



SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2001      Commission File No. 1-11437

- A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

SANDIA CORPORATION  
SAVINGS AND SECURITY PLAN  
Sandia Corporation  
P.O. Box 5800, Mail Stop 0115  
Albuquerque, NM 87185-0115

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- B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

LOCKHEED MARTIN CORPORATION  
6801 Rockledge Drive  
Bethesda, MD 20817

*CRG/A*

Sandia Corporation Savings and Security Plan

Audited Financial Statements

Year ended December 31, 2001

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## Report of Independent Auditors

Sandia Corporation Investment Committee

We have audited the accompanying statements of net assets available for benefits of the Sandia Corporation Savings and Security Plan as of December 31, 2001 and 2000, and the related statement of changes in net assets available for benefits for the year ended December 31, 2001. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2001 and 2000, and the changes in its net assets available for benefits for the year ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.



June 18, 2002

Sandia Corporation Savings and Security Plan

Statements of Net Assets Available for Benefits

	<b>December 31</b>	
	<b>2001</b>	<b>2000</b>
<b>Assets</b>		
Interest in Master Trust	<u>\$47,493,676</u>	<u>\$52,804,741</u>
Net assets available for benefits	<u>\$47,493,676</u>	<u>\$52,804,741</u>

*See accompanying Notes to Financial Statements.*

## Sandia Corporation Savings and Security Plan

### Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2001

Net assets available for benefits at beginning of year	\$ 52,804,741
Additions to net assets:	
Contributions:	
Employer	982,484
Employees	2,373,631
Rollover	409,586
Total additions	<u>3,765,701</u>
Deductions from net assets:	
Withdrawals	4,227,072
Net investment loss from participation in Master Trust	3,016,724
Transfers to Savings and Income Plan	1,827,055
Administrative expenses	5,915
Total deductions	<u>9,076,766</u>
Net assets available for benefits at end of year	<u><u>\$ 47,493,676</u></u>

*See accompanying Notes to Financial Statements.*

# Sandia Corporation Savings and Security Plan

## Notes to Financial Statements

December 31, 2001

### **1. Description of Plan**

#### **General**

The Sandia Corporation Savings and Security Plan (the Plan) was adopted June 1, 1993 as a defined contribution plan offered to all regular employees of Sandia Corporation (the Company) who are eligible for the Sandia Corporation Pension Security Plan. Sandia Corporation is a wholly owned subsidiary of Lockheed Martin Corporation (Lockheed Martin or the Corporation). A complete description of the Plan is contained in the Summary Plan Description that is provided to all participants.

While Sandia Corporation has not expressed any intent to do so, the Plan may be terminated at any time upon submission of written notice to the investment custodian, subject to the provisions of ERISA and any applicable collective bargaining agreements. In the event the Plan is terminated, the participants will become fully vested in the total value of their accounts.

#### **Contributions**

Participants may contribute from 2% to 16% of their eligible earnings, as defined, in 1% increments, on a pretax and after-tax basis. The total allotment of pretax and after-tax basic and supplemental contributions cannot exceed the maximum amount permitted under the Internal Revenue Code.

In addition, Sandia Corporation contributes 66 2/3% of the sum of each participant's pretax and after-tax basic contribution up to the first 6% of eligible earnings.

#### **Payment of Benefits**

The Plan provides for the payment of benefits upon termination, death, disability, or retirement based on the balance in the participant's vested account. Lump sum or annual payment elections may be made as provided for in the Plan. Hardship and in-service withdrawals and participant loans are also permitted, if certain conditions are met, as outlined in the Summary Plan Description.

# Sandia Corporation Savings and Security Plan

## Notes to Financial Statements (continued)

### **1. Description of Plan (continued)**

#### **Vesting**

All participants are immediately vested in their contributions and actual earnings thereon. As of December 31, 2001, the vesting period for employer matching contributions for represented and non-represented employees is three years and immediate, respectively. Members of the Security Police Association (SPA) continue to be vested at the completion of five years of vesting service. For represented and SPA employees, the Company match and related earnings become vested at the earliest of completion of the respective employee's vesting period, attainment of age 65, or termination of employment due to disability, layoff or death.

#### **Forfeitures**

Upon termination, any nonvested balance is forfeited and is used to reduce future Sandia Corporation contributions to the Plan.

#### **Investment Elections**

The assets of the Plan are held in a Master Trust along with the assets of the Sandia Corporation Savings and Income Plan. Participants may elect to have their contributions and the Company matching contributions invested in any of the 17 available funds including 11 mutual funds, three commingled funds, a common/collective trust, an Interest Income Fund and the Company Stock Fund.

The Interest Income Fund has restrictions on participant withdrawals made for purposes of reinvestment with competing funds. Participant-directed withdrawals are subject to a 90-day waiting period if a participant moves funds from the Interest Income Fund to the Fidelity Institutional Short-Intermediate Government Portfolio, one of the 11 available mutual funds. Certain restrictions may apply to early redemption requests on guaranteed investment contracts. These restrictions may include penalties, delay of funds release or other restrictions as designated in the individual contracts. The higher interest rates associated with such contracts reflect the effects of these restrictions relative to other similar instruments.

Primarily as a result of the Master Trust's participation in certain commingled funds, Plan assets may be invested from time to time in derivative financial instruments. These

# Sandia Corporation Savings and Security Plan

## Notes to Financial Statements (continued)

### **1. Description of Plan (continued)**

#### **Investment Elections (continued)**

financial instruments are generally used for liquidity purposes. The Master Trust's exposure to such securities is limited to its proportional interest in these commingled funds. At December 31, 2001 and 2000, the financial exposure related to derivative financial instruments of the Master Trust was not material.

#### **Participant Loans**

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum of the lesser of \$50,000 less the highest loan balance in the past 12 months or 50% of their vested account balance. Loan terms range from one year to 56 months. The loans are secured by the balance in the participant's account and bear interest at the rate established monthly by the Plan administrator at the date of the loan. Principal and interest is paid ratably through payroll deductions.

#### **Administrative Expenses**

The Company pays substantially all administrative expenses of the Plan, except for investment-related expenses, which are paid by the Plan.

### **2. Significant Accounting Policies**

#### **Basis of Accounting**

Transactions of the Plan are recorded on an accrual basis for financial statement purposes. Benefits are recorded when paid.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions. Actual results could differ from those estimates.

# Sandia Corporation Savings and Security Plan

## Notes to Financial Statements (continued)

### 2. Significant Accounting Policies (continued)

#### Investment Valuation and Income Recognition

The Plan's interest in the Master Trust is stated at the fair value of the underlying net assets of the Master Trust, except for the Interest Income Fund (as described below). Investments by the Master Trust in shares of mutual funds, commingled funds, and common/collective trusts are stated at current market value as determined by Fidelity Institutional Retirement Services Company. Investments in the common stock of Lockheed Martin are at quoted market prices. The participant loans are valued at outstanding balances, which approximate fair value.

Guaranteed investment contracts in the Interest Income Fund are fully benefit responsive, as defined in the American Institute of Certified Public Accountants Statement of Position 94-4, *Reporting of Investment Contracts Held by Health and Welfare Plans and Defined Contribution Plans*. A fully benefit responsive investment contract provides a liquidity guarantee, by a financially responsible third party, of principal and previously accrued interest for liquidations, transfers, loans, or hardship withdrawals initiated by plan participants exercising their rights to withdraw, borrow, or transfer funds under the terms of the plan. Guaranteed investment contracts are unallocated insurance contracts stated at contract value, which represents the initial investment plus accumulated interest, and approximates fair value. Interest on these contracts is compounded and credited daily. Current interest rates are declared on each successive calendar quarter. Current interest rates stay in effect through the end of the following calendar year for contributions received during that calendar quarter. The crediting interest rates for the contracts as of December 31, 2001 and 2000 ranged from 4.49% to 7.79% and 5.15% to 7.79%, respectively. The average yield for 2001 and 2000 was 6.03% and 6.41%, respectively.

Purchases and shares of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

### 3. Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated July 31, 1997, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (Code) and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. Management believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax-exempt.

## Sandia Corporation Savings and Security Plan

### Notes to Financial Statements (continued)

#### 4. Master Trust

The assets of the Plan are held in a Master Trust along with the assets of the Sandia Corporation Savings and Income Plan. The assets, realized and unrealized gains and losses, and investment income of the Master Trust are allocated to each plan based on the number of participant units outstanding at each month-end during the year for the Interest Income Fund and the Company Stock Fund, and on a pro rata basis for all other funds. Participant loans are based on actual loan balances of each plan's participants. Substantially all administrative expenses are paid by the Company. The Plan's interest in the Master Trust's net assets as of December 31, 2001 and 2000 was approximately 3.2% and 3.3%, respectively.

The following table presents the fair value of investments of the Master Trust as of December 31, 2001 and 2000:

	<b>December 31</b>	
	<b>2001</b>	<b>2000</b>
Investments at fair value as determined by quoted market prices:		
Common stock	\$ 33,293,342	\$ 23,560,532
Mutual funds	892,083,837	1,037,729,738
Common/collective trusts	174,865,800	237,692,176
Commingled funds	5,916,637	-
	<b>1,106,159,616</b>	<b>1,298,982,446</b>
Investments at estimated fair value:		
Participant loans	10,265,856	9,753,227
Investments at contract value:		
Guaranteed investment contracts	378,625,918	315,389,688
Net assets	<b>\$ 1,495,051,390</b>	<b>\$ 1,624,125,361</b>

# Sandia Corporation Savings and Security Plan

## Notes to Financial Statements (continued)

### 4. Master Trust (continued)

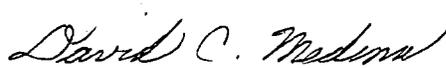
The investment loss of the Master Trust for the year ended December 31, 2001 was as follows:

	<b><u>Year ended</u></b> <b><u>December 31, 2001</u></b>
Net appreciation (depreciation) in fair value of investments as determined by quoted stock prices:	
Common stock	\$ 8,952,839
Mutual funds	(136,294,726)
Common/collective trusts	(22,071,242)
Commingled funds	(41,976)
	<u>(149,455,105)</u>
Interest and dividend income	39,532,305
Total investment (loss)	<u><u>\$ (109,922,800)</u></u>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Administrative Committee of the Sandia Corporation Savings and Security Plan has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Sandia Corporation Savings and  
Security Plan



Date June 21, 2002

David C. Medina  
Plan Administrator for the Sandia  
Corporation Savings and Security Plan

**CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS**

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-37069) pertaining to the Sandia Corporation Savings and Security Plan of Lockheed Martin Corporation of our report dated June 18, 2002, with respect to the financial statements of the Sandia Corporation Savings and Security Plan included in this Annual Report (Form 11-K) for the year ended December 31, 2001.

*Ernst & Young LLP*

McLean, Virginia  
June 18, 2002