITH SECTION 16(A) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934 requires that our officers and directors (and persons who own more than 10 percent of our equity securities) file reports of ownership and changes in ownership with the Securities and Exchange Commission (SEC), the New York Stock Exchange and with us. Based solely on our review of copies of forms we have received or written representations from reporting persons, we believe that all ownership filing requirements were timely met during 2001.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table shows information regarding each person known to be a beneficial owner of more than 5 percent of our common stock. For purposes of this table, beneficial ownership of securities generally means the power to vote or dispose of securities, regardless of any economic interest in the securities. All information shown is based on information reported on Schedule 13G filed with the SEC on the dates indicated in the notes to this table.

Name and Address of Beneficial Owner	Class of Stock	Amount and Nature of Beneficial Ownership	Percent of Class Owned
FMR Corporation ⁽¹⁾ 82 Devonshire Street Boston, Massachusetts 02109	Common	40,643,737	9.226%
State Street Bank and Trust Company ⁽²⁾ 3 Pinehill Drive Batterymarch III Quincy, Massachusetts 02169	Common	86,197,504	19.6%
U.S. Trust Co., National Association ⁽³⁾ 515 S. Flower Street, #2800 Los Angeles, California 90071	Common	84,202,169	19.0%

NOTES TO TABLE:

- (1) As reported in Schedule 13G filed on February 11, 2002 by FMR Corporation (FMR), as amended February 14, 2002. FMR reported it had sole power to vote 4,755,793 shares, sole dispositive power for 40,643,737 shares and shared voting or dispositive power for none of the shares. FMR's Schedule 13G includes shares beneficially owned by Edward C. Johnson 3d, Abigail P. Johnson, Fidelity Management & Research Company (35,711,634 shares or 8.107 percent), FMTC (2,508,978 shares or 0.570 percent), Strategic Advisers, Inc. (25 shares or 0.000 percent), Geode Capital Management, LLC (2,000 shares or 0.000 percent) and Fidelity International Limited (2,421,100 shares or 0.550 percent). FMR has not included any of the 1,020,889 shares (approximately 0.2 percent) for which U.S. Trust has reported beneficial ownership and shared voting power as part of the 40,643,737 shares with respect to which FMR has reported beneficial ownership.
- (2) As reported in Schedule 13G filed on February 13, 2002 by State Street Bank and Trust Company (State Street). State Street held 76,425,713 shares of common stock (17 percent) as trustee for certain Lockheed Martin employee benefit plans. State Street has sole dispositive power with respect to these shares. In addition, State Street reported beneficial ownership of 9,771,791 shares of our common stock (2 percent) in various fiduciary capacities for beneficiaries not associated with Lockheed Martin, of which it has sole voting power for 7,825,452 shares, sole dispositive power for 9,750,651 shares, shared dispositive power for 21,140 shares and shared voting power for 147,904 shares. As noted above, with respect to

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

76,425,713 shares of the shares reported, State Street acts as co-fiduciary for certain benefit plans with U.S. Trust. Both U.S. Trust and State Street have reported on their respective Schedules 13G as having beneficial ownership of these 76,425,713 shares. State Street has expressly disclaimed beneficial ownership of the shares reported on its Schedule 13G.

- (3) As reported in Schedule 13G filed on February 11, 2002 by U.S. Trust Co., National Association (U.S. Trust), as amended March 5, 2002. U.S. Trust has shared voting power with respect to 84,202,169 shares and shared dispositive power with respect to 5,783,963 of these shares. With respect to 76,425,713 shares of the shares reported, U.S. Trust acts as co-fiduciary for Lockheed Martin employee benefit plans with State Street Bank and Trust Company (State Street). As a result of the two institutions' status as co-fiduciaries, both U.S. Trust and State Street have reported beneficial ownership of 76,425,713 shares of the shares reported on their respective Schedule 13G. U.S. Trust also reported beneficial ownership and shared voting power for 1,020,889 shares (approximately 0.2 percent) for which it acts as co-fiduciary with Fidelity Management Trust Company (FMTC), a wholly-owned subsidiary of FMR Corporation (FMR), for employee benefit plans sponsored by subsidiaries of the Corporation and 971,604 shares (approximately 0.2 percent) for which it acts as co-fiduciary with Vanguard Fiduciary Trust Company for an employee benefit plan sponsored by a subsidiary of the Corporation.

STOCK PRICE PERFORMANCE GRAPH

COMPARISON OF CUMULATIVE TOTAL RETURN THROUGH 2001¹

LOCKHEED MARTIN, S&P 500 INDEX AND PEER ISSUERS INDEX²

NOTES TO GRAPH:

- (1) Assumes that the investment in Lockheed Martin Common Stock (LMT) and each index was \$100 on December 31, 1996 with reinvestment dividends.
- (2) The Peer Issuers Index is a market weighted index that includes: The Boeing Company, General Dynamics Corporation, Lockheed Martin Corporation, Northrop Grumman Corporation and Raytheon Corporation. Litton Industries, Inc. was removed from the Peer Issuers Index following its acquisition by the Northrop Grumman Corporation in 2001.

EXECUTIVE COMPENSATION

Compensation Committee Report on Executive Compensation

Overview

Philosophy

Lockheed Martin seeks to attract, motivate and retain talented executives and align the interests of our executives and stockholders. We design our executive compensation program to ensure that an executive's total compensation takes into account both the Corporation's and the executive's short-term and long-term performance. In addition, our goal is that each executive receive total compensation in a range competitive with that offered to executives with similar responsibilities at other companies of comparable size, complexity and quality.

The Management Development & Compensation Committee and Stock Option Subcommittee

The Management Development & Compensation Committee (Committee) is an independent committee consisting entirely of Board members who are neither officers nor employees of Lockheed Martin or its subsidiaries. We oversee and review the executive compensation policies and programs and recommend the form and amount of compensation to be paid to executive officers. During 2001, the Board reviewed and accepted the recommendations of the Committee.

Certain performance-based compensation (such as employee stock options) is eligible for full tax deductibility under the Internal Revenue Code (IRC) if specified requirements are met. The Stock Option Subcommittee seeks to award performance-based compensation that is intended to qualify for deductibility under the IRC requirements. This report is submitted by both the Committee and Subcommittee and references to the term Committee include both.

Methodology

The Committee reviews survey data gathered by one or more nat