K 4/m #

TC01-192

TC01-192

DOCKET NO.

In the Matter of — IN THE MATTER OF THE APPLICATION OF LOCKHEED MARTIN GLOBAL TELECOMMUNICATIONS SERVICES, INC. FOR A CERTIFICATE OF AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICES IN SOUTH DAKOTA

Public Utilities Commission of the State of South Dakota

DATE		MEMORANDA
12/11	01	Filed and Docketed;
12/13	01	Weekly Filing;
1/14	02	Revised Tariff Pages;
2/11	02	Order Granting COA;
2/11	02	Docket Closed.

TC01-19

ORIGINAL

6560 Rock Spring Drive Bethesda, MD 20817
Telephone 301 214 3000

LOCKHEED MARTIN
GLOBAL TELECOMMUNICATIONS

December 7, 2001

RECEIVED

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Ms. Debra Elofson
Executive Director
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

Re: Lockheed Martin Global Telecommunications Services, Inc. Application for a Certificate of Authority to Provide Resold Interexchange Telecommunications Services in the State of South Dakota

Dear Ms. Elofson,

Enclosed, please find an original, a duplicate and ten copies of the above-referenced application for intrastate interexchange service authority. A check in the amount of $250.00 is enclosed to cover the filing fee for this application.

Please date-stamp the duplicate and return in the pre-addressed envelope provided. If there are questions regarding this submission, please feel free to contact me at (301) 214-3459. Thank you in advance for your assistance with this matter.

Sincerely,

Robert A. Mansbach
Assistant General Counsel

TC01-192

Before the
STATE OF SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION

RECEIVED

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Application of	)	
	)	
LOCKHEED MARTIN GLOBAL TELECOMMUNICATIONS SERVICES, INC.	)	
	)	Docket No. ______
for a Certificate of Authority to Provide Resold Interexchange Telecommunications Services in the State of South Dakota	)	

APPLICATION OF LOCKHEED MARTIN GLOBAL TELECOMMUNICATIONS SERVICES, INC.

Lockheed Martin Global Telecommunications Services, Inc. ("LMGT Services, Inc." or "Company") respectfully requests, pursuant to Chapter 20:10:24:02 of the Commission's rules governing telecommunications, that the South Dakota Public Utilities Commission ("Commission") grant it a Certificate of Authority to provide resold interexchange telecommunications services throughout the State of South Dakota. In addition, the Company submits its proposed competitive interexchange services tariff. In support of its Application, LMGT Services, Inc. submits the following information:

I. *The Applicant*

1. 20:10:24:02 (1) Name, address and telephone number of the Applicant:

Lockheed Martin Global Telecommunications Services, Inc
6560 Rock Spring Drive
Bethesda, MD 20817
(301) 214-3000

2. 20:10:24:02 (2) Name under which services will be provided (if different):

Applicant will provide services under its own name.

3. 20:10:24:02 (3) Corporate information:

(a) LMGT Services, Inc. is a corporation organized under the laws of the state of Delaware on October 12, 2000. LMGT Services, Inc. is authorized to transact business in the State of South Dakota. A copy of the Company's qualification document is attached as ***Exhibit B***.

(b) LMGT Services, Inc. does not have an office in the State of South Dakota at this time and has no plans at present for establishment of such an office. The name and address of the Company's registered agent for service of process in the State of South Dakota is:

Corporation Service Company
503 South Pierre Street
Pierre, SD 57501

(c) LMGT Services, Inc. is an indirect wholly-owned subsidiary of Lockheed Martin Corporation ("Lockheed Martin"). Lockheed Martin is a leading global provider of advanced technology systems, products and services. A chart depicting the organizational structure of LMGT Services, Inc. is attached as ***Exhibit C***.

3. **20:10:24:02 (4) Not applicable - Applicant is not a Partnership.**

4. **20:10:24:02 (5-7) Description of Proposed Services**

By this Application, LMGT Services, Inc. seeks authority to operate as a reseller of intraLATA and interLATA interexchange telecommunications services to the public throughout the State of South Dakota. Specifically, LMGT Services, Inc. requests authority to provide a full range of 1+ interexchange services and data transmission services, including, but not limited to, MTS, private line, WATS, post-paid calling card, toll free, ISDN, and frame relay service products.

LMGT Services, Inc. anticipates at this time that it will resell the intrastate toll services of AT&T; however, the Company requests authority in this Application to resell the intrastate toll services of any carriers appropriately certificated by this Commission.

All of LMGT Services, Inc.'s services will be provided pursuant to the terms and conditions set forth in LMGT Services, Inc.'s proposed interexchange services tariff, which is appended as ***Exhibit D***.

5. **20:10:24:02 (8) Financial Information**

LMGT Services, Inc. has access to ample capital to compete effectively in the market for interexchange services in South Dakota. As noted above, the Company is a wholly-owned indirect subsidiary of Lockheed Martin, whose annual revenues in 2000 were approximately US $25.3 billion. A copy of Lockheed Martin's 2000 financial statements are attached as ***Exhibit E***. As a recently formed entity, which is still engaged in the initial start-up process prior to commencing its national operations. Applicant requests (under Response Number 12) a waiver of the requirement for submission of detailed financial statements for LMGT Services, Inc.

The Company's proposed tariff is appended to this filing as described below.

6. 20:10:24:02 (9) Contact Information, Customer Billing & Customer Service

(a) Contacts

The designated contact for this Application is:

Robert A. Mansbach
Assistant General Counsel
Lockheed Martin Global Telecommunications Services, Inc.
6560 Rock Spring Drive
Bethesda, MD 20817
phone: (301) 214-3459
fax: (301) 214-7145
email: Robert.Mansbach@lmco.com

Mr. Mansbach is also the initial contact person for all tariff and regulatory issues pertaining to LMGT Services, Inc. with the exception of customer service concerns, which should be directed to:

Kathy Fritz
Senior Manager
Lockheed Martin Global Telecommunications Services, Inc.
Building 100, 230 Mall Boulevard
King of Prussia, PA 19406
phone: (610) 354-5412
email: kathleen.m.fritz@lmco.com
Toll-free # (800) 435-7063

(b) Customer Billing

LMGT Services, Inc. will issue its own bills directly to customers and will seek to ensure that all bills comply with the Commission's rules and regulations. In the case of a billing dispute, the Company will provide an escalating review procedure, enabling customers to resolve disputes as quickly as possible. Should the Company and the customer be unable to resolve the dispute, the customer may file a complaint with the South Dakota Public Utilities Commission. A description of customers' rights regarding disputed invoices and the contact information for the Commission are provided within the Company's proposed tariff.

(c) Customer Service Policies

LMGT Services recognizes that in today's market, customer service is the cornerstone of a successful telecommunications business strategy. For this reason, LMGT Services intends to provide its customers with a one-call resolution capability. The Company's customer service representatives (CSRs) will ensure a single point of contact for customers. Moreover, they will be accountable for resolving any customer issues which may arise, including service delivery, credit issues, network repair or billing. CSRs will have direct access to the Company's provisioning, credit analysis and billing support groups, ensuring ready availability of those personnel with the expertise to solve the most common customer service issues. LMGT Services has not yet completed implementation of its customer service operation; however, the Company is committed to providing its customers with seamlessly integrated customer service round the clock. For immediate personal assistance, customers may call 1-800 435-7063.

7. **20:10:24:02 (10) Applicant's Certification Information**

LMGT Services, Inc. currently is registered or certified, as applicable, to provide telecommunications services in the following states: California, Colorado, Georgia, Iowa, Montana, Michigan, Nebraska, New Jersey, New York, North Carolina, North Dakota, Oregon and Texas.

The Company has never been denied registration or certification in any state and is in good standing with the regulatory agencies in the states where it is registered or certified.

8. **20:10:24:02 (11) Marketing Information**

LMGT Services, Inc. has not fully developed its marketing program at this time; however the Company will supplement this filing with information regarding its program once it becomes available. The Company's marketing strategy is not expected to include any form of telemarketing. LMGT Services, Inc. expects to target medium to large business customers both in the State of South Dakota and nationwide and will draw upon the marketing expertise of its corporate parent, Lockheed Martin Corporation.

9. **20:10:24:02 (12) Cost Support for Tariffed Rates**

LMGT Services, Inc. will provide only those interexchange services which are fully competitive in the South Dakota telecommunications market. Consequently, no cost support is included in this filing at present and the Company requests waiver of the Chapter 20:10:24:02 (12) requirement for such cost support in Response Number 12 below.

10. **20:10:24:02 (13) Federal Tax Identification Number:**

LMGT services, Inc 's federal tax identification number (aka F.E.I.N.) is 52-227-1154.

11. **20:10:24:02 (14) Complaints History**

There have been no complaints filed against LMGT Services, Inc. with any state or federal regulatory commission regarding either the unauthorized switching of a customer's telecommunications provider or the act of charging customers for services that have not been ordered.

12. **20:10:24:02 (15) Waiver Requests**

1. LMGT Services, Inc. hereby respectfully requests that the Commission waive Rule 20:10:24:02(8) requiring the "applicant" to submit financial statements consisting of balance sheets, income statements, and cash flow statements for the most recent 12 month period and accept instead the financial statements of its parent company, Lockheed Martin Corporation, appended as ***Exhibit E***. LMGT Services, Inc., as a recently formed company still engaged in obtaining its authorizations to provide telecommunications services nationwide, does not yet have available financial statements covering the most recent 12 month period.

2. Applicant respectfully requests waiver of any rule that the Commission may have requiring LMGT Services, Inc. to post a bond. Applicant is the wholly-owned subsidiary of a major global telecommunications provider and, as described above, will have access to more than adequate capital to provide the proposed services. Additionally, at this time, LMGT Services, Inc. does not propose to collect deposits or prepayments from its customers. LMGT Services, Inc. understands that should it

undertake to collect such advance payments in future, the adequacy of its financial strength may need to be revisited.

3. Applicant respectfully requests waiver from the Commission's requirement to file cost support information. LMGT Services, Inc. will provide interexchange services that are currently fully competitive in the South Dakota market. Consequently, no cost support for tariffed rates is included.

4. Finally Applicant requests waiver of any requirement to maintain completely separate books and records for its South Dakota operations. As a nationwide intrastate/interstate service provider, it may not be feasible for LMGT Services, Inc. actually to maintain entirely separate books and records for its South Dakota operations; however, the Company will maintain its South Dakota accounts in such a way as to be able to retrieve and make readily available state-specific data and financial information. The Company's records will be kept at the LMGT Services, Inc. headquarters located at: 6560 Rock Spring Drive, Bethesda, MD 20817. Upon request, LMGT Services, Inc. will promptly provide the Commission, at the Company's own expense, with access to its books and records.

13. 20:10:24:02 (16) Other Information

Applicant's Managerial and Technical Qualifications

LMGT Services, Inc. possesses the managerial and technical qualifications to provide the services for which authority is requested in this Application. As noted above, LMGT Services, Inc. is a wholly owned indirect subsidiary of Lockheed Martin Corporation. Lockheed Martin is a customer focused, global enterprise principally engaged in the research, design, development, manufacture and integration of advanced technology systems, products, and services for government and commercial customers. The Corporation serves customers in both domestic and international markets. Lockheed Martin had 2000 sales surpassing $25 billion and employs approximately 140,000 people.

LMGT Services, Inc. will be managed by persons with extensive experience in the telecommunications industry. The biographies of the key management and operational personnel responsible for LMGT Services, Inc.'s services are appended hereto as ***Exhibit F***.

As a reseller, LMGT Services, Inc. will necessarily rely upon the technical quality of its underlying carrier(s); however, the Company will take all possible steps to ensure that its services meet or exceed the Commission's quality of service standards. As demonstrated by the experience of its key personnel, presented in ***Exhibit F***, LMGT Services, Inc. is technically qualified to provide the services for which it seeks authority.

WHEREFORE, LMGT Services, Inc. respectfully requests that the Commission grant it a Certificate of Authority to provide interexchange telecommunications services on a resale basis as described in this Application. Further, LMGT Services, Inc. requests that the Commission approve its proposed tariff submitted herewith.

Respectfully submitted,

LOCKHEED MARTIN GLOBAL TELECOMMUNICATIONS SERVICES, INC.

By: ______________________

Robert A. Mansbach
Assistant General Counsel
Lockheed Martin Global Telecommunications Services, Inc.
6560 Rock Spring Drive
Bethesda, MD 20817

Dated: 12/6/01

CERTIFICATE OF INCORPORATION

OF

LOCKHEED MARTIN GLOBAL TELECOMMUNICATIONS SERVICES, INC.

THE UNDERSIGNED, in order to form a corporation for the purposes hereinafter stated, under and pursuant to the provisions of the General Corporation Law of the State of Delaware, hereby certifies as follows:

FIRST: The name of the Corporation is Lockheed Martin Global Telecommunications Services, Inc. (the "Corporation")

SECOND: The address of the Corporation's registered office in the State of Delaware is Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. The name of its registered agent at such address is "Corporation Service Company"

THIRD: The nature of the business and the purposes to be conducted and promoted by the Corporation are to conduct any lawful business, to promote any lawful purpose and to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The Corporation is authorized to issue one class of stock to be designated as Common Stock, par value $1.00 per share. The total number of shares of Common Stock that the Corporation has authority to issue is one thousand (1,000).

FIFTH: The name and mailing address of the incorporator are as follows:

Dana L. Bennett
Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, Maryland 20817

SIXTH: The Corporation is to have perpetual existence.

SEVENTH: In furtherance and not in limitation of the powers conferred upon the Board of Directors by the laws of the State of Delaware, the Board of Directors is expressly authorized to adopt, alter, amend or repeal the Bylaws of the Corporation, subject to the right of the stockholders entitled to vote with respect thereto to alter, amend and repeal Bylaws made by the Board of Directors.

EIGHTH: The Board of Directors shall have the power to adopt Bylaws or resolutions for the indemnification of the Corporation's directors, officers, employees and agents, provided that any such Bylaws or resolutions shall be consistent with applicable law.

To the fullest extent permitted by the Delaware General Corporation Law as the same exists or may hereafter be amended, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

The Corporation may indemnify to the fullest extent permitted by law any person made or threatened to be made a party to an action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he, his testator or intestate is or was a director, officer, employee or agent of the Corporation or any predecessor of the Corporation or is or was serving at the request of the Corporation or any predecessor of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise.

Neither any amendment nor repeal of this Article, nor the adoption of any provision of this Certificate of Incorporation inconsistent with this Article shall eliminate or reduce the effect of this Article in respect of any matter occurring, or any cause of action, suit or claim that, but for this Article, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

NINTH: Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the Laws of the State of Delaware) outside of the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

TENTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by the laws of the State of Delaware, and all rights conferred herein are granted subject to reservation.

The undersigned incorporator hereby acknowledges that the foregoing Certificate of Incorporation is her act and deed and that the facts stated herein are true, and accordingly has hereunto set her hand.

Dated: October 12, 2000.

Dana L. Bennett

Dana L. Bennett
Incorporator

Exhibit B

QUALIFICATION TO DO BUSINESS IN SOUTH DAKOTA

State of South Dakota

OFFICE OF THE SECRETARY OF STATE

Certificate of Authority

I, JOYCE HAZELTINE, Secretary of State of the State of South Dakota, hereby certify that the Application for a Certificate of Authority of LOCKHEED MARTIN GLOBAL TELECOMMUNICATIONS SERVICES, INC. (DE) to transact business in this state duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I hereby issue this Certificate of Authority and attach hereto a duplicate of the application to transact business in this state.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this October 19, 2000.

Joyce Hazeltine

Joyce Hazeltine
Secretary of State

FILE NO. ______

RECEIPT NO. ______

RECEIVED

OCT 1 9 '00

S.D. SEC. OF STATE

SECRETARY OF STATE

Application for Certificate of Authority

Pursuant to the provisions of SDCL 47-8-7, the undersigned corporation hereby applies for a Certificate of Authority to transact business in the State of South Dakota and for that purpose submits the following statement

(1) The name of the corporation is LOCKHEED MARTIN GLOBAL TELECOMMUNICATIONS SERVICES, INC.
(exact corporate name)

(2) If the name of the corporation does not contain the word "corporation", "company", "incorporated" or "limited" or does not contain an abbreviation of one of such words, then the name of the corporation with the word or abbreviation which it elects to add thereto for use in this state is

(3) State where incorporated Delaware Federal Taxpayer ID# pending

(4) The date of its incorporation is October 12, 2000 and the period of its duration, which may be perpetual, is Perpetual

(5) The address of its principal office in the state or country under the laws of which it is incorporated is
Suite 400, 2711 Centerville Road, Wilmington, DE Zip Code 19808
mailing address if different from above is:

Zip Code

(6) The street address, or a statement that there is no street address, of its proposed registered office in the State of South Dakota is
503 South Pierre Street, Pierre, SD Zip Code 57501
and the name of its proposed registered agent in the State of South Dakota at that address is Corporation Service Company

(7) The purposes which it proposes to pursue in the transaction of business in the State of South Dakota are (state specific purpose)

Provision of Telecommunications Services.

(8) The names and respective addresses of its directors and officers are

Name	Officer Title	Street Address	City	State	Zip
See attached officers/directors rider					

(9) The aggregate number of shares which it has authority to issue, itemized by classes, par value of shares, shares without par value and series, if any, within a class is

Number of shares	Class	Series	Par value per share or statement that shares are without par value
1,000	Common		$1.00

(10) The aggregate number of its issued shares, itemized by classes, par value of shares, shares without par value, and series, if any, within a class, is

Number of shares	Class	Series	Par value per share or statement that shares are without par value
1,000	COMMON		$1.00

(11) The amount of its stated capital is $ 1,000
Shares issued times par value equals stated capital. In the case of no par value stock, stated capital is the consideration received for the issued shares.

(12) This application is accompanied by a CERTIFICATE OF FACT or a CERTIFICATE OF GOOD STANDING duly acknowledged by the Secretary of State or other officer having custody of corporate records in the state or country under whose laws it is incorporated.

(13) That such corporation shall not directly or indirectly combine or make any contract with any incorporated company, foreign or domestic, through their stockholders or the trustees or assigns of such stockholders, or with any copartnership or association of persons, or in any manner whatever to fix the prices, limit the production or regulate the transportation of any product or commodity so as to prevent competition in such prices, production or transportation or to establish excessive prices therefor.

(14) That such corporation, as a consideration of its being permitted to begin or continue doing business within the State of South Dakota, will comply with all the laws of the said State with regard to foreign corporations.

The application must be signed, in the presence of a notary public, by the chairman of the board of directors, or by the president or by another officer

I DECLARE AND AFFIRM UNDER THE PENALTY OF PERJURY THAT THIS APPLICATION IS IN ALL THINGS, TRUE AND CORRECT

Dated October 12 19 2000

Dana L. Bennett
(Signature)
ASSISTANT SECRETARY
(Title)

STATE OF Maryland
COUNTY OF MONTGOMERY
I, Eileko Songrady, a notary public, do hereby certify that on this 12 day of October 19 2000 personally appeared before me DANA L. BENNETT who being by me first duly sworn, declared that he/she is the ASSISTANT SECRETARY of LOCKHEED MARTIN GLOBAL TELECOMMUNICATIONS Services, Inc., that he/she signed the foregoing document as officer of the corporation, and the statements therein contained are true.

Sept. 1, 2004
My Commission Expires

Heleko Songrady
(Notary Public)

Notarial Seal

****

The Consent of Appointment below must be signed by the registered agent listed in number six.

Consent of Appointment by the Registered Agent

I, Corporation Service Company hereby give my consent to serve as the registered
(name of registered agent)

agent for LOCKHEED MARTIN GLOBAL TELECOMMUNICATIONS SERVICES, INC.
(corporate name)

Corporation Service Company

Dated October 18, 2000

(signature of registered agent)

Lisa Mulligan, Assistant Vice Pres.

The proper filing fee must accompany the application. Make checks payable to the Secretary of State.

FEE SCHEDULE

Authorized capital stock of	25,000	or less	$ 90
Over $25,000 and not exceeding	100,000		110
Over $100,000 and not exceeding	500,000		130
Over $500,000 and not exceeding	1,000,000		150
Over $1,000,000 and not exceeding	1,500,000		200
Over $1,500,000 and not exceeding	2,000,000		250
Over $2,000,000 and not exceeding	2,500,000		300
Over $2,500,000 and not exceeding	3,000,000		350
Over $3,000,000 and not exceeding	3,500,000		400
Over $3,500,000 and not exceeding	4,000,000		450
Over $4,000,000 and not exceeding	4,500,000		500
Over $4,500,000 and not exceeding	5,000,000		550

For each additional $500,000, $40 in addition to $550.

For purposes only of computing fees under this section, the dollar value of each authorized share having a par value shall be equal to par value and the value of each authorized share having no par value shall be equal to one hundred dollars per share. The maximum amount charged under this subdivision may not exceed sixteen thousand dollars

FILING INSTRUCTIONS:

The application must be signed, in the presence of a notary public, by the chairman of the board of directors, or its president, or any other officer. **One original and one photocopy of the application must be submitted.**

The application must be accompanied by an **original, currently dated, CERTIFICATE OF FACT** or a **CERTIFICATE OF GOOD STANDING** from the Secretary of State in the state where it incorporated. A photocopy of a certificate is not acceptable. It should be dated within ninety (90) days of submitting it to our office

South Dakota law requires every corporation to continuously maintain a resident of this state as the registered agent (number six on the application). The registered agent's address is considered the registered office address of the corporation in South Dakota. A complete street address must be listed for service of process

The Consent of Registered Agent portion must be signed by the South Dakota registered agent

Mail the application, certificate, and filing fee to the Secretary of State, Corporate Division, 500 E. Capitol Avenue, Pierre, SD 57501-5070. The duplicate and a Certificate of Authority will be returned for your records

LOCKHEED MARTIN GLOBAL TELECOMMUNICATIONS SERVICES, INC.

Directors Rider:

Name:	Title:	Business address:
John V. Sponyoe	Chairman	c/o Lockheed Martin Corporation 6801 Rockledge Drive, Bethesda, MD 20817
John E. Montague		c/o Lockheed Martin Corporation 6801 Rockledge Drive, Bethesda, MD 20817
Robert A. Amadio		c/o Lockheed Martin Corporation 6801 Rockledge Drive, Bethesda, MD 20817
James J. Welch		c/o Lockheed Martin Corporation 6801 Rockledge Drive, Bethesda, MD 20817
Miguel Valero		c/o Lockheed Martin Corporation 6801 Rockledge Drive, Bethesda, MD 20817

Officers Rider:

Name:	Title:	Business Address:
James J. Welch	President	c/o Lockheed Martin Corporation 6801 Rockledge Drive, Bethesda, MD 20817
Miquel Valero	Vice President	c/o Lockheed Martin Corporation 6801 Rockledge Drive, Bethesda, MD 20817
Robert A. Amadio	Vice President	c/o Lockheed Martin Corporation 6801 Rockledge Drive, Bethesda, MD 20817
Anthony Brown	Vice President	c/o Lockheed Martin Corporation 6801 Rockledge Drive, Bethesda, MD 20817
Michael C. Hughes	Vice President	c/o Lockheed Martin Corporation 6801 Rockledge Drive, Bethesda, MD 20817
Janet L. McGregor	Treasurer	c/o Lockheed Martin Corporation 6801 Rockledge Drive, Bethesda, MD 20817
Robert H. Lantz	Secretary	c/o Lockheed Martin Corporation 6801 Rockledge Drive, Bethesda, MD 20817
Dana L. Bennett	Assistant Secretary	c/o Lockheed Martin Corporation 6801 Rockledge Drive, Bethesda, MD 20817
Jennifer E. Bashaw	Assistant Secretary	c/o Lockheed Martin Corporation 6801 Rockledge Drive, Bethesda, MD 20817

LOCKHEED MARTIN GLOBAL TELECOMMUNICATIONS SERVICES, INC.

Frederick O. Kemmer	Assistant Secretary (tax purposes)	c/o Lockheed Martin Corporation 6801 Rockledge Drive, Bethesda, MD 20817
Stuart D. Goldstein	Assistant Secretary (tax purposes)	c/o Lockheed Martin Corporation 6801 Rockledge Drive, Bethesda, MD 20817
Debra Smilley-Weiner	Assistant Secretary	c/o Lockheed Martin Corporation 6801 Rockledge Drive, Bethesda, MD 20817
Marcus B. Idle	Assistant Treasurer	c/o Lockheed Martin Corporation 6801 Rockledge Drive, Bethesda, MD 20817

LOCKHEED MARTIN GLOBAL TELECOMMUNICATIONS SERVICES, INC.
OFFICERS & DIRECTORS
October 2000

NAME	OFFICE	POSITION(S)	HOME ADDRESS	SSN
John V. Sponyoe	LMGT	Director (Chairman)	11420 Palatine Drive Potomac, MD 20854-1451	080-30-8281
John E. Montague	LMGT	Director	4636 Hawthorne Lane, N.W. Washington, D.C. 20016	226-76-5627
Robert A. Amadio	LMGT	Director Vice President	434 Ramsey Road Yardley, PA 19067	188-26-9452
James J. Welch	LMGT	Director President	1301 Tulip Poplar Lane Vienna, Virginia	015-34-9452
Miguel Valero	LMGT	Director Vice President	11707 Roberts Glen Court Potomac, MD 20854	624-24-3129
Paul Pelotte	LMGT	Vice President	774 Fox Lane Chester Springs, PA 19425	100-38-3793
Anthony Brown	LMC	Vice President	8623 Park Highland Drive Orlando, Florida 32818	263-21-0393
Michael C. Hughes	LMGT	Vice President	13621 Glenhurst Rd. North Potomac, MD 20878	045-44-5750
Janet L. McGregor	LMC	Treasurer	1001 Northwoods Trail McLean, VA 22102	223-62-4432
Robert H. Lantz	LMGT	Secretary	10248 Appalachian Circle Apt B-4 Oakton, VA 22124	549-41-6791
Debra Smilley-Weiner	LMGT	Assistant Secretary	10801 Burbank Drive Potomac, MD 20854	524-06-6029
Dana L. Bennett	LMC	Assistant Secretary	12320 Piedmont Road Clarksburg, MD 20871	218-84-9578
Jennifer E. Bashaw	LMC	Assistant Secretary	14110 Canterbury Land Rockville, MD 20853	216-52-4193
Frederick O. Kemmer	LMC	Assistant Secretary	13221 Maplecrest Drive Potomac, MD 20854	555-68-8146
Stuart D. Goldstein	LMC	Assistant Secretary	11406 Cedar Ridge Drive Potomac, MD 20854	125-36-8874
Marcus B. Ide	LMC	Assistant Treasurer	6499 Summer Cloud Way Columbia, MD 21045	199-40-1203

Exhibit C

ORGANIZATIONAL CHART

LOCKHEED MARTIN

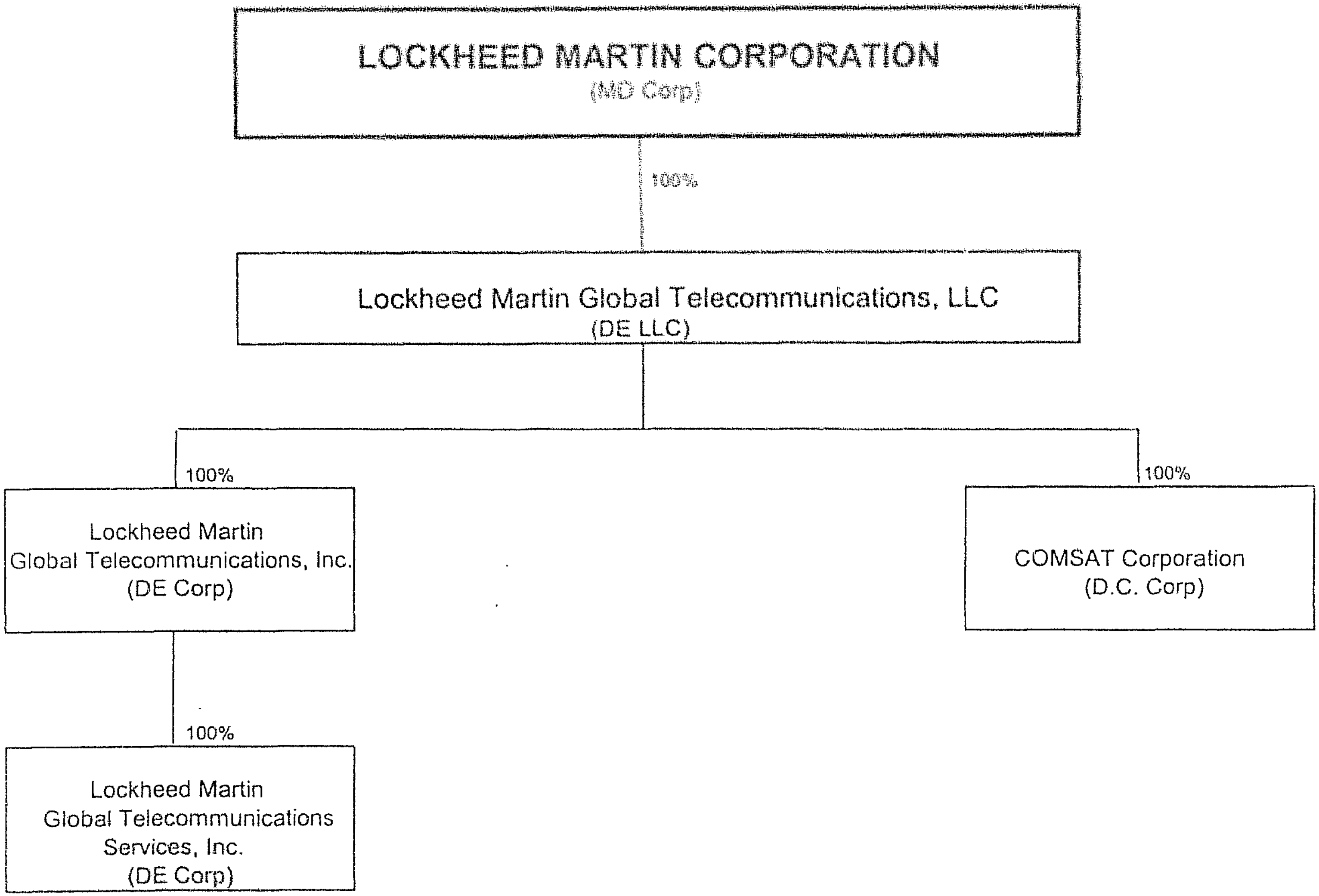

Exhibit D

PROPOSED INTEREXCHANGE TARIFF

Lockheed Martin Global Telecommunications Services, Inc.

TOLL SERVICES RESELLER TARIFF

Rules and regulations applicable for furnishing to Business Customers of Resold Intrastate Interexchange Services by Lockheed Martin Global Telecommunications Services, Inc. between one or more points in the State of South Dakota as authorized by the Public Utilities Commission. This tariff is on file with the Public Utilities Commission and may be inspected during regular business hours. Copies also may be inspected during regular business hours at Lockheed Martin Global Telecommunications Services, Inc.'s principal place of business, 6560 Rock Spring Drive, Bethesda, MD 20817.

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CHECK SHEET

The following pages, inclusive of this Tariff, are effective as of the date shown. Original and revised pages, as named below, comprise all changes from the original Tariff in effect on the date indicated.

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1	Original	29	Original
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* signifies new or revised pages

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SYMBOLS

The following are the only symbols used for the purposes indicated below

(R) To signify a reduction in rate.

(I) To signify an increase in rate

(C) To signify a changed regulation

(T) To signify a change in text but no change in rate or regulation

(S) To signify reissued matter

(N) To signify a new rate or regulation

(D) To signify a discontinued rate or regulation

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TARIFF FORMAT

A. Page Numbering - Page numbers appear in the upper right corner of the page. Pages are numbered sequentially. However, new pages occasionally are added to the tariff. When a new page is added between pages already in effect, a decimal is added to the page number. For example, a new page added between pages 14 and 15 would be 14.1.

B. Page Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current page version on file with the Commission. For example, the 4th revised Page 14 cancels the 3rd revised Page 14. Because of various suspension periods, deferrals, etc. the Commission follows in its tariff approval process, the most current page number on file with the Commission is not always the tariff page in effect.

C. Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

2.
2.1.
2.1.1.
2.1.1.1.
2.1.1.1.A.
2.1.1.1.A.(a).
2.1.1.1.A.(a).I.
2.1.1.1.A.(a).I.(i).
2.1.1.1.A.(a).I.(i).(1).

D. Check Sheets - When a tariff filing is made with the Commission, an updated check sheet accompanies the tariff filing. The check sheet lists the pages contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated on the check sheet by an asterisk(*). There will be no other symbols used on the check sheet if these are the only changes made to it. The tariff user should refer to the latest check sheet to find out if a particular page is the most current on file with the Commission.

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SECTION 1. DEFINITIONS

Authorized User – Any person, firm, corporation or other entity accessing or utilizing the services furnished by the Company to the Customer.

Billed Party – The person or entity responsible for payment of the Company's service. The Billed Party is the Customer associated with the Telephone Number used to place the call, with the following exceptions:

(a) in the case of a calling card or credit card call, the Billed Party is the holder of the calling card or credit card used by the User; and

(b) in the case of a collect or third party call, the Billed Party is the person responsible for the local telephone service at the telephone number that agrees to accept charges for the call.

Call – A completed connection between the calling and the called station.

Calling Station – The telephone number from which a call originates.

Called Station – The telephone number called.

Commission – South Dakota Public Utilities Commission.

Company – Lockheed Martin Global Telecommunications Services, Inc.

Corporate Plan – customers receiving telecommunications and related services from the Company prior to May 1, 2001.

Customer – A person, firm, corporation, partnership or other business entity, including affiliates or divisions of the Customer, responsible for payment of charges to the Company and compliance with all terms and conditions of this tariff.

SECTION 1. DEFINITIONS (Cont'd)

Day – The period of time from 7:00 a.m. until (but not including) 7:00 p.m., Monday through Friday, as measured by local time at the location from which the call is originated.

Evening - The period of time from 7:00 p.m. until (but not including) 11:00 p.m., Sunday through Friday and any time during a Holiday, as measured by local time at the location from which the call is originated.

Holiday – New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Minimum Call Volume ("MCV") – Base call revenue per contract period guaranteed by Business Customers placing Service Orders. Where applicable, Customers agree to meet the MCV or pay the difference to the Company. This MCV may be satisfied by Customer's purchase of any combination of the Company's intrastate, interstate and/or international services.

Night/Weekend ("N/Wkd") - The period of time from 11:00 p.m. until (but not including) 7:00 a.m., Monday through Friday, any time on Saturday and all day Sunday, except 7:00 p.m. until (but not including) 11:00 p.m., as measured by local time at the location from which the call is originated.

Off-Peak Period - Except as otherwise agreed between Company and Customer, the hours from 7:00 pm until but not including 7:00 am.

Peak Period - Except as otherwise agreed between Company and Customer, the hours from 7:00 am until but not including 7:00 pm.

Service Order – The written request for network services executed by the Customer and the Company in the format devised by the Company. The signing of a Service Order by the Customer and acceptance by the Company initiates the respective obligations of the parties as set forth therein and pursuant to this tariff, but the duration of the service is calculated from the service commencement date.

User – Customer or any Authorized User.

SECTION 2. TERMS AND CONDITIONS

2.1 Application of Tariff

2.1.1 This tariff contains the regulations and rates applicable to resold intrastate long distance services provided by the Company to Business Customers throughout the State of South Dakota. Services are provided pursuant to the general terms and conditions of this tariff, except as otherwise negotiated between a Customer and the Company. Additionally, services are furnished subject to the availability of facilities and the terms and conditions of this tariff.

2.1.2 The rates and regulations contained in this tariff apply only to the services furnished by the Company and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other Common Carrier for use in accessing the services of the Company.

2.2 Severability

In the event that any one or more of the provisions contained in this Tariff shall for any reason be held to be invalid, illegal or unenforceable in any respect under the laws of the jurisdiction governing the entire Tariff, such invalidity, illegality or unenforceability shall not affect any other provision of this Tariff, and this Tariff shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

2.3. Shortage of Equipment or Facilities

2.3.1 The Company reserves the right to limit or to allocate the use of existing facilities, or of additional facilities offered by the Company, when necessary because of lack of facilities, or due to some other cause beyond the Company's control.

2.3.2 The furnishing of service under this tariff is subject to the availability on a continuing basis of all the necessary facilities and is limited to the capacity of the Company's facilities as well as facilities the Company may obtain from other carriers to furnish service from time to time as required at the sole discretion of the Company.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.4 Use and Availability of Service

2.4.1 Service shall not be used for any unlawful purpose, nor used in such a manner as to interfere unreasonably with the use of service by any other Users.

2.4.2 The use of the Company's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, false or invalid numbers, or false calling or credit cards is prohibited.

2.4.3 The Company does not transmit messages pursuant to this tariff, but its services may be used for that purpose.

2.4.4 The Company's services may be denied for nonpayment of charges or for other violations of the terms and conditions set forth in this tariff.

2.4.5 The Company reserves the right to refuse service to individuals under the age of 18 and may require proof of age prior to initiating service.

2.4.6 The use of the Company's services to make calls which might reasonably be expected to frighten, abuse, torment, or harass another is prohibited.

2.4.7 Service temporarily may be refused or limited because of system capacity limitations, and is subject to transmission limitations caused by natural (including atmospheric, geographic or topographic) or artificial conditions adversely affecting transmission.

2.4.8 Service to any or all Customers may be temporarily interrupted or curtailed due to equipment modifications, upgrades, relocations, repairs and similar activities necessary for proper or improved operations.

2.4.9 Customers may be required to enter into written Service Orders which shall contain or reference a specific description of the service ordered, the rates to be charged, the duration of the services, and the terms and conditions in the tariff. Customers also will be required to execute any other documents as may be reasonably requested by the Company.

2.4.10 Except as otherwise agreed between the Company and Customer, at the expiration of the initial term specified in each Service Order, or in any extension thereof, service shall continue on a month to month basis at the then current rates unless terminated by either party upon 30 days' written notice. Any termination shall not relieve Customer of its obligation to pay any charges incurred under the service order and this tariff prior to termination. The rights and obligations which by their nature extend beyond the termination of the term of the Service Order shall survive such termination.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.5 Liability of the Company

2.5.1 Because the Company has no control of communications content transmitted over its system, and because of the possibility of errors incident to the provision and use of its service, service furnished by the Company is subject to the terms, conditions and limitations herein specified.

2.5.2 The Company shall not be liable for any delay or failure of performance or equipment as a result of causes beyond its control, including but not limited to (a) delays caused by the other party or (b) acts of God, fire, flood, explosion or other catastrophes; any law, order, regulation, direction, action, or request of the United States Government, or of any other government, including state and local governments having or claiming jurisdiction over the Company, or of any department, agency, commission, bureau, corporation, court or other instrumentality of any one or more of these federal, state, or local governments, or of any civil or military authority, national emergencies, insurrections, riots, wars; unavailability of rights-of-way or materials; strikes, lockouts, work stoppages, or other labor difficulties, and (c) third party nonperformance (including the failure of performance for reasons beyond the control of common carriers, interexchange carriers, local exchange carriers, suppliers and subcontractors), or other cause beyond its reasonable control, including failures or fluctuations in electrical equipment, and such nonperformance shall not be deemed a violation of this Tariff or of the application for service or grounds for termination of service. Both parties retain all rights of recourse against any third parties for any failures which may create a force majeure condition for the other party.

2.5.3 The Company shall not be liable for (a) any act or omission of any entity furnishing to the Company or to the Company's Customer's facilities or equipment used for interconnection with Network Services, or (b) for the acts or omissions of common carriers or warehousemen even if the Company has acted as the Customer's agent in arranging such facilities or services. No agents or employees of other participating carriers shall be deemed to be agents or employees of the Company without written authorization.

2.5.4 The Company shall not be liable for any damages or losses resulting from or caused by (a) the act, omission, fault or negligence of the Customer, (b) the failure or malfunction of Customer-provided equipment or facilities, or (c) claims against the Customer by any other party.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.5 Liability of the Company (Cont'd)

(b) Changes in any of the facilities, operations or procedures of the Company that: (1) render any equipment, facilities or services provided or utilized by the User obsolete, (2) require modification or alteration of such equipment, facilities or services, or (3) otherwise affect use or performance of such equipment, facilities or services except where reasonable notice is required by the Company and is not provided to the Customer.

(c) Defacement of or damage to the Customer's Premises or personal property resulting from the furnishing of services or equipment on such Premises or the installation or removal thereof, when such defacement or damage is not the result of Company's negligence. The Customer will indemnify and hold harmless Company from any claims of the owner of the Customer's premises or other third party claims for such damages.

(d) Any wrongful act of a Company employee where such act is not authorized by the Company and is not within the scope of the employee's responsibilities for the Company.

(e) Any noncompleted Calls due to network busy conditions; and

(f) Any Calls not actually attempted to be completed during any period that service is unavailable.

(g) Libel, slander or infringement of copyright arising directly or indirectly from the material transmitted over facilities provided by the Company;

(h) Infringements of patents arising from combining apparatus and systems of the Customer with facilities provided by the Company;

(i) Any act or omission in connection with provision of 911, E911, or similar services;

(j) Any representations made by a Company employee that do not comport with or that are inconsistent with the provisions of the Tariff.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.5 Liability of the Company (Cont'd)

2.5.9 The Customer shall reimburse the Company for all costs, expenses and fees incurred by the Company in its defense against claims set forth in Section 2.5.8.

2.5.10 The Company is not liable to Customers for interruptions in service except as set forth in Section 2.14 of this tariff.

2.5.11 The Company shall be indemnified, defended, and held harmless by the Customer against any claim, loss or damage arising directly or indirectly from use of services, involving but not limited to claims for libel, slander, invasion of privacy, or infringement of copyright, arising from either the Customer's own communications or from any content or other use of the services provided to Customer, whether authorized by the Customer or not, including infringement of patents arising from combining apparatus and systems of the Customer or a third party with facilities provided by the Company.

2.5.12 Unless ordered otherwise by the Commission, the entire liability for any claim, loss, damage or expense arising out of mistakes, omissions, interruptions, delays, errors or defects in the service, the transmission of the service, or failures or defects in facilities furnished by the Company, occurring in the course of furnishing service, from any cause whatsoever shall in no event exceed sums actually paid to Company by Customer for the specific services giving rise to the claim. No action or proceeding against the Company shall be commenced more than one year after the event(s) giving rise to the claim. Except in instances of gross negligence or willful misconduct of the Company's agents or employees, the Company shall not be liable for any direct, indirect, consequential, special, actual or punitive damages, or for any lost profits of any kind or nature whatsoever arising out of any defects or any other cause, including loss of profits or revenues suffered by a Customer as a result of interrupted or unsatisfactory service, even if the Company has been advised of the possibility of such damages.

2.5.13 The Company shall not be liable for injury to property or death to persons, including claims for payments made under Workers' Compensation law or under any plan for employee disability or death benefits, arising out of, or caused by, any act or omission of the Customer, or the construction, installation, maintenance, presence, use or removal of the Customer's facilities or equipment connected, or to be connected to the Company's facilities.

SECTION 2. <u>TERMS AND CONDITIONS</u> (Cont'd)

2.5 <u>Liability of the Company</u> (Cont'd)

2.5.14 THE COMPANY MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED EITHER IN FACT OR BY OPERATION OF LAW, STATUTORY OR OTHERWISE, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE, EXCEPT THOSE EXPRESSLY SET FORTH HEREIN. The Company does not authorize anyone to make a warranty of any kind on its behalf and the Customer should not rely on any such statements.

2.6 <u>Notification of Service-Affecting Activities</u>

2.6.1 The Company will provide the Customer reasonable notification of service-affecting activities that may occur in normal operation of its business. Such activities may include, but are not limited to, equipment or facilities additions, removals or rearrangements and routine preventative maintenance. Generally, such activities are not specific to an individual Customer but affect many Customers' services. No specific advance notification period is applicable to all service activities. The Company will work cooperatively with the Customer to determine the reasonable notification requirements. With some emergency or unplanned service-affecting conditions, such as an outage resulting from cable damage, notification to the customer may not be possible.

2.7 <u>Ownership of Facilities</u>

2.7.1 Title to all facilities provided in accordance with this tariff remains in the Company, its agents or contractors.

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SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.8 **Prohibited Uses**

2.8.1 The services the Company offers shall not be used for any unlawful purpose or for any use as to which the Customer has not obtained all required governmental approvals, authorizations, licenses, consents and permits.

2.8.2 The Company may require applicants for service who intend to use the Company's offerings for resale and/or for shared use to file a letter with the Company confirming that their use of the Company's offerings complies with relevant laws and Commission regulations, policies, orders, and decisions.

2.8.3 The Company may require a Customer to immediately shut down its transmission of signals if said transmission is causing interference to others.

2.9 **Obligations of the Customer**

2.9.1 The Customer shall be responsible for:

(a) placing any necessary orders, complying with tariff regulations and assuring that Users comply with tariff regulations. The Customer shall ensure compliance with any applicable laws, regulations, orders or other requirements of any governmental entity relating to services provided by the Company to the Customer or made available by the Customer to another User. The Customer also is responsible for the payment of charges for all Calls originated at the Customer's numbers which are not collect, third party, calling card, or credit card calls.

(b) taking all necessary legal steps for interconnecting Customer-provided terminal equipment or communications systems with Company's facilities or services. Customer shall ensure that the equipment and/or system is properly interfaced with Company's facilities or services; that the signals emitted into Company-provided network facilities are of the mode, bandwidth, power, signal level or other technical parameters for the intended use of the Customer and in compliance with the criteria set forth in this Tariff, and that the signals do not damage equipment, injure personnel or degrade service to other Customers. If Customer fails to maintain the equipment and/or system properly, with resulting imminent harm to Company's personnel or quality of service to other Customers, Company may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, Company may, upon written notice, terminate the Customer's service.

SECTION 2. **TERMS AND CONDITIONS (Cont'd)**

2.9 **Obligations of the Customer** (Cont'd)

(c) payment of all charges incurred to the Calling Station regardless of which party terminates the service. The Customer shall reimburse the Company for all costs, expenses and fees incurred by the Company in collecting such charges.

(d) charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by the Company on the Customer's behalf.

(e) damage to or loss of the Company's facilities or equipment caused by the acts or omissions of the Customer; or the Customer's officers, employees, agents or contractors, or the noncompliance by the Customer with these regulations; or by fire or theft or other casualty on the Customer Premises, unless caused by the gross negligence or willful misconduct of the employees or agents of the Company;

(d) providing at no charge, as specified from time to time by the Company, any needed personnel, equipment, space and power to operate Company facilities and equipment installed on the premises of the Customer Premises, and the level of heating and air conditioning necessary to maintain the proper operating environment on such premises;

(e) obtaining, maintaining, and otherwise having full responsibility for all rights-of-way and conduits necessary for installation of fiber optic cable and associated equipment used to provide services to the Customer from the cable building entrance or property line to the location of the equipment space described in 2.9.1(d). Any costs associated with obtaining and maintaining the rights-of-way described herein, including the costs of altering the structure to permit installation of the Company-provided facilities, shall be borne entirely by, or may be charged by the Company to, the Customer;

(f) arranging access to its Premises at times mutually agreeable to the Company and the Customer when required for Company personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of the Company's services.

(g) not creating or allowing any liens or other encumbrances to be placed on the Company's equipment or facilities.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.9 **Obligations of the Customer (Cont'd.)**

2.9.2 The Customer agrees, except where the events, incidents or eventualities set forth in this sentence are the result of the Company's gross negligence or willful misconduct, to release, indemnify and hold harmless the Company against any and all loss, claims, demands, suits or other action or any liability whatsoever, whether suffered, made, instituted or asserted by the Customer or by any other party or person, for any personal injury to or death of any person or persons, or for any loss of or damage to any property, whether owned by the Customer or others. The Customer shall reimburse the Company for all costs, expenses and fees incurred by the Company in its defense against such actions.

2.10 **Claims**

2.10.1 With respect to any service or facility provided by the Company, Customer shall indemnify, defend and hold harmless the Company from and against all claims, actions, damages, liabilities, costs and expenses related to, arising from or for

(a) any loss, destruction or damage to property of the Company or any third party, or the death or injury to persons, including, but not limited to, employees or invitees of either party, to the extent caused by or resulting from the negligent or intentional act or omission of the Customer, its employees, agents, representatives or invitees;

(b) any claim, loss, damage, expense or liability for infringement of any copyright, patent, trade secret, or any proprietary or intellectual property right of any third party, arising from any act or omission by the Customer, including, without limitation, use of the Company's services and facilities in a manner not contemplated by the agreement between Customer and Company;

(c) providing a safe place to work and complying with all laws and regulations regarding the working conditions on the premises at which Company employees and agents shall be installing or maintaining the Company's facilities and equipment. The Customer may be required to install and maintain Company facilities and equipment within a hazardous area if, in the Company's opinion, injury or damage to the Company's employees or property might result from installation or maintenance by the Company. The Customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material (e.g. friable asbestos) prior to any construction or installation work; or

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.10 Claims (Cont'd)

(d) complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and permits as may be required with respect to, the location of Company facilities and equipment in any Customer premises or the rights-of-way for which Customer is responsible under section 2.9.1(c); and granting or obtaining permission for Company agents or employees to enter the premises of the Customer at any time for the purpose of installing, inspecting, maintaining, repairing, or upon termination of service as stated herein, removing the facilities or equipment of the Company

2.11 Customer Equipment and Channels

2.11.1 A Customer may transmit or receive information or signals via the facilities of the Company.

2.11.2 Customer terminal equipment on the Customer Premises, and the electric power consumed by such equipment shall be provided by and maintained at the expense of the Customer.

2.11.3 The Customer is responsible for ensuring that Customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The magnitude and character of the voltages and currents impressed on Company-provided equipment and wiring by the connection, operation, or maintenance of such equipment and wiring shall be such as not to cause damage to the Company-provided equipment and wiring or injury to the Company's employees or to other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the Customer's expense

2.11.4 Any special interface equipment necessary to achieve compatibility between the facilities and equipment of the Company used for furnishing Network Services and the channels, facilities, or equipment of others shall be provided at the Customer's expense.

2.11.5 Network Services may be connected to the services or facilities of other communications carriers only when authorized by, and in accordance with, the terms and conditions of the tariffs of the other communications carriers which are applicable to such connections.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.12 Payment Arrangements

The Customer is responsible for the payment of all charges for facilities and services furnished by the Company to the Customer.

2.12.1 Taxes

The Customer is responsible for the payment of any sales, use, gross receipts, excise, access or other local, state and federal taxes, charges or surcharges (however designated) (excluding taxes on the Company's net income) imposed on or based upon the provision, sale or use of Network Services.

2.12.2 Billing and Collection of Charges

Except as otherwise negotiated between the Company and a Customer, the following terms and conditions shall apply:

2.12.2.1 Service is provided on the basis of a minimum period of at least one month, 24-hours per day. For the purpose of computing charges in this tariff, a month is considered to have 30 days.

2.12.2.2 The Customer is responsible for payment of all charges incurred by the Customer or by other users, with or without appropriate authorization from the Customer, for services and facilities furnished to the Customer by the Company. The Customer shall not be excused from paying the Company for such services on the basis that the use of the service was unauthorized.

2.12.2.3 The Company shall present invoices for Recurring Charges and Usage Charges monthly to the Customer, and these charges shall be due and payable within 30 days after the invoice is mailed.

2.12.2.4 When service does not begin on the first day of the month, or end on the last day of the month, the charge for the fraction of the month in which service was furnished will be calculated on a pro rata basis. For this purpose, every month is considered to have 30 days.

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SECTION 2. **TERMS AND CONDITIONS** (Cont'd)

2.12 **Payment Arrangements** (Cont'd)

2.12.2 **Billing and Collection of Charges** (Cont'd)

2.12.2.5 Billing of the Customer by the Company will begin on the service commencement date, which is the first day following the date on which the Company notifies the Customer that the service or facility is available for use, except that the service commencement date may be postponed by mutual agreement of the parties, or if the service or facility does not conform to standards set forth in this tariff or the Service Order. Billing accrues through and includes the day that the service, circuit, arrangement or component is discontinued.

2.12.2.6 If any portion of the payment due for undisputed charges is not received by the Company on or before the date due, or if any portion of the payment is received by the Company in funds which are not immediately available, then the Customer's account shall be delinquent, and a late payment penalty shall be due to the Company. The due date shall be no earlier than thirty (30) days after the Company's invoice is mailed. The late payment penalty shall be the portion of the payment not received by the date due, multiplied by a late factor. The late factor shall be the lesser of (a) 1.5% of the total monthly bill; or (b) the highest interest rate which may be applied under applicable state law for commercial transactions.

2.12.3 **Deposits & Advanced Payments**

The Company will not require deposits or advanced payments from Customers at this time.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.12 Payment Arrangements (Cont'd)

2.12.4 Discontinuance of Service

The Company may discontinue service or cancel an application for service, with ten days' written notice and without incurring any liability, for any of the following reasons:

2.12.4.1 Failure of the Customer to pay a non-disputed delinquent account;

2.12.4.2 Failure of the Customer to make satisfactory arrangements to pay arrearages or meet the requirements of a payment agreement;

2.12.4.3 Failure of the Customer to permit the Company to have reasonable access to its equipment, facilities, service connections or other property;

2.12.4.4 Failure of the Customer to provide the Company with adequate assurances that an unauthorized use or practice will cease;

2.12.4.5 Customer violation of any regulation governing the service under this tariff, or a violation of any law, rule, or regulation of any government authority having jurisdiction over the service;

2.12.4.6 Customer fraud or material misrepresentation of identity for purpose of obtaining telephone service;

2.12.4.7 Failure of the Customer to adhere to contractual obligations with the Company (except where immediate termination warranted as described in Section 2.12.4.14); or

2.12.4.8 Where the Company is prohibited from furnishing services by order of a court or other government authority having jurisdiction.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.12 **Payment Arrangements (Cont'd)**

2.12.4 **Discontinuance of Service** (Cont'd)

The Company may terminate service *without notice* to the Customer for any of the following occurrences:

2.12.4.9 Customer's maintenance or operation of its equipment in such a manner as to adversely affect the Company's equipment or service to others;

2.12.4.10 Customer non-compliance with any provision of this tariff which results in threatening the safety of a person or the integrity of the service delivery system of the Company;

2.12.4.11 The existence of a condition on the Customer's premises determined by the Company to be hazardous;

2.12.4.12 Customer tampering with the Company's equipment or service;

2.12.4.13 Customer's unauthorized or illegal use of the Company's service or equipment.

2.12.4.14 Issuance of any order by an administrative agency, court or governmental entity having appropriate jurisdiction to terminate service immediately.

Notwithstanding any other provisions within this Section, pursuant to the issuance of an order to terminate service by any administrative agency, court or other governmental entity having appropriate jurisdiction, the Company may terminate service to the designated Customer(s), consistent with the terms and conditions of the order, specifically including those which either require notice to affected Customer(s) or require that service be terminated without such notice.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.12.5 Cancellation of Application for Service

Applications for service may be cancelled, prior to commencement of services, subject to the following conditions:

2.12.5.1 Where, prior to receiving notice of cancellation, the Company incurs any expense installing or preparing to install the service or in connection with special construction, or where special arrangements of facilities or equipment have begun, a charge equal to the costs incurred, less net salvage, applies. In such cases, the charge will be based on such elements as the cost of the equipment, facilities, and material, the cost of installation, engineering, labor, and supervision, general and administrative expense, other disbursements, depreciation, maintenance, taxes, provision for return on investment, and any other costs associated with the special construction or arrangements.

2.12.5.2 In no case shall the charges exceed the sum of (a) the charge for the minimum period of service ordered, including installation charges, and (b) all charges levied by other parties against the Company that would have been chargeable to the Customer had service begun.

2.12.6 Cancellation of Service Order

Service Orders upon which delivery has commenced may not be cancelled except as specified in the applicable Service Order and subject to the cancellation payment identified for the contracted minimum call volume.

2.12.7 Changes in Service Requested

If the Customer makes or requests material changes in circuit engineering, equipment specifications, service parameters, premises locations, or otherwise materially modifies any provision of the application for service, the Customer's installation fee shall be adjusted accordingly.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.13 Disputed Charges

2.13.1 All bills are presumed accurate, and shall be binding on the Customer unless objection is received by the Company within thirty days. A disputed charge may be brought to the Company's attention by verbal or written notification. All charges remain due and payable at the due date, although the Customer is not required to pay *any disputed charges* during the time period in which the Company conducts its investigation into the charges. The undisputed portion and subsequent bills must be paid on a timely basis, or the service may be subject to disconnection.

In the event that a billing dispute between the Customer and the Company for service furnished to the Customer cannot be settled with mutual satisfaction, the Customer may take the following course of action:

2.13.1.1 The Customer may request, and the Company will provide, an in-depth review of the disputed amount. During the period that the disputed amount is under investigation, the Company shall not pursue any collection proceedings or assess late fees with regard to the disputed amount.

2.13.1.2 If there is still a disagreement about the disputed amount after investigation and review by the Company, the Customer may file an appropriate complaint with the Public Utilities Commission. The address of the Commission is:

State Capitol Building
500 East Capitol Avenue
Pierre, SD 57501-5070

2.13.2 Billing inquiries may be directed to the Company toll free at (800) 435-7063.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.14 Allowances for Interruptions in Service

2.14.1 Interruptions in service, which are not due to the negligence of, or noncompliance with the provisions of this tariff by, the Customer or the operation or malfunction of the facilities, power or equipment provided by the Customer, will be credited to the Customer as set forth in 2.14.2, for the part of the service that the interruption affects.

2.14.2 Credit for Interruptions

2.14.2.1 A credit allowance will be made when an interruption occurs because of a failure of any component furnished by the Company under this tariff. An interruption period begins when the Customer reports a service, facility or circuit to be interrupted and releases it for testing and repair. An interruption period ends when the service, facility or circuit is operative. If the Customer reports a service, facility or circuit to be inoperative but declines to release it for testing and repair, it is considered to be impaired, but not interrupted. No credit allowance will be made for a service facility or circuit considered by the Company to be impaired.

2.14.2.2 For calculating credit allowances, every month is considered to have 30 days. A credit allowance is applied on a pro rata basis against the rate, specified hereunder and is dependent upon the length of the interruption. Only those facilities on the interrupted portion of the circuit will receive a credit.

2.14.2.3 At the Customer's request, a credit allowance for a continuous interruption of service for more than twenty-four (24) hours will be made in an amount to be determined by the Company on a case-by-case basis.

2.14.2.4 In the event the User is affected by such interruption for a period of less than twenty-four (24) hours, no adjustments will be made. No adjustments will be earned by accumulating non-continuous periods of interruption.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.14 **Allowances for Interruptions in Service** (Cont'd)

2.14.3 **Limitations on Allowances**

No credit allowance will be made for:

(a) interruptions due to the negligence of, or noncompliance with the provisions of this tariff by, the Customer, authorized user, joint user, or other common carrier providing service connected to the service of the Company;

(b) interruptions due to the negligence of any person other than the Company, including but not limited to the Customer or other common carriers connected to the Company's facilities;

(c) interruptions due to the failure of power, equipment, systems or services not provided by the Company;

(d) interruptions of service during any period in which the Company is not given full and free access to its facilities and equipment for the purpose of investigating and correcting interruptions;

(e) interruptions of service during a period in which the Customer continues to use the service on an impaired basis;

(f) interruptions of service during any period when the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements; and

(g) interruption of service due to circumstances or causes beyond the control of Company.

(h) interruptions that occur or continue to occur due to the Customer's failure to authorize replacement of any element of special construction: and

(i) interruptions that were not reported to the Company within thirty (30) days of the date that service was affected.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.15 Transfers and Assignments

Neither the Company nor the Customer may assign or transfer its rights or duties in connection with the services and facilities provided by the Company without the written consent of the other party, except that the Company may, after receiving the required approvals from the Public Utilities Commission, assign its rights and duties (a) to any subsidiary, parent company or affiliate of the Company, (b) pursuant to any sale or transfer of the assets of the Company, or (c) pursuant to any financing, merger or reorganization of the Company.

2.16 Notices and Communications

2.16.1 The Customer shall designate on the Service Order an address to which the Company shall mail or deliver all notices and other communications, except that Customer may also designate a separate address to which the Company's bills for service shall be mailed.

2.16.2 The Company shall designate on the Service Order an address to which the Customer shall mail or deliver all notices and other communications, except that Company may designate a separate address on each bill for service to which the Customer shall mail payment on that bill.

2.16.3 All notices or other communications required to be given pursuant to this tariff will be in writing. Notices and other communications of either party, and all bills mailed by the Company, shall be presumed to have been delivered to the other party on the third business day following placement of the notice, communication or bill with the U.S. Mail or a private delivery service, prepaid and properly addressed, or when actually received or refused by the addressee, whichever occurs first.

2.16.4 The Company or the Customer shall advise the other party of any changes to the addresses designated for notices, other communications or billing, by following the procedures for giving notice set forth herein.

2.17 Temporary Promotional Programs

2.17.1 The Company may establish temporary promotional programs wherein it may waive or reduce non-recurring or recurring charges, to introduce present or potential Customers to a service not previously received by the Customer. Insofar as required by Commission regulations, the Company will file notice of its proposed promotions with the Commission.

Issued by: Robert A. Mansbach, Asst. General Counsel
Lockheed Martin Global Telecommunications Services, Inc.
6560 Rock Spring Drive
Bethesda, MD 20817

SECTION 3. EXPLANATION OF RATES

The regulations set forth in this section explain how to apply the rate table associated with the various services offerings described in Section 4.

3.1 Timing of Calls

3.1.1 Billing for calls placed over the Company's underlying carrier's network is based on the duration of the call. Timing begins when the called station is answered, as determined by standard industry methods generally in use for ascertaining answers, including answer supervision hardware by which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. Timing ends when either party hangs up.

3.2 Computation of Charges

3.2.1 Calls will be billed in increments consisting of an initial period followed by additional periods (which may be of the same duration as or different duration than the initial period) as specified within the applicable service description set forth in Section 4 below.

3.3 Credit for Incomplete Calls and Wrong Numbers

3.3.1 The Company will not knowingly charge for incomplete calls or wrong numbers. Upon the Customer's request and proper verification, the Company shall promptly adjust and credit the Customer's account for charges or payment for any such calls.

SECTION 4. DESCRIPTIONS OF SERVICES

The following services are provided to Business Customers subject to a Minimum Call Volume as described within this tariff and specified in Section 5.

4.1 1+ Long Distance

1+ Long Distance Service is a dedicated or switched long distance message telecommunications service provided between points located within the State. Except as otherwise stated, dedicated 1+ Long Distance calls are billed in initial 18-second increments and additional increments of 6 seconds and switched 1+ Long Distance calls are billed in initial 18-second increments and additional increments of 6 seconds.

4.2 Toll Free Service

Toll Free Service is a telecommunications service which allows a caller to place calls to a Customer at no cost to the calling party by dialing a telephone number that is assigned to a Customer Premises and that employs a toll-free area code. Except as otherwise stated, toll free service is billed in initial 18-second increments and additional increments of 6-seconds.

4.3 Special Calling Plans

These calling plans are offered in addition to the services generally made available by the Company. Customers contracting for these plans are eligible for discounted pricing based upon specific revenue or term commitments.

4.3.1 Calling Plan A

This rate plan is available to customers contracting to purchase services with a minimum total revenue commitment of $75,000,000.

4.4 Intrastate Calling Card Service

The Company will provide its Customers with calling cards for the purpose of enabling the customer to access the Company's long distance services from locations other than the Customer's premises.

SECTION 5. RATE SCHEDULES

All services are available only to customers purchasing a Minimum Call Volume of $60,000/year. This MCV may be met as described in Section 1 of this Tariff.

5.1 1+ Long Distance Rates

IntraLATA 1+

ON-ON				OFF-ON				OFF-OFF			
Peak		Off-Peak		Peak		Off-Peak		Peak		Off-Peak	
Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.
0.0185	0.0062	0.0130	0.0043	0.0317	0.0106	0.0239	0.0080	0.0462	0.0154	0.0368	0.0123

InterLATA 1+

ON-ON				OFF-ON				OFF-OFF			
Peak		Off-Peak		Peak		Off-Peak		Peak		Off-Peak	
Initial 18 sec.	Addtl 6 sec.	Initial 18 sec	Addtl 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.
0.0185	0.0062	0.0130	0.0043	0.0317	0.0106	0.0239	0.0080	0.0462	0.0154	0.0368	0.0123

5.2 Toll Free Long Distance Rates

IntraLATA Toll-Free

OFF-ON				OFF-OFF			
Peak		Off-Peak		Peak		Off-Peak	
Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.
0.0403	0.0134	0.0317	0.0106	0.0599	0.0200	0.0572	0.0191

InterLATA Toll-Free

OFF-ON				OFF-OFF			
Peak		Off-Peak		Peak		Off-Peak	
Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.
0.0403	0.0134	0.0342	0.0114	0.0599	0.0200	.0572	0.0191

Issued by: Robert A. Mansbach, Asst. General Counsel
Lockheed Martin Global Telecommunications Services, Inc.
6560 Rock Spring Drive
Bethesda, MD 20817

SECTION 5. RATE SCHEDULES (cont'd)

5.3 Special Calling Plan Rates

Calling Plan A customers are eligible for the following discounts:

Product	ON-ON		OFF-ON & ON-OFF		OFF-OFF	
	Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
IntraLATA 1+	36.6%	36.6%	22.6%	22.6%	22.7%	22.9%
InterLATA 1+	36.6%	36.6%	22.6%	22.6%	22.7%	22.9%
IntraLATA Toll Free	not applicable		22.7%	22.6%	22.9%	22.9%
InterLATA Toll Free			22.7%	22.5%	22.9%	22.9%

5.4 Intrastate Calling Card Service

[Reserved for future use]

5.5 Discounts

Customers contracting for a minimum of twelve months' services may be eligible for a discount of 9% from the above-listed prices. Customers may be eligible for additional discounts based upon either revenue/call volume or term length commitments.

5.6 Transitional Grandfathering Arrangements

The terms and conditions for services applicable to Corporate Plan customers will be grandfathered through January 31, 2002.

Issued:

Effective: ______________

Issued by: Robert A. Mansbach, Asst. General Counsel
Lockheed Martin Global Telecommunications Services, Inc.
6560 Rock Spring Drive
Bethesda, MD 20817

Exhibit E

FINANCIAL INFORMATION

NEXT

DOCUMENT (S)

BEST IMAGE

POSSIBLE

In A World That Demands Information Superiority...

LOCKHEED MARTIN

Financial Highlights

(In millions, except per share data and number of employees)	2000	1999	1998
Net sales	**$25,329**	$25,530	$26,266
Operating profit	**1,205**	2,009	2,522
Operating profit before amortization of intangibles	**1,655**	2,449	2,958
Net (loss) earnings	**(519)**	382	1,001
Diluted (loss) earnings per share	**(1.29)**	.99	2.63
Pro forma diluted earnings per share excluding nonrecurring and unusual items	**1.07**	1.50	2.99
Cash dividends per common share	**.44**	.88	.82
Total assets	**30,349**	30,261	28,744
Short-term borrowings	**12**	475	1,043
Long-term debt (including current maturities)	**9,947**	11,479	9,843
Stockholders' equity	**7,160**	6,361	6,137
Negotiated backlog	**$56,424**	$45,913	$45,345
Employees	**130,000**	147,000	165,000

Note: For a discussion of nonrecurring and unusual items and other matters affecting the comparability of the information presented above, refer to Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 23 through 41 of this Annual Report.

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... demands information superiority. Lockheed Martin applies its advanced technologies as well as the commitment of its talented and ... our customers' priorities.

... Martin Applies Its Vision, Its Purpose And Its Values To Customer Priorities

- *To be the world's best advanced technology systems integrator.*

- *To achieve Mission Success by attaining total customer satisfaction and meeting all our commitments.*

- *Ethics*
- *Excellence*
- *Can Do*
- *Integrity*
- *People*
- *Teamwork*

... Result Through...

- *Leadership And Teamwork*
- *Commitment Of Our People To Our Customers*
- *Excellence As A Premier Systems Integrator*
- *Innovation In Technology And Business*
- *Partnerships Worldwide*

Leadership And Teamwork

NEXT

DOCUMENT (S)

BEST IMAGE

POSSIBLE

Dear Fellow Shareholder:

We began 2000 with firm commitments to serve customers better, improve financial performance, manage for cash, drive operational improvements, and improve planning quality.

We are pleased to report that we have met these commitments and, in so doing, have achieved significantly higher levels of customer satisfaction and enhanced shareholder value. We exceeded all financial goals set for 2000, including achieving record orders and backlog, record free cash flow generation, substantial debt reduction, and the receipt of full and fair value for our divestitures.

Of nearly 550 operational and developmental "Mission Success" events measured, 95% were successful. Two other important measures of customer satisfaction and confidence—award fees for current programs and orders representing future business—each increased substantially during 2000. Average award fees increased from 85% in 1999 to 93% in 2000, while we received more than $37 billion in new orders during 2000, some 33% higher than 1999. As a result, backlog expanded from $45.9 billion at the end of 1999 to $56.4 billion at the end of 2000, an increase of 23%. We believe that the realignment of our businesses, and careful focus by senior executive leadership and our dedicated employees directly contributed to this performance. This realignment was intended to increase accountability throughout our organization while, at the same time, intensify the focus on our customers as we deliver consistency and quality. We are gratified that our customers continue to place such trust in us, and fulfilling their needs remains our number one priority.

In 2000, we committed the Corporation to managing for cash and reducing debt. Free cash flow increased from approximately $875 million in 1999 to $1.8 billion in 2000, our best performance ever. This accomplishment was achieved mainly through the reduction of days working capital as we focused on the management of receivables, customer advances, payables and inventory throughout all our business areas. By combining free cash flow with the $2 billion of cash proceeds from our divestitures, we reduced our debt by $2 billion and increased our cash invested by $1 billion. This brought our net-debt-to-capital ratio down from 64% to 54% and we are making rapid progress toward bringing this ratio within a preferred range of 40% to 50%. In 2000, we committed to drive operational improvements and improve planning quality. Our LM-21 Operating Excellence Program has been significantly expanded to all elements of our enterprise. Our annual savings targets are now $3.7 billion. We have expanded the use of shared services across all our business areas to drive savings and efficiencies from using common practices, reengineered processes, and e-commerce-based management tools in our administrative functions. In September of 2000 the aerospace and defense business-to-business exchange named "Exostar™", of which we were a founding partner, was activated. Our streamlining initiatives in Aeronautics and Space are providing additional annual savings of approximately $200 million, and our business planning process is sound as we met or exceeded all projections in 2000. We provided our shareholders with a total return of 58% for 2000.

Looking forward, we see opportunities as well as risks and challenges. We have defined a set of leadership and management imperatives that will extend our vision, evolve our strategy, and further drive our culture of performance as we continue the transition from recovery to disciplined growth and sustained value creation.

We continue to pursue our goal of being the world's best systems integrator. We believe our proven competencies and capabilities, which enable the seamless integration and exploitation of complex technologies, will be under increasing demand. Governments are increasingly likely to turn to private sector partners for solutions to national and global challenges. It is our objective to be the partner of choice that has driven us to aggressively realign customer interfaces, streamline operations, reduce costs, enhance responsiveness, expand support, focus on innovation, and deliver as promised. Through our systems and information technology skills, we intend to meet our commitment to be the preferred private sector partner and superior infrastructure supplier to the U.S. Government.

Also, around the globe corporations continue to consolidate resulting in enterprises of unprecedentedly large scale and complexity, whose appetite for comprehensive solutions based on the application of advanced technology is also rapidly expanding. Here too our competencies can be applied. Our actions will be guided by a disciplined focus on customers and markets that value total systems solutions, enabling us to consistently generate returns above the cost of capital.

More than any other attribute, however, the degree to which we continue to build our value based performance culture will determine our future and the well being of the customers we are committed to serve. We assembled this Corporation to perform, and we are going to do so. As we leverage the fully integrated resources of "Team Lockheed Martin", performance is our key discriminator and shareholder value our key measure. The heritage of where we've been individually is much less important than the future we create together.

As we create that future, we are first committed to achieving continuous operational improvements, including increased profit margins, with commensurate increases to free cash flow generation. Our goal of driving operating margins toward double-digit performance levels remains and we have challenged our entire leadership team to contribute to this very demanding objective. As we work additional pathways to profitability, we remain committed to our average annual recurring EPS expansion goal of 15% to 25%.

Second, we must sustain our disciplined deployment of cash. We have made good progress on restoring flexibility and accelerating a return to a targeted net debt to total capital range of 40% to 50%, and we will continue to rigorously prioritize investments to assure the adequacy of returns.

Third, we must concentrate on achieving higher levels of profitable organic growth in our businesses that have demonstrated the ability to consistently achieve solid profit margins and returns.

And fourth, we must continue to examine an array of strategic actions to enhance shareholder value. We will follow through with our exploration of alternatives for our state and local services business, as well as examining the best ways to yield value from Global Telecommunications. Such businesses require strategic partners, outside capital and entrepreneurial management to achieve their full potential. We have reported to you on imbalances between capacity and market demand in selected businesses and markets, and will work to resolve those imbalances provided shareholder value considerations are preserved. And we remain firmly committed to generating additional value by increasing the return on our intellectual capital through the more aggressive management of "technology mining" activities. Working with venture capital firms, we completed several transactions in the year 2000 to create startup companies in which we hold significant equity stakes.

In closing, we are proud of our leadership team and the 130,000 Lockheed Martin professionals for their performance in 2000. It was, by every measure, a very good start to this millennium. We have the energy and excitement of being affiliated with a truly wonderful, high performance enterprise and we are committed to building on the momentum we have created as we drive forward to apply increasingly sophisticated technologies through integrated systems solutions to meet our customers' most demanding challenges. This is a great company...our company...Lockheed Martin. While year 2000 was a year of recovery, we are sure our best days remain ahead of us.

March 1, 2001

Vance D. Coffman

Vance D. Coffman
Chairman and Chief Executive Officer

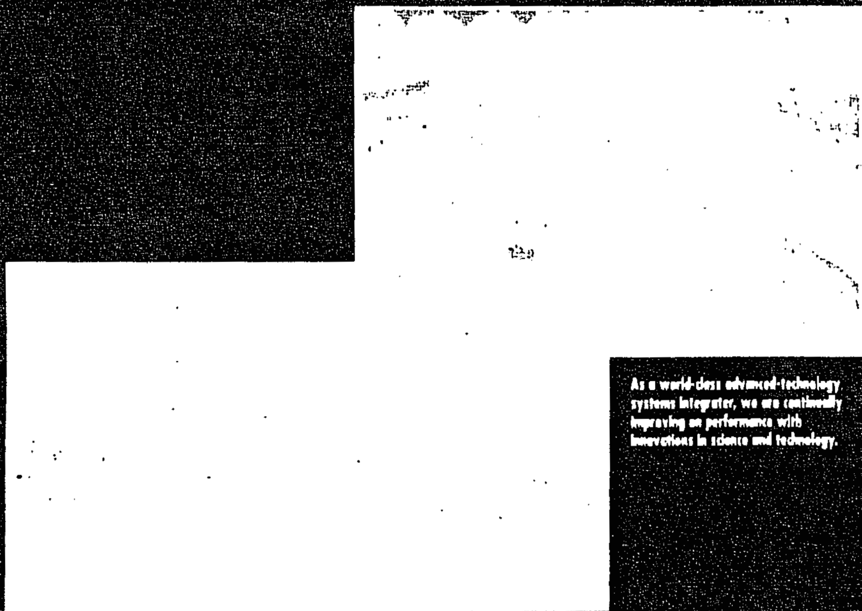
Robert J. Stevens

Robert J. Stevens
President and Chief Operating Officer

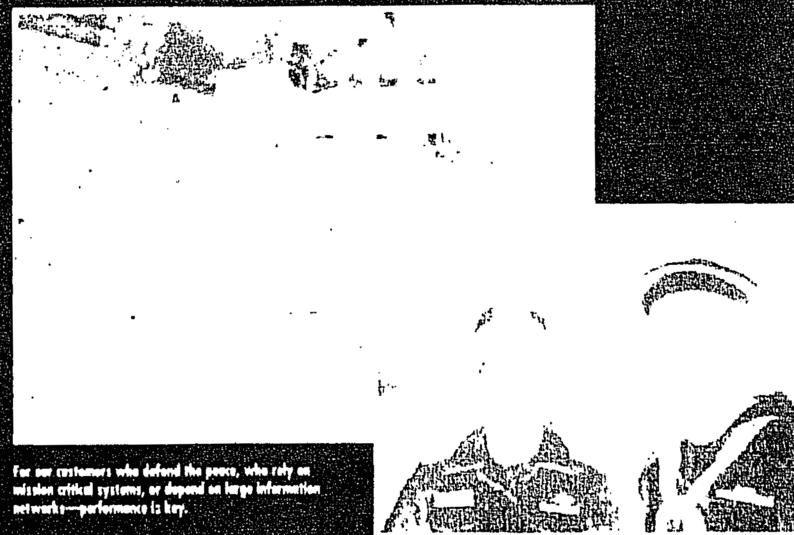
Commitment Of Our People To Our Customers

The X-35A logged 27 flights in 30 days, setting records and breaking the sound barrier.

Evolving With Customer Priorities



As a world-class advanced-technology systems integrator, we are continually improving on performance with innovations in science and technology.



For our customers who defend the peace, who rely on mission critical systems, or depend on large information networks—performance is key.

Performance as a systems integrator led to Lockheed Martin's selection as warfare systems integrator for the U.S. Navy's new aircraft carrier, CVN-77. Systems integration is also key to missile defense programs. The Patriot Advanced Capability-3 (PAC-3) missile extended its record of successful performance to eight successful test flights and six consecutive intercepts, including the destruction of targets simulating low flying cruise missiles. In addition, the Theater High Altitude Area Defense (THAAD) program entered the Engineering and Manufacturing Development phase, and the Joint Air-to-Surface Standoff Missile successfully conducted its first flight and has demonstrated its performance successfully in subsequent flights.

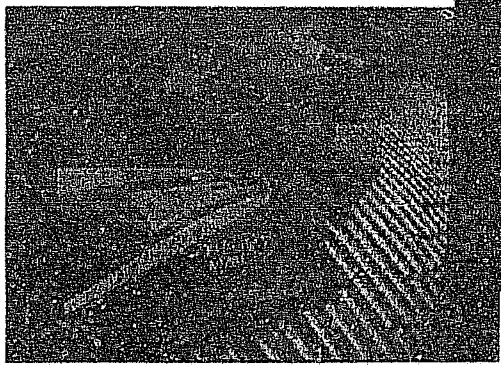
The Lockheed Martin team is a partner with NASA to consolidate mission operations at major NASA centers. The Consolidated Space Operations Contract (CSOC) successfully demonstrated last year its OpStar prototype, which promises significant mission operations cost reductions. This state-of-the-art technology allows scientists to literally command their spacecraft safely from anywhere, using laptop computers or hand-held devices instead of being tied to large computing centers. In addition, CSOC delivered the new Training Flight Control room in just six months—ahead of schedule and within budget.

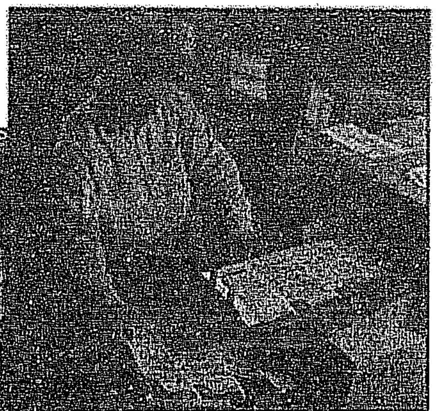
As systems integrators, our team was instrumental in tallying the Year 2000 Census with an accuracy rate of 99.8%. Lockheed Martin's Data Capture System (DCS) 2000 processed the nearly 149 million forms that will provide an updated picture of the United States as the new century begins.

Excellence As A Premier Systems Integrator

Transmitting more bits of data daily than all U.S. cable companies combined.

Systems Solutions For Our Customers





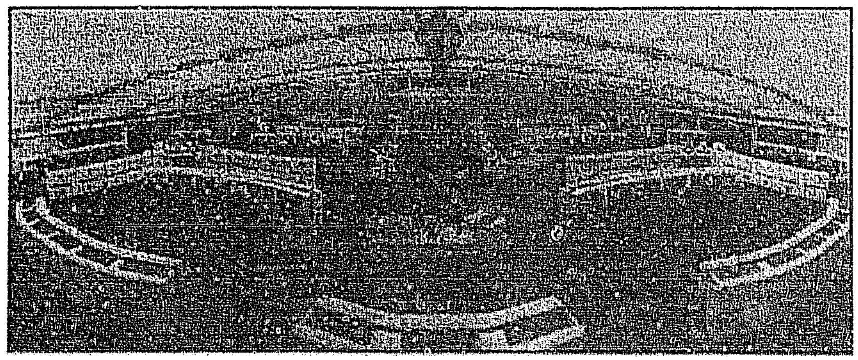
As systems integrators, our team was instrumental in tallying the nearly 148 million forms of the Year 2000 Census with an accuracy rate of 99.8%.

The U.S. Postal Service relies on Lockheed Martin technology to help reach its objectives from automatically processing letters, flats, and parcels to fully integrating entire mail processing facilities. Advances completed during 2000 in handwritten address recognition are boosting the successful read rate of first-pass, hand-addressed envelopes to 75%—a dramatic gain over the 3% accuracy read rate in 1996.

In 2000, Lockheed Martin completed deployment of 20 new Display System Replacement (DSR) installations at Federal Aviation Administration facilities across the nation. The program was completed ahead of schedule and within budget. In recognition of our customer-focused approach to air traffic management solutions and advanced technologies, Lockheed Martin Air Traffic Management was selected for the third time in four years to receive the Air Traffic Control Association's industry Award.

The civilian agencies of the federal government are important customers for information technology and systems integration solutions that make their operations faster, more efficient and less costly. We provide information systems support to the U.S. Census Bureau, Social Security Administration, IRS, Patent and Trademark Office, and other agencies of the federal government, as well as automation solutions for the U.S. Postal Service. Lockheed Martin's handwriting recognition technology has made it possible for the Postal Service customer to boost the successful read rate of first-pass, hand-addressed envelopes to 75%, compared to the 3% accuracy read rate in 1996.

Our technology solutions are matched by an equal commitment to excellence in business practices, such as our LM21 Operating Excellence initiative. This is our on-going corporate-wide program to cut waste, reduce costs, and improve competitiveness. We have measurable results on productivity, performance and quality. The savings have exceeded our original expectations. Last year, Lockheed Martin Aeronautics Company's success in implementing LM21 lean manufacturing principles in all its tactical fighter programs was recognized with the Shingo Prize for Excellence in Manufacturing.



As a leader in air traffic management services, Lockheed Martin works toward transitioning today's airspace environment to future state-of-the-art technologies. The United Kingdom's New En Route Centre (NERC) at Swanwick will enter operational service in 2002, when it will handle up to 6,000 flights a day employing 360 controllers.

Innovation In Technology And Business

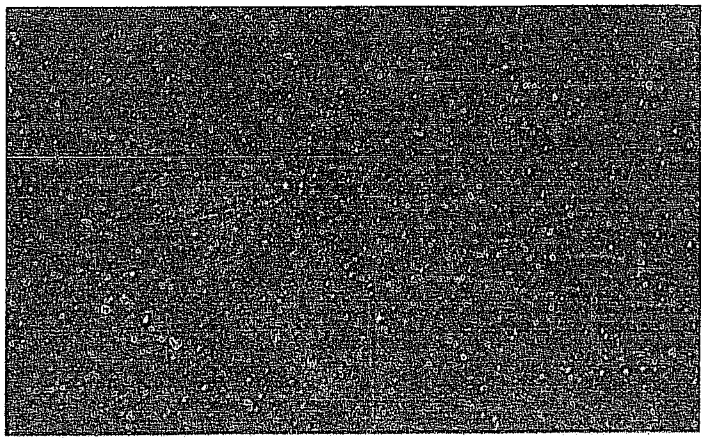
Helping customers focus on their core competencies.

Expanding Opportunities For Profitable Growth

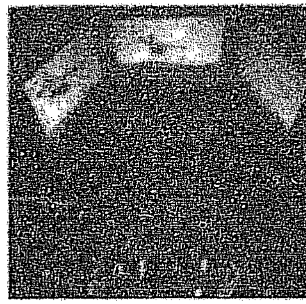
System, U.S. Air Force Special Operations Command combat aircrew training and mission rehearsal operations, the U.S. Navy's first reconfigurable EA-6B weapon systems trainer, and a new commercial flight training center.

As manager and operator of Sandia National Laboratories for the Department of Energy, Lockheed Martin is at the forefront of scientific discovery. Last year, Sandia, partnered with the U.S. Council for Automotive Research, developed software to model metal parts at close to the molecular level to predict mechanical failures.

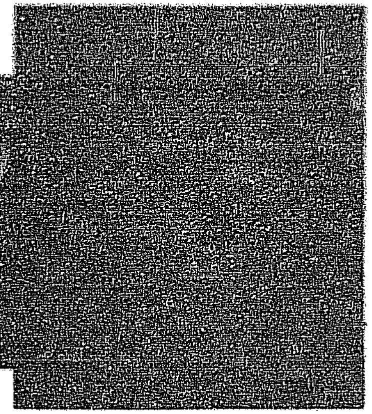
Lockheed Martin has earned a reputation for innovation—in technology solutions and in the way we conduct business. In 2000, Exostar™, an electronic aerospace/defense business-to-business exchange, was inaugurated and became operational. Exostar™ is a partnership of Lockheed Martin, BAE SYSTEMS plc, Boeing Co., and Raytheon Co. The goal: To streamline and modernize our procurement systems as well as lower costs to our customers. That same commitment to lowering costs is evident in our new Shared Services team which consolidates and rationalizes transactional activities across the Corporation.



Completion of the combination with COMSAT in 2000 gives Lockheed Martin Global Telecommunications significant capabilities in connectivity, network services, infrastructure management, and applications solutions.



Leveraging reconfigurable trainer technology, Lockheed Martin last year captured U.S. Marine Corps and Navy aircraft training programs.



Managing the skies for customers in the United States and worldwide is the primary mission for Lockheed Martin's air traffic management business.

Technology Mining transactions are innovative in both a business and a technology sense—they are a means to derive additional shareholder value without financial investment or exposure, and often include Lockheed Martin obtaining the rights to technical improvements for reapplication in our core businesses. We are building a portfolio of equity positions, some as high as 40% ownership, in commercial firms where our sole contribution is a technology license.

We continue to position ourselves to unlock the value of closely related businesses. The merger of COMSAT Corporation and Lockheed Martin Global Telecommunications (LMGT), completed in August, was a major step to achieving our objectives in the telecommunications services marketplace. Shortly thereafter, the Corporation's commercial information technology unit, Integrated Business Solutions, also was combined with LMGT. LMGT's vision is to be the partner of choice for delivering highly secure, reliable solutions for opportunities created by the convergence of telecommunications and information technology.

Partnerships Worldwide

Lockheed Martin has more than 300 partnerships in over 30 countries.

Global Partnerships Leading To Global Opportunities

Building on our expertise in traffic management solutions worldwide, Lockheed Martin will develop and install an air traffic management system at the New Scottish Centre at Prestwick. In addition, Lockheed Martin supplies the Vessel Traffic Management Information System (VTMIS) to the U.S. Coast Guard and customers in 14 other countries to improve safety and efficiency at busy harbors and ports. A VTMIS for the Strait of the Bosphorus at Istanbul will include advanced radar and operator aids integrating video, meteorological, hydrographic and navigational sensors. With Lockheed Martin's VTMIS, vessel traffic on the busiest waters is provided orderly and safe passage.

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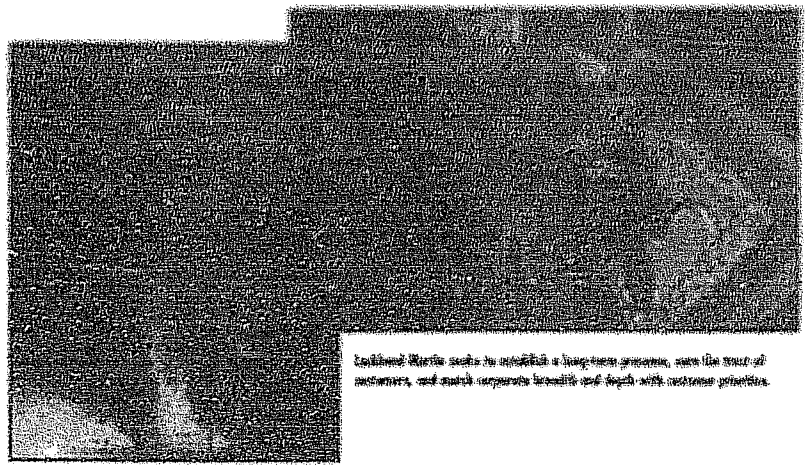
In the United States and worldwide, Lockheed Martin is committed to strong partnerships and innovative solutions for our government and commercial customers. At Lockheed Martin, we also recognize that excellence and performance in every product and service are the ingredients for continued success in 2001.



Lockheed Martin seeks to establish a long-term presence, earn the trust of customers, and match corporate benefits and depth with customer priorities.

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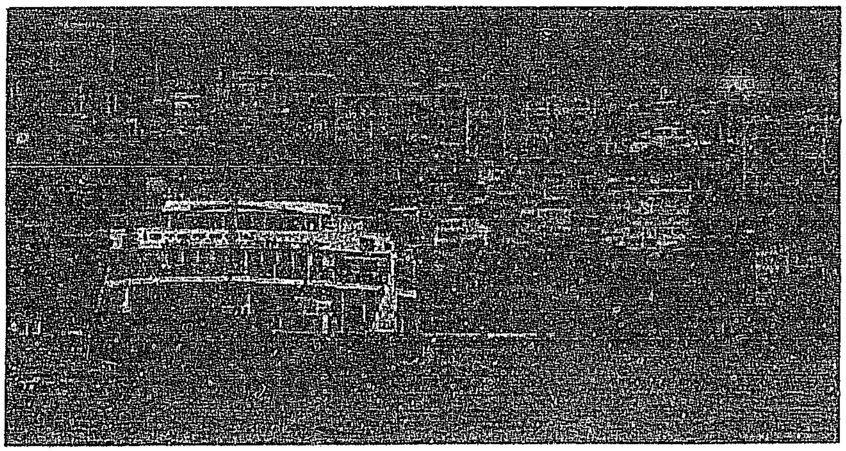


Lockheed Martin provides vessel traffic management for ports and harbors globally, and in 2000 a contract was awarded at one of the world's busiest waterways—the Strait of the Bosphorus at Istanbul.

Dear Fellow Shareholder:

We began 2000 with firm commitments to serve customers better, improve financial performance, manage for cash, drive operational improvements, and improve planning quality.

We are pleased to report that we have met these commitments and, in so doing, have achieved significantly higher levels of customer satisfaction and enhanced shareholder value. We exceeded all financial goals set for 2000, including achieving record orders and backlog, record free cash flow generation, substantial debt reduction, and the receipt of full and fair value for our divestitures.

Of nearly 550 operational and developmental "Mission Success" events measured, 95% were successful. Two other important measures of customer satisfaction and confidence—award fees for current programs and orders representing future business—each increased substantially during 2000. Average award fees increased from 85% in 1999 to 93% in 2000, while we received more than $37 billion in new orders during 2000, some 33% higher than 1999. As a result, backlog expanded from $45.9 billion at the end of 1999 to $56.4 billion at the end of 2000, an increase of 23%. We believe that the realignment of our businesses, and careful focus by senior executive leadership and our dedicated employees directly contributed to this performance. This realignment was intended to increase accountability throughout our organization while, at the same time, intensify the focus on our customers as we deliver consistency and quality. We are gratified that our customers continue to place such trust in us, and fulfilling their needs remains our number one priority.

In 2000, we committed the Corporation to managing for cash and reducing debt. Free cash flow increased from approximately $875 million in 1999 to $1.8 billion in 2000, our best performance ever. This accomplishment was achieved mainly through the reduction of days working capital as we focused on the management of receivables, customer advances, payables and inventory throughout all our business areas. By combining free cash flow with the $2 billion of cash proceeds from our divestitures, we reduced our debt by $2 billion and increased our cash invested by $1 billion. This brought our net-debt-to-capital ratio down from 64% to 54% and we are making rapid progress toward bringing this ratio within a preferred range of 40% to 50%. In 2000, we committed to drive operational improvements and improve planning quality. Our LM-21 Operating Excellence Program has been significantly expanded to all elements of our enterprise. Our annual savings targets are now $3.7 billion. We have expanded the use of shared services across all our business areas to drive savings and efficiencies from using common practices, reengineered processes, and e-commerce-based management tools in our administrative functions. In September of 2000 the aerospace and defense business-to-business exchange named "Exostar™", of which we were a founding partner, was activated. Our streamlining initiatives in Aeronautics and Space are providing additional annual savings of approximately $200 million, and our business planning process is sound as we met or exceeded all projections in 2000. We provided our shareholders with a total return of 58% for 2000.

Looking forward, we see opportunities as well as risks and challenges. We have defined a set of leadership and management imperatives that will extend our vision, evolve our strategy, and further drive our culture of performance as we continue the transition from recovery to disciplined growth and sustained value creation.

We continue to pursue our goal of being the world's best systems integrator. We believe our proven competencies and capabilities, which enable the seamless integration and exploitation of complex technologies, will be under increasing demand. Governments are increasingly likely to turn to private sector partners for solutions to national and global challenges. It is our objective to be the partner of choice that has driven us to aggressively realign customer interfaces, streamline operations, reduce costs, enhance responsiveness, expand support, focus on innovation, and deliver as promised. Through our systems and information technology skills, we intend to meet our commitment to be the preferred private sector partner and superior infrastructure supplier to the U.S. Government.

Also, around the globe corporations continue to consolidate resulting in enterprises of unprecedentedly large scale and complexity, whose appetite for comprehensive solutions based on the application of advanced technology is also rapidly expanding. Here too our competencies can be applied. Our actions will be guided by a disciplined focus on customers and markets that value total systems solutions, enabling us to consistently generate returns above the cost of capital.

More than any other attribute, however, the degree to which we continue to build our value based performance culture will determine our future and the well being of the customers we are committed to serve. We assembled this Corporation to perform, and we are going to do so. As we leverage the fully integrated resources of "Team Lockheed Martin", performance is our key discriminator and shareholder value our key measure. The heritage of where we've been individually is much less important than the future we create together.

As we create that future, we are first committed to achieving continuous operational improvements, including increased profit margins, with commensurate increases to free cash flow generation. Our goal of driving operating margins toward double-digit performance levels remains and we have challenged our entire leadership team to contribute to this very demanding objective. As we work additional pathways to profitability, we remain committed to our average annual recurring EPS expansion goal of 15% to 25%.

Second, we must sustain our disciplined deployment of cash. We have made good progress on restoring flexibility and accelerating a return to a targeted net debt to total capital range of 40% to 50%, and we will continue to rigorously prioritize investments to assure the adequacy of returns.

Third, we must concentrate on achieving higher levels of profitable organic growth in our businesses that have demonstrated the ability to consistently achieve solid profit margins and returns.

And fourth, we must continue to examine an array of strategic actions to enhance shareholder value. We will follow through with our exploration of alternatives for our state and local services business, as well as examining the best ways to yield value from Global Telecommunications. Such businesses require strategic partners, outside capital and entrepreneurial management to achieve their full potential. We have reported to you on imbalances between capacity and market demand in selected businesses and markets, and will work to resolve those imbalances provided shareholder value considerations are preserved. And we remain firmly committed to generating additional value by increasing the return on our intellectual capital through the more aggressive management of "technology mining" activities. Working with venture capital firms, we completed several transactions in the year 2000 to create startup companies in which we hold significant equity stakes.

In closing, we are proud of our leadership team and the 130,000 Lockheed Martin professionals for their performance in 2000. It was, by every measure, a very good start to this millennium. We have the energy and excitement of being affiliated with a truly wonderful, high performance enterprise and we are committed to building on the momentum we have created as we drive forward to apply increasingly sophisticated technologies through integrated systems solutions to meet our customers' most demanding challenges. This is a great company...our company...Lockheed Martin. While year 2000 was a year of recovery, we are sure our best days remain ahead of us.

March 1, 2001

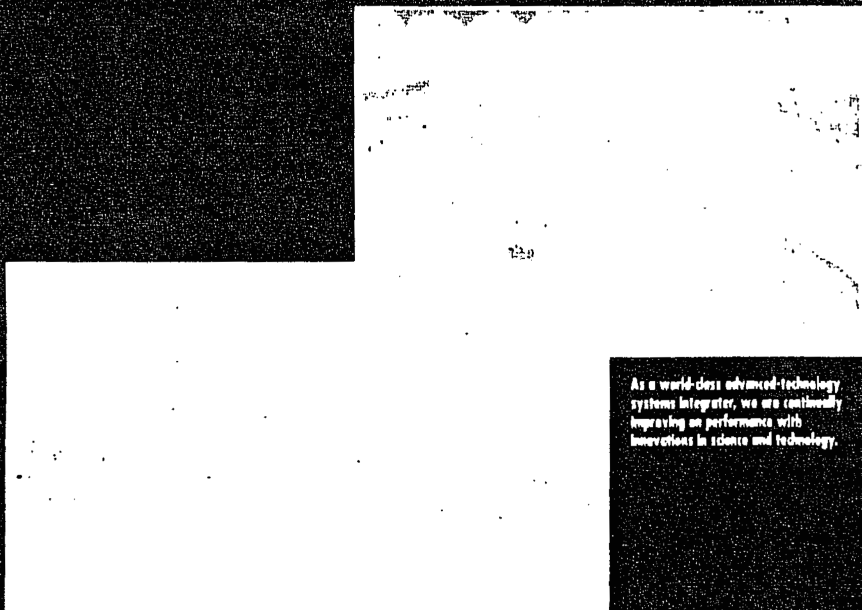
Vance D. Coffman
Chairman and Chief Executive Officer

Robert J. Stevens
President and Chief Operating Officer

Commitment Of Our People To Our Customers

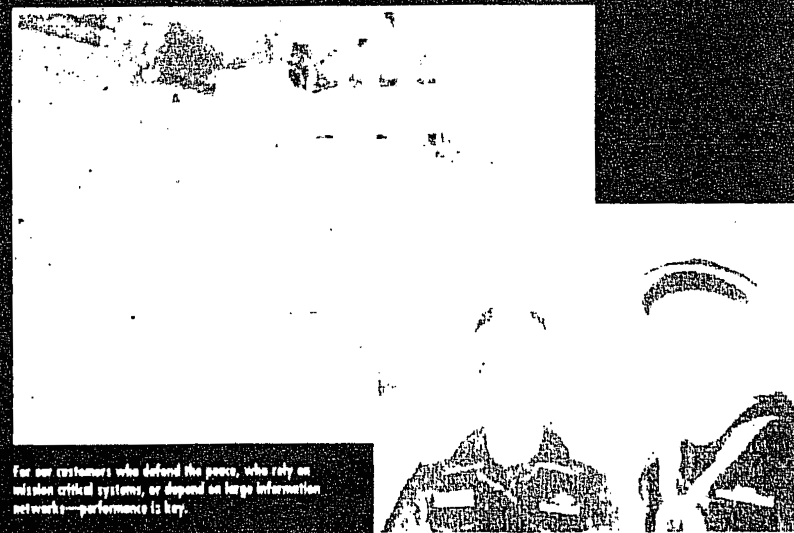
The X-35A logged 27 flights in 30 days, setting records and breaking the sound barrier.

Evolving With Customer Priorities



As a world-class advanced-technology systems integrator, we are continually improving on performance with innovations in science and technology.

Performance as a systems integrator led to Lockheed Martin's selection as warfare systems integrator for the U.S. Navy's new aircraft carrier, CVN-77. Systems integration is also key to missile defense programs. The Patriot Advanced Capability-3 (PAC-3) missile extended its record of successful performance to eight successful test flights and six consecutive intercepts, including the destruction of targets simulating low-flying cruise missiles. In addition, the Theater High Altitude Area Defense (THAAD) program entered the Engineering and Manufacturing Development phase, and the Joint Air-to-Surface Standoff Missile successfully conducted its first flight and has demonstrated its performance successfully in subsequent flights.



For our customers who defend the peace, who rely on mission critical systems, or depend on large information networks—performance is key.

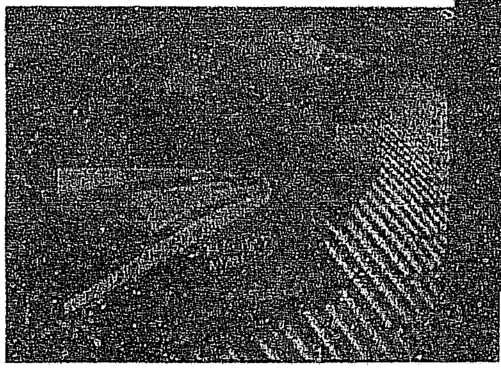
The Lockheed Martin team is a partner with NASA to consolidate mission operations at major NASA centers. The Consolidated Space Operations Contract (CSOC) successfully demonstrated last year its OpStar prototype, which promises significant mission operations cost reductions. This state-of-the-art technology allows scientists to literally command their spacecraft safely from anywhere, using laptop computers or hand-held devices instead of being tied to large computing centers. In addition, CSOC delivered the new Training Flight Control room in just six months—ahead of schedule and within budget.

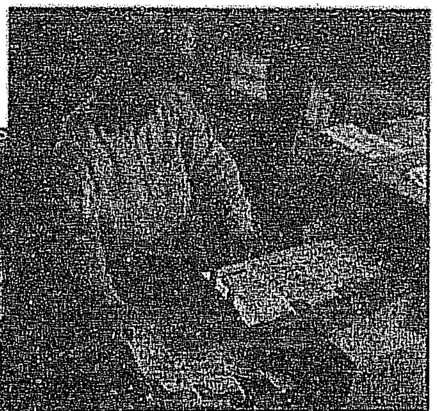
As systems integrators, our team was instrumental in tallying the Year 2000 Census with an accuracy rate of 99.8%. Lockheed Martin's Data Capture System (DCS) 2000 processed the nearly 148 million forms that will provide an updated picture of the United States as the new century begins.

Excellence As A Premier Systems Integrator

Transmitting more bits of data daily than all U.S. cable companies combined.

Systems Solutions For Our Customers





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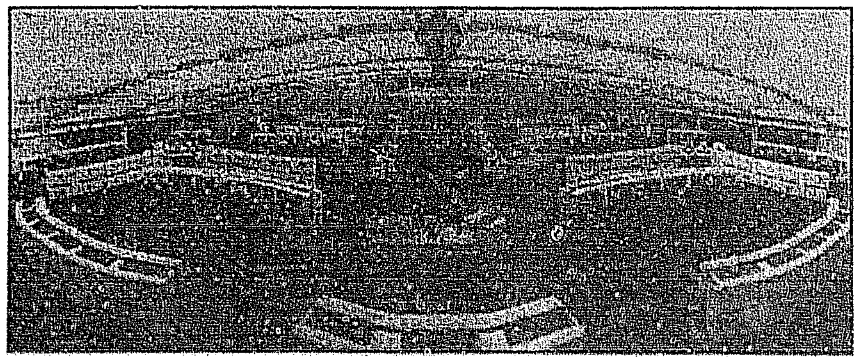
The U.S. Postal Service relies on Lockheed Martin technology to help reach its objectives from automatically processing letters, flats, and parcels to fully integrating entire mail processing facilities. Advances completed during 2000 in handwritten address recognition are boosting the successful read rate of first-pass, hand-addressed envelopes to 75%—a dramatic gain over the 3% accuracy read rate in 1996.

In 2000, Lockheed Martin completed deployment of 20 new Display System Replacement (DSR) installations at Federal Aviation Administration facilities across the nation. The program was completed ahead of schedule and within budget. In recognition of our customer-focused approach to air traffic management solutions and advanced technologies, Lockheed Martin Air Traffic Management was selected for the third time in four years to receive the Air Traffic Control Association's industry Award.

The civilian agencies of the federal government are important customers for information technology and systems integration solutions that make their operations faster, more efficient and less costly. We provide information systems support to the U.S. Census Bureau, Social Security Administration, IRS, Patent and Trademark Office, and other agencies of the federal government, as well as automation solutions for the U.S. Postal Service. Lockheed Martin's handwriting recognition technology has made it possible for the Postal Service customer to boost the successful read rate of first-pass, hand-addressed envelopes to 75%, compared to the 3% accuracy read rate in 1996.

Our technology solutions are matched by an equal commitment to excellence in business practices, such as our LM21 Operating Excellence initiative. This is our on-going corporate-wide program to cut waste, reduce costs, and improve competitiveness. We have measurable results on productivity, performance and quality. The savings have exceeded our original expectations. Last year, Lockheed Martin Aeronautics Company's success in implementing LM21 lean manufacturing principles in all its tactical fighter programs was recognized with the Shingo Prize for Excellence in Manufacturing.



As a leader in air traffic management services, Lockheed Martin works toward transitioning today's airspace environment to future state-of-the-art technologies. The United Kingdom's New En Route Centre (NERC) at Swanwick will enter operational service in 2002, when it will handle up to 6,000 flights a day employing 360 controllers.

Innovation In Technology And Business

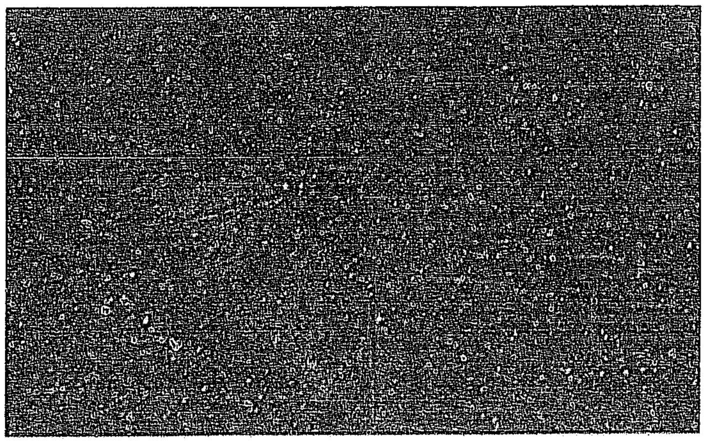
Helping customers focus on their core competencies.

Expanding Opportunities For Profitable Growth

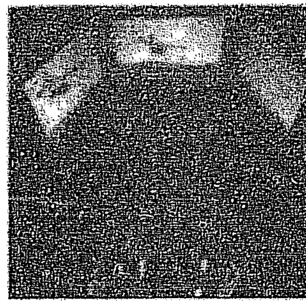
System, U.S. Air Force Special Operations Command combat aircrew training and mission rehearsal operations, the U.S. Navy's first reconfigurable EA-6B weapon systems trainer, and a new commercial flight training center.

As manager and operator of Sandia National Laboratories for the Department of Energy, Lockheed Martin is at the forefront of scientific discovery. Last year, Sandia, partnered with the U.S. Council for Automotive Research, developed software to model metal parts at close to the molecular level to predict mechanical failures.

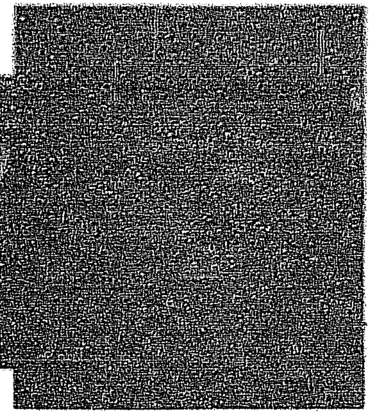
Lockheed Martin has earned a reputation for innovation—in technology solutions and in the way we conduct business. In 2000, Exostar™, an electronic aerospace/defense business-to-business exchange, was inaugurated and became operational. Exostar™ is a partnership of Lockheed Martin, BAE SYSTEMS plc, Boeing Co., and Raytheon Co. The goal: To streamline and modernize our procurement systems as well as lower costs to our customers. That same commitment to lowering costs is evident in our new Shared Services team which consolidates and rationalizes transactional activities across the Corporation.



Completion of the combination with COMSAT in 2000 gives Lockheed Martin Global Telecommunications significant capabilities in connectivity, network services, infrastructure management, and applications solutions.



Leveraging reconfigurable trainer technology, Lockheed Martin last year captured U.S. Marine Corps and Navy aircraft training programs.



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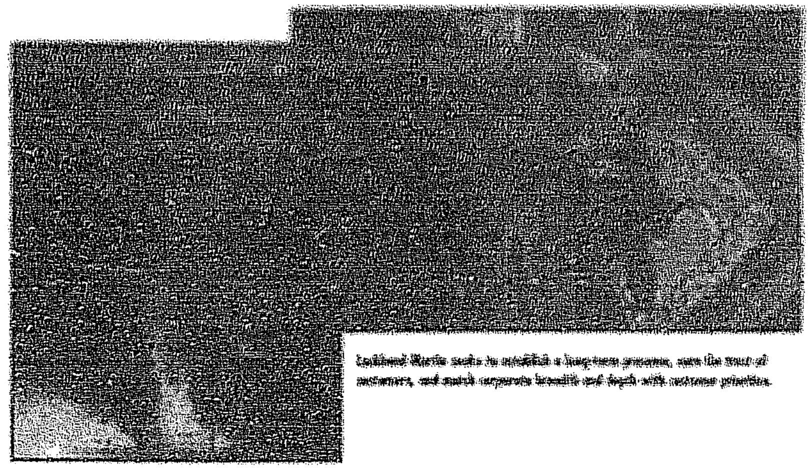

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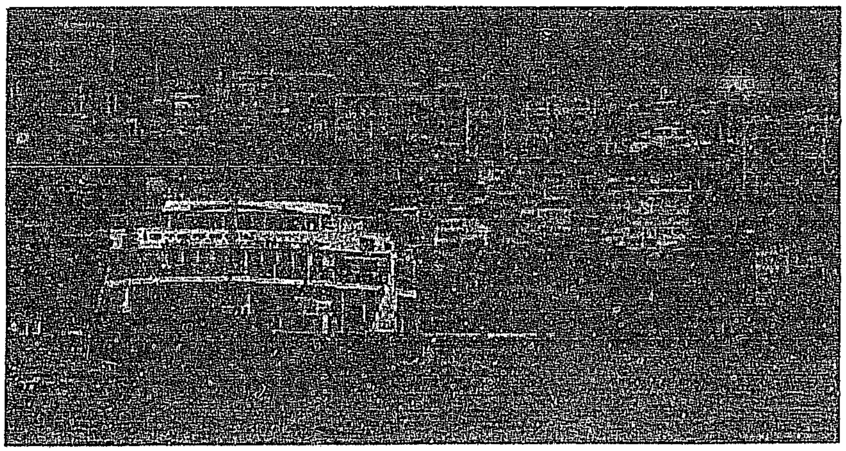

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CONTINUATION

[4]

Lockheed Martin Corporation (Lockheed Martin or the Corporation) is engaged in the conception, research, design, development, manufacture, integration and operation of advanced technology systems, products and services. The Corporation serves customers in both domestic and international defense and commercial markets, with its principal customers being agencies of the U.S. Government. The following discussion should be read in conjunction with the audited consolidated financial statements included herein.

Strategic and Organizational Review

In September 1999, as part of a strategic and organizational review, the Corporation announced plans to evaluate the divestiture of certain non-core business units and the repositioning of certain businesses to maximize their value and growth potential.

In connection with its decision to evaluate the divestiture of certain non-core business units, the Corporation completed the sale of its Aerospace Electronics Systems (AES) businesses to BAE SYSTEMS, North America Inc. (BAE SYSTEMS) in November 2000. In addition, in September 2000, the Corporation completed the sale of Lockheed Martin Control Systems (Control Systems) to BAE SYSTEMS. These transactions are discussed in more detail under the caption "Divestiture Activities" below.

In January 2001, the Corporation completed the divestiture of two business units in the environmental management line of business. The impact of these divestitures was not material to the Corporation's consolidated results of operations, cash flows or financial position due to the effects of nonrecurring and unusual impairment losses recorded in 2000 and 1999 related to these business units. These losses were included in other portfolio shaping activities. The Corporation is continuing to evaluate alternatives relative to the disposition of all or a portion of its investment in a business unit in the state and municipal services line of business, subject to appropriate valuation, negotiation and approval. Net sales for the year ended December 31, 2000 related to this business unit were $564 million. Management cannot predict whether or when a potential divestiture will take place or the amount of proceeds that may ultimately be realized.

In addition, on an ongoing basis, the Corporation will continue to explore the sale of various investment holdings and surplus real estate. If the Corporation were to decide to sell any of its investment holdings or surplus real estate, the resulting gains, if any, would be recorded when the transactions are consummated and losses, if any, would be recorded when they are estimable. The Corporation will also continue to review its businesses on an ongoing basis to identify ways to improve organizational effectiveness and performance, and to clarify and focus on its core business strategy.

In the third quarter of 2000, the Corporation completed its evaluation of alternatives relative to maximizing the value of two business units that serve the commercial information technology markets. In October 2000, the operations of one of the two business units, Integrated Business Solutions (IBS), were combined with the operations of Lockheed Martin Global Telecommunications (LMGT), a wholly-owned subsidiary of the Corporation. The remaining business unit, which provides Lockheed Martin's internal information technology needs, will continue to be operated as part of Lockheed Martin's Corporate and Other segment, consistent with prior periods.

Business Combination with COMSAT Corporation

In September 1998, the Corporation and COMSAT Corporation (COMSAT) announced that they had entered into an Agreement and Plan of Merger (the Merger Agreement) to combine the companies in a two-phase transaction (the Merger). Subsequent to obtaining all regulatory approvals necessary for the first phase of the transaction and approval of the Merger by the stockholders of COMSAT, the Corporation completed a cash tender offer for 49 percent of the outstanding stock of COMSAT (the Tender Offer) on September 18, 1999. The total value of this phase of the transaction was $1.2 billion, and such amount was included in investments in equity securities in the consolidated balance sheet prior to consummation of the Merger as discussed below. The Corporation accounted for its 49 percent investment in COMSAT under the equity method of accounting.

On August 3, 2000, pursuant to the terms of the Merger Agreement, the second phase of the transaction was accomplished and the Merger was consummated. On that date, each share of COMSAT common stock outstanding immediately prior to the effective time of the Merger (other than shares held by the Corporation) was converted into the right to receive one share of Lockheed Martin common stock. The total amount recorded related to this phase of the transaction was approximately $1.3 billion based on the Corporation's issuance of approximately 27.5 million shares of its common stock at a price of $49 per share. This price per share represents the average of the price of Lockheed Martin's common stock a few days before and after the announcement of the transaction in September 1998.

The total purchase price for COMSAT, including transaction costs and amounts related to Lockheed Martin's assumption of COMSAT stock options, was approximately $2.6 billion, net of cash balances acquired. The COMSAT transaction was accounted for using the purchase method of accounting. Purchase accounting adjustments were recorded in 2000 to allocate the purchase price to assets acquired and liabilities assumed based on their fair values. These adjustments included certain amounts totaling approximately $2.1 billion, composed of adjustments to record investments in equity securities acquired at their fair values and cost in excess of net assets acquired, which will be amortized over an estimated life of 30 years.

The operations of COMSAT have been consolidated with the results of operations of LMGT since August 1, 2000. Given the substantial investment necessary for the growth of the global telecommunications services business, support from strategic partners for the Corporation's global telecommunications business area may be sought and public equity markets may be accessed to raise capital, although the Corporation cannot predict the timing or the outcome of these efforts.

Divestiture Activities

In connection with its strategic and organizational review, the Corporation decided in July 2000 to sell its AES businesses to BAE SYSTEMS for $1.67 billion in cash (the AES Transaction). The AES Transaction closed in November 2000. The Corporation recorded a nonrecurring and unusual loss, including state income taxes, of $598 million related to this transaction which is included in other income and expenses. The loss negatively impacted the net loss for 2000 by $878 million, or $2.18 per diluted share. Although the AES Transaction resulted in the Corporation recording a pretax loss, it resulted in a gain for tax purposes primarily because cost in excess of net assets acquired (goodwill) is not deductible for tax purposes and therefore was not included in the tax basis of the net assets of AES. Accordingly, the Corporation is required to make state and federal income tax payments associated with the divestiture. The AES Transaction is expected to generate net cash proceeds of approximately $1.2 billion after related transaction costs and federal and state income taxes which are expected to be paid in 2001. Net sales included in the year 2000 related to the AES businesses totaled approximately $655 million, excluding intercompany sales.

In September 2000, the Corporation completed the sale of Control Systems to BAE SYSTEMS for $510 million in cash. This transaction resulted in the recognition of a nonrecurring and unusual gain, net of state income taxes, of $302 million which is reflected in other income and expenses. The gain favorably impacted the net loss for the year ended December 31, 2000 by $180 million, or $.45 per diluted share. Net sales for the first nine months of 2000 related to Control Systems totaled approximately $215 million, excluding intercompany sales. This transaction generated net cash proceeds of $350 million after related transaction costs and federal and state income tax payments.

In September 2000, the Corporation completed the sale of approximately one-third of its interest in Inmarsat Ventures Limited (Inmarsat) for $164 million. The investment in Inmarsat was acquired as part of COMSAT in conjunction with the Merger. As a result of the transaction, the Corporation's interest in Inmarsat was reduced from approximately 22% to 14%. The sale of shares in Inmarsat did not impact the Corporation's results of operations. The transaction generated net cash proceeds of approximately

$115 million after transaction costs and federal and state income tax payments.

In 1997, the Corporation repositioned 10 of its non-core business units as a new independent company, L-3 Communications Holdings, Inc. (L-3), in which the Corporation retained an approximate 35 percent ownership interest at closing. The Corporation's ownership percentage was reduced to approximately 25 percent in the second quarter of 1998 as a result of an initial public offering of L-3's common stock. This transaction resulted in the recognition of a nonrecurring and unusual gain, net of state income taxes, of $18 million, and increased 1998 net earnings by $12 million, or $.03 per diluted share. In 1999, the Corporation sold its remaining shares of L-3 in two separate transactions. On a combined basis, these two transactions resulted in a nonrecurring and unusual gain, net of state income taxes, of $155 million, and increased 1999 net earnings by $101 million, or $.26 per diluted share.

In September 1999, the Corporation sold its interest in Airport Group International Holdings, LLC which resulted in a nonrecurring and unusual gain, net of state income taxes, of $33 million. In October 1999, the Corporation exited its commercial 3D graphics business through a series of transactions which resulted in the sale of its interest in Real 3D, Inc., a majority-owned subsidiary, and a nonrecurring and unusual gain, net of state income taxes, of $33 million. On a combined basis, these transactions increased 1999 net earnings by $43 million, or $.11 per diluted share.

Industry Considerations

The Corporation's primary lines of business are in advanced technology systems, products and services for aerospace and defense, serving both government and commercial customers. In recent years, domestic and worldwide political and economic developments have strongly affected these markets, requiring significant adaptation by market participants.

The U.S. aerospace and defense industry has experienced years of pressures and uncertainties relative to budgets for research, development, test and evaluation, and procurement. After over a decade of downward trends in the U.S. defense budget, the portion of the Federal budget devoted to defense is at one of its lowest levels in modern history. In addition, worldwide defense budgets have been declining, with the limited funds available for such budgets targeted for operational readiness and personnel issues instead of acquisition programs. An increasing portion of expenditures for defense is used for upgrading and modernizing existing equipment rather than acquisition of new equipment. Such trends in defense spending have created risks associated with demand and timing of orders relative to certain of the Corporation's existing programs. For example, though the Corporation received several new orders for C-130J airlift aircraft in 2000, the program since inception has not experienced the level of orders anticipated which has resulted in lower than expected production levels. The Corporation is continuing to focus its efforts on new orders from domestic and foreign customers, although it cannot predict the outcome of these efforts.

The industry participants reacted to shrinking defense budgets by combining to maintain critical mass and attempting to achieve significant cost savings. The U.S. Government was supportive of industry consolidation activities through 1997, and the Corporation had been at the forefront of those activities. Through its own consolidation activities, the Corporation has been able to pass along savings to its customers, principally the U.S. Department of Defense (DOD). More recently, major aerospace companies have focused their efforts on cost savings and efficiency improvements, as well as generation of cash to repay debt incurred during the period of consolidation. Further domestic consolidation is possible, as evidenced by the proposed acquisition of Litton Industries, Inc. by Northrop Grumman Corporation announced in 2000.

Ongoing consolidation continues within the European aerospace industry resulting in fewer but larger and more capable competitors, potentially resulting in an environment where there could be less demand for products from U.S. companies. Such an environment could affect opportunities for European partnerships and sales potential for U.S. products outside the U.S. In addition, consolidation is beginning to occur between U.S. and European aerospace companies.

as evidenced by the acquisition in 2000 of the Corporation's AES and Control Systems businesses by a U.S. subsidiary of BAE SYSTEMS plc.

There are signs that the continuing decline in the defense budget may have ended, with proposals being made for modest increases in the next several years. However, the change of administration in Washington, D.C. may result in significant alterations to current defense budgets and goals. A new administration typically begins by reviewing existing programs and priorities, and President Bush has instructed the Secretary of Defense to perform a "top-to-bottom" review of all defense expenditures. He has also indicated a willingness to curtail spending on programs that may become technologically obsolete in the near future and may allocate additional funding for research and development projects as well as personnel needs. The Corporation cannot predict whether the defense budget will increase or the magnitude of such increases, if any.

If there are moderate increases in defense spending, the Corporation's broad mix of programs and capabilities makes it a likely beneficiary of any such increases. However, there are risks associated with certain of the programs for which the Corporation is competing and which may be the primary recipients of significant future U.S. Government spending. These programs are very large and likely to be well-funded, but may only involve one prime contractor. For example, the Corporation is involved in the competition for the Joint Strike Fighter (JSF) tactical aircraft program. Because of the magnitude of this program, being unsuccessful in the competition would be significant to any of the competitors' future fighter aircraft operations. Additionally, the JSF program and other large, highly visible programs, such as the Corporation's F-22 fighter aircraft program, will likely receive significant attention in the Administration's "top-to-bottom" review, and will continue to attract substantial Congressional focus as potential targets for reductions and/or extensions of their funding to pay for other programs. However, the JSF and F-22 programs remain a high priority for the DOD and the armed services, as well as for the Corporation.

In February 2001, the F-22 program completed the eleven test criteria established by the Defense Acquisition Board (DAB) which were required to be completed prior to the full contract award for the production of Lot 1 (10 aircraft) and the long lead procurement authorization for Lot 2. The Corporation is currently awaiting further direction from the U.S. Government regarding authorization to begin initial production (Lot 1). In January 2001, the Corporation received partial funding of Lot 1 which is adequate to continue necessary activities through the end of March 2001. Also in January 2001, the Corporation received advance procurement funds to protect Lot 2 cost, schedule and the supplier base. The U.S. Air Force has advised the Corporation of its intent to provide additional Lot 2 advance procurement funds in monthly increments prior to the F-22 DAB's final decision. The second increment was received in February 2001 which covers efforts through the end of February. The Corporation cannot predict whether or when full funding will be received for the Lot 1 and Lot 2 phases of the F-22 program.

As a government contractor, the Corporation is subject to U.S. Government oversight. The government may investigate and make inquiries of the Corporation's business practices and conduct audits of contract performance and cost accounting. Depending on the results of these investigations, the government may make claims against the Corporation. Under U.S. Government procurement regulations and practices, an indictment of a government contractor could result in that contractor being fined and/or suspended for a period of time from eligibility for bidding on, or for award of, new government contracts. A conviction could result in debarment for a specified period of time. Similar government oversight exists in most other countries where the Corporation conducts business. Although the outcome of such investigations and inquiries cannot be predicted, in the opinion of management, there are no claims, audits or investigations pending against the Corporation that are likely to have a material adverse effect on the Corporation's business or its consolidated results of operations, cash flows or financial position.

The Corporation remains exposed to other inherent risks associated with U.S. Government contracting, including technological uncertainties and obsolescence, changes in

(Continued)

government policies, and dependence on annual Congressional appropriation and allotment of funds. Many of the Corporation's programs involve development and application of state-of-the-art technology aimed at achieving challenging goals. As a result, setbacks and failures can occur. It is important for the Corporation to resolve performance issues related to such programs in a timely manner to achieve success on these programs.

The nature of the Corporation's business also makes it subject to export control regulation by the U.S. Department of State and the Department of Commerce. Violations of these regulations can result in monetary penalties and denial of export privileges. Management is currently unaware of any violations of export control regulations which could have a material adverse effect on the Corporation's business or its consolidated results of operations, cash flows or financial position.

The Corporation also conducts business in related commercial and non-defense markets. Although these lines of business are not dependent on defense budgets, they share many of the risks associated with the Corporation's defense businesses, as well as other risks unique to the commercial marketplace. Such risks include development of competing products, technological feasibility and product obsolescence.

Industry-wide, the launch vehicle industry experienced a reduction in demand beginning in 1999 primarily reflecting start-up issues for certain satellite systems with which the Corporation was not involved and delays in completing certain satellite systems due to excess transponder capacity in some regions. These factors have resulted in pricing pressures in the launch vehicle industry associated with increased competition. This comes at a time when the Corporation is making significant investments in the Evolved Expendable Launch Vehicle (Atlas V) program, the Corporation's next generation of launch vehicles. This program has required investment of funds for research and development, start-up costs, certain other nonrecurring costs, and launch facilities. A portion of these expenditures have been funded under an agreement with the U.S. Government. Orders to date relative to the program have been lower than expected, resulting in lower production levels than anticipated.

The above factors relative to start-up issues and delays in completion of satellite systems also contributed to delays in commercial satellite orders. In addition, similar to the launch vehicle industry, the commercial satellite industry is experiencing pricing pressures due to excess capacity as well as industry consolidation. Further impacting demand have been the business difficulties encountered by certain satellite systems, such as the bankruptcies of the Iridium and ICO systems in 1999, which have resulted in increased investor scrutiny of new ventures and a reduction in the total market size in the near term. The Corporation has established cost objectives related to its launch vehicle and commercial satellite programs intended to allow it to continue to compete in these markets while maintaining its focus on successful operations, though it cannot predict the outcome of these efforts.

The Corporation's Global Telecommunications segment is subject to regulation by the Federal Communications Commission (FCC) with respect to various aspects of the telecommunications services it provides. FCC decisions and policies have had, and may continue to have, a significant impact on the segment. In March 2000, Congress passed the ORBIT Act which permitted the Corporation to complete its acquisition of COMSAT. The ORBIT Act also established deadlines for the privatization and completion of initial public offerings by the International Telecommunications Satellite Organization (INTELSAT), Inmarsat and New Skies Satellites, N.V. (New Skies), as well as specific criteria for determining whether the privatizations of those entities are pro-competitive. If those criteria are not met, the FCC may limit access by U.S. users to the satellite capacity of the privatized entities for certain services. The Corporation owns 22.5% of INTELSAT, 14% of Inmarsat, and 14.3% of New Skies. INTELSAT is working to complete a timely privatization in 2001 and plans to conduct an initial public offering in the future as mandated by the ORBIT Act. Inmarsat privatized in 1999 and also plans to access the public capital markets. New Skies privatized in 1998 and completed an initial public offering in 2000. If INTELSAT and Inmarsat were unable to satisfy the ORBIT Act criteria and were denied U.S. market access, the value of the Corporation's investment in those entities could be adversely affected.

In addition, pursuant to the ORBIT Act, the FCC commenced a proceeding in 2000 to determine whether "sufficient opportunities" exist to directly access INTELSAT from the U.S. If the FCC determines that such opportunities do not exist, it may take actions that could adversely affect the Corporation's ability to utilize contractually committed future capacity on the INTELSAT system. A decision is expected in 2001.

The Global Telecommunications segment is also subject to substantial and increasing competition on a variety of fronts. There has been an increase in the number of competing satellite systems and other telecommunications services providers in recent years, including a substantial deployment of undersea fiber cables. Many of those companies have plans to substantially increase capacity. A number of the new satellite systems have had difficulty attracting customers and financing at the levels contemplated by their business plans following the bankruptcies of the Iridium and ICO satellite systems mentioned previously. LMGT has investments in a number of new or development-stage satellite systems, such as ACeS International, Ltd. (ACeS) and Astrolink International, LLC. In addition, the Corporation owns approximately 15% of Loral Space & Communications Ltd. (Loral Space), which is a major investor in Globalstar Telecommunications Limited (Globalstar). There can be no assurance that these ventures will be successful in obtaining the financing necessary to complete and operate their systems or the customer bases required for profitable operations.

In connection with expanding its portfolio of offered products and services in commercial space and telecommunications activities, the Corporation has entered into various joint venture, teaming and other business arrangements. Such arrangements generally include a formal plan for funding of the business which typically requires commitments for funding from the partners, and may require the business to obtain financing from other sources. To the extent the business is unable to obtain such financing, the business partners, including the Corporation, would be required to assess alternatives relative to further funding for the business. In addition, some of these business arrangements include foreign partners. The conduct of international business introduces other risks into the Corporation's operations, including fluctuating economic conditions, fluctuations in relative currency values, regulation by foreign jurisdictions and the potential for unanticipated cost increases and timing issues resulting from the possible deterioration of political relations.

In 1992, the Corporation entered into a joint venture with two Russian government-owned space firms to form Lockheed-Khrunichev-Energia International, Inc. (LKEI). Lockheed Martin owns 51 percent of LKEI and consolidates the operations of LKEI into its financial statements. LKEI has exclusive rights to market launches of commercial, non-Russian-origin space payloads on the Proton rocket from a launch site in Kazakhstan. In 1995, another joint venture was formed, International Launch Services (ILS), with the Corporation and LKEI each holding a 50 percent ownership. ILS was formed to market commercial Atlas and Proton launch services worldwide. Contracts for Proton launch services typically provide for substantial advances from the customer in advance of launch, and a sizable percentage of these advances are forwarded to Khrunichev State Research and Production Space Center (Khrunichev), the manufacturer in Russia, to provide for the manufacture of the related launch vehicle. Significant portions of such advances would be required to be refunded to each customer if launch services were not successfully provided within the contracted time frames. At December 31, 2000, approximately $409 million related to launches not yet provided was included in customer advances and amounts in excess of costs incurred, and approximately $602 million of payments to Khrunichev for launches not yet provided was included in inventories. Through year-end 2000, launch services provided through LKEI and ILS have been in accordance with contract terms.

The Corporation has entered into agreements with RD AMROSS, a joint venture of the Pratt & Whitney division of United Technologies Corporation and the Russian firm NPO Energomash, for the development and purchase, subject to certain conditions, of up to 101 RD-180 booster engines for use in two models of the Corporation's Atlas launch vehicle. Terms of the agreements call for payments to be made to RD AMROSS upon the achievement of certain milestones in the development and manufacturing processes. Approximately $55 million of payments made under these agreements were included in the Corporation's inventories at December 31, 2000.

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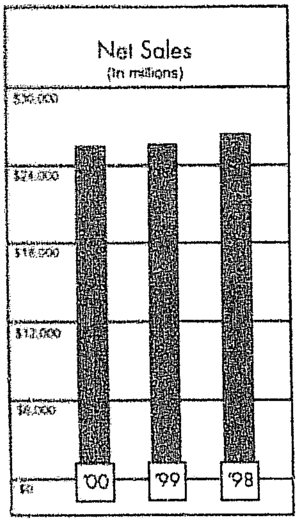


Results of Operations

The Corporation's operating cycle is long-term and involves many types of production contracts with varying production delivery schedules. Accordingly, the results of a particular year, or year-to-year comparisons of recorded sales and profits, may not be indicative of future operating results. The following comparative analysis should be viewed in this context.

The Corporation's consolidated net sales for 2000 were $25.3 billion, a decrease of one percent compared to 1999. Net sales for 1999 were $25.5 billion, a decrease of three percent compared to 1998. During 2000, increases in net sales in the Systems Integration, Technology Services and Global Telecommunications segments compared to 1999 were more than offset by decreases in the remaining business segments. In 1999, net sales decreases in the Space Systems and Corporate and Other segments more than offset increases in the remaining business segments. The U.S. Government remained the Corporation's largest customer, comprising approximately 70 percent of the Corporation's net sales for 2000 compared to 71 percent in 1999 and 70 percent in 1998.

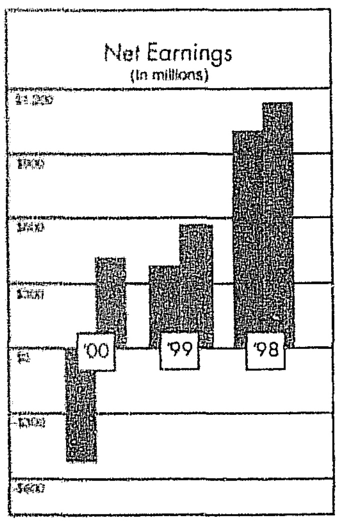
The Corporation's operating profit (earnings before interest and taxes) for 2000 was approximately $1.2 billion, a decrease of 40 percent compared to 1999. Operating profit for 1999 was approximately $2.0 billion, a decrease of 20 percent compared to 1998. The reported amounts for the three years presented include the financial impacts of various nonrecurring and unusual items. The impact of these items on operating profit, net (loss) earnings and (loss) earnings per diluted share is as follows:

Effects of nonrecurring and unusual items:

(In millions)	Operating (loss) profit	Net (loss) earnings	(Loss) earnings per diluted share
Year ended December 31, 2000			
Loss related to AES Transaction (see Note 3)	$(598)	$ (878)	$(2.18)
Gain on sale of Control Systems (see Note 3)	302	180	.45
Charge related to Globalstar guarantee (see Note 10)	(141)	(91)	(.23)
Impairment charge related to ACeS (see Note 9)	(117)	(77)	(.19)
Partial reversal of CalComp reserve (see Note 4)	33	21	.05
Gain on sales of surplus real estate	28	19	.05
Other portfolio shaping items	(46)	(30)	(.07)
Extraordinary loss on early extinguishment of debt (see Note 10)	—	(95)	(.24)
	$(539)	$ (951)	$(2.36)
Year ended December 31, 1999			
Divestiture of interest in L-3 (see Note 3)	$ 155	$ 101	$ .26
Gain on sales of surplus real estate	57	37	.10
Partial reversal of CalComp reserve (see Note 4)	20	12	.03
Divestitures and other portfolio shaping items	17	12	.03
Cumulative effect of change in accounting principle (see Note 1)	—	(355)	(.93)
	$ 249	$(193)	$ (.51)
Year ended December 31, 1998			
Charge for shutdown of CalComp (see Note 4)	$(233)	$(183)	$ (.48)
Gain on sales of surplus real estate	35	23	.06
Initial public offering of L-3 (see Note 3)	18	12	.03
Divestitures and other portfolio shaping items	18	12	.03
	$(162)	$(136)	$ (.36)

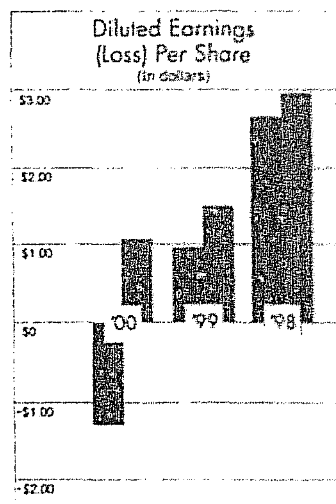
The note references in the preceding table refer to the Notes to Consolidated Financial Statements included in this Annual Report.

Excluding the effects of these nonrecurring and unusual items for each year, operating profit for 2000 would have decreased by one percent compared to 1999, and would have decreased by 34 percent for 1999 compared to 1998. For 2000 compared to 1999, reductions in operating profit at the Space Systems, Global Telecommunications and Corporate and Other segments more than offset increases in operating profit at the remaining business segments. Operating profit for 2000 compared to 1999 in the Aeronautics and Space Systems segments were favorably impacted by the absence in 2000 of negative adjustments recorded in 1999 on the C-130J airlift aircraft and Titan IV launch vehicle programs, respectively. In addition, as more fully discussed in Note 14, "Post-Retirement Benefit Plans," operating profit for 2000 was favorably impacted by an increase in net pension income of $213 million as compared to 1999. This increase was due primarily to an increase in the expected return on plan assets resulting from an increase in the fair value of plan assets at the beginning of 2000 as compared to the beginning of 1999, in accordance with the provisions of SFAS No. 87, "Employers' Accounting For Pensions." Additionally, favorable actual investment returns in comparison to expected returns on plan assets in 1999 resulted in an increase in the recognition of actuarial gains in 2000. These increases were partially offset by an increase in the interest cost component of pension income associated with the Corporation's total estimated benefit obligation.



a. Excluding the effects of the items presented in the preceding table entitled "Effects of nonrecurring and unusual items," net earnings for 2000, 1999 and 1998 would have been $432 million, $575 million and $1,137 million, respectively.

For 1999 compared to 1998, decreases in operating profit at the Space Systems, Aeronautics and Global Telecommunications segments more than offset the increases in operating profit at the remaining business segments. Operating profits for 1999 compared to 1998 in the Aeronautics and Space Systems segments were negatively impacted by the adjustments recorded on the C-130J and Titan IV programs mentioned above, and by the absence in 1999 of a favorable adjustment recorded during 1998 in the Space Systems segment related to the Atlas launch vehicle program.



a. Excluding the effects of the items presented in the preceding table entitled "Effects of nonrecurring and unusual items," diluted earnings per share for 2000, 1999 and 1998 would have been $1.07, $1.50 and $2.99, respectively.

For a more detailed discussion of the operating results of the business segments, see "Discussion of Business Segments" below.

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The Corporation reported a net loss for 2000 of $519 million, a decrease of approximately $900 million compared to 1999 results. Reported net earnings for 1999 were $382 million, a decrease of 62 percent compared to 1998. The 2000 reported amount included the combined after-tax effects of the nonrecurring and unusual items presented above. The combination of these nonrecurring and unusual items reduced 2000 net earnings by $951 million, or $2.36 per diluted share. The after-tax effects of the 1999 and 1998 nonrecurring and unusual items are also presented above. On a combined basis, these nonrecurring and unusual items decreased 1999 and 1998 net earnings by $193 million, or $.51 per diluted share, and $136 million, or $.36 per diluted share, respectively.

The Corporation reported diluted (loss) earnings per share of $(1.29), $.99, and $2.63 for 2000, 1999, and 1998, respectively. If the nonrecurring and unusual items described above were excluded from the calculation of earnings per share, diluted earnings per share for 2000, 1999 and 1998 would have been $1.07, $1.50, and $2.99, respectively.

Discussion of Business Segments

The Corporation operates in five principal business segments: Systems Integration, Space Systems, Aeronautics, Technology Services and Global Telecommunications. All other activities of the Corporation fall within the Corporate and Other segment. The following tables of financial information and related discussions of the results of operations of the Corporation's business segments correspond to additional segment information presented in "Note 17—Information on Industry Segments and Major Customers" of the Notes to Consolidated Financial Statements.

In the third quarter of 2000, Lockheed Martin began presenting LMGT, which includes the operations of COMSAT and IBS, as a separate segment called Global Telecommunications. The operations of LMGT and IBS were previously included in the Corporate and Other segment. Earlier in 2000, the Corporation reassigned the Management & Data Systems business unit and the space applications systems line of business from the Systems Integration segment to the Space Systems segment. Prior period amounts have been reclassified to conform to these organizational changes.

(In millions)	2000	1999	1998
Net sales			
Systems Integration	$ 9,647	$ 9,570	$ 9,334
Space Systems	7,127	7,209	8,600
Aeronautics	4,885	5,499	5,459
Technology Services	2,318	2,261	1,935
Global Telecommunications	766	389	251
Corporate and Other	586	602	687
	$25,329	$25,530	$26,266

(In millions)	2000	1999	1998
Operating profit (loss)			
Systems Integration	$ 583	$ 880	$ 858
Space Systems	416	561	1,045
Aeronautics	343	247	649
Technology Services	126	137	135
Global Telecommunications	(215)	(97)	(4)
Corporate and Other	(48)	281	(161)
	$ 1,205	$ 2,009	$ 2,522

The following table displays the total impact on each segment's operating profit (loss) of the nonrecurring and unusual items presented earlier for each of the three years presented:

(In millions)	2000	1999	1998
Segment effects of non-recurring and unusual items—operating (loss) profit			
Systems Integration	$ (304)	$ 13	$ 4
Space Systems	25	21	—
Aeronautics	—	—	—
Technology Services	(34)	—	—
Global Telecommunications	(117)	—	—
Corporate and Other	(109)	215	(166)
	$ (539)	$ 249	$ (162)

In an effort to make the following discussion of significant operating results of each business segment more understandable, the effects of these nonrecurring and unusual items have been excluded. The Space Systems and Aeronautics segments generally include programs that are substantially larger in terms of sales and operating results than those included in the other segments. Accordingly, due to the large number of relatively smaller programs in the Systems Integration, Technology Services and Global Telecommunications segments, the impacts of performance by individual programs typically are not as significant to these segments' overall results of operations.

Systems Integration

Net sales of the Systems Integration segment increased by one percent in 2000 compared to 1999, and increased by three percent in 1999 compared to 1998. For the year ended December 31, 2000 compared to 1999, net sales increased by approximately $360 million as a result of volume increases in the segment's Naval Electronic and Surveillance Systems product line and electronic platform integration activities. Net sales also increased by approximately $115 million in the segment's Missiles & Air Defense product line, primarily as a result of the Theater High Altitude Area Defense (THAAD) program's movement into the engineering, manufacturing and development (EMD) phase. These increases were partially offset by a reduction in net sales of approximately $410 million related to the AES and Control Systems businesses primarily due to the divestiture of these businesses in 2000. The increase in 1999 was comprised of a $100 million increase related to increased volume on surface systems activities, an $80 million increase in volume on tactical training systems and a $65 million increase in postal systems program activities. These increases were partially offset by a decrease of $100 million in classified activities and space electronics programs. The remaining increase was primarily attributable to increased electronics activities in the United Kingdom.

Operating profit for the segment increased by two percent both in 2000 compared to 1999 and in 1999 compared to 1998. In 2000, the previously mentioned volume increases in the segment's Naval Electronic and Surveillance Systems product line and electronic platform integration activities contributed approximately $40 million to the increase in operating profit from 1999. This increase was partially offset by an approximate $20 million decline in operating profit related to the AES and Control Systems businesses due to their divestiture in 2000. Also during 2000, increases in operating profit attributable to the THAAD program's movement into the EMD phase, as well as the absence in 2000 of a $15 million penalty recorded on that program in the second quarter of 1999, were offset by declines in operating profit on certain fire control and sensor programs due to program maturity. The 1999 increase was comprised of a $50 million increase related to the tactical training systems and postal systems volume increases discussed in the preceding paragraph as well as improved performance on missile and fire control programs. These increases were offset by the aforementioned $15 million penalty on the THAAD program and the absence in 1999 of a $16 million favorable arbitration resolution recorded in 1998. The remaining fluctuation in 1999 year-over-year operating profit related to declines in volume on various other systems integration activities.

Space Systems

Net sales of the Space Systems segment decreased by one percent in 2000 compared to 1999, and by 16 percent in 1999 compared to 1998. In 2000, net sales decreased by approximately $440 million due to volume declines in military, civil, and classified satellite activities, and by $180 million due to decreased ground systems activities. An additional $140 million decrease related to reduced volume in government launch vehicle programs. These decreases were partially offset by approximately $490 million related to increased volume on commercial space activities as well as an approximate $50 million increase in various other space system activities. Year-over-year net sales also increased due to the absence in 2000 of approximately $90 million in negative adjustments recorded during 1999 related to the Titan IV program. These adjustments included the effects of changes in estimates for award and incentive fees resulting from a second quarter 1999 Titan IV launch failure, as well as a more conservative assessment of future program performance. In addition, 2000 net sales were also favorably impacted by an approximate $50 million adjustment recorded in 2000 on the Titan IV program as a result of contract modifications and improved performance on the program. The contract modifications, which resulted primarily from the U.S. Government's Broad Area Review team recommendations, provided for a more balanced sharing of risk in the future. The improved performance on the program resulted from the successful implementation of corrective actions and initiatives taken since the previously mentioned 1999 Titan IV launch failure. During 1999, almost half of the segment's net sales decrease resulted from volume decreases on military satellite programs and classified activities. Net sales were also reduced by a $185 million decrease in commercial and civil satellite activities as a result of the maturity of certain programs and lower market demand. Net sales were further reduced by an approximate $175 million decrease from 1998 related to ground systems activities, and by a $50 million decrease in launch vehicle activities. As mentioned previously, during 1999 the segment recorded a negative adjustment related to the Titan IV program which reduced net sales by approximately $90 million. The remaining decrease in 1999 net sales was related to a decline in volume on various other space systems activities.

Operating profit for the segment decreased by 28 percent in 2000 compared to 1999, and decreased by 48 percent in 1999 compared to 1998. Continued market and pricing pressures on commercial space programs, increased investment in certain launch vehicle programs and reduced margins on commercial satellites decreased 2000 operating profit by approximately $180 million from 1999. This decrease included charges of approximately $85 million recorded in 2000 on the Atlas launch vehicle program related to continued market and pricing pressures. In addition, 2000 operating profit was further reduced by approximately $35 million due to the impact of the volume declines on military, civil, and classified satellite programs mentioned previously. Consistent with the change in net sales, the absence in 2000 of the negative adjustments recorded during 1999 on the Titan IV program, combined with the favorable adjustments recorded in 2000 on the same program, had an approximate $140 million positive impact on 2000 operating profit. The remainder of the decrease is primarily attributable to an approximate $55 million decrease in operating profit related to a more conservative assessment of future performance on government launch vehicle programs. A contributing factor to the decrease in the segment's operating profit in 1999 compared to 1998 was the impact of a third quarter 1998 favorable adjustment of approximately $120 million, net of state income taxes, which resulted from a significant improvement in the Atlas program related to the retirement of technical and program risk. In addition, 1999 operating profit was adversely affected by the impact of the $90 million Titan IV program adjustment discussed above. Operating profit in 1999 was also adversely impacted by increased period costs (principally start-up costs) related to launch vehicle investments which accounted for approximately 15 percent of the decrease, by a reduction in Trident fleet ballistic missile activities that reduced operating profit by approximately $30 million, and by a launch vehicle contract cancellation which resulted in a charge of $30 million. The remainder of the decrease is attributable to the decline in sales related to military satellite and classified activities mentioned above as well as a reduction in commercial satellite activities.

Aeronautics

Net sales of the Aeronautics segment decreased by 11 percent in 2000 compared to 1999, after having increased by one percent in 1999 compared to 1998. Approximately 95 percent of the decrease in 2000 net sales is attributable to declines in F-16 fighter aircraft and C-130J airlift aircraft sales and deliveries. These decreases more than offset increases in net sales related to the F-22 fighter aircraft program. The 1999 increase was comprised of $715 million in increased sales related to C-130J program activities offset by a $717 million decrease in F-16 sales and deliveries. The remaining increase was attributable to increased sales on various other aircraft programs.

Operating profit for the segment increased by 39 percent in 2000 compared to 1999 after decreasing by 62 percent in 1999 compared to 1998. The current year increase is primarily attributable to the absence in 2000 of a $210 million negative adjustment recorded during the second quarter of 1999 that resulted from changes in estimates related to the C-130J program due to cost growth and a reduction in production rates. This increase was partially offset by an approximate $115 million reduction in 2000 operating profit resulting from the decrease in aircraft sales and deliveries mentioned in the preceding paragraph. The 1999 decrease from 1998 principally reflects the $210 million negative impact of the previously mentioned C-130J program adjustment. Additionally, the Corporation decided in the fourth quarter of 1999 not to record profit on C-130J deliveries, as a result of changes in estimates due to cost growth and reduced production rates, until further favorable progress occurs in terms of orders and cost. Of the remaining decrease in 1999 operating profit, $80 million resulted from reduced F-16 deliveries, with the remainder due to volume decreases on various other aircraft programs.

Technology Services

Net sales of the Technology Services segment increased by three percent in 2000 as compared to 1999, and by 17 percent in 1999 compared to 1998. The increase in 2000 net sales is comprised of an approximate $150 million increase in various federal technology services programs including the Consolidated Space Operations Contract and the Rapid Response contract. These increases were partially offset by an approximate $95 million decline in volume on aircraft maintenance and logistics contracts and certain defense and science energy services contracts due to program completions. The increase in 1999 net sales was mainly the result of an approximate $300 million increase in volume on the Consolidated Space Operations Contract, which was awarded in September 1998.

Operating profit for the segment increased by 17 percent in 2000 compared to 1999, and by one percent in 1999 compared to 1998. The increase in 2000 is primarily attributable to various federal technology services programs including the impact of the volume increases discussed above and increased profitability on certain information services contracts, and improved performance on certain aircraft maintenance and logistics contracts. These increases were partially offset by the operating profit impact of the previously mentioned volume declines on certain defense and science energy services contracts. The increase in 1999 operating profit was primarily attributable to the Consolidated Space Operations Contract. The remaining change was comprised of increases related to improved performance on aircraft maintenance and logistics contracts that were partially offset by decreases attributable to the timing of award fees on certain defense and science energy services contracts.

Global Telecommunications

Net sales of the Global Telecommunications segment increased by 97 percent in 2000 compared to 1999, and by 55 percent in 1999 compared to 1998. The increase in 2000 net sales was primarily attributable to the Corporation's consummation of the merger with COMSAT and the inclusion of COMSAT's consolidated operations in the segment's results beginning August 1, 2000. COMSAT contributed approximately $250 million to the increase in 2000 net sales. The majority of the remaining increase was associated with the recognition of approximately $65 million in net sales on a Proton launch vehicle, which successfully launched the ACeS 1 satellite in the first quarter of 2000. The remainder of the increase was mainly related to an approximate $35 million increase in volume on various network systems and technology programs. The 1999 increase was comprised of $75 million related to increased volume on information technology outsourcing contracts and $75 million in international telecommunications contracts, government services programs and various systems and technology programs. These increases more than offset declines in other Global Telecommunications activities.

Global Telecommunications' operating loss increased by approximately $1 million in 2000 compared to 1999, and by approximately $93 million in 1999 compared to 1998. During 2000, pricing pressures and the impact of negative adjustments related to performance on certain information outsourcing programs resulted in an approximate $30 million increase in the segment's operating loss. This increase in the operating loss was almost entirely offset by reduced operating expenses at LMGT headquarters as a result of synergies realized through the merger with COMSAT, and the impact of increased volume on network systems and technology programs discussed in the preceding paragraph. The increase in the operating loss in 1999 reflects $103 million in operating losses related to LMGT which began operations effective January 1, 1999, partially offset by increased operating profit related to the volume increases on information technology outsourcing contracts discussed in the preceding paragraph.

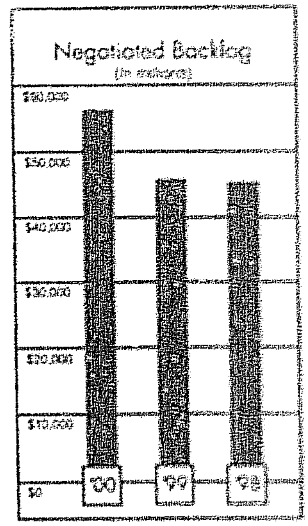
Corporate and Other

Net sales of the Corporate and Other segment decreased by three percent in 2000 compared to 1999, and by 12 percent in 1999 compared to 1998. The decline in net sales for the year was attributable to reduced volume in the segment's properties line of business and the absence in 2000 of sales attributable to the Corporation's commercial graphics company, Real 3D, which was divested in the fourth quarter of 1999. These decreases in net sales more than offset increased volume on state and municipal services programs. The majority of the 1999 decrease related to the absence in 1999 of $155 million in net sales attributable to the segment's CalComp subsidiary, which shut down operations during 1999. This decrease was partially offset by $65 million in increased volume on various state and municipal services contracts.

Operating profit for the segment decreased by $5 million in 2000 compared to 1999, after increasing by $61 million in 1999 compared to 1998. The majority of the decrease in 2000 operating profit was due to the expensing of start-up costs associated with the Corporation's e-commerce investment and the absence in 2000 of a favorable adjustment recorded by the segment's Communications Industry Services line of business in the first quarter of 1999. The decreases in the segment were partially offset by increases in interest income, the absence in 2000 of losses associated with Real 3D, and the impact of the higher volume on state and municipal services programs discussed previously. The increase in 1999 was primarily attributable to the absence in 1999 of operating losses incurred by the segment's CalComp and Real 3D operating units in 1998.

Backlog

Total negotiated backlog of $56.4 billion at December 31, 2000 included both unfilled firm orders for the Corporation's products for which funding has been authorized and appropriated by the customer (Congress, in the case of U.S. Government agencies) and firm orders for which funding has not been appropriated.



The following table shows total backlog by segment at the end of each of the last three years:

(In millions)	2000	1999	1998
Backlog			
Systems Integration	$16,706	$13,971	$12,524
Space Systems	14,976	15,998	17,330
Aeronautics	17,570	9,003	10,265
Technology Services	4,371	4,399	3,993
Global Telecommunications	1,625	1,533	763
Corporate and Other	1,176	1,009	968
	$56,424	$45,913	$45,345

Total Systems Integration backlog increased by 20 percent in 2000 compared to 1999, and by 12 percent in 1999 compared to 1998. The majority of the 2000 increase was attributable to new orders for missile and air defense systems, primarily orders received on the THAAD program as a result of that program's movement into the EMD phase. Increased orders for naval electronic and surveillance systems and various platform integration activities were partially offset by the absence of backlog associated with the segment's AES and Control Systems businesses, which were divested during 2000. The remainder of the 2000 variance from 1999 was primarily due to sales on existing orders.

and decreases in new orders on Command, Control, Communications, Computers and Intelligence (C4I) programs. Approximately one half of the 1999 increase from 1998 was comprised of new orders for missile systems, with the remaining increase primarily attributable to increased orders for various platform integration activities and increased surface ship system awards.

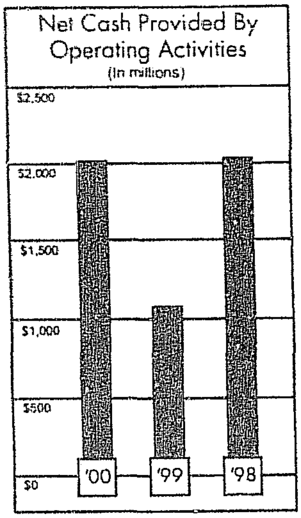
Total Space Systems backlog decreased by six percent in 2000 compared to 1999, and by eight percent in 1999 compared to 1998. The decrease in 2000 was primarily attributable to declines in backlog on government launch vehicles and commercial satellites due to decreases in new orders and sales on existing orders, respectively. Additional decreases in orders of military, civil, and classified satellites were partially offset by an increase in orders for commercial launch vehicles. The decrease in 1999 was mainly attributable to significant decreases in launch vehicle backlog as a result of a decline in new orders and sales on existing orders, as well as in backlog associated with military satellites and classified activities. Approximately one half of these decreases were partially offset by new orders for commercial and civil satellites.

Total Aeronautics backlog increased by 95 percent in 2000 compared to 1999 after decreasing by 12 percent in 1999 compared to 1998. The 2000 increase is primarily due to approximately $10.6 billion in orders related to the F-16 fighter aircraft program, including new F-16 contracts with the U.S. Government, the United Arab Emirates (UAE), Israel, Greece, Singapore and Korea, collectively. This increase was partially offset by a reduction in backlog for the F-22 fighter aircraft program as a result of increased sales on existing orders. The decline in 1999 backlog was a result of approximately equal decreases on F-16 programs and C-130J airlift aircraft programs related to the timing of new orders and sales recorded during 1999. An increase in orders associated with the F-22 program offset approximately one-third of the aforementioned decreases.

Total Technology Services backlog decreased by one percent in 2000 compared to 1999 after having increased by 26 percent in 1999 compared to 1998. The decrease in 2000 was primarily associated with sales on existing federal technology services contracts, principally the Consolidated Space Operations Contract. The increase in 1999 was attributable to new orders associated with the 1999 award of an aircraft engine maintenance contract by the U.S. Air Force which was partially offset by sales on the Consolidated Space Operations Contract.

Total Global Telecommunications backlog increased approximately six percent in 2000 compared to 1999, and increased significantly in 1999 compared to 1998. The 2000 increase was primarily the result of the acquisition of COMSAT in 2000 and new orders on network systems and technology programs. The 1999 increase was primarily the result of new orders on information outsourcing contracts with the remainder of the increase reflecting new orders on various network systems and technology programs.

Total Corporate and Other backlog increased by 17 percent in 2000 compared to 1999, and increased by five percent in 1999 compared to 1998. The 2000 increase was mainly attributable to new orders on various state and municipal services programs. The 1999 increase was primarily the result of increases on various state and municipal services programs which were partially offset by the absence at year-end 1999 of backlog related to the Corporation's Real 3D business unit, which was divested in the fourth quarter of 1999.



Liquidity and Cash Flows

Operating Activities
Operating activities provided $2.0 billion in cash during 2000, compared to $1.1 billion and $2.0 billion provided in 1999 and 1998, respectively. The significant increase in 2000 compared to 1999 was primarily the result of lower working capital requirements and reduced net federal income tax payments. The significant decrease in cash provided by operations during 1999 compared to 1998 resulted from the decrease in earnings before cumulative effect of change in accounting between the periods and increased working capital requirements.

Investing Activities
Investing activities provided $1.8 billion in cash during 2000, compared to $1.6 billion used and $455 million used during 1999 and 1998, respectively. Cash used for additions to property, plant and equipment declined 25 percent in 2000 after a four percent decrease in 1999. During 2000, the divestiture of certain non-core businesses and the sale of investments accounted for the majority of cash provided by investing activities. As discussed previously under the caption "Divestiture Activities," the Corporation's sale of its AES and Control Systems businesses, as well as the sale of a portion of its investment in Inmarsat, generated approximately $1.7 billion, $510 million, and $164 million, respectively. Also in 2000, $257 million of cash was used for additional investments in affiliated companies, including $127 million of net cash used for additional investments in Astrolink International, LLC, a joint venture in which Lockheed Martin holds an approximate 31 percent interest. The remainder of the 2000 activity was attributable to various other investing activities. During 1999, as discussed previously under the caption "Business Combination with COMSAT Corporation," $1.2 billion was used to acquire the Corporation's initial 49 percent investment in COMSAT, which was the primary reason for the increase in the use of cash in 1999 compared to 1998. Also in 1999, $263 million of cash was provided related to the sale of the Corporation's interest in L-3, which was partially offset by $103 million of cash used for additional investments in Astrolink International, LLC and other affiliated companies.

Financing Activities
The Corporation used $2.7 billion in cash for financing activities during 2000, compared to $731 million provided by financing activities during 1999 and $1.3 billion used during 1998. During 2000, improved operating cash flows and cash provided by investing activities allowed the Corporation to reduce its long-term debt by approximately $2.1 billion and decrease its net short-term borrowings by $463 million. The reduction in long-term debt was primarily attributable to the Corporation's completion of tender offers for certain of its long-term debt securities during the fourth quarter of 2000. The Corporation used $2.1 billion to consummate the tender offers, resulting in the early extinguishment of $1.9 billion in long-term debt and an extraordinary loss of $156 million, or $95 million after tax. Approximately $882 million of long-term debt will mature in 2001. The $2.0 billion increase in cash provided by

financing activities in 1999 as compared to the cash used during 1998 reflects the Corporation's issuance of $3.0 billion in long-term debt securities in the fourth quarter of 1999, partially offset by repayments of long-term debt totaling $1.1 billion and a net decrease of $868 million in short-term borrowings outstanding. During 1998, operating activities generated a significant amount of cash which allowed the Corporation to reduce its total debt by more than $1.0 billion.

The Corporation paid dividends of $183 million in 2000 compared to $345 million in 1999 and $310 million in 1998.

Other

The Corporation receives advances on certain contracts to finance inventories. At December 31, 2000, approximately $1.9 billion in advances and progress payments related to work in process were received from customers and recorded as a reduction to inventories in the Corporation's Consolidated Balance Sheet. Also at December 31, 2000, approximately $626 million of customer advances and progress payments were recorded in receivables as an offset to unbilled costs and accrued profits. Approximately $4.8 billion of customer advances and amounts in excess of costs incurred, which are typically from foreign governments and commercial customers, were included in current liabilities at the end of 2000.

Capital Structure and Resources

Total debt, including short-term borrowings, decreased by approximately 17 percent during 2000 from approximately $12.0 billion at December 31, 1999. The decrease was primarily the result of the completion of the tender offers mentioned previously. The remaining change in debt was comprised of scheduled repayments of long-term debt totaling approximately $50 million and net repayments of short-term debt of approximately $463 million, primarily attributable to commercial paper repayments of approximately $475 million. These decreases were partially offset by approximately $410 million in debt assumed in conjunction with the COMSAT Merger. The Corporation's long-term debt is primarily in the form of publicly issued, fixed-rate notes and debentures. At year-end 2000, the Corporation held cash and cash equivalents of approximately $1.5 billion, a portion of which is expected to be used to meet scheduled long-term debt maturities in 2001.

Total stockholders' equity was $7.2 billion at December 31, 2000, an increase of approximately $800 million from the December 31, 1999 balance. This increase resulted from the issuance of 27.5 million shares of the Corporation's common stock and the assumption of 4.3 million COMSAT stock options related to the completion of the Merger with COMSAT. On a combined basis, these non-cash items increased stockholders' equity by approximately $1.4 billion. Employee stock option and ESOP activities accounted for a further increase of approximately $218 million. These increases were partially offset by the 2000 net loss of $519 million, the payment of dividends of $183 million and other comprehensive losses of approximately $134 million primarily related to the temporary decline in value of the Corporation's investment in Loral Space. As a result of the above factors, the Corporation's total debt to capitalization ratio decreased from 65 percent at December 31, 1999 to 58 percent at December 31, 2000.

At the end of 2000, the Corporation had in place a revolving credit facility in the amount of $3.5 billion, which expires on December 20, 2001 (the Credit Facility). No borrowings were outstanding under this facility at December 31, 2000. In March 2000, the Corporation filed a shelf registration with the Securities and Exchange Commission (SEC) to provide for the issuance of up to $1 billion in debt securities. The registration statement was declared effective on April 14, 2000. Were the Corporation to issue debt securities under this shelf registration, it would expect to use the net proceeds for general corporate purposes. These purposes may include repayment of other debt, working capital needs, capital expenditures, acquisitions and any other general corporate purpose.

(Continued)

The Corporation actively seeks to finance its business in a manner that preserves financial flexibility while minimizing borrowing costs to the extent practicable. The Corporation's management continually reviews changes in financial, market and economic conditions to manage the types, amounts and maturities of the Corporation's indebtedness. Periodically, the Corporation may refinance existing indebtedness, vary its mix of variable rate and fixed rate debt, or seek alternative financing sources for its cash and operational needs.

Cash and cash equivalents (including temporary investments), internally generated cash flow from operations and other available financing resources are expected to be sufficient to meet anticipated operating, capital expenditure and debt service requirements and discretionary investment needs during the next twelve months. Consistent with the Corporation's desire to generate cash to reduce debt and invest in its core businesses, management anticipates that, subject to prevailing financial, market and economic conditions, the Corporation may continue to divest certain non-core businesses, passive equity investments and surplus properties.

In connection with the UAE's order for F-16 fighter aircraft discussed previously, in June 2000, the Corporation issued a letter of credit in the amount of $2 billion related to advance payments to be received under the contract. At December 31, 2000, in accordance with the terms of the agreement with the UAE, the amount of the letter of credit available for draw down in the event of the Corporation's nonperformance under the contract was limited to the amount of advance payments received to date, or approximately $900 million. These advance payments were recorded in customer advances and amounts in excess of costs incurred in the Consolidated Balance Sheet at December 31, 2000.

The Corporation has entered into standby letter of credit agreements and other arrangements with financial institutions primarily relating to the guarantee of future performance on certain other contracts. At December 31, 2000, the Corporation had contingent liabilities on outstanding letters of credit, guarantees and other arrangements aggregating approximately $940 million.

The Corporation satisfied its contractual obligation with respect to its guarantee of certain indebtedness of Globalstar with a net payment of $150 million on June 30, 2000 to repay a portion of Globalstar's borrowings under a revolving credit agreement. The Corporation has no remaining guarantees in place related to Globalstar. The Corporation continues to guarantee certain borrowings of Space Imaging LLC (Space Imaging), a joint venture in which the Corporation holds a 46 percent ownership interest. The amount of borrowings outstanding as of December 31, 2000 for which Lockheed Martin was guarantor was approximately $120 million. This amount is included in the aggregate amount of contingent liabilities mentioned in the preceding paragraph.

The Corporation's investment in Space Imaging is accounted for under the equity method of accounting. At December 31, 2000, the Corporation's investment in and receivables from Space Imaging amounted to approximately $131 million. The Corporation expects to continue to provide debt guarantees of up to $150 million in connection with a new loan facility which Space Imaging is negotiating.

Effective March 31, 2000, the Corporation converted its 45.9 million shares of Loral Space Series A Preferred Stock into an equal number of shares of Loral Space common stock. The Corporation plans to divest its shares of Loral Space; however, the timing of such divestitures and the related amount of cash received will depend on market conditions.

Environmental Matters

As more fully described in "Note 16—Commitments and Contingencies" of the Notes to Consolidated Financial Statements (Note 16), the Corporation is responding to three administrative orders issued by the California Regional Water Quality Control Board (the Regional Board) in connection with its former facilities in Redlands, California. The Corporation estimates that expenditures required to implement work currently approved by the Regional Board related to the Redlands facilities will be approximately $90 million. Also in connection with the Redlands facilities, the Corporation is coordinating with the U.S. Air Force, which is working with the aerospace and defense industry to conduct preliminary studies of the potential health effects of perchlorate exposure in connection with several sites across the country, including the Redlands site. The results of these studies will assist state and federal regulators in setting appropriate action levels for perchlorates in groundwater, which will in turn assist the Corporation in determining its ultimate clean-up obligation, if any, with respect to perchlorates. Also as mentioned in Note 16, since 1990, the Corporation has been responding to various consent decrees and orders relating to soil and regional groundwater contamination in the San Fernando Valley (including the cities of Burbank and Glendale) associated with the Corporation's former operations in Burbank, California. Under an agreement reached with the U.S. Government and filed with the U.S. District Court in January 2000 (the Agreement), an amount equal to approximately 50 percent of future expenditures for certain remediation activities will be reimbursed by the U.S. Government as a responsible party under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). The Corporation estimates that total expenditures required over the remaining terms of the consent decrees and orders related to the Burbank and Glendale facilities, net of the effects of the Agreement, will be approximately $45 million.

The Corporation is a party to various other proceedings and potential proceedings related to environmental clean-up issues, including matters at various sites where it has been designated a Potentially Responsible Party (PRP) by the EPA or by a state agency. In the event the Corporation is ultimately found to have liability at those sites where it has been designated a PRP, the Corporation anticipates that the actual burden for the costs of remediation will be shared with other liable PRPs. Generally, PRPs that are ultimately determined to be responsible parties are strictly liable for site clean-up and usually agree among themselves to share, on an allocated basis, the costs and expenses for investigation and remediation of hazardous materials. Under existing environmental laws, however, responsible parties are jointly and severally liable and, therefore, the Corporation is potentially liable for the full cost of funding such remediation. In the unlikely event that the Corporation was required to fund the entire cost of such remediation, the statutory framework provides that the Corporation may pursue rights of contribution from the other PRPs. Among the variables management must assess in evaluating costs associated with these sites are changing cost estimates, continually evolving governmental environmental standards and cost allowability issues. Therefore, the nature of these environmental matters makes it extremely difficult to estimate the timing and amount of any future costs that may be necessary for remedial actions.

The Corporation records appropriate financial statement accruals for environmental issues in the period in which it is probable that a liability has been incurred and the amounts can be reasonably estimated. In addition to the matters with respect to the Redlands and Burbank properties and the city of Glendale described above, the Corporation has accrued approximately $190 million at December 31, 2000 for other matters in which an estimate of financial exposure could be determined. Management believes, however, that it is unlikely that any additional liability the Corporation may incur for known environmental issues would have a material adverse effect on its consolidated results of operations or financial position.

Also as more fully described in Note 16, the Corporation is continuing to pursue recovery of a significant portion of the unanticipated costs incurred in connection with the $180 million fixed price contract with the U.S. Department of Energy (DOE) for the remediation of waste found in Pit 9. The Corporation has been unsuccessful to date in reaching any agreements with the DOE on cost recovery or other contract restructuring matters. In 1998, the management contractor for the project, a wholly-owned subsidiary of the Corporation, at the DOE's direction, terminated the Pit 9 contract for default. At the same time, the Corporation filed a lawsuit seeking to overturn the default termination. Subsequently, the Corporation took actions to raise the status of its request for equitable adjustment to a formal claim. Also in 1998, the management contractor, again at the DOE's direction, filed suit against the Corporation seeking recovery of approximately $54 million previously paid to the Corporation under the Pit 9 contract. The Corporation is defending this action in which discovery has been pending since August 1999. In October 1999, the U.S. Court of Federal Claims stayed the DOE's motion to dismiss the Corporation's lawsuit, finding that the Court has jurisdiction. The Court ordered discovery to commence and gave leave to the DOE to convert its motion to dismiss to a motion for summary judgment if supported by discovery. The Corporation continues to assert its position in the litigation while continuing its efforts to resolve the dispute through non-litigation means.

Other Matters

The Corporation's primary exposure to market risk relates to interest rates and foreign currency exchange rates. The Corporation's financial instruments which are subject to interest rate risk principally include variable rate commercial paper and fixed rate long-term debt. The Corporation's long-term debt obligations are generally not callable until maturity. The Corporation may use interest rate swaps to manage its exposure to fluctuations in interest rates; however, there were no such agreements outstanding at December 31, 2000.

The Corporation uses forward exchange contracts to manage its exposure to fluctuations in foreign exchange rates. These contracts are designated as qualifying hedges of firm commitments or specific anticipated transactions, and related gains and losses on the contracts are recognized in income when the hedged transaction occurs. Effective January 1, 2001, the Corporation began accounting for these contracts under the provisions of SFAS No. 133, as amended. At December 31, 2000, the fair value of forward exchange contracts outstanding, as well as the amounts of gains and losses recorded during the year then ended, were not material. The Corporation does not hold or issue derivative financial instruments for trading purposes.

The management of Lockheed Martin prepared and is responsible for the consolidated financial statements and all related financial information contained in this Annual Report. The consolidated financial statements, which include amounts based on estimates and judgments, have been prepared in accordance with accounting principles generally accepted in the United States.

In recognition of its responsibility for the integrity and objectivity of data in the financial statements, the Corporation maintains a system of internal accounting controls designed and intended to provide reasonable assurance that assets are safeguarded and transactions are properly executed and recorded. An environment that provides for an appropriate level of control consciousness is maintained and monitored and includes examinations by an internal audit staff and by the independent auditors in connection with their annual audit.

Essential to the Corporation's internal control system is management's dedication to the highest standards of integrity, ethics and social responsibility. In connection therewith, management has issued the Code of Ethics and Business Conduct and written policy statements that cover, among other topics, environmental protection, potentially conflicting outside interests of employees, proper business practices, and adherence to high standards of conduct and practices in dealings with customers, including the U.S. Government. The importance of ethical behavior is regularly communicated to all employees through the distribution of the Code of Ethics and Business Conduct, and through ongoing education and review programs designed to create a strong compliance environment.

The Audit and Ethics Committee of the Board of Directors is composed of six outside directors. This Committee meets periodically with the independent auditors, internal auditors and management to review their activities. Both the independent auditors and the internal auditors have unrestricted access to meet with members of the Audit and Ethics Committee, with or without management representatives present.

The consolidated financial statements have been audited by Ernst & Young LLP, independent auditors, whose report follows.

Robert J. Stevens
President and Chief Operating Officer

Christopher E. Kubasik
Vice President and Chief Financial Officer
Acting Controller

Board of Directors and Stockholders
Lockheed Martin Corporation

We have audited the accompanying consolidated balance sheet of Lockheed Martin Corporation as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Corporation'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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lockheed Martin Corporation at December 31, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 of the Notes to Consolidated Financial Statements, in 1999 the Corporation adopted the provisions of the American Institute of Certified Public Accountants' Statement of Position No. 98-5, "Reporting on the Costs of Start-Up Activities."

Ernst & Young LLP

Washington D.C.
January 22, 2001

(In millions, except per share data)	2000	1999	1998
		Year ended December 31,	
Net sales	$25,329	$25,530	$26,266
Cost of sales	23,715	23,865	23,914
Earnings from operations	1,614	1,665	2,352
Other income and expenses, net	(409)	344	170
	1,205	2,009	2,522
Interest expense	919	809	861
Earnings before income taxes, extraordinary item and cumulative effect of change in accounting	286	1,200	1,661
Income tax expense	710	463	660
(Loss) earnings before extraordinary item and cumulative effect of change in accounting	(424)	737	1,001
Extraordinary loss on early extinguishment of debt	(95)	—	—
Cumulative effect of change in accounting	—	(355)	—
Net (loss) earnings	$ (519)	$ 382	$ 1,001
(Loss) earnings per common share:			
Basic:			
Before extraordinary item and cumulative effect of change in accounting	$ (1.05)	$ 1.93	$ 2.66
Extraordinary loss on early extinguishment of debt	(.24)	—	—
Cumulative effect of change in accounting	—	(.93)	—
	$ (1.29)	$ 1.00	$ 2.66
Diluted:			
Before extraordinary item and cumulative effect of change in accounting	$ (1.05)	$ 1.92	$ 2.63
Extraordinary loss on early extinguishment of debt	(.24)	—	—
Cumulative effect of change in accounting	—	(.93)	—
	$ (1.29)	$ .99	$ 2.63

See accompanying Notes to Consolidated Financial Statements.

(In millions)	2000	1999	1998
		Year ended December 31,	
Operating Activities			
(Loss) earnings before extraordinary item and cumulative effect of change in accounting	$ (424)	$ 737	$ 1,001
Adjustments to reconcile (loss) earnings before extraordinary item and cumulative effect of change in accounting to net cash provided by operating activities:			
Depreciation and amortization	518	529	569
Amortization of intangible assets	450	440	436
Deferred federal income taxes	(84)	293	203
Loss related to AES Transaction	547	—	—
Gain on sale of Control Systems business	(325)	—	—
Impairment loss related to ACeS	125	—	—
Changes in operating assets and liabilities:			
Receivables	108	130	809
Inventories	(187)	(404)	(1,183)
Customer advances and amounts in excess of costs incurred	387	313	329
Income taxes	522	(284)	189
Other	379	(677)	(322)
Net cash provided by operating activities	2,016	1,077	2,031
Investing Activities			
Expenditures for property, plant and equipment	(500)	(669)	(697)
AES Transaction	1,670	—	—
Sale of Control Systems business	510	—	—
Sale of shares of Inmarsat	164	—	—
COMSAT Tender Offer	—	(1,203)	—
Sale of interest in L-3	—	263	—
Additional investments in affiliated companies	(257)	(170)	—
Other	175	141	242
Net cash provided by (used for) investing activities	1,762	(1,638)	(455)
Financing Activities			
Net decrease in short-term borrowings	(463)	(868)	(151)
Increases in long-term debt	—	2,994	266
Repayments and early extinguishment of long-term debt	(2,096)	(1,067)	(1,136)
Issuances of common stock	14	17	91
Common stock dividends	(183)	(345)	(310)
Other	—	—	(51)
Net cash (used for) provided by financing activities	(2,728)	731	(1,291)
Net increase in cash and cash equivalents	1,050	170	285
Cash and cash equivalents at beginning of year	455	285	—
Cash and cash equivalents at end of year	$ 1,505	$ 455	$ 285

See accompanying Notes to Consolidated Financial Statements.

(In millions)	December 31, 2000	1999
Assets		
Current assets:		
Cash and cash equivalents	$ 1,505	$ 455
Receivables	4,195	4,348
Inventories	3,825	4,051
Deferred income taxes	1,236	1,237
Other current assets	498	605
Total current assets	11,259	10,696
Property, plant and equipment	3,446	3,634
Investments in equity securities	2,433	2,210
Intangible assets related to contracts and programs acquired	1,088	1,259
Cost in excess of net assets acquired	8,855	9,162
Prepaid pension cost	1,794	1,397
Other assets	1,474	1,903
	$30,349	$30,261
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 1,184	$ 1,228
Customer advances and amounts in excess of costs incurred	4,780	4,655
Salaries, benefits and payroll taxes	1,038	941
Income taxes	519	51
Short-term borrowings	12	475
Current maturities of long-term debt	882	52
Other current liabilities	1,760	1,410
Total current liabilities	10,175	8,812
Long-term debt	9,065	11,427
Post-retirement benefit liabilities	1,647	1,805
Deferred income taxes	736	517
Other liabilities	1,566	1,339
Stockholders' equity:		
Common stock, $1 par value per share	431	398
Additional paid-in capital	1,789	222
Retained earnings	5,199	5,901
Unearned ESOP shares	(115)	(150)
Accumulated other comprehensive loss	(144)	(10)
Total stockholders' equity	7,160	6,361
	$30,349	$30,261

See accompanying Notes to Consolidated Financial Statements.

(In millions, except per share data)	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Comprehensive Income (Loss)
Balance at December 31, 1997	$194	$ 25	$5,173	$(216)	$ —	$5,176	
Net earnings	—	—	1,001	—	—	1,001	$1,001
Common stock dividends declared ($.82 per share)	—	—	(310)	—	—	(310)	—
Stock awards and options, and ESOP activity	2	204	—	34	—	240	—
Stock issued for acquisitions	—	38	—	—	—	38	—
Other comprehensive loss	—	—	—	—	(8)	(8)	(8)
Two-for-one stock split	197	(197)	—	—	—	—	—
Balance at December 31, 1998	393	70	5,864	(182)	(8)	6,137	$ 993
Net earnings	—	—	382	—	—	382	$ 382
Common stock dividends declared ($.88 per share)	—	—	(345)	—	—	(345)	—
Stock awards and options, and ESOP activity	5	152	—	32	—	189	—
Other comprehensive loss	—	—	—	—	(2)	(2)	(2)
Balance at December 31, 1999	398	222	5,901	(150)	(10)	6,361	$ 380
Net loss	—	—	(519)	—	—	(519)	$ (519)
Common stock dividends declared ($.44 per share)	—	—	(183)	—	—	(183)	—
Stock awards and options, and ESOP activity	6	177	—	35	—	218	—
Stock issued in COMSAT Merger	27	1,319	—	—	—	1,346	—
COMSAT stock options assumed	—	71	—	—	—	71	—
Other comprehensive loss	—	—	—	—	(134)	(134)	(134)
Balance at December 31, 2000	$431	$1,789	$5,199	$(115)	$(144)	$7,160	$ (653)

See accompanying Notes to Consolidated Financial Statements.

Note 1—Summary of Significant Accounting Policies

Organization—Lockheed Martin Corporation (Lockheed Martin or the Corporation) is engaged in the conception, research, design, development, manufacture, integration and operation of advanced technology systems, products and services. Its products and services range from aircraft, spacecraft and launch vehicles to missiles, electronics, information systems and telecommunications. The Corporation serves customers in both domestic and international defense and commercial markets, with its principal customers being agencies of the U.S. Government.

Basis of consolidation and use of estimates—The consolidated financial statements include the accounts of wholly-owned and majority-owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions, including estimates of anticipated contract costs and revenues utilized in the earnings recognition process, that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Classifications—Receivables and inventories are primarily attributable to long-term contracts or programs in progress for which the related operating cycles are longer than one year. In accordance with industry practice, these items are included in current assets. Certain amounts for prior years have been reclassified to conform with the 2000 presentation.

Cash and cash equivalents—Cash and cash equivalents are net of outstanding checks that are funded daily as presented for payment. Cash equivalents are generally comprised of highly liquid instruments with maturities of three months or less when purchased. Due to the short maturity of these instruments, carrying value on the Corporation's Consolidated Balance Sheet approximates fair value.

Receivables—Receivables consist of amounts billed and currently due from customers, and include unbilled costs and accrued profits primarily related to revenues on long-term contracts that have been recognized for accounting purposes but not yet billed to customers. As such revenues are recognized, appropriate amounts of customer advances and progress payments are reflected as an offset to the related accounts receivable balance.

Inventories—Inventories are stated at the lower of cost or estimated net realizable value. Costs on long-term contracts and programs in progress represent recoverable costs incurred for production, allocable operating overhead and, where appropriate, research and development and general and administrative expenses. Pursuant to contract provisions, agencies of the U.S. Government and certain other customers have title to, or a security interest in, inventories related to such contracts as a result of advances and progress payments. Such advances and progress payments are reflected as an offset against the related inventory balances. General and administrative expenses related to commercial products and services provided essentially under commercial terms and conditions are expensed as incurred. Costs of other product and supply inventories are principally determined by the first-in, first-out or average cost methods.

Property, plant and equipment—Property, plant and equipment are carried principally at cost. Depreciation is provided on plant and equipment generally using accelerated methods during the first half of the estimated useful lives of the assets; thereafter, straight-line depreciation generally is used. Estimated useful lives generally range from 10 years to 40 years for buildings and 5 years to 15 years for machinery and equipment.

Investments in equity securities—Investments in equity securities include the Corporation's ownership interests in affiliated companies accounted for under the equity method of accounting. Under this method of accounting, which generally applies to investments that represent a 20 percent to 50 percent ownership of the equity securities of the investees, the Corporation's share of the earnings of the affiliated companies is included in other income and expenses. The Corporation recognizes currently gains or losses arising from issuances of stock by wholly-owned or majority-owned subsidiaries, or by equity method investees. These gains

(Continued)

or losses are also included in other income and expenses. Investments in equity securities also include the Corporation's ownership interests in companies in which its investment represents less than 20 percent. These investments are generally accounted for under the cost method of accounting.

Intangible assets—Intangible assets related to contracts and programs acquired are amortized over the estimated periods of benefit (15 years or less) and are displayed in the Consolidated Balance Sheet net of accumulated amortization of $1,085 million and $958 million at December 31, 2000 and 1999, respectively. Cost in excess of net assets acquired (goodwill) is amortized ratably over appropriate periods, generally 30 to 40 years, and is displayed on the Consolidated Balance Sheet net of accumulated amortization of $1,184 million and $1,373 million at December 31, 2000 and 1999, respectively. The carrying values of intangible assets, as well as other long-lived assets, are reviewed for impairment if changes in the facts and circumstances indicate potential impairment of their carrying values. Any impairment determined is recorded in the current period and is measured by comparing the discounted cash flows of the related business operations to the appropriate carrying values.

Customer advances and amounts in excess of costs incurred—The Corporation receives advances and progress payments from customers in excess of costs incurred on certain contracts, including contracts with agencies of the U.S. Government. Such advances and progress payments, other than those reflected as an offset to accounts receivable or inventories as discussed above, are classified as current liabilities.

Environmental matters—The Corporation records a liability for environmental matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. A substantial portion of these costs are expected to be reflected in sales and cost of sales pursuant to U.S. Government agreement or regulation. At the time a liability is recorded for future environmental costs, an asset is recorded for estimated future recovery considered probable through the pricing of products and services to agencies of the U.S. Government. The portion of those costs expected to be allocated to commercial business is reflected in cost of sales at the time the liability is established.

Sales and earnings—Sales and anticipated profits under long-term fixed-price production contracts are recorded on a percentage of completion basis, generally using units of delivery as the measurement basis for effort accomplished. Estimated contract profits are taken into earnings in proportion to recorded sales. Sales under certain long-term fixed-price contracts which, among other things, provide for the delivery of minimal quantities or require a significant amount of development effort in relation to total contract value, are recorded upon achievement of performance milestones or using the cost-to-cost method of accounting where sales and profits are recorded based on the ratio of costs incurred to estimated total costs at completion.

Sales under cost-reimbursement-type contracts are recorded as costs are incurred. Applicable estimated profits are included in earnings in the proportion that incurred costs bear to total estimated costs. Sales of products and services provided essentially under commercial terms and conditions are recorded upon shipment or completion of specified tasks.

Amounts representing contract change orders, claims or other items are included in sales only when they can be reliably estimated and realization is probable. Incentives or penalties and awards applicable to performance on contracts are considered in estimating sales and profit rates, and are recorded when there is sufficient information to assess anticipated contract performance. Incentive provisions which increase or decrease earnings based solely on a single significant event are generally not recognized until the event occurs.

When adjustments in contract value or estimated costs are determined, any changes from prior estimates are reflected in earnings in the current period. Anticipated losses on contracts or programs in progress are charged to earnings when identified.

Research and development and similar costs—Corporation-sponsored research and development costs primarily include research and development and bid and proposal efforts related to government products and services. Except for certain arrangements described below, these costs are generally included as part of the general and administrative costs that are allocated among all contracts and programs in progress under U.S. Government contractual arrangements. Corporation-sponsored product development costs not otherwise allocable are charged to expense when incurred. Under certain arrangements in which a customer shares in product development costs, the Corporation's portion of such unreimbursed costs is expensed as incurred. Customer-sponsored research and development costs incurred pursuant to contracts are accounted for as contract costs.

Derivative financial instruments—The Corporation may use derivative financial instruments to manage its exposure to fluctuations in interest rates and foreign exchange rates. Forward exchange contracts are designated as qualifying hedges of firm commitments or specific anticipated transactions. Gains and losses on these contracts are recognized in income when the hedged transactions occur. At December 31, 2000, the fair values of forward exchange contracts outstanding, as well as the amounts of gains and losses recorded during the year, were not material. The Corporation does not hold or issue derivative financial instruments for trading purposes. Effective January 1, 2001, the Corporation began to account for derivative financial instruments in accordance with Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities."

Stock-based compensation—The Corporation measures compensation cost for stock-based compensation plans using the intrinsic value method of accounting as prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. The Corporation has adopted those provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," which require disclosure of the pro forma effects on net earnings and earnings per share as if compensation cost had been recognized based upon the estimated fair value at the date of grant for options awarded.

Comprehensive income—Comprehensive income (loss) for the Corporation consists primarily of net earnings (loss), after-tax foreign currency translation adjustments and after-tax unrealized gains and losses on available-for-sale securities. At December 31, 2000, 1999 and 1998, the accumulated balances of other comprehensive income related to foreign currency translation adjustments were insignificant. For the year ended December 31, 2000, other comprehensive loss included net unrealized losses, net of income tax benefits, of $129 million, primarily related to the temporary decline in value of the Corporation's investment in Loral Space & Communications, Ltd. (Loral Space).

New accounting pronouncements—Effective January 1, 2001, the Corporation adopted SFAS No. 133. This Statement requires the recognition of all derivative financial instruments as either assets or liabilities in the Consolidated Balance Sheet, and the periodic adjustment of those instruments to fair value. The classification of gains and losses resulting from changes in the fair values of derivatives is dependent on the intended use of the derivative and its resulting designation. Adjustments to reflect changes in fair values of derivatives that are not considered highly effective hedges are reflected in earnings. Adjustments to reflect changes in fair values of derivatives that are considered highly effective hedges are either reflected in earnings and largely offset by corresponding adjustments related to the fair values of the hedged items, or reflected in other comprehensive income until the hedged transaction matures and the entire transaction is recognized in earnings. The change in fair value of the ineffective portion of a hedge is immediately recognized in earnings. The effect of adopting SFAS No. 133 was not material to the Corporation's consolidated results of operations, cash flows, or financial position.

Effective January 1, 1999, the Corporation adopted the American Institute of Certified Public Accountants' Statement of Position (SOP) No. 98-5, "Reporting on the Costs of Start-Up Activities." This SOP requires that, at the effective date of adoption, costs of start-up activities previously capitalized be expensed and reported as a cumulative effect of a change in accounting principle, and further requires that such costs subsequent to adoption be expensed as incurred. The adoption of SOP No. 98-5 resulted in the recognition of a cumulative effect adjustment which reduced net earnings for the year ended December 31, 1999 by $355 million, or $.93 per diluted share. The cumulative effect adjustment was recorded net of income tax benefits of $227 million, and was primarily composed of approximately $560 million of costs previously included in inventories.

Note 2—Business Combination with COMSAT Corporation

In September 1998, the Corporation and COMSAT Corporation (COMSAT) announced that they had entered into an Agreement and Plan of Merger (the Merger Agreement) to combine the companies in a two-phase transaction (the Merger). Subsequent to obtaining all regulatory approvals necessary for the first phase of the transaction and approval of the Merger by the stockholders of COMSAT, the Corporation completed a cash tender offer for 49 percent of the outstanding stock of COMSAT (the Tender Offer) on September 18, 1999. The total value of this phase of the transaction was $1.2 billion, and such amount was included in investments in equity securities in the consolidated balance sheet prior to consummation of the Merger as discussed below. The Corporation accounted for its 49 percent investment in COMSAT under the equity method of accounting.

On August 3, 2000, pursuant to the terms of the Merger Agreement, the second phase of the transaction was accomplished and the Merger was consummated. On that date, each share of COMSAT common stock outstanding immediately prior to the effective time of the Merger (other than shares held by the Corporation) was converted into the right to receive one share of Lockheed Martin common stock in a tax-free exchange. The total amount recorded related to this phase of the transaction was approximately $1.3 billion based on the Corporation's issuance of approximately 27.5 million shares of its common stock at a price of $49 per share. This price per share represents the average of the price of Lockheed Martin's common stock a few days before and after the announcement of the transaction in September 1998.

The total purchase price for COMSAT, including transaction costs and amounts related to Lockheed Martin's assumption of COMSAT stock options, was approximately $2.6 billion, net of $76 million in cash balances acquired. The COMSAT transaction was accounted for using the purchase method of accounting. Purchase accounting adjustments were recorded in 2000 to allocate the purchase price to assets acquired and liabilities assumed based on their fair values. These adjustments included certain amounts totaling approximately $2.1 billion, composed of adjustments to record investments in equity securities acquired at their fair values and cost in excess of net assets acquired, which will be amortized over an estimated life of 30 years. A summary of assets acquired and liabilities assumed as of the acquisition date follows:

(In millions)

Working capital, excluding cash acquired	$ (99)
Property, plant and equipment	243
Investments in equity securities	1,298
Cost in excess of net assets acquired	1,439
Other assets	177
Long-term debt	(334)
Post-retirement benefit liabilities	(98)
Deferred income taxes	(455)
Other liabilities	(165)
Net investment	2,555
Cash acquired	76
Total cost of acquisition	$2,631

The following unaudited pro forma combined earnings data present the results of operations of the Corporation and COMSAT for the years ended December 31, 2000 and 1999, as if the Merger had been consummated at the beginning of the periods presented. The pro forma combined earnings data does not purport to be indicative of the results of operations that would have resulted if the COMSAT transaction had occurred at the beginning of the respective periods. Moreover, this data is not intended to be indicative of future results of operations.

(In millions, except per share data)	2000	1999
Net sales	$25,674	$26,072
(Loss) earnings before extraordinary item and cumulative effect of change in accounting	(413)	639
Net (loss) earnings	(508)	284
(Loss) earnings per common share:		
Basic:		
Before extraordinary item and cumulative effect of change in accounting	(.98)	1.56[a]
(Loss) earnings per common share	(1.21)	.69[a]
Diluted:		
Before extraordinary item and cumulative effect of change in accounting	(.98)	1.55[a]
(Loss) earnings per common share	(1.21)	.69[a]

(a) The differences between these amounts and the respective earnings per share amounts presented on the Consolidated Statement of Operations relate primarily to the estimated effects of interest on the debt to finance the Tender Offer which was, for purposes of this pro forma presentation, assumed to have been issued on January 1, 1999.

The Corporation has consolidated the operations of COMSAT with the results of operations of Lockheed Martin Global Telecommunications, Inc. (LMGT), a wholly-owned subsidiary of the Corporation, from August 1, 2000.

Note 3—Divestiture Activities

In July 2000, the Corporation decided to sell its Aerospace Electronics Systems (AES) businesses and announced that it had reached a definitive agreement to sell these businesses to BAE SYSTEMS, North America Inc. (BAE SYSTEMS) for $1.67 billion in cash (the AES Transaction). As a result of this decision, the Corporation classified the assets of these businesses as "held for disposal" under the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The sum of the carrying value of the net assets of the AES businesses and estimated transaction costs exceeded the sales price per the definitive sales agreement. Therefore, the Corporation recorded an impairment loss in the third quarter of 2000 to adjust the book values of the assets to be disposed of to their fair values. Based on preliminary calculations and analyses, the Corporation recorded a loss, including state income taxes, of approximately $755 million. The loss negatively impacted the net loss for the third quarter by approximately $980 million, or $2.42 per diluted share. The AES Transaction closed in November 2000. In connection with the closing, the Corporation refined certain estimates included in its calculation of the loss on the transaction based on more current information and analyses. As a result, the Corporation recorded an adjustment in the fourth quarter of 2000 to reduce the amount of the loss, net of state income taxes, by $157 million, which increased fourth quarter net earnings by $102 million. In total for the year ended December 31, 2000, the Corporation recorded a nonrecurring and unusual loss of $598 million related to the AES Transaction which is included in other income and expenses. The loss negatively impacted the net loss for 2000 by $878 million, or $2.16 per diluted share.

On September 25, 2000, the Corporation consummated the sale of Lockheed Martin Control Systems (Control Systems) to BAE SYSTEMS for $510 million in cash. This transaction resulted in the recognition of a nonrecurring and unusual gain, net of state income taxes, of $302 million which is reflected in other income and expenses. The gain favorably impacted the net loss for 2000 by $180 million, or $.45 per diluted share.

In September 2000, the Corporation completed the sale of approximately one-third of its interest in Inmarsat Ventures Limited (Inmarsat) for $164 million. The investment in Inmarsat was acquired as part of COMSAT in conjunction with the Merger. As a result of the transaction, the Corporation's interest in Inmarsat was reduced from approximately 22% to 14%. The sale of shares in Inmarsat did not impact the Corporation's results of operations for 2000.

In March 1997, the Corporation repositioned 10 of its non-core business units as a new independent company, L-3 Communications Holdings, Inc. (L-3), in which the Corporation retained an approximate 35 percent ownership interest at closing. In May 1998, L-3 completed an initial public offering which resulted in a reduction in the Corporation's ownership to approximately 25 percent and the recognition of a gain, net of state income taxes, of $18 million. The gain increased net earnings by $12 million, or $.03 per diluted share. In 1999, the Corporation sold its remaining interest in L-3 in two separate transactions. On a combined basis, these transactions resulted in a nonrecurring and unusual gain, net of state income taxes, of $155 million which increased net earnings by $101 million, or $.26 per diluted share.

In September 1999, the Corporation sold its interest in Airport Group International Holdings, LLC which resulted in a nonrecurring and unusual gain, net of state income taxes, of $33 million in other income and expenses. In October 1999, the Corporation exited its commercial 3D graphics business through consummation of a series of transactions which resulted in the sale of its interest in Real 3D, Inc., a majority-owned subsidiary, and a nonrecurring and unusual gain, net of state income taxes, of $33 million in other income and expenses. On a combined basis, these transactions increased net earnings by $43 million, or $.11 per diluted share.

Note 4—Restructuring and Other Charges

In the fourth quarter of 1998, the Corporation recorded a nonrecurring and unusual pretax charge, net of state income tax benefits, of $233 million related to actions surrounding the decision to fund a timely non-bankruptcy shutdown of the business of CalComp Technology, Inc. (CalComp), a majority-owned subsidiary. This charge decreased net earnings by $183 million, or $.48 per diluted share. As of December 31, 1999, CalComp had, among other actions, sold substantially all of its assets, terminated substantially all of its work force, and initiated the corporate dissolution process under the applicable state and foreign government statutes. The financial impacts of these actions were less than anticipated in the Corporation's plans and estimates and, in the fourth quarter of 1999, the Corporation reversed approximately 10 percent of the original charge recorded in 1998. As of December 31, 2000, the Corporation had substantially completed the shutdown of CalComp's operations. Based on management's assessment of the remaining actions to be taken to complete initiatives contemplated in the Corporation's original plans and estimates, the Corporation reversed approximately $33 million of the original charge, which favorably impacted the net loss for 2000 by $21 million, or $.05 per diluted share. While uncertainty remains concerning the resolution of matters in dispute or litigation, management believes that the remaining amount recorded at December 31, 2000, which represents approximately 10 percent of the original charge, is adequate to provide for resolution of these matters and to complete the dissolution process.

During 1997 and 1996, the Corporation recorded nonrecurring and unusual charges, net of state income tax benefits, which in the aggregate totaled $764 million. These charges reflected the estimated effects of exiting non-strategic lines of business and impairment in the values of various non-core investments and certain other assets, and included estimated costs for facility closings and transfers of programs related to the Corporation's acquisition of Loral Corporation in April 1996. All initiatives undertaken as part of the 1997 and 1996 charges had been completed as of December 31, 2000, other than actions contemplated as part of the Corporation's exit from a certain environmental remediation line of business and a fixed price systems development line of business in the area of children and family services. In 1999, the Corporation recorded an additional charge of approximately $40 million related to these remaining initiatives. The estimated costs related to these remaining initiatives represent approximately 30 percent of the total amounts recorded. During 2000, there were no further adjustments associated with these charges. The amounts recorded in the Consolidated Balance Sheet at December 31, 2000 related to these actions are, in the opinion of management, adequate to complete the remaining initiatives originally contemplated in the 1997 and 1996 charges.

Under existing U.S. Government regulations, certain costs incurred for consolidation actions that can be demonstrated to result in savings in excess of the cost to implement can be deferred and amortized for government contracting purposes and included as allowable costs in future pricing of the Corporation's products and services. Included in the Consolidated Balance Sheet at December 31, 2000 is approximately $300 million of deferred costs related primarily to consolidation actions undertaken in connection with the formation of Lockheed Martin in 1995 that will be recognized in future sales and cost of sales.

Note 5—Earnings Per Share

Basic and diluted per share results for all periods presented were computed based on the net loss or net earnings for the respective periods. The weighted average number of common shares outstanding during the period was used in the calculation of basic (loss) earnings per share and, for 1999 and 1998, this number of shares was increased by the effects of dilutive stock options based on the treasury stock method in the calculation of diluted (loss) earnings per share. The diluted loss per share for 2000 was computed in the same manner as the basic loss per share, since adjustments related to the dilutive effects of stock options would have been antidilutive.

The following table sets forth the computations of basic and diluted (loss) earnings per share:

(In millions, except per share data)	2000	1999	1998
Net (loss) earnings:			
(Loss) earnings before extraordinary item and cumulative effect of change in accounting	$ (424)	$ 737	$1,001
Extraordinary loss on early extinguishment of debt	(95)	—	—
Cumulative effect of change in accounting	—	(355)	—
Net (loss) earnings for basic and diluted computations	$ (519)	$ 382	$1,001
Average common shares outstanding:			
Average number of common shares outstanding for basic computations	400.8	382.3	376.5
Dilutive stock options—based on the treasury stock method	—(a)	1.8	4.6
Average number of common shares outstanding for diluted computations	400.8(a)	384.1	381.1
(Loss) earnings per share:			
Basic:			
Before extraordinary item and cumulative effect of change in accounting	$ (1.05)	$ 1.93	$ 2.66
Extraordinary loss on early extinguishment of debt	(.24)	—	—
Cumulative effect of change in accounting	—	(.93)	—
	$ (1.29)	$ 1.00	$ 2.66
Diluted:			
Before extraordinary item and cumulative effect of change in accounting	$ (1.05)	$ 1.92	$ 2.63
Extraordinary loss on early extinguishment of debt	(.24)	—	—
Cumulative effect of change in accounting	—	(.93)	—
	$ (1.29)	$ .99	$ 2.63

(a) In accordance with SFAS No. 128, the average number of common shares used in the calculation of the diluted loss per share before extraordinary item and cumulative effect of change in accounting has not been adjusted for the effects of 2.3 million dilutive stock options, as such adjustment would have been antidilutive.

(Continued)

Note 6—Receivables

(In millions)	2000	1999
U.S. Government:		
Amounts billed	$ 1,143	$ 927
Unbilled costs and accrued profits	2,289	2,300
Less customer advances and progress payments	(457)	(395)
Commercial and foreign governments:		
Amounts billed	725	644
Unbilled costs and accrued profits, primarily related to commercial contracts	664	963
Less customer advances and progress payments	(169)	(91)
	$ 4,195	$ 4,348

Approximately $169 million of the December 31, 2000 unbilled costs and accrued profits are not expected to be recovered within one year.

Note 7—Inventories

(In millions)	2000	1999
Work in process, commercial launch vehicles	$ 1,175	$ 1,514
Work in process, primarily related to other long-term contracts and programs in progress	3,834	3,879
Less customer advances and progress payments	(1,864)	(1,848)
	3,145	3,545
Other inventories	680	506
	$ 3,825	$ 4,051

Work in process inventories related to commercial launch vehicles include costs for launch vehicles, both under contract and not under contract, including approximately $120 million of unamortized deferred costs at December 31, 2000 for launch vehicles not under contract related to the commercial Atlas and the Evolved Expendable Launch Vehicle (Atlas V) programs. At December 31, 2000 and 1999, commercial launch vehicle inventories included amounts advanced to Russian manufacturers, Khrunichev State Research and Production Space Center and RD AMROSS, a joint venture between Pratt & Whitney and NPO Energomash, of approximately $657 million and $903 million, respectively, for the manufacture of launch vehicles and related launch services.

Work in process inventories at December 31, 2000 related to other long-term contracts and programs in progress included approximately $50 million of unamortized deferred costs for aircraft not under contract related to the Corporation's C-130J program.

Approximately $1.5 billion of costs included in 2000 inventories, including approximately $565 million advanced to Russian manufacturers, are not expected to be recovered within one year.

An analysis of general and administrative costs, including research and development costs, included in work in process inventories follows:

(In millions)	2000	1999	1998
Beginning of year	$ 493	$ 693	$ 533
Incurred during the year	1,950	2,354	2,469
Charged to cost of sales during the year:			
Research and development	(647)	(822)	(864)
Other general and administrative	(1,401)	(1,732)	(1,445)
End of year	$ 395	$ 493	$ 693

In addition, included in cost of sales in 2000, 1999 and 1998 were general and administrative costs, including research and development costs, of approximately $672 million, $509 million and $490 million, respectively, incurred by commercial business units or programs.

Note 8—Property, Plant and Equipment

(In millions)	2000	1999
Land	$ 174	$ 218
Buildings	2,931	3,027
Machinery and equipment	5,334	5,662
	8,439	8,907
Less accumulated depreciation and amortization	(4,993)	(5,273)
	$ 3,446	$ 3,634

Note 9—Investments in Equity Securities

(In millions)	2000	1999
Equity method investments:		
International Telecommunications Satellite Organization (INTELSAT)	$ 1,201	$ —
Astrolink International, LLC	266	148
Americom Asia-Pacific, LLC	138	114
Space Imaging, LLC	67	86
ACeS International, Ltd.	32	163
COMSAT	—	1,188
Other	79	72
	1,783	1,771
Cost method investments:		
Inmarsat	270	—
New Skies Satellites, N.V.	188	—
Loral Space	146	393
Other	46	46
	650	439
	$ 2,433	$ 2,210

The carrying value of the Corporation's 22.5 percent investment in INTELSAT exceeds the Corporation's share of INTELSAT's net assets by approximately $700 million, and this amount is being amortized ratably over 30 years. The Corporation has commitments to provide additional funding to Astrolink International, LLC totaling approximately $140 million at December 31, 2000.

In the fourth quarter of 2000, the Corporation recorded a nonrecurring and unusual charge, net of state income tax benefits, of $117 million related to impairment of its investment in ACeS International, Ltd. (ACeS) due to an other than temporary decline in the value of the investment. ACeS is a joint venture in which the Corporation holds a 33 percent interest at December 31, 2000. ACeS operates the Asian Cellular Satellite System, a geostationary mobile satellite system serving Southeast Asia which was placed in commercial operation in the fourth quarter of 2000. The spacecraft has experienced an anomaly that may reduce the overall capacity of the system by about 30 to 35 percent. The decline in the value of the investment was assessed to be other than temporary as a result of the reduced business prospects due to this anomaly as well as overall market conditions. The adjustment reduced net earnings by $77 million, or $0.19 per share.

Note 10—Debt

Type (Maturity Dates) *(In millions, except interest rate data)*	Range of Interest Rates	2000	1999
Notes (2001–2022)	5.7 – 9.4%	$5,202	$ 6,778
Debentures (2011–2036)	7.0 – 9.1%	4,312	4,407
Monthly Income Preferred Securities	8.125%	200	—
ESOP obligations (2001–2004)	8.4%	177	217
Other obligations (2001–2016)	1.0 – 12.7%	56	77
		9,947	11,479
Less current maturities		(882)	(52)
		$9,065	$11,427

In November 2000, the Corporation commenced tender offers for the purchase of up to $1.95 billion in principal amount of six issues of debt securities then outstanding. Such debt securities included a combination of notes and debentures. In December 2000, the Corporation purchased approximately $1.9 billion in principal amount of the debt securities included in the tender offers, the majority of which were notes. The repurchase of the debt securities resulted in an extraordinary loss on early extinguishment of debt, net of $61 million in income tax benefits, of $95 million.

In connection with the Merger, the Corporation recorded at fair value approximately $410 million of COMSAT debt obligations in its Consolidated Balance Sheet. COMSAT's debt obligations consisted of approximately $210 million in notes, and $200 million in Monthly Income Preferred Securities (MIPS) issued by a wholly-owned subsidiary of COMSAT. The MIPS, which were issued at a par value of $25 per share, require the payment of dividends at an annual rate of 8.125%, and became callable beginning in July 2000. The MIPS are fully and unconditionally guaranteed by COMSAT and the Corporation.

As of December 31, 2000, the Corporation had $1.3 billion of notes outstanding which had been issued to a wholly-owned subsidiary of General Electric Company (GE). The notes are due November 17, 2002 and bear interest at a rate of approximately 6%. The agreements relating to these notes require that, so long as the aggregate principal amount of the notes exceeds $1.0 billion, the Corporation will recommend to its stockholders the election of one person designated by GE to serve as a director of the Corporation.

The registered holders of $300 million of 40 year Debentures issued in 1996 may elect, between March 1 and April 1, 2008, to have their Debentures repaid by the Corporation on May 1, 2008.

Included in Debentures are $114 million of 7% obligations ($175 million at face value) which were originally sold at approximately 54 percent of their principal amount. These Debentures, which are redeemable in whole or in part at the Corporation's option at 100 percent of their face value, have an effective yield of 13.25%.

A leveraged employee stock ownership plan (ESOP) incorporated into the Corporation's salaried savings plan borrowed $500 million through a private placement of notes in 1989. These notes are being repaid in quarterly installments over terms ending in 2004. The ESOP note agreement stipulates that, in the event that the ratings assigned to the Corporation's long-term senior unsecured debt are below investment grade, holders of the notes may require the Corporation to purchase the notes and pay accrued interest. These notes are obligations of the ESOP but are guaranteed by the Corporation and included as debt in the Corporation's Consolidated Balance Sheet.

At the end of 2000, the Corporation had a $3.5 billion revolving credit facility which matures on December 20, 2001 (the Credit Facility). Borrowings under the Credit Facility would be unsecured and bear interest at rates based, at the Corporation's option, on the Eurodollar rate or a bank Base Rate (as defined). Each bank's obligation to make loans under the Credit Facility is subject to, among other things, compliance by the Corporation with various representations, warranties and covenants, including, but not limited to, covenants limiting the ability of the Corporation and certain of its subsidiaries to encumber their assets and a covenant not to exceed a maximum leverage ratio. There were no borrowings outstanding under the Credit Facility at December 31, 2000.

The Credit Facility supported commercial paper borrowings of approximately $475 million outstanding at December 31, 1999. The weighted average interest rate for commercial paper outstanding at December 31, 1999 was 6.6%.

The Corporation's long-term debt maturities for the five years following December 31, 2000 are: $882 million in 2001; $1,334 million in 2002; $767 million in 2003; $137 million in 2004; $16 million in 2005; and $6,811 million thereafter.

Certain of the Corporation's other financing agreements contain restrictive covenants relating to debt, limitations on encumbrances and sale and lease-back transactions, and provisions which relate to certain changes in control.

The estimated fair values of the Corporation's long-term debt instruments at December 31, 2000, aggregated approximately $10.4 billion, compared with a carrying amount of approximately $9.9 billion. The fair values were estimated based on quoted market prices for those instruments publicly traded. For privately placed debt, the fair values were estimated based on the quoted market prices for similar issues, or on current rates offered to the Corporation for debt with similar remaining maturities. Unless otherwise indicated elsewhere in the Notes to Consolidated Financial Statements, the carrying values of the Corporation's other financial instruments approximate their fair values.

In June 2000, the Corporation was notified that Globalstar Telecommunications, L.P. (Globalstar) failed to repay borrowings of $250 million under a revolving credit agreement on which Lockheed Martin was a partial guarantor. In connection with its contractual obligation under the guarantee, on June 30, 2000, the Corporation paid $207 million to the lending institutions from which Globalstar had borrowed, which included applicable interest and fees. On that same date, Loral Space & Communications, Ltd. (Loral Space), under a separate indemnification agreement between the Corporation and Loral Space, paid Lockheed Martin $57 million. The Corporation is entitled to repayment by Globalstar of the remaining $150 million paid under the guarantee, but has not as yet reached agreement with respect to the form and timing of such repayment. In light of the uncertainty of the situation regarding the amounts due from Globalstar, the Corporation recorded a nonrecurring and unusual charge in the second quarter of 2000, net of state income tax benefits, of approximately $141 million in other income and expenses. The charge negatively impacted the net loss for 2000 by $91 million, or $.23 per diluted share.

Interest payments were $947 million in 2000, $790 million in 1999 and $856 million in 1998.

Note 11—Income Taxes

The provision for federal and foreign income taxes consisted of the following components:

(In millions)	2000	1999	1998
Federal income taxes:			
Current	$763	$136	$432
Deferred	(84)	293	203
Total federal income taxes	679	429	635
Foreign income taxes	31	34	25
Total income taxes provided	$710	$463	$660

Net provisions for state income taxes are included in general and administrative expenses, which are primarily allocable to government contracts. Such state income taxes were $100 million for 2000, $22 million for 1999 and $70 million for 1998.

The Corporation's effective income tax rate varied from the statutory federal income tax rate because of the following differences:

	2000	1999	1998
Statutory federal tax rate	35.0%	35.0%	35.0%
Increase (reduction) in tax rate from:			
Nondeductible amortization	29.5	7.6	5.5
Revisions to prior years' estimated liabilities	4.4	(6.0)	(2.4)
Divestitures	176.7	—	1.1
Other, net	2.4	2.0	.5
	248.0%	38.6%	39.7%

The primary components of the Corporation's federal deferred income tax assets and liabilities at December 31 were as follows:

(In millions)	2000	1999
Deferred tax assets related to:		
Accumulated post-retirement benefit obligations	$ 590	$ 632
Contract accounting methods	416	587
Accrued compensation and benefits	259	248
Other	267	165
	1,532	1,632
Deferred tax liabilities related to:		
Intangible assets	409	436
Prepaid pension asset	535	383
Property, plant and equipment	88	93
	1,032	912
Net deferred tax assets	$ 500	$ 720

Federal and foreign income tax payments, net of refunds received, were $249 million in 2000, $530 million in 1999 and $228 million in 1998.

Note 12—Other Income and Expenses, Net

(In millions)	2000	1999	1998
Equity in earnings of equity investees	$ 60	$ 18	$ 39
Interest income	89	33	38
Gain on sales of surplus real estate	28	57	35
Royalty income	15	17	19
Loss related to the AES Transaction	(598)	—	—
Gain on sale of Control Systems	302	—	—
Charge related to Globalstar guarantee	(141)	—	—
Impairment loss on ACeS	(117)	—	—
Sale of interest in L-3	—	155	—
Other portfolio shaping activities and other items	(47)	64	39
	$(409)	$344	$170

Note 13—Stockholders' Equity and Related Items

Capital stock—At December 31, 2000, the authorized capital of the Corporation was composed of 1.5 billion shares of common stock (approximately 431 million shares issued), 50 million shares of series preferred stock (no shares issued), and 20 million shares of Series A preferred stock (no shares outstanding).

In 1995, the Corporation's Board of Directors authorized a common stock repurchase plan for the repurchase of up to 18 million common shares to counter the dilutive effect of common stock issued under certain of the Corporation's benefit and compensation programs and for other purposes related to such plans. No shares were repurchased in 2000, 1999 or 1998 under this plan.

Stock option and award plans—In March 1995, the stockholders approved the Lockheed Martin 1995 Omnibus Performance Award Plan (the Omnibus Plan). Under the Omnibus Plan, employees of the Corporation may be granted stock-based incentive awards, including options to purchase common stock, stock appreciation rights, restricted stock or other stock-based incentive awards. Employees may also be granted cash-based incentive awards, such as performance units. These awards may be granted either individually or in combination with other awards. The Omnibus Plan requires that options to purchase common stock have an exercise price of not less than 100 percent of the market value of the underlying stock on the date of grant. The number of shares of Lockheed Martin common stock reserved for issuance under the Omnibus Plan at December 31, 2000 was 39 million shares. The Omnibus Plan does not impose any minimum vesting periods on options or other awards. The maximum term of an option or any other award is 10 years. The Omnibus Plan allows the Corporation to provide for financing of purchases of its common stock, subject to certain conditions, by interest-bearing notes payable to the Corporation.

In 2000 and 1999, a total of 300,000 shares of restricted common stock (125,000 and 175,000 shares, respectively) were awarded under the Omnibus Plan to certain senior executives of the Corporation. The shares were recorded based on the market value of the Corporation's common stock on the date of the award. The award requires the recipients to pay the $1 par value of each share of stock and provides for payment to be made in cash or in the form of a recourse note to the Corporation. Recipients are entitled to cash dividends and to vote their respective shares, but are prohibited from selling or transferring shares prior to vesting. The restricted shares vest at various intervals over a four year period from the grant date. The impact of these awards was not material to stockholders' equity or compensation expense in 2000 or 1999.

In April 1999, the stockholders approved the Lockheed Martin Directors Equity Plan (the Directors Plan). Approximately 50 percent of each director's annual compensation is awarded under the Directors Plan. Directors of the Corporation may elect to receive such compensation in the form of stock units which track investment return to changes in value of the Corporation's common stock with dividends reinvested, options to purchase common stock of the Corporation, or a combination of the two. The Directors Plan requires that options to purchase common stock have an exercise price of not less than 100 percent of the market value of the underlying stock on the date of grant. The number of shares of Lockheed Martin common stock reserved for issuance under the Directors Plan at December 31, 2000 was one million shares. Except in certain circumstances, options and stock units issued under the Directors Plan vest on the first anniversary of the grant. The maximum term of an option is 10 years.

In connection with the Merger with COMSAT, the Corporation assumed all outstanding options granted under COMSAT stock option plans for employees and directors. Each such option to purchase one share of COMSAT common stock outstanding at the Merger date became fully vested (in accordance with the applicable COMSAT stock option agreements), and became an option, on the same terms and conditions, to purchase one share of Lockheed Martin common stock. A total of 4.3 million COMSAT stock options were outstanding at the Merger date. Included in the total purchase price of the transaction is $71 million representing the estimated fair value of the 4.3 million COMSAT options based on assumptions as of the date of the announcement of the transaction using the Black-Scholes option pricing model. Such amount was recorded in stockholders' equity in the Corporation's Consolidated Balance Sheet at December 31, 2000.

The following table summarizes stock option and restricted stock activity related to the Corporation's plans during 1998, 1999 and 2000:

	Number of Shares *(In thousands)* Available for Grant	Options Outstanding	Weighted Average Exercise Price
December 31, 1997	9,504	20,877	$31.18
Additional shares reserved	17,000	—	—
Options granted	(5,090)	5,090	52.06
Options exercised	—	(2,697)	24.70
Options terminated	220	(223)	49.03
December 31, 1998	21,634	23,047	36.38
Additional shares reserved	1,000	—	—
Options granted	(5,466)	5,466	37.04
Options exercised	—	(656)	19.76
Options terminated	565	(567)	42.51
Restricted stock awards	(175)	—	—
December 31, 1999	17,558	27,290	36.78
Options granted	**(8,454)**	**8,454**	**19.85**
COMSAT options assumed	**—**	**4,263**	**22.43**
Options exercised	**—**	**(659)**	**16.15**
Options terminated	**755**	**(766)**	**33.23**
Restricted stock awards	**(125)**	**—**	**—**
December 31, 2000	**9,734**	**38,582**	**31.91**

Approximately 27.9 million, 19.7 million and 15.5 million outstanding options were exercisable by employees at December 31, 2000, 1999 and 1998, respectively.

Information regarding options outstanding at December 31, 2000 follows (number of options in thousands):

Range of Exercise Prices	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Options Outstanding:			
Less than $20.00	10,909	$17.52	6.8
$20.00–$29.99	8,263	25.65	5.7
$30.00–$39.99	9,831	36.69	6.9
$40.00–$50.00	4,865	45.57	6.1
Greater than $50.00	4,714	52.08	7.1
Total	38,582	31.91	6.5
Options Exercisable:			
Less than $20.00	4,360	$16.05	
$20.00–$29.99	6,625	25.70	
$30.00–$39.99	7,316	36.58	
$40.00–$50.00	4,865	45.57	
Greater than $50.00	4,714	52.08	
Total	27,880	34.97	

All stock options granted in 2000, 1999 and 1998 under the Omnibus Plan have 10 year terms and generally vest over a two year service period. Exercise prices of options awarded in those years were equal to the market price of the stock on the date of grant. Pro forma information regarding net earnings and earnings per share as required by SFAS No. 123 has been prepared as if the Corporation had accounted for its employee stock options under the fair value method. The fair value for these options was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions for 2000, 1999 and 1998, respectively: risk-free interest rates of 6.61 percent, 4.64 percent and 5.39 percent; dividend yields of .8 percent, 2.4 percent and 1.9 percent; volatility factors related to the expected market price of the Corporation's common stock of .342, .247 and .174; and a weighted average expected option life of five years. The weighted average fair value of each option granted during 2000, 1999 and 1998 was $7.62, $8.53 and $10.96, respectively.

For purposes of pro forma disclosures, the options' estimated fair values are amortized to expense over the options' vesting periods. The Corporation's pro forma information follows:

(In millions, except per share data)	2000	1999	1998
Pro forma net (loss) earnings	$ (550)	$351	$ 966
Pro forma (loss) earnings per share:			
Basic	$(1.37)	$ .92	$2.56
Diluted	$(1.37)	$ .91	$2.53

Note 14—Post-Retirement Benefit Plans

Defined contribution plans—The Corporation maintains a number of defined contribution plans which cover substantially all employees, the most significant of which are the 401(k) plans for salaried employees and hourly employees. Under the provisions of these 401(k) plans, employees' eligible contributions are matched by the Corporation at established rates. The Corporation's matching obligations were $221 million in 2000, $222 million in 1999 and $226 million in 1998.

The Lockheed Martin Corporation Salaried Savings Plan includes an ESOP which purchased 34.8 million shares of the Corporation's common stock with the proceeds from a $500 million note issue which is guaranteed by the Corporation. The Corporation's match consisted of shares of its common stock, which was partially fulfilled with stock released from the ESOP at approximately 2.4 million shares per year based upon the debt repayment schedule through the year 2004, with the remainder being fulfilled through purchases of common stock from terminating participants or in the open market, or through newly issued shares from the Corporation. Interest incurred on the ESOP debt totaled $17 million, $20 million and $23 million in 2000, 1999 and 1998, respectively. Dividends received by the ESOP with respect to unallocated shares held are used for debt service. The ESOP held approximately 47.3 million issued shares of the Corporation's common stock at December 31, 2000, of which approximately 39.2 million were allocated and 8.1 million were unallocated.

Unallocated common shares held by the ESOP are considered outstanding for voting and other Corporate purposes, but excluded from weighted average outstanding shares in calculating earnings per share. For 2000, 1999 and 1998, the weighted average unallocated ESOP shares excluded in calculating earnings per share totaled approximately 9.0 million, 11.3 million and 13.6 million common shares, respectively. The fair value of the unallocated ESOP shares at December 31, 2000 was approximately $276 million.

Certain plans for hourly employees include non-leveraged ESOPs. The Corporation's match to these plans was made through cash contributions to the ESOP trusts which were used, in part, to purchase common stock from terminating participants and in the open market for allocation to participant accounts. These ESOP trusts held approximately 3.6 million issued and outstanding shares of common stock at December 31, 2000.

Dividends paid to the salaried and hourly ESOP trusts on the allocated shares are paid annually by the ESOP trusts to the participants based upon the number of shares allocated to each participant.

Defined benefit pension plans, and retiree medical and life insurance plans—Most employees are covered by defined benefit pension plans, and certain health care and life insurance benefits are provided to eligible retirees by the Corporation. The Corporation has made contributions to trusts (including Voluntary Employees' Beneficiary Association trusts and 401(h) accounts, the assets of which will be used to pay expenses of certain retiree medical plans) established to pay future benefits to eligible retirees and dependents. Benefit obligations as of the end of each year reflect assumptions in effect as of those dates. Net pension and net retiree medical costs for 2000, 1999 and 1998 were based on assumptions in effect at the end of the respective preceding years.

The following provides a reconciliation of benefit obligations, plan assets and funded status of the plans:

	Defined Benefit Pension Plans		Retiree Medical and Life Insurance Plans	
(In millions)	2000	1999	2000	1999
Change in Benefit Obligations				
Benefit obligations at beginning of year	$18,073	$18,146	$ 2,706	$ 2,685
Service cost	517	564	28	43
Interest cost	1,372	1,245	198	177
Benefits paid	(1,180)	(1,110)	(222)	(203)
Amendments	5	77	36	3
Divestitures	(689)	—	(95)	—
Actuarial losses (gains)	423	(852)	298	(28)
Participants' contributions	3	3	35	29
Benefit obligations at end of year	$18,524	$18,073	$ 2,984	$ 2,706
Change in Plan Assets				
Fair value of plan assets at beginning of year	$25,064	$22,811	$ 1,141	$ 1,002
Actual return on plan assets	(383)	3,211	(40)	116
Corporation's contributions	46	149	139	118
Benefits paid	(1,180)	(1,110)	(143)	(124)
Participants' contributions	3	3	35	29
Divestitures	(812)	—	(34)	—
Fair value of plan assets at end of year	$22,738	$25,064	$ 1,098	$ 1,141
Funded (unfunded) status of the plans	$ 4,214	$ 6,991	$(1,886)	$(1,565)
Unrecognized net actuarial (gains) losses	(2,975)	(6,240)	333	(191)
Unrecognized prior service cost	564	659	6	(49)
Unrecognized transition asset	(9)	(13)	—	—
Prepaid (accrued) benefit cost	$ 1,794	$ 1,397	$(1,547)	$(1,805)

(Continued)

The net pension cost and the net post-retirement benefit cost related to the Corporation's plans include the following components:

(In millions)	2000	1999	1998
Defined Benefit Pension Plans			
Service cost	$ 517	$ 564	$ 491
Interest cost	1,372	1,245	1,197
Expected return on plan assets	(2,130)	(1,920)	(1,715)
Amortization of prior service cost	75	69	58
Recognized net actuarial gains	(143)	(43)	(22)
Amortization of transition asset	(4)	(4)	(89)
Curtailment loss[(a)]	11	—	—
Net pension income	$ (302)	$ (89)	$ (80)
Retiree Medical and Life Insurance Plans			
Service cost	$ 38	$ 43	$ 40
Interest cost	198	177	178
Expected return on plan assets	(105)	(90)	(79)
Amortization of prior service cost	(12)	(12)	(6)
Recognized net actuarial gains	(11)	(8)	(15)
Curtailment gain[(a)]	(87)	—	—
Net post-retirement cost	$ 21	$ 110	$ 118

(a) Amounts relate primarily to the divestiture of AES and Control Systems in 2000 and are included in the calculation of the gains or losses on the respective transactions.

The following actuarial assumptions were used to determine the benefit obligations and the net costs related to the Corporation's defined benefit pension and post-retirement benefit plans, as appropriate:

	2000	1999	1998
Discount rates	7.5%	7.75%	7.0%
Expected long-term rates of return on assets	9.5	9.5	9.5
Rates of increase in future compensation levels	5.5	5.5	5.5

The medical trend rates used in measuring the post-retirement benefit obligation were 7.8 percent in 2000 and 6.0 percent in 1999, and were assumed to ultimately decrease to 4.5 percent by the year 2009. An increase or decrease of one percentage point in the assumed medical trend rates would result in a change in the benefit obligation of approximately 4.5 percent and (4.0) percent, respectively, at December 31, 2000, and a change in the 2000 post-retirement service cost plus interest cost of approximately 4.7 percent and (4.0) percent, respectively. The medical trend rate for 2001 is 8 2 percent.

Note 15—Leases

Total rental expense under operating leases, net of immaterial amounts of sublease rentals and contingent rentals, was $463 million, $287 million and $285 million for 2000, 1999 and 1998, respectively.

Future minimum lease commitments at December 31, 2000 for all operating leases that have a remaining term of more than one year were approximately $1,893 million ($438 million in 2001, $343 million in 2002, $279 million in 2003, $233 million in 2004, $198 million in 2005 and $402 million in later years). Certain major plant facilities and equipment are furnished by the U.S. Government under short-term or cancelable arrangements.

Note 16—Commitments and Contingencies

The Corporation or its subsidiaries are parties to or have property subject to litigation and other proceedings, including matters arising under provisions relating to the protection of the environment. In the opinion of management and in-house counsel, the probability is remote that the outcome of these matters will have a material adverse effect on the Corporation's consolidated results of operations or financial position. These matters include the following items:

Environmental matters—The Corporation is responding to three administrative orders issued by the California Regional Water Quality Control Board (the Regional Board) in connection with the Corporation's former Lockheed Propulsion Company facilities in Redlands, California. Under the orders, the Corporation is investigating the impact and potential remediation of regional groundwater contamination by perchlorates and chlorinated solvents. The Regional Board has approved the Corporation's plan to maintain public water supplies with respect to chlorinated solvents during this investigation, and the Corporation is negotiating with local water purveyors to implement this plan, as well as to address water supply concerns relative to perchlorate contamination. The Corporation estimates that expenditures required to implement work currently approved will be approximately $90 million. The Corporation is also coordinating with the U.S. Air Force, which is working with the aerospace and defense industry to conduct preliminary studies of the potential health effects of perchlorate exposure in connection with several sites across the country, including the Redlands site. The results of these studies will assist state and federal regulators in setting appropriate action levels for perchlorates in groundwater, which will in turn assist the Corporation in determining its ultimate clean-up obligation, if any, with respect to perchlorates.

Since 1990, the Corporation has been responding to various consent decrees and orders relating to soil and regional groundwater contamination in the San Fernando Valley associated with the Corporation's former operations in Burbank, California. Among other things, these consent decrees and orders obligate the Corporation to operate and maintain soil and groundwater treatment facilities in Burbank and Glendale, California through 2018 and 2012, respectively; however, the responsibility for the long-term operation of these facilities will be assumed by the respective localities following an appropriate start-up period. Under an agreement reached with the U.S. Government and filed with the U.S. District Court in January 2000 (the Agreement), the Corporation was reimbursed approximately $100 million in the first quarter of 2000 for past expenditures for certain remediation activities related to the Burbank and Glendale properties. Also under the Agreement, an amount equal to approximately 50 percent of future expenditures for certain remediation activities will be reimbursed by the U.S. Government as a responsible party under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). The Corporation estimates that total expenditures required over the remaining terms of the consent decrees and orders described above, net of the effects of the Agreement, will be approximately $45 million.

The Corporation is involved in proceedings and potential proceedings relating to environmental matters at other facilities, including disposal of hazardous wastes and soil and water contamination. The extent of the Corporation's financial exposure cannot in all cases be reasonably estimated at this time. In addition to the amounts with respect to the Redlands and Burbank properties and the city of Glendale described above, a liability of approximately $190 million for the other properties (including current operating facilities and certain facilities operated in prior years) in which an estimate of financial exposure can be determined has been recorded.

Under agreements reached with the U.S. Government in 1990 and 2000, the Burbank groundwater treatment and soil remediation expenditures referenced above are being allocated to the Corporation's operations as general and administrative costs and, under existing government regulations, these and other environmental expenditures related to U.S. Government business, after deducting any recoveries from insurance or other potentially responsible parties, are allowable in establishing the prices of the Corporation's products and services. As a result, a substantial portion of the expenditures are being reflected in the Corporation's sales and cost of sales pursuant to U.S. Government agreement or regulation.

The Corporation has recorded an asset for the portion of environmental costs that are probable of future recovery in pricing of the Corporation's products and services for U.S. Government business. The portion that is expected to be allocated to commercial business has been reflected in

(Continued)

cost of sales. The recorded amounts do not reflect the possible future recoveries of portions of the environmental costs through insurance policy coverage or from other potentially responsible parties, which the Corporation is pursuing as required by agreement and U.S. Government regulation. Any such recoveries, when received, would reduce the allocated amounts to be included in the Corporation's U.S. Government sales and cost of sales.

Waste remediation contract—In 1994, the Corporation was awarded a $180 million fixed price contract by the U.S. Department of Energy (DOE) for the Phase II design, construction and limited test of remediation facilities, and the Phase III full remediation of waste found in Pit 9, located on the Idaho National Engineering and Environmental Laboratory reservation. The Corporation incurred significant unanticipated costs and scheduling issues due to complex technical and contractual matters which threatened the viability of the overall Pit 9 program. Based on an investigation by management to identify and quantify the overall effect of these matters, the Corporation submitted a request for equitable adjustment (REA) to the DOE in March 1997 that sought, among other things, the recovery of a portion of unanticipated costs incurred by the Corporation and the restructuring of the contract to provide for a more equitable sharing of the risks associated with the Pit 9 project. The Corporation has been unsuccessful in reaching any agreements with the DOE on cost recovery or other contract restructuring matters.

In June 1998, the DOE, through Lockheed Martin Idaho Technologies Company (LMITCO), its management contractor, terminated the Pit 9 contract for default. On the same date, the Corporation filed a lawsuit against the DOE in the U.S. Court of Federal Claims in Washington, D.C., challenging and seeking to overturn the default termination. In addition, in July 1998, the Corporation withdrew the REA previously submitted to the DOE and replaced it with a certified REA. The certified REA is similar in substance to the REA previously submitted, but its certification, based upon more detailed factual and contractual analysis, raises its status to that of a formal claim. In August 1998, LMITCO, at the DOE's direction, filed suit against the Corporation in U.S. District Court in Boise, Idaho, seeking, among other things, recovery of approximately $54 million previously paid by LMITCO to the Corporation under the Pit 9 contract. The Corporation is defending this action while continuing to pursue its certified REA. Discovery has been ongoing since August 2, 1999. In October 1999, the U.S. Court of Federal Claims stayed the DOE's motion to dismiss the Corporation's lawsuit, finding that the Court has jurisdiction. The Court ordered discovery to commence and gave leave to the DOE to convert its motion to dismiss to a motion for summary judgment if supported by discovery. The Corporation continues to assert its position in the litigation while continuing its efforts to resolve the dispute through non-litigation means.

Letters of credit and other matters—The Corporation has entered into standby letter of credit agreements and other arrangements with financial institutions primarily relating to the guarantee of future performance on certain contracts. At December 31, 2000, the Corporation had contingent liabilities on outstanding letters of credit, guarantees, and other arrangements aggregating approximately $940 million.

Note 17—Information on Industry Segments and Major Customers

The Corporation operates in five principal business segments. The five segments include Systems Integration, Space Systems, Aeronautics, Technology Services and Global Telecommunications. All other activities of the Corporation fall within the Corporate and Other segment.

Transactions between segments are generally negotiated and accounted for under terms and conditions that are similar to other government and commercial contracts; however, these intercompany transactions are eliminated in consolidation. Other accounting policies of the business segments are the same as those described in "Note 1—Summary of Significant Accounting Policies."

As mentioned previously, Lockheed Martin consummated its merger with COMSAT, and COMSAT's operations have been included in the results of operations of LMGT from August 1, 2000. Prior to the merger, the results of operations of LMGT, which began operations effective January 1, 1999, included the Corporation's 49 percent investment in COMSAT which was acquired on September 18, 1999 and accounted for under the equity method of accounting. In addition to the merger with COMSAT, in October 2000, the Corporation began including the operations of Integrated Business Solutions (IBS), a business unit serving commercial information technology markets, in LMGT's results of operations. In accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," the Corporation began presenting LMGT as a separate operating segment called Global Telecommunications in the third quarter of 2000. The operations of LMGT and IBS were previously included in the Corporate and Other segment. Earlier in 2000, the Corporation reassigned the Management & Data Systems business unit and the space applications systems line of business from the Systems Integration segment to the Space Systems segment.

The following segment descriptions and financial data have been adjusted to reflect the Corporation's Global Telecommunications business as a separate segment and the other changes in organizational structure noted above for the periods presented. Following is a brief description of the activities of each business segment:

Systems Integration—Engaged in the design, development, integration and production of high performance electronic 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; platform integration systems; command, control, communications, computers and intelligence (C4I) systems for naval, airborne and ground applications; surveillance and reconnaissance systems; air traffic control systems; and postal automation systems.

Space Systems—Engaged in the design, development, engineering and production of civil, commercial and military space systems. Major product lines include spacecraft, space launch vehicles and manned space systems; their supporting ground systems and services; and strategic fleet ballistic missiles. In addition to its consolidated business units, the segment has investments in joint ventures that are principally engaged in businesses which complement and enhance other activities of the segment.

Aeronautics—Engaged in design, research and development, and production of combat and air mobility aircraft, surveillance/command systems, reconnaissance systems, platform systems integration and advanced development programs. Major products and programs include the F-16 multi-role fighter, the F-22 air-superiority fighter, the C-130J tactical airlift aircraft, support for the C-5, F-117 and U2 aircraft, and the Joint Strike Fighter concept demonstration program.

Technology Services—Provides a wide array of management, engineering, scientific, logistic and information services to federal agencies and other customers. Major product lines include e-commerce, enterprise information services, software modernization and data center management for DOD and civil government agencies; engineering, science and information services for NASA; aircraft and engine maintenance and modification services; operation, maintenance, training, and logistics support for military and civilian systems; launch, mission, and analysis services for military, classified and commercial satellites; and research, development, engineering and science in support of nuclear weapons stewardship and naval reactor programs.

Global Telecommunications—Provides communications services and advanced technology solutions through three lines of business: enterprise solutions, which provides telecommunications services, managed networks and information technology solutions in the U.S. and international markets; satellite services, which provides global fixed and mobile satellite services; and systems and technology, which designs, builds and integrates satellite gateways and provides systems integration services for telecommunications networks. In addition to its consolidated business units, the segment also has investments in joint ventures that are principally engaged in businesses which complement and enhance other activities of the segment.

Corporate and Other—Includes the state and local government services line of business. In addition, this segment includes the Corporation's properties line of business as well as various Corporate activities.

Selected Financial Data by Business Segment

(In millions)	2000	1999	1998
Net sales			
Systems Integration	$ 9,647	$ 9,570	$ 9,334
Space Systems	7,127	7,209	8,600
Aeronautics	4,885	5,499	5,459
Technology Services	2,318	2,261	1,935
Global Telecommunications	766	389	251
Corporate and Other	586	602	687
	$25,329	$25,530	$26,266
Operating profit (loss)			
Systems Integration	$ 583	$ 880	$ 858
Space Systems	416	561	1,045
Aeronautics	343	247	649
Technology Services	126	137	135
Global Telecommunications	(215)	(97)	(4)
Corporate and Other	(48)	281	(161)
	$ 1,205	$ 2,009	$ 2,522
Intersegment revenue			
Systems Integration	$ 472	$ 470	$ 630
Space Systems	64	135	77
Aeronautics	78	88	60
Technology Services	713	641	507
Global Telecommunications	38	17	6
Corporate and Other	48	47	40
	$ 1,413	$ 1,398	$ 1,320

(In millions)	2000	1999	1998
Depreciation and amortization			
Systems Integration	$ 183	$223	$ 244
Space Systems	152	163	185
Aeronautics	88	82	74
Technology Services	15	14	12
Global Telecommunications	45	5	2
Corporate and Other	35	40	52
	$ 518	$529	$ 569
Amortization of intangible assets			
Systems Integration	$ 245	$276	$ 273
Space Systems	56	57	62
Aeronautics	81	80	80
Technology Services	18	18	18
Global Telecommunications	49	8	—
Corporate and Other	1	1	3
	$ 450	$440	$ 436
Equity in earnings of equity investees			
Systems Integration	$ (16)	$ —	$ 6
Space Systems	40	35	25
Aeronautics	—	—	—
Technology Services	7	—	—
Global Telecommunications	29	(17)	—
Corporate and Other	—	—	8
	$ 60	$ 18	$ 39
Nonrecurring and unusual items included in operating profit (loss)			
Systems Integration	$(304)	$ 13	$ 4
Space Systems	25	21	—
Aeronautics	—	—	—
Technology Services	(34)	—	—
Global Telecommunications	(117)	—	—
Corporate and Other	(109)	215	(166)
	$(539)	$249	$(162)
Expenditures for property, plant and equipment			
Systems Integration	$ 185	$214	$ 201
Space Systems	126	136	292
Aeronautics	89	123	100
Technology Services	14	24	23
Global Telecommunications	42	89	1
Corporate and Other	44	83	80
	$ 500	$669	$ 697

December 31, 2000

(In millions)	2000	1999	1998
Assets[a]			
Systems Integration	**$ 9,758**	$12,209	$12,307
Space Systems	**5,500**	6,060	6,356
Aeronautics	**3,173**	3,206	3,593
Technology Services	**1,435**	1,484	1,421
Global Telecommunications	**4,616**	2,145	71
Corporate and Other	**5,867**	5,157	4,996
	$30,349	$30,261	$28,744
Customer advances and amounts in excess of costs incurred[b]			
Systems Integration	**$ 899**	$ 1,039	$ 756
Space Systems	**2,012**	2,553	2,136
Aeronautics	**1,636**	899	1,052
Technology Services	**16**	31	30
Global Telecommunications	**202**	132	2
Corporate and Other	**15**	1	36
	$ 4,780	$ 4,655	$ 4,012

(a) The Corporation has no significant long-lived assets located in foreign countries.

(b) At December 31, 2000, customer advances and amounts in excess of costs incurred in the Space Systems segment included approximately $900 million for commercial launch vehicles and related services (approximately $409 million of which related to launch vehicles and services from Russian manufacturers) and approximately $650 million for the manufacture of commercial satellites (of which approximately $65 million is refundable to various customers at each customer's discretion). Customer advances and amounts in excess of costs incurred in the Aeronautics segment included approximately $866 million related the F-16 fighter aircraft program (approximately $510 million of which related to a contract with the United Arab Emirates).

Net Sales by Customer Category

(In millions)	2000	1999	1998
U.S. Government			
Systems Integration	**$ 6,855**	$ 7,017	$ 6,841
Space Systems	**5,854**	6,054	7,044
Aeronautics	**2,784**	2,979	2,706
Technology Services	**2,111**	2,033	1,718
Global Telecommunications	**113**	15	—
Corporate and Other	**—**	—	—
	$17,717	$18,098	$18,309

(In millions)	2000	1999	1998
Foreign governments[a][b]			
Systems Integration	**$ 2,231**	$ 2,123	$ 2,073
Space Systems	**79**	108	119
Aeronautics	**2,061**	2,501	2,721
Technology Services	**116**	106	97
Global Telecommunications	**1**	—	—
Corporate and Other	**1**	—	1
	$ 4,489	[illegible]	[illegible]
Commercial[b]			
Systems Integration	**$ 561**	$ 478	$ 418
Space Systems	**1,194**	967	1,437
Aeronautics	**40**	19	33
Technology Services	**91**	123	128
Global Telecommunications	**652**	374	281
Corporate and Other	**585**	602	646
	$ 3,123	$ 2,512	$ 2,944

(a) Sales made to foreign governments through the U.S. Government are included in the foreign governments category above.

(b) Export sales, included in the foreign governments and commercial categories above, were approximately $6.4 billion, $6.7 billion and $6.1 billion in 2000, 1999 and 1998, respectively.

Note 18—Summary of Quarterly Information (Unaudited)

(In millions, except per share data)	2000 Quarters			
	First[a]	**Second[b]**	**Third[c]**	**Fourth[d]**
Net sales	**$5,562**	**$6,212**	**$5,860**	**$7,695**
Earnings from operations	**313**	**428**	**488**	**451**
Earnings (loss) before extraordinary items	**54**	**42**	**(754)**	**144**
Net earnings (loss)	**54**	**42**	[illegible]	[illegible]
Diluted earnings (loss) per share before extraordinary items[e]	**.14**	**.11**	**(1.78)**	**.44**
Diluted earnings (loss) per share[e]	**.14**	**.11**	**(1.78)**	**.21**

Continued

(In millions, except per share data)	1999 Quarters			
	First(f)	Second(g)	Third(h)	Fourth(i)
Net sales	$6,188	$6,203	$6,157	$6,982
Earnings from operations	487	131	488	559
Earnings (loss) before cumulative effect of change in accounting	268	(41)	217	293
Net (loss) earnings	(87)	(41)	217	293
Diluted earnings (loss) per share before cumulative effect of change in accounting	.70	(.11)	.57	.76
Diluted (loss) earnings per share	(.23)	(.11)	.57	.76

(a) *The sum of the diluted earnings (loss) per share amounts for the four quarters of 2000 does not equal the related amounts included in the Consolidated Statement of Operations for the year ended December 31, 2000 due to the impact of the issuance of 27.5 million shares of the Corporation's common stock to consummate the Merger with COMSAT (see Note 2). In addition, the quarterly earnings per share impact of individual items discussed in notes (b) through (e) below may not equal the earnings per share impact of such items for the year ended December 31, 2000 as disclosed elsewhere in this Annual Report due to the impact of the issuance of shares to consummate the Merger with COMSAT.*

(b) *Net earnings for the first quarter of 2000 include gains from sales of surplus real estate and losses from portfolio shaping activities. On a combined basis, these nonrecurring and unusual items increased net earnings for the first quarter by $6 million, or $.02 per diluted share.*

(c) *Net earnings for the second quarter of 2000 include the following nonrecurring and unusual items: a charge related to the Corporation's guarantee of certain indebtedness of Globalstar which reduced net earnings for the quarter by $91 million, or $.23 per diluted share; a favorable adjustment of $21 million, or $.05 per diluted share, related to the reversal of a portion of the previously recorded charge for the shutdown of CalComp. In addition, net earnings included a favorable adjustment related to the Titan IV launch vehicle program which increased net earnings by $31 million, or $.08 per diluted share.*

(d) *Net loss for the third quarter of 2000 includes the following nonrecurring and unusual items: an impairment loss related to the Corporation's decision to sell its AES businesses which negatively impacted the net loss by $980 million, or $2.42 per diluted share; a gain from the Corporation's sale of its Control Systems business which favorably impacted the net loss by $180 million, or $.44 per diluted share; and a net loss of $19 million, or $.04 per diluted share, related to portfolio shaping activities and sales of surplus real estate.*

(e) *Net earnings for the fourth quarter of 2000 include the following nonrecurring and unusual items: an adjustment to reduce the impairment loss recorded related to the sale of the AES businesses which increased net earnings by $102 million, or $.24 per diluted share; an impairment charge related to the Corporation's investment in ACeS which reduced net earnings by $77 million, or $.18 per diluted share; an extraordinary loss on the early extinguishment of debt which reduced net earnings by $95 million, or $.23 per diluted share; and portfolio shaping activities and sales of surplus real estate which, on a combined basis, increased net earnings by $2 million. Net earnings also includes charges related to the Atlas launch vehicle program which decreased net earnings by $31 million, or $.07 per diluted share.*

(f) *Net loss for the first quarter of 1999 includes the following nonrecurring and unusual items: a gain from the Corporation's sale of 4.5 million of its shares of L-3 as part of a secondary public offering by L-3 which favorably impacted the net loss by $74 million, or $.19 per diluted share, and the effect of the Corporation's adoption of SOP No. 98-5 pertaining to the costs of start-up activities which resulted in the recognition of a cumulative effect adjustment that negatively impacted the net loss by $355 million, or $.93 per diluted share.*

(g) *Net loss for the second quarter of 1999 includes the effects of negative adjustments related to changes in estimates on the C-130J airlift aircraft program due to cost growth and a reduction in production rates, based on a current evaluation of the program's performance. These adjustments, net of state income tax benefits, negatively impacted (loss) earnings before income taxes and cumulative effect of change in accounting by $197 million, and increased the net loss by $128 million, or $.33 per diluted share. Net loss for the second quarter also includes the effects of negative adjustments related to changes in estimate on the Titan IV program due to reduced award and incentive fees resulting from the Titan IV launch failure on April 30, 1999 as well as a more conservative assessment of future program performance. These adjustments, net of state income tax benefits, negatively impacted (loss) earnings before income taxes and cumulative effect of change in accounting by $84 million, and increased the net loss by $54 million, or $.14 per diluted share. Also, net earnings for the second quarter of 1999 include a nonrecurring and unusual item related to portfolio shaping activities which increased the net loss by $12 million, or $.03 per diluted share.*

(h) *Net earnings for the third quarter of 1999 include nonrecurring and unusual items related to gains from the sale of surplus real estate and a net gain associated with sales of various non-core businesses and investments and other portfolio shaping items. On a combined basis, these nonrecurring and unusual items increased net earnings by $26 million, or $.07 per diluted share.*

(i) *Net earnings for the fourth quarter of 1999 include the following nonrecurring and unusual items: a gain from the Corporation's sale of its remaining interest in L-3, which increased net earnings by $27 million, or $.07 per diluted share, and gains related to the Corporation's sale of surplus real estate and a net gain associated with sales of various non-core businesses and investments, and other portfolio shaping items which, on a combined basis, increased net earnings by $39 million, or $.10 per diluted share.*

CONSOLIDATED FINANCIAL DATA—FIVE YEAR SUMMARY

(In millions, except per share data)	2000(a)	1999	1998	1997	1996
Operating Results					
Net sales	$25,329	$25,530	$26,266	$28,069	$26,875
Cost of sales	23,715	23,865	23,914	25,772	24,594
Earnings from operations	1,614	1,665	2,352	2,297	2,281
Other income and expenses, net	(409)	344	170	482	452
	1,205	2,009	2,522	2,779	2,733
Interest expense	919	809	861	842	700
Earnings before income taxes, extraordinary item and cumulative effect of change in accounting	286	1,200	1,661	1,937	2,033
Income tax expense	710	463	660	637	686
(Loss) earnings before extraordinary item and cumulative effect of change in accounting	(424)	737	1,001	1,300	1,347
Extraordinary item	(95)	—	—	—	—
Cumulative effect of change in accounting	—	(355)	—	—	—
Net (loss) earnings	$ (519)	$ 382	$ 1,001	$ 1,300	$ 1,347
(Loss) Earnings Per Common Share					
Basic:					
Before extraordinary item and cumulative effect of change in accounting	$ (1.05)	$ 1.93	$ 2.66	$ (1.56)	$ [illegible]
Extraordinary item	(.24)	—	—	—	—
Cumulative effect of change in accounting	—	(.93)	—	—	—
	$ (1.29)	$ 1.00	$ 2.66	$ (1.56)	$ [illegible]
Diluted:					
Before extraordinary item and cumulative effect of change in accounting	$ (1.05)	$ 1.92	$ 2.63	$ (1.56)	$ [illegible]
Extraordinary item	(.24)	—	—	—	—
Cumulative effect of change in accounting	—	(.93)	—	—	—
	$ (1.29)	$ .99	$ 2.63	$ (1.56)	$ [illegible]
Cash dividends	$ .44	$ .88	$ .82	$ .82	$ .80
Condensed Balance Sheet Data					
Current assets	$11,259	$10,696	$10,611	$10,105	$10,346
Property, plant and equipment	3,446	3,634	3,513	3,669	3,721
Intangible assets related to contracts and programs acquired	1,088	1,259	1,418	1,566	1,767
Cost in excess of net assets acquired	8,855	9,162	9,521	9,856	10,394
Other assets	5,701	5,510	3,681	3,165	3,312
Total	$30,349	$30,261	$28,744	$28,361	$29,540
Short-term borrowings	$ 12	$ 475	$ 1,043	$ 494	$ 1,110
Current maturities of long-term debt	882	52	886	876	180
Other current liabilities	9,281	8,255	8,338	7,819	7,382
Long-term debt	9,065	11,427	8,957	10,528	10,188
Post-retirement benefit liabilities	1,647	1,805	1,903	1,902	2,077
Other liabilities	2,302	1,856	1,480	1,475	1,747
Stockholders' equity	7,160	6,361	6,137	5,176	6,856
Total	$30,349	$30,261	$28,744	$28,361	$29,540
Common shares outstanding at year end	431.4	397.8	[illegible]	[illegible]	[illegible]

(Continued)

Notes to Five Year Summary

(a) *Reflects the business combination with COMSAT Corporation effective August 2000. Includes the effects of nonrecurring and unusual items which, on a combined basis, decreased pretax earnings by $539 million, $856 million after tax, or $2.12 per diluted share. Also includes an extraordinary loss on the early extinguishment of debt which resulted in a nonrecurring and unusual charge that reduced net earnings by $95 million, or $.24 per diluted share.*

(b) *Includes the effects of nonrecurring and unusual items which, on a combined basis, increased pretax earnings by $249 million, $162 million after tax, or $.42 per diluted share. Also includes a cumulative effect adjustment relating to the adoption of SOP No. 98-5 regarding costs for start-up activities which resulted in a nonrecurring and unusual charge that reduced net earnings by $355 million, or $.93 per diluted share.*

(c) *Includes the effects of nonrecurring and unusual items which, on a combined basis, decreased pretax earnings by $162 million, $136 million after tax, or $.36 per diluted share.*

(d) *Includes the effects of a nonrecurring and unusual tax-free gain of $311 million and the aggregate effects of other nonrecurring and unusual items which decreased pretax earnings by $369 million, $245 million after tax. On a combined basis, these items decreased diluted loss per share by $.15. The loss per share also includes the effects of a deemed preferred stock dividend resulting from a transaction with GE which reduced the basic and diluted per share amounts by $4.93.*

(e) *Reflects the business combination with Loral Corporation effective April 1996. Includes the effects of a nonrecurring and unusual pretax gain of $365 million, $351 million after tax, and nonrecurring and unusual pretax charges of $307 million, $209 million after tax which, on a combined basis, increased diluted earnings per share by $.32.*

(As of March 1, 2001)

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James R. Ukropina
Of Counsel
O'Melveny & Myers

Douglas C. Yearley
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COMMITTEES

Audit and Ethics Committee
Mrs. King, Chairman
Messrs. Gibbons, Hurtt, Savage,
Ukropina and Yearley

Executive Committee
Mr. Augustine, Chairman
Messrs. Bennett, Coffman, Hood, Hurtt,
Murphy and Yearley

Finance Committee
Mr. Yearley, Chairman
Messrs. Augustine, Bennett and Hood

Management Development and Compensation Committee
*Mr. Hood, Chairman**
Mrs. King and Messrs. Hurtt, Murphy**
*and Savage**

*Stock Option Subcommittee

Nominating and Corporate Governance Committee
Mr. Murphy, Chairman
Messrs. Gibbons and Ukropina

(As of March 1, 2001)

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Vice President

Dennis R. Boxx
Vice President

John M. Brophy
Vice President

Charles T. Burbage
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Michael F. Camardo
Executive Vice President, Technology Services

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Vice President

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Vice President

Dain M. Hancock
Executive Vice President, Aeronautics

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Jay F. Honeycutt
Vice President

Arthur E. Johnson
Vice President

Christopher E. Kubasik
Vice President and Chief Financial Officer Acting Controller

Thomas G. Marsh
Vice President

Janet L. McGregor
Vice President and Treasurer

Frank H. Menaker, Jr.
Senior Vice President and General Counsel

Frank C. Meyer
Vice President

John E. Montague
Vice President

Daniel W. Patterson
Vice President

David J. Posek
Vice President

Terry F. Powell
Vice President

James R. Ryan
Vice President

Albert E. Smith
Executive Vice President, Space Systems

Michael A. Smith
Vice President

John V. Sponyoe
Vice President and Chief Executive Officer, Lockheed Martin Global Telecommunications

Robert J. Stevens
President and Chief Operating Officer

Robert H. Trice, Jr.
Vice President

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

Anthony G. Tuffo
Vice President

Anthony Van Schaick
Vice President

As of December 31, 2000, there were approximately 67,708 holders of record of Lockheed Martin common stock and 431,656,480 shares outstanding.

Common Stock Prices

(In dollars)	High	Low	Close
2000 Quarters			
1st	**22.31**	**16.50**	**20.44**
2nd	**27.31**	**19.81**	**24.81**
3rd	**33.60**	**24.06**	**32.93**
4th	**37.58**	**30.06**	**33.95**
1999 Quarters			
1st	43.00	34.63	37.75
2nd	46.00	33.75	37.25
3rd	39.94	30.19	32.69
4th	33.38	16.38	21.88

Transfer Agent & Registrar
First Chicago Trust Company of New York
A Division of EquiServe
P.O. Box 2500
Jersey City, New Jersey 07303-2500
Telephone: 1-800-519-3111
TDD for the hearing impaired: 201-222-4955
Internet: http://www.equiserve.com

Dividend Reinvestment Plan
Lockheed Martin Direct Invest, our direct stock purchase and dividend reinvestment plan, provides new investors and current stockholders with a convenient, cost-effective way to purchase Lockheed Martin common stock, increase holdings and manage the investment. For more information about Lockheed Martin Direct Invest, contact our transfer agent, First Chicago Trust Company at 1-800-519-3111, or to view plan materials online and enroll electronically, access Internet site http://www.shareholder.com/lmt/services.htm#drip.

Independent Auditors
Ernst & Young LLP
1225 Connecticut Avenue, N.W.
Washington, D.C. 20036

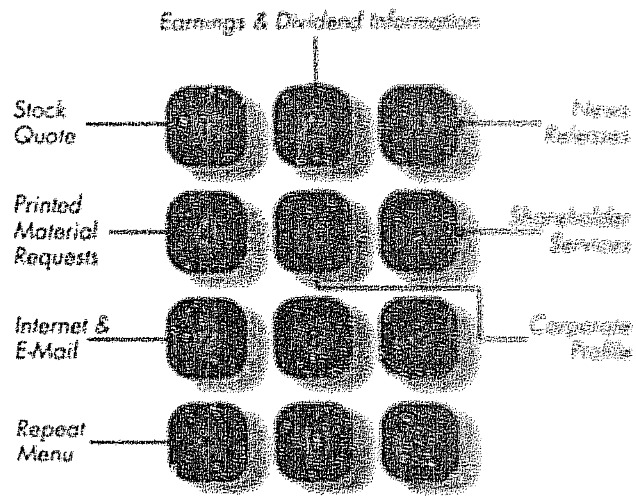
Common Stock
Stock symbol: LMT
Listed: New York Stock Exchange

Annual Report on Form 10-K
Stockholders may obtain, without charge, a copy of Lockheed Martin's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission for the year ended December 31, 2000 by writing to:

Lockheed Martin Investor Relations
6801 Rockledge Drive
Bethesda, MD 20817

For accessing the Lockheed Martin Investor Relations homepage on the Internet use the Uniform Resource Locator http://www.lockheedmartin.com/investor

Lockheed Martin Shareholder Direct
1-800-568-9758



Financial results, stock quotes, earnings and dividend news as well as other Lockheed Martin announcements are available by calling the above toll-free number. The information will be read to the caller and can also be received by mail, fax or e-mail. You may also reach Shareholder Services for account information or Investor Relations for additional information on Lockheed Martin via the toll-free number.

NEXT

DOCUMENT (S)

BEST IMAGE

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Forward-Looking Statements

[illegible] statements which, to the extent that they are not [illegible] constitute [illegible] of Section 27A of the Securities Act of 1933, as amended [illegible] Act of 1934 (the "Exchange Act"). The words [illegible] estimate [illegible] anticipate [illegible] forward looking statements. All forward looking statements [illegible] estimations with respect to future revenues, program performance [illegible] environmental remediation [illegible] and anticipated costs [illegible] to various risks and uncertainties and, therefore, actual outcomes [illegible] performance of internal plans and [illegible] efforts [illegible] customer changes in short-range and long-range [illegible] continued development and acceptance of new [illegible] product performance, performance issues with the U.S. Government [illegible] termination of government contracts; the outcome of [illegible] of acquisitions and divestitures; litigation and environmental [illegible] transactions and global needs for military and commercial [illegible] communications regulatory developments; market conditions [illegible] other economic, political and technological [illegible] statements which speak only as of the date of this Annual Report [illegible] revisions to these forward looking statements [illegible] to reflect the occurrence of unanticipated events [illegible] harbor protection provided by Section 27A of the Securities [illegible] identifying some important factors that could cause [illegible] statements" see the Corporation's Securities and Exchange Commission [illegible] and the discussion of "Government Contracts and Regulations" [illegible] of the Corporation's Annual Report on Form 10-K for the [illegible] and Analysis of Financial Condition and Results of [illegible] Summary of Significant Accounting Policies [illegible] Note [illegible] Commitments and Contingencies" of the Notes [illegible] 52 through 53, pages 53 through 54 and pages [illegible] this Annual Report and included in the Form 10-K.

Exhibit F

MANAGERIAL & TECHNICAL QUALIFICATIONS

LOCKHEED MARTIN GLOBAL TELECOMMUNICATIONS SERVICES, INC. MANAGEMENT TEAM

James J. Welch

Mr. Welch is the President and General Manager of Lockheed Martin Global Telecommunications Services, Inc. of Network Services with Lockheed Martin Global Telecommunications ("LMGT") a wholly-owned entity of Lockheed Martin Corporation

Prior to the merger of LMGT and COMSAT, Mr. Welch served as president and general manager of COMSAT International. Before joining COMSAT in 1998, Mr. Welch served as vice president and area manager for Sprint International and Global One. There, he was responsible for business development and sales for the international joint venture, developing a full range of voice and data products to telecommunications carriers, businesses and consumers in Russia, India, the Middle East and Africa.

From 1978 to 1994, Mr. Welch was a senior executive with GTE Corporation where he held a series of increasingly responsible international telecommunications and satellite industry management positions in sales and marketing.

Miguel Valero

As Vice President of Global Marketing and Strategy, Mr. Valero shares prime responsibilities to lead the Network Services (NS) business as it pertains to Strategic direction for the converged services business. The mission for NS is to create an InfoCom service provider that will market network and applications services to enterprise customers.

Prior to joining LMGT, Mr. Valero served as Vice President for Business Development, at Astrolink International Ltd (AIL) a subsidiary company of LMGT. Astrolink is a wireless broadband system that will offer an integrated family of multimedia services including high-speed data connectivity for Internet access, private corporate data networks, and back-up or surge network capacity.

With over a decade in the telecommunications industry, Mr. Valero has held several senior management positions: Sr. Director for international business for World Access with primary focus in International markets Executive Director for Business Development for Hughes-Spaceway in Asia Pacific and Latin America, Vice President for International Sales and Marketing with worldwide responsibility for General Instruments and Compression Labs Inc. and Director of International Sales for Vitacom Corporation focusing in Latin America.

In his career, he has been working in bringing to market new technologies such as Wireless Internet via satellite, video compression technology for the AT&T videophone

& DirecTV, and IP communications to international carriers and operators

Mr. Valero has a Bachelor degree in Electrical Engineering with focus in Telecommunications from the Monterrey Institute of Technology (ITESM), and Master in telecommunications from The University of California, Berkeley.

Michael C. Hughes

Michael Hughes currently services as Vice President of LMGT Services, Inc. In that capacity he is chiefly responsible for for the finance function of the company. Hughes also serves as Vice President, COMSAT International, Inc. Mr. Hughes has served as Vice President Finance and VP Finance for Comsat Satellite Services for COMSAT Corporation and in other capacities with COMSAT since 1980.

Janet McGregor

Janet McGregor was named the Vice President and Treasurer of Lockheed Martin Corporation in May 1999. She is the Treasurer of LMGT Services, Inc. Previously, Janet had served as Vice President Finance for Lockheed Martin's Electronics Sector since 1996. Prior to the merger with Lockheed Martin she had been Treasurer of Martin Marietta Corporation since 1992. Janet joined Martin Marietta Corporation's Treasury department in 1979. In 1984, she was named Assistant Treasurer, Corporate Finance, and in 1991 became Deputy Treasurer. Before joining Martin Marietta she was with the American Banker's Association. Janet is a member of the National Association of Corporate Treasurers, and a member of the Financial Executives Institute. She is also active in the Alumni Fundraising for Transylvania University, and an active member of St. John's Episcopal Church in McLean, Virginia.

Janet earned a bachelor's degree in psychology from Transylvania University in Lexington, Kentucky, and was awarded a master's degree in business administration from American University in Washington, D.C. She resides in McLean, Virginia with her husband, Charles Ing, and two daughters

Robert Lantz

Robert Lantz is Assistant General Counsel at Lockheed Martin Global Telecommunications in Bethesda, Maryland. Mr. Lantz' current responsibilities include supporting network operations and U.S. sales, as well as supporting LMGT's subsidiaries in Brazil, Turkey and Russia. Prior to joining LMGT, Mr. Lantz was an associate at Wilmer, Cutler & Pickering in Washington, DC, where he represented clients in international corporate, project finance, and insolvency matters.

Mr. Lantz received his BA from California State University, Sacramento, and MBA from National University, a JD from the McGeorge School of Law, and a LL.M from the Georgetown University Law Center.

John V. Sponyoe

Mr. Sponyoe is chief executive officer of Lockheed Martin Global Telecommunications, a wholly owned subsidiary established in 1998 by the Lockheed Martin Corporation. The subsidiary, which recently merged with COMSAT Corporation, combined several existing joint ventures and other elements of Lockheed Martin under a focused management team to address the global network services market. Mr. Sponyoe is the Chairman of the Board of Directors of LMGT Services, Inc.

Mr. Sponyoe was previously president of Lockheed Martin's Electronics Platform Integration (EPI) Group, headquartered in Owego, N.Y. In this role, he directed the strategy that resulted in sustained business growth of the group, which has approximately 7,500 employees in the U.S., Canada, and the United Kingdom with core competencies in systems integration and support; airborne electronics; training and simulation; tactical weapons; air sovereignty/C4I; mission electronics design and manufacturing; software development; postal systems and services; and information systems modernization.

After graduating from college, Mr. Sponyoe served in the U.S. Army from 1962-1965. He began his military service as a second lieutenant in the Artillery and subsequently earned the rank of captain.

Mr. Sponyoe began his career with the IBM Corporation in 1965 as a systems analyst at the Federal Systems Division (FSD) Owego facility. He held numerous management positions of increasing responsibility throughout IBM in the areas of information systems, finance, and planning. In 1984, he was named IBM FSD vice president of plans and controls and in 1987, he returned to Owego as FSD vice president and general manager, IBM Owego.

In 1994, IBM Federal Systems was acquired by the Loral Corporation and Mr. Sponyoe was named president, Loral Federal Systems Owego. Mr. Sponyoe joined Lockheed Martin in 1996, when the Loral Corporation's defense electronics and systems integration businesses were acquired by Lockheed Martin. The Lockheed Martin Board of Directors elected Mr. Sponyoe a corporate vice president in 1997 and he was appointed president, Lockheed Martin Electronics Platform Integration Group.

He holds a bachelor of business administration degree in accounting from St. Bonaventure University and a master of business administration degree in finance from the University of Scranton Graduate School of Business.

John E. Montague

John E. Montague is vice president and chief financial officer of Lockheed Martin Global Telecommunications with overall responsibility for all financial aspects of the business.

including corporate development activities. Formed in 1998 to commercialize Lockheed Martin's telecommunications services capabilities, LMGT became a $1-billion company upon completion of its merger with COMSAT Corporation in August 2000. Mr. Mr Montague is a director of LMGT Services, Inc.

Mr. Montague was previously corporate vice president of financial strategies for Lockheed Martin Corporation, with responsibility for development and implementation of initiatives targeted at significantly enhancing shareholder value, including all merger, acquisition and divestiture activities. In this capacity, he was responsible for transactions totaling in excess of $23 billion over a four-year period.

Before the 1995 merger of Lockheed and Martin Marietta, he was vice president of corporate development and investor relations for Martin Marietta Corporation, with responsibility for the acquisition and divestiture activities, as well as formulation of overall strategic direction and shareholder communication.

Mr. Montague joined the Martin Marietta Corporation in 1977 as a member of the engineering staff at Martin Marietta Denver Aerospace.

He currently serves on the board of directors of Rational Software Corporation (NASDAQ: RATL) and L-3 Communications Corporation (NYSE: LLL). He also is a member of the board of directors of Astrolink, LLC (a strategic venture between Lockheed Martin, Telespazio, Liberty Media and TRW); Americom Asia-Pacific (a joint venture between Lockheed Martin and GE); and ACeS International, Ltd (a venture with PT Pasifik Satelit Nusantara, Philippine Long Distance Telephone, Jasmine and Lockheed Martin).

Born in Charlottesville, Virginia, Mr. Montague received a bachelor's degree in engineering economic systems from the Georgia Institute of Technology in 1975, and a master's degree in engineering design and economic evaluation from the University of Colorado in 1977.

Robert Mansbach

Mr. Mansbach is an Assistant General Counsel with Lockheed Martin Global Telecommunications Services, Inc. He also serves as an Assistant General Counsel with COMSAT Corporation and with Lockheed Martin Global Telecommunications, Inc. Mr Mansbach specializes in regulatory affairs and telecommunications matters before the Federal Communications Commission. Prior to coming to COMSAT in 1979, Mr Mansbach served with the Federal Communications Commission.

Kathy Fritz

Kathy is responsible for all aspects of vendor relations, contracts, and resource management for LMGT. Previous to this assignment, Kathy was the manager of Voice and Video services for the Lockheed Martin Corporation. Kathy began her career with

LOCKHEED MARTIN GLOBAL TELECOMMUNICATIONS SERVICES, INC.
ENGINEERING & OPERATIONS PERSONNEL

Paul Pelotte

As Sr. Vice President, Engineering and Operations for Lockheed Martin Global Telecommunications, Paul Pelotte directs Engineering and Operations and oversees LMGT transport/carrier procurement, design engineering, sustaining engineering, network operations and management and product installation and maintenance. In addition, his organization is tasked with the build-out of the LMGT terrestrial network and IASP infrastructure. Mr. Pelotte is a Vice President of LMGT Services, Inc. Mr. Pelotte previously was Vice President of Distributed Computing & Telecommunications for Lockheed Martin Enterprise Information Systems Company, the Corporation's internal information technology division and was responsible for providing a wide range of computing and telecommunications products, services and support to the Corporation with a strong focus on cost reduction, improved performance, profitability and competitiveness. Previous positions included Director, Technical Services & Infrastructure, for Martin Marietta Internal Information Systems, Manager, Regional Information Technology and Manager of Technical Services for GE

Stephen Beer

Over his 29-year career, Mr. Beer has worked as an engineer, a scientific programmer, a systems programmer, an instructor (teaching microprocessor technology), and I/T strategic planning, administration, supervision, and management (17 years). Mr. Beer's career with Lockheed Martin began 22 years ago with Lockheed - Georgia Company. He has been published only once (*Computer Technology Review - Winter, 1982*), but was responsible for the technical development of the an early Management Information & Decision Support (MIDS) system which was covered in a Harvard case study, and by John Rockhart (MIT) in his book on management information systems. Mr. Beer has a BS in Electronics Engineering.

Anthony Brown

Anthony Brown is Director, Customer Solution Engineering for Lockheed Martin Global Telecommunications (LMGT), a wholly owned subsidiary of the Lockheed Martin Corporation. He is also a Vice President of LMGT Services, Inc. Mr. Brown previously was manager, Network Design Engineering for LMGT. After graduating magna cum laude with a BS degree in Systems Science/Business from the University of West Florida in 1980, Mr. Brown accepted a position with Martin Marietta in Orlando, Florida as an engineer in the data network services organization. Mr. Brown has 20+ years experience in telecommunications and data networking and 12 years experience in management and program management.

Robert Ellis

Robert Ellis, Director of Global Operations, has been in the Information Technology field for the past 25 years, holding several technical and managerial positions. Significantly, Mr. Ellis was a member of the core team for Network development for Sperry Corporation and Unisys Corporation charged with leading the implementation of wide area networking for both organizations. He has been with Lockheed Martin for the past four years and joined Lockheed Martin as a result of the acquisition of Loral Corporation. He holds degrees from the City College of New York and the State University of New York.

Mark Helgeson

Mark Helgeson has spent 24 years in the military as a telecommunications officer specializing in satellite communications, wide area networks, and network operations center management. He managed organizations composed of over 900 telecommunications and computer technicians. He joined LMGT in 1999 as a project manager for government and military accounts. In June 2000, he was assigned as manager of sustaining engineering.

James F. Mathieu

James Mathieu has thirty-two years LMC technical experience: 12 in systems programming and application software; twenty years in telecommunications; and twenty years in management positions. Mr. Mathieu is experienced in telecommunications contracts, regulatory and financial management. Has managed planning, engineering, provisioning, installation, operation & maintenance of 10 meter earth stations, various terrestrial radio systems/networks, video conferencing systems, PBX, Centrex, and corporate telephone networks, and domestic and international terrestrial data transport services.

James H. Wilson

James Wilson has been employed in telecommunications field since April of 1979, with Lockheed Martin since 1981. He has experience related to all aspects of Terrestrial based Telecommunications – logistics, administration, operations, engineering, supervisory, project management. Mr. Wilson served in supervisory related capacities with NCR Comten from 1979 to 1981, and with LMC from 1981 to 1990. He also served in project related management capacities from 1998 to present. Mr. Wilson has extensive technical background relating to all areas of data transport – engineering, installation, maintenance and operational. These include legacy type systems such as SNA and channel extension and present systems such as TCP/IP and multi-protocol based networks.

Ken Lask

Ken Lask started with Ford Aerospace in 4/84, which was acquired by Loral in 1990, and then acquired by Lockheed Martin in 1996. During those sixteen plus years, Mr. Lask was the SNA Systems Programmer for six years, and he has been in management the past ten years. Under Loral, Mr. Lask was the Manager of the Corporate Network, which included responsibility for the data backbone, the Email Transport System and network security. Since the acquisition by Lockheed Martin, he has been involved in network integration activities, as well as supporting new commercial initiatives. Mr. Lask has a Bachelor's degree in Marketing, a Graduate Certificate in Systems Management and a Master's degree in Telecommunications Management.

2034

LMGT FCC FILING FEES
LOCKHEED MARTIN GLOBAL TELECOMUNICATIONS
6560 ROCK SPRING DRIVE
BETHESDA, MD. 20817

DATE 12/5/01

PAY TO THE ORDER OF South Dakota Public Utilities Commission $ 250.00

Two Hundred & Fifty DOLLARS

SUNTRUST
SunTrust Bank

FOR

⑈0000 2034⑈ ⑆055002707⑆ 000716786⑈

2034

LMGT FCC FILING FEES
LOCKHEED MARTIN GLOBAL TELECOMUNICATIONS
6560 ROCK SPRING DRIVE
BETHESDA, MD. 20817

DATE 12/7/01

55-270
550

PAY TO THE ORDER OF South Dakota Public Utilities Commission $ 250.00

Two Hundred & Fifty DOLLARS

SUNTRUST
SunTrust Bank

FOR

⑈00002034⑈ ⑆055002707⑆ 000716786⑈

South Dakota Public Utilities Commission

WEEKLY FILINGS

For the Period of December 6, 2001 through December 12, 2001

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five business days of this filing. Phone: 605-773-3705 Fax: 605-773-3809

CONSUMER COMPLAINTS

CT01-056 In the Matter of the Complaint filed by Black Hills FiberCom, L.L.C., Rapid City, South Dakota, against Qwest Corporation Regarding Qwest Corporation's Failure and Refusal to Pay Black Hills FiberCom, L.L.C. for Accrued Minutes of Local/EAS Traffic Incurred by Qwest Corporation and Billed by Black Hills FiberCom, L.L.C.

Complainant states that Qwest Corporation has failed and refused to pay FiberCom for the accrued minutes of local/EAS traffic incurred by Qwest and billed by FiberCom in accordance with the interconnection signed by the parties and approved by this Commission. FiberCom requests, inter alia, that the Commission order payment of said compensation from Qwest to FiberCom at the rate specified in the agreement.

Staff Analyst: Harlan Best
Staff Attorney: Karen Cremer
Date Docketed: 12/10/01
Intervention Deadline: N/A

CT01-057 In the Matter of the Complaint filed by Douglas E. Christensen, Ashton, South Dakota, against Qwest Corporation Regarding Unauthorized Switching of Instate Long Distance Services.

Complainant alleges that his instate long distance service was switched without his authorization and that he received unauthorized services and billings from Qwest. Complainant alleges that he had difficulty in getting credit for $400.98 in unauthorized charges. Complainant requests that he get a refund for $400.98 and $1000.00 for the unauthorized switch and billing for instate long distance services. Complainant requests that the PUC fine Qwest for this activity.

Staff Analyst: Charlene Lund
Staff Attorney: Karen E. Cremer
Date Docketed: 12/10/01
Intervention Deadline: NA

CT01-058 In the Matter of the Complaint filed by Mary Cecilia Hogan, Sioux Falls, South Dakota, against Integriss Regarding Unauthorized Billing for Services.

Complainant states that Integriss falsely filed a charge on her credit card for telecommunication services she did not request or authorize. Complainant requests a hearing be held on this matter, that Integriss be required to attend the hearing, that she be awarded $1,000.00 under South Dakota law, that all charges be removed and that all of her expenses be reimbursed.

Staff Analyst: Mary Healy
Staff Attorney: Kelly Frazier
Date Docketed: 12/10/01
Intervention Deadline: N/A

Lockheed Martin Global Telecommunications
6560 Rock Spring Drive · Bethesda, MD 20817
Telephone 301 214 3459 · Facsimile 301 214 7145
E-mail: robert.mansbach@lmco.com

LOCKHEED MARTIN
GLOBAL TELECOMMUNICATIONS

Robert A. Mansbach
Assistant General Counsel

RECEIVED
JAN 14 2002
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

January 11, 2002

Ms. Michele M. Farris, P.E.
Utility Analyst
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

Re: Lockheed Martin Global Telecommunications Services, Inc. Application for a Certificate of Authority to Provide Resold Interexchange Telecommunications Services in the State of South Dakota TC01-192: **Response to December 21, 2001 Questions**

Dear Ms. Farris,

Enclosed please find an original, a duplicate and one copy of Lockheed Martin Global Telecommunications Services, Inc.'s response to your letter of December 21, 2001, requesting revisions to the above-referenced application for intrastate interexchange service authority.

Please date-stamp the duplicate of this filing and return in the pre-addressed envelope provided. If there are questions regarding this response or further concerns regarding the Company's Application, please feel free to contact me at (301) 214-3459. Thank you in advance for your assistance with this matter.

Sincerely,

Robert A. Mansbach
Assistant General Counsel

enclosures

cc: Kelly Frazier, Staff Attorney

LOCKHEED MARTIN GLOBAL TELECOMMUNICATIONS SERVICES, INC.
Application for a Certificate of Authority to Provide Resold Interexchange Telecommunications Services in the State of South Dakota
TC01-192

Response to December 21, 2001 Questions

(Copies of the revised tariff are appended.)

1. LMGT Services, Inc. understands that the requirement for cost support information, as imposed by the Administrative Rules of South Dakota 20:10:24:02(12), is not applicable to competitive services such as those requested in this Application and requests permission by this letter to remove the request for waiver originally included as Item 9 (and reiterated within Item 12) of its Application.

2. Paragraph B of the Tariff Format page has been revised to remove reference to Commission approval of tariff revisions.

3. The language originally included as Section 2.9.2 has been removed. In addition, the changes indicated in the pages attached to the Commission's December 21, 2001 correspondence have been made.

4. The reference to customer disputes of Company billing has been revised to allow 180 days for delivery of such complaints.

5. In Section 2.13.1.2, the toll free number for the Commission and the TTY Through Relay South Dakota number have been added.

Respectfully submitted,

By: Robert A. Mansbach
Assistant General Counsel

Date Jany 11, 2002

Lockheed Martin Global Telecommunications Services, Inc.

TOLL SERVICES RESELLER TARIFF

Rules and regulations applicable for furnishing to Business Customers of Resold Intrastate Interexchange Services by Lockheed Martin Global Telecommunications Services, Inc. between one or more points in the State of South Dakota as authorized by the Public Utilities Commission. This tariff is on file with the Public Utilities Commission and may be inspected during regular business hours. Copies also may be inspected during regular business hours at Lockheed Martin Global Telecommunications Services, Inc.'s principal place of business, 6560 Rock Spring Drive, Bethesda, MD 20817.

CHECK SHEET

The following pages, inclusive of this Tariff, are effective as of the date shown. Original and revised pages, as named below, comprise all changes from the original Tariff in effect on the date indicated.

Page	Revision	Page	Revisions
1	Original	29	Original
2	Original	30	Original
3	Original	31	Original
4	Original	32	Original
5	Original		
6	Original		
7	Original		
8	Original		
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24	Original		
25	Original		
26	Original		
27	Original		
28	Original		

* signifies new or revised pages

Issued by: Robert A. Mansbach, Asst. General Counsel
Lockheed Martin Global Telecommunications Services, Inc.
6560 Rock Spring Drive
Bethesda, MD 20817

SYMBOLS

The following are the only symbols used for the purposes indicated below:

(R) To signify a reduction in rate.

(I) To signify an increase in rate

(C) To signify a changed regulation

(T) To signify a change in text but no change in rate or regulation

(S) To signify reissued matter

(N) To signify a new rate or regulation

(D) To signify a discontinued rate or regulation

Issued by: Robert A. Mansbach, Asst. General Counsel
Lockheed Martin Global Telecommunications Services, Inc.
6560 Rock Spring Drive
Bethesda, MD 20817

TARIFF FORMAT

A. Page Numbering - Page numbers appear in the upper right corner of the page. Pages are numbered sequentially. However, new pages occasionally are added to the tariff. When a new page is added between pages already in effect, a decimal is added to the page number. For example, a new page added between pages 14 and 15 would be 14.1.

B. Page Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current page version on file with the Commission. For example, the 4th revised Page 14 cancels the 3rd revised Page 14.

C. Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

2.
2.1.
2.1.1.
2.1.1.1.
2.1.1.1.A.
2.1.1.1.A.(a).
2.1.1.1.A.(a).I.
2.1.1.1.A.(a).I.(i).
2.1.1.1.A.(a).I.(i).(1).

D. Check Sheets - When a tariff filing is made with the Commission an updated check sheet accompanies the tariff filing. The check sheet lists the pages contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated on the check sheet by an asterisk(*). There will be no other symbols used on the check sheet if these are the only changes made to it. The tariff user should refer to the latest check sheet to find out if a particular page is the most current on file with the Commission.

SECTION 1. DEFINITIONS

Authorized User – Any person, firm, corporation or other entity accessing or utilizing the services furnished by the Company to the Customer.

Billed Party – The person or entity responsible for payment of the Company's service. The Billed Party is the Customer associated with the Telephone Number used to place the call, with the following exceptions:

(a) in the case of a calling card or credit card call, the Billed Party is the holder of the calling card or credit card used by the User; and

(b) in the case of a collect or third party call, the Billed Party is the person responsible for the local telephone service at the telephone number that agrees to accept charges for the call.

Call – A completed connection between the calling and the called station.

Calling Station – The telephone number from which a call originates.

Called Station – The telephone number called.

Commission – South Dakota Public Utilities Commission.

Company – Lockheed Martin Global Telecommunications Services, Inc.

Corporate Plan – customers receiving telecommunications and related services from the Company prior to May 1, 2001.

Customer – A person, firm, corporation, partnership or other business entity, including affiliates or divisions of the Customer, responsible for payment of charges to the Company and compliance with all terms and conditions of this tariff.

SECTION 1. DEFINITIONS (Cont'd)

Day – The period of time from 7:00 a.m. until (but not including) 7:00 p.m., Monday through Friday, as measured by local time at the location from which the call is originated.

Evening – The period of time from 7:00 p.m. until (but not including) 11:00 p.m., Sunday through Friday and any time during a Holiday, as measured by local time at the location from which the call is originated.

Holiday – New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Minimum Call Volume ("MCV") – Base call revenue per contract period guaranteed by Business Customers placing Service Orders. Where applicable, Customers agree to meet the MCV or pay the difference to the Company. This MCV may be satisfied by Customer's purchase of any combination of the Company's intrastate, interstate and/or international services.

Night/Weekend ("N/Wkd") – The period of time from 11:00 p.m. until (but not including) 7:00 a.m., Monday through Friday, any time on Saturday and all day Sunday, except 7:00 p.m. until (but not including) 11:00 p.m., as measured by local time at the location from which the call is originated.

Off-Peak Period – Except as otherwise agreed between Company and Customer, the hours from 7:00 pm until but not including 7:00 am.

Peak Period - Except as otherwise agreed between Company and Customer, the hours from 7:00 am until but not including 7:00 pm.

Service Order – The written request for network services executed by the Customer and the Company in the format devised by the Company. The signing of a Service Order by the Customer and acceptance by the Company initiates the respective obligations of the parties as set forth therein and pursuant to this tariff, but the duration of the service is calculated from the service commencement date.

User – Customer or any Authorized User.

SECTION 2. TERMS AND CONDITIONS

2.1 Application of Tariff

2.1.1 This tariff contains the regulations and rates applicable to resold intrastate long distance services provided by the Company to Business Customers throughout the State of South Dakota. Services are provided pursuant to the general terms and conditions of this tariff, except as otherwise negotiated between a Customer and the Company. Additionally, services are furnished subject to the availability of facilities and the terms and conditions of this tariff.

2.1.2 The rates and regulations contained in this tariff apply only to the services furnished by the Company and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other Common Carrier for use in accessing the services of the Company.

2.2 Severability

In the event that any one or more of the provisions contained in this Tariff shall for any reason be held to be invalid, illegal or unenforceable in any respect under the laws of the jurisdiction governing the entire Tariff, such invalidity, illegality or unenforceability shall not affect any other provision of this Tariff, and this Tariff shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

2.3. Shortage of Equipment or Facilities

2.3.1 The Company reserves the right to limit or to allocate the use of existing facilities, or of additional facilities offered by the Company, when necessary because of lack of facilities, or due to some other cause beyond the Company's control.

2.3.2 The furnishing of service under this tariff is subject to the availability on a continuing basis of all the necessary facilities and is limited to the capacity of the Company's facilities as well as facilities the Company may obtain from other carriers to furnish service from time to time as required at the sole discretion of the Company.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.4 Use and Availability of Service

2.4.1 Service shall not be used for any unlawful purpose, nor used in such a manner as to interfere unreasonably with the use of service by any other Users.

2.4.2 The use of the Company's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, false or invalid numbers, or false calling or credit cards is prohibited.

2.4.3 The Company does not transmit messages pursuant to this tariff, but its services may be used for that purpose.

2.4.4 The Company's services may be denied for nonpayment of charges or for other violations of the terms and conditions set forth in this tariff.

2.4.5 The Company reserves the right to refuse service to individuals under the age of 18 and may require proof of age prior to initiating service.

2.4.6 The use of the Company's services to make calls which might reasonably be expected to frighten, abuse, torment, or harass another is prohibited.

2.4.7 Service temporarily may be refused or limited because of system capacity limitations, and is subject to transmission limitations caused by natural (including atmospheric, geographic or topographic) or artificial conditions adversely affecting transmission.

2.4.8 Service to any or all Customers may be temporarily interrupted or curtailed due to equipment modifications, upgrades, relocations, repairs and similar activities necessary for proper or improved operations.

2.4.9 Customers may be required to enter into written Service Orders which shall contain or reference a specific description of the service ordered, the rates to be charged, the duration of the services, and the terms and conditions in the tariff. Customers also will be required to execute any other documents as may be reasonably requested by the Company.

2.4.10 Except as otherwise agreed between the Company and Customer, at the expiration of the initial term specified in each Service Order, or in any extension thereof, service shall continue on a month to month basis at the then current rates unless terminated by either party upon 30 days' written notice. Any termination shall not relieve Customer of its obligation to pay any charges incurred under the service order and this tariff prior to termination. The rights and obligations which by their nature extend beyond the termination of the term of the Service Order shall survive such termination.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.5 Liability of the Company

2.5.1 Because the Company has no control of communications content transmitted over its system, and because of the possibility of errors incident to the provision and use of its service, service furnished by the Company is subject to the terms, conditions and limitations herein specified.

2.5.2 The Company shall not be liable for any delay or failure of performance or equipment as a result of causes beyond its control, including but not limited to: (a) delays caused by the other party or (b) acts of God, fire, flood, explosion or other catastrophes; any law, order, regulation, direction, action, or request of the United States Government, or of any other government, including state and local governments having or claiming jurisdiction over the Company, or of any department, agency, commission, bureau, corporation, court or other instrumentality of any one or more of these federal, state, or local governments, or of any civil or military authority; national emergencies; insurrections; riots; wars; unavailability of rights-of-way or materials; strikes, lockouts, work stoppages, or other labor difficulties; and (c) third party nonperformance (including the failure of performance for reasons beyond the control of common carriers, interexchange carriers, local exchange carriers, suppliers and subcontractors), or other cause beyond its reasonable control, including failures or fluctuations in electrical equipment, and such nonperformance shall not be deemed a violation of this Tariff or of the application for service or grounds for termination of service. Both parties retain all rights of recourse against any third parties for any failures which may create a force majeure condition for the other party.

2.5.3 The Company shall not be liable for (a) any act or omission of any entity furnishing to the Company or to the Company's Customer's facilities or equipment used for interconnection with Network Services; or (b) for the acts or omissions of common carriers or warehousemen even if the Company has acted as the Customer's agent in arranging such facilities or services. No agents or employees of other participating carriers shall be deemed to be agents or employees of the Company without written authorization.

2.5.4 The Company shall not be liable for any damages or losses resulting from or caused by (a) the act, omission, fault or negligence of the Customer; (b) the failure or malfunction of Customer-provided equipment or facilities; or (c) claims against the Customer by any other party.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.5 Liability of the Company (Cont'd)

2.5.5 The liability of the Company for errors in billing that result in overpayment by the Customer shall be limited, unless otherwise ordered by the Commission, to a credit equal to the dollar amount erroneously billed.

2.5.6 The Company does not guarantee nor make any warranty with respect to installations it provides for use in an explosive atmosphere. The Customer indemnifies and holds the Company harmless from any and all loss, claims, demands, suits, or other action, or any liability whatsoever, whether suffered, made, instituted, or asserted by any other party or person(s), and for any loss, damage, or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, removal, presence, condition, location, or use of any installation so provided. The Company reserves the right to require each Customer to sign an agreement acknowledging acceptance of the provisions of this section 2.5.6 as a condition precedent to such installations.

2.5.7 The Company is not liable for any damages, including toll usage charges, the Customer may incur as a result of the unauthorized use of its telephone facilities. This unauthorized use of the Customer's facilities includes, but is not limited to, the placement of calls from the Customer's premises, and the placement of calls through Customer-provided equipment that are transmitted or carried on the Company network. Company may work with Customers to recommend possible solutions to reduce unauthorized use of their facilities. However, Company does not warrant or guarantee that its recommendations will prevent all unauthorized use, and the Customer is responsible for controlling access to, and use of, its own telephone facilities.

2.5.8 The Company shall not be liable for and the Customer shall indemnify and hold the Company harmless against any claims for loss or damages involving

(a) Protection of the Customer's transmission facilities or equipment from unauthorized access, or for any unauthorized access to or alteration, theft or destruction of Customer's data files, programs, procedure or information through accident, fraudulent means or devices or any other method;

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.5 **Liability of the Company (Cont'd)**

(b) Changes in any of the facilities, operations or procedures of the Company that: (1) render any equipment, facilities or services provided or utilized by the User obsolete; (2) require modification or alteration of such equipment, facilities or services; or (3) otherwise affect use or performance of such equipment, facilities or services except where reasonable notice is required by the Company and is not provided to the Customer.

(c) Defacement of or damage to the Customer's Premises or personal property resulting from the furnishing of services or equipment on such Premises or the installation or removal thereof, when such defacement or damage is not the result of Company's negligence. The Customer will indemnify and hold harmless Company from any claims of the owner of the Customer's premises or other third party claims for such damages.

(d) Any wrongful act of a Company employee where such act is not authorized by the Company and is not within the scope of the employee's responsibilities for the Company;

(e) Libel, slander or infringement of copyright arising directly or indirectly from the material transmitted over facilities provided by the Company;

(f) Infringements of patents arising from combining apparatus and systems of the Customer with facilities provided by the Company;

Issued by: Robert A. Mansbach, Asst. General Counsel
Lockheed Martin Global Telecommunications Services, Inc.
6560 Rock Spring Drive
Bethesda, MD 20817

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.5 Liability of the Company (Cont'd)

2.5.9 The Customer shall reimburse the Company for all costs, expenses and fees incurred by the Company in its defense against claims set forth in Section 2.5.8.

2.5.10 The Company shall be indemnified, defended, and held harmless by the Customer against any claim, loss or damage arising directly or indirectly from use of services, involving but not limited to claims for libel, slander, invasion of privacy, or infringement of copyright, arising from either the Customer's own communications or from any content or other use of the services provided to Customer, whether authorized by the Customer or not, including infringement of patents arising from combining apparatus and systems of the Customer or a third party with facilities provided by the Company.

2.5.11 The liability of the Company shall be determined in accordance with SDCL 49-13-1, 49-13-2.1 and any other applicable laws.

2.5.12 The Company shall not be liable for injury to property or death to persons, including claims for payments made under Workers' Compensation law or under any plan for employee disability or death benefits, arising out of, or caused by, any act or omission of the Customer, or the construction, installation, maintenance, presence, use or removal of the Customer's facilities or equipment connected, or to be connected to the Company's facilities.

SECTION 2. **TERMS AND CONDITIONS** (Cont'd)

2.5 **Liability of the Company (Cont'd)**

2.5.13 The Company does not authorize anyone to make a warranty of any kind on its behalf and the Customer should not rely on any such statements.

2.6 **Notification of Service-Affecting Activities**

2.6.1 The Company will provide the Customer reasonable notification of service-affecting activities that may occur in normal operation of its business. Such activities may include, but are not limited to, equipment or facilities additions, removals or rearrangements and routine preventative maintenance. Generally, such activities are not specific to an individual Customer but affect many Customers' services. No specific advance notification period is applicable to all service activities. The Company will work cooperatively with the Customer to determine the reasonable notification requirements. With some emergency or unplanned service-affecting conditions, such as an outage resulting from cable damage, notification to the customer may not be possible.

2.7 **Ownership of Facilities**

2.7.1 Title to all facilities provided in accordance with this tariff remains in the Company, its agents or contractors.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.8 **Prohibited Uses**

2.8.1 The services the Company offers shall not be used for any unlawful purpose or for any use as to which the Customer has not obtained all required governmental approvals, authorizations, licenses, consents and permits.

2.8.2 The Company may require applicants for service who intend to use the Company's offerings for resale and/or for shared use to file a letter with the Company confirming that their use of the Company's offerings complies with relevant laws and Commission regulations, policies, orders, and decisions.

2.8.3 The Company may require a Customer to immediately shut down its transmission of signals if said transmission is causing interference to others.

2.9 **Obligations of the Customer**

2.9.1 The Customer shall be responsible for:

(a) placing any necessary orders, complying with tariff regulations and assuring that Users comply with tariff regulations. The Customer shall ensure compliance with any applicable laws, regulations, orders or other requirements of any governmental entity relating to services provided by the Company to the Customer or made available by the Customer to another User. The Customer also is responsible for the payment of charges for all Calls originated at the Customer's numbers which are not collect, third party, calling card, or credit card calls.

(b) taking all necessary legal steps for interconnecting Customer-provided terminal equipment or communications systems with Company's facilities or services. Customer shall ensure that the equipment and/or system is properly interfaced with Company's facilities or services; that the signals emitted into Company-provided network facilities are of the mode, bandwidth, power, signal level or other technical parameters for the intended use of the Customer and in compliance with the criteria set forth in this Tariff, and that the signals do not damage equipment, injure personnel or degrade service to other Customers. If Customer fails to maintain the equipment and/or system properly, with resulting imminent harm to Company's personnel or quality of service to other Customers, Company may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, Company may, upon written notice, terminate the Customer's service.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.9 Obligations of the Customer (Cont'd)

(c) payment of all charges incurred to the Calling Station regardless of which party terminates the service. The Customer shall reimburse the Company for all costs, expenses and fees incurred by the Company in collecting such charges.

(d) charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by the Company on the Customer's behalf.

(e) damage to or loss of the Company's facilities or equipment caused by the acts or omissions of the Customer; or the Customer's officers, employees, agents or contractors, or the noncompliance by the Customer with these regulations; or by fire or theft or other casualty on the Customer Premises, unless caused by the gross negligence or willful misconduct of the employees or agents of the Company;

(d) providing at no charge, as specified from time to time by the Company, any needed personnel, equipment, space and power to operate Company facilities and equipment installed on the premises of the Customer Premises, and the level of heating and air conditioning necessary to maintain the proper operating environment on such premises;

(e) obtaining, maintaining, and otherwise having full responsibility for all rights-of-way and conduits necessary for installation of fiber optic cable and associated equipment used to provide services to the Customer from the cable building entrance or property line to the location of the equipment space described in 2.9.1(d). Any costs associated with obtaining and maintaining the rights-of-way described herein, including the costs of altering the structure to permit installation of the Company-provided facilities, shall be borne entirely by, or may be charged by the Company to, the Customer;

(f) arranging access to its Premises at times mutually agreeable to the Company and the Customer when required for Company personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of the Company's services.

(g) not creating or allowing any liens or other encumbrances to be placed on the Company's equipment or facilities.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.10 Claims

2.10.1 With respect to any service or facility provided by the Company, Customer shall indemnify, defend and hold harmless the Company from and against all claims, actions, damages, liabilities, costs and expenses related to, arising from or for:

(a) any loss, destruction or damage to property of the Company or any third party, or the death or injury to persons, including, but not limited to, employees or invitees of either party, to the extent caused by or resulting from the negligent or intentional act or omission of the Customer, its employees, agents, representatives or invitees;

(b) any claim, loss, damage, expense or liability for infringement of any copyright, patent, trade secret, or any proprietary or intellectual property right of any third party, arising from any act or omission by the Customer, including, without limitation, use of the Company's services and facilities in a manner not contemplated by the agreement between Customer and Company;

(c) providing a safe place to work and complying with all laws and regulations regarding the working conditions on the premises at which Company employees and agents shall be installing or maintaining the Company's facilities and equipment. The Customer may be required to install and maintain Company facilities and equipment within a hazardous area if, in the Company's opinion, injury or damage to the Company's employees or property might result from installation or maintenance by the Company. The Customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material (e.g. friable asbestos) prior to any construction or installation work; or

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.10 Claims (Cont'd)

(d) complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and permits as may be required with respect to, the location of Company facilities and equipment in any Customer premises or the rights-of-way for which Customer is responsible under section 2.9.1(e); and granting or obtaining permission for Company agents or employees to enter the premises of the Customer at any time for the purpose of installing, inspecting, maintaining, repairing, or upon termination of service as stated herein, removing the facilities or equipment of the Company.

2.11 **Customer Equipment and Channels**

2.11.1 A Customer may transmit or receive information or signals via the facilities of the Company.

2.11.2 Customer terminal equipment on the Customer Premises, and the electric power consumed by such equipment shall be provided by and maintained at the expense of the Customer.

2.11.3 The Customer is responsible for ensuring that Customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The magnitude and character of the voltages and currents impressed on Company-provided equipment and wiring by the connection, operation, or maintenance of such equipment and wiring shall be such as not to cause damage to the Company-provided equipment and wiring or injury to the Company's employees or to other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the Customer's expense.

2.11.4 Any special interface equipment necessary to achieve compatibility between the facilities and equipment of the Company used for furnishing Network Services and the channels, facilities, or equipment of others shall be provided at the Customer's expense.

2.11.5 Network Services may be connected to the services or facilities of other communications carriers only when authorized by, and in accordance with, the terms and conditions of the tariffs of the other communications carriers which are applicable to such connections.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.12 Payment Arrangements

The Customer is responsible for the payment of all charges for facilities and services furnished by the Company to the Customer.

2.12.1 Taxes

The Customer is responsible for the payment of any sales, use, gross receipts, excise, access or other local, state and federal taxes, charges or surcharges (however designated) (excluding taxes on the Company's net income) imposed on or based upon the provision, sale or use of Network Services.

2.12.2 Billing and Collection of Charges

Except as otherwise negotiated between the Company and a Customer, the following terms and conditions shall apply:

2.12.2.1 Service is provided on the basis of a minimum period of at least one month, 24-hours per day. For the purpose of computing charges in this tariff, a month is considered to have 30 days.

2.12.2.2 The Customer is responsible for payment of all charges incurred by the Customer or by other users, with or without appropriate authorization from the Customer, for services and facilities furnished to the Customer by the Company. The Customer shall not be excused from paying the Company for such services on the basis that the use of the service was unauthorized.

2.12.2.3 The Company shall present invoices for Recurring Charges and Usage Charges monthly to the Customer, and these charges shall be due and payable within 30 days after the invoice is mailed.

2.12.2.4 When service does not begin on the first day of the month, or end on the last day of the month, the charge for the fraction of the month in which service was furnished will be calculated on a pro rata basis. For this purpose, every month is considered to have 30 days.

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Lockheed Martin Global Telecommunications Services, Inc.
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Bethesda, MD 20817

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.12 Payment Arrangements (Cont'd)

2.12.2 Billing and Collection of Charges (Cont'd)

2.12.2.5 Billing of the Customer by the Company will begin on the service commencement date, which is the first day following the date on which the Company notifies the Customer that the service or facility is available for use, except that the service commencement date may be postponed by mutual agreement of the parties, or if the service or facility does not conform to standards set forth in this tariff or the Service Order. Billing accrues through and includes the day that the service, circuit, arrangement or component is discontinued.

2.12.2.6 If any portion of the payment due for undisputed charges is not received by the Company on or before the date due, or if any portion of the payment is received by the Company in funds which are not immediately available, then the Customer's account shall be delinquent, and a late payment penalty shall be due to the Company. The due date shall be no earlier than thirty (30) days after the Company's invoice is mailed. The late payment penalty shall be the portion of the payment not received by the date due, multiplied by a late factor. The late factor shall be the lesser of (a) 1.5% of the total monthly bill; or (b) the highest interest rate which may be applied under applicable state law for commercial transactions.

2.12.3 Deposits & Advanced Payments

The Company will not require deposits or advanced payments from Customers at this time.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.12 Payment Arrangements (Cont'd)

2.12.4 Discontinuance of Service

The Company may discontinue service or cancel an application for service, with ten days' written notice and without incurring any liability, for any of the following reasons:

2.12.4.1 Failure of the Customer to pay a non-disputed delinquent account;

2.12.4.2 Failure of the Customer to make satisfactory arrangements to pay arrearages or meet the requirements of a payment agreement;

2.12.4.3 Failure of the Customer to permit the Company to have reasonable access to its equipment, facilities, service connections or other property;

2.12.4.4 Failure of the Customer to provide the Company with adequate assurances that an unauthorized use or practice will cease;

2.12.4.5 Customer violation of any regulation governing the service under this tariff, or a violation of any law, rule, or regulation of any government authority having jurisdiction over the service;

2.12.4.6 Customer fraud or material misrepresentation of identity for purpose of obtaining telephone service;

2.12.4.7 Failure of the Customer to adhere to contractual obligations with the Company (except where immediate termination warranted as described in Section 2.12.4.14); or

2.12.4.8 Where the Company is prohibited from furnishing services by order of a court or other government authority having jurisdiction.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.12 **Payment Arrangements (Cont'd)**

2.12.4 **Discontinuance of Service** (Cont'd)

The Company may terminate service *without notice* to the Customer for any of the following occurrences:

2.12.4.9 Customer's maintenance or operation of its equipment in such a manner as to adversely affect the Company's equipment or service to others;

2.12.4.10 Customer non-compliance with any provision of this tariff which results in threatening the safety of a person or the integrity of the service delivery system of the Company;

2.12.4.11 The existence of a condition on the Customer's premises determined by the Company to be hazardous;

2.12.4.12 Customer tampering with the Company's equipment or service;

2.12.4.13 Customer's unauthorized or illegal use of the Company's service or equipment.

2.12.4.14 Issuance of any order by an administrative agency, court or governmental entity having appropriate jurisdiction to terminate service immediately.

Notwithstanding any other provisions within this Section, pursuant to the issuance of an order to terminate service by any administrative agency, court or other governmental entity having appropriate jurisdiction, the Company may terminate service to the designated Customer(s), consistent with the terms and conditions of the order, specifically including those which either require notice to affected Customer(s) or require that service be terminated without such notice.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.12.5 Cancellation of Application for Service

Applications for service may be cancelled, prior to commencement of services, subject to the following conditions:

2.12.5.1 Where, prior to receiving notice of cancellation, the Company incurs any expense installing or preparing to install the service or in connection with special construction, or where special arrangements of facilities or equipment have begun, a charge equal to the costs incurred, less net salvage, applies. In such cases, the charge will be based on such elements as the cost of the equipment, facilities, and material, the cost of installation, engineering, labor, and supervision, general and administrative expense, other disbursements, depreciation, maintenance, taxes, provision for return on investment, and any other costs associated with the special construction or arrangements.

2.12.5.2 In no case shall the charges exceed the sum of (a) the charge for the minimum period of service ordered, including installation charges, and (b) all charges levied by other parties against the Company that would have been chargeable to the Customer had service begun.

2.12.6 Cancellation of Service Order

Service Orders upon which delivery has commenced may not be cancelled except as specified in the applicable Service Order and subject to the cancellation payment identified for the contracted minimum call volume.

2.12.7 Changes in Service Requested

If the Customer makes or requests material changes in circuit engineering, equipment specifications, service parameters, premises locations, or otherwise materially modifies any provision of the application for service, the Customer's installation fee shall be adjusted accordingly.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.13 Disputed Charges

2.13.1 All bills are presumed accurate, and shall be binding on the Customer unless objection is received by the Company within 180 days. A disputed charge may be brought to the Company's attention by verbal or written notification. All charges remain due and payable at the due date, although the Customer is not required to pay *any disputed charges* during the time period in which the Company conducts its investigation into the charges. The undisputed portion and subsequent bills must be paid on a timely basis, or the service may be subject to disconnection.

In the event that a billing dispute between the Customer and the Company for service furnished to the Customer cannot be settled with mutual satisfaction, the Customer may take the following course of action:

2.13.1.1 The Customer may request, and the Company will provide, an in-depth review of the disputed amount. During the period that the disputed amount is under investigation, the Company shall not pursue any collection proceedings or assess late fees with regard to the disputed amount.

2.13.1.2 If there is still a disagreement about the disputed amount after investigation and review by the Company, the Customer may file an appropriate complaint with the Public Utilities Commission. The address of the Commission is:

State Capitol Building
500 East Capitol Avenue
Pierre, SD 57501-5070
Toll-free: (800) 332-1782
TTY Through Relay South Dakota: (800) 877-1113

2.13.2 Billing inquiries may be directed to the Company toll free at (800) 435-7063.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.14 Allowances for Interruptions in Service

2.14.1 Interruptions in service, which are not due to the negligence of, or noncompliance with the provisions of this tariff by, the Customer or the operation or malfunction of the facilities, power or equipment provided by the Customer, will be credited to the Customer as set forth in 2.14.2, for the part of the service that the interruption affects.

2.14.2 **Credit for Interruptions**

2.14.2.1 A credit allowance will be made when an interruption occurs because of a failure of any component furnished by the Company under this tariff. An interruption period begins when the Customer reports a service, facility or circuit to be interrupted and releases it for testing and repair. An interruption period ends when the service, facility or circuit is operative. If the Customer reports a service, facility or circuit to be inoperative but declines to release it for testing and repair, it is considered to be impaired, but not interrupted. No credit allowance will be made for a service facility or circuit considered by the Company to be impaired.

2.14.2.2 For calculating credit allowances, every month is considered to have 30 days. A credit allowance is applied on a pro rata basis against the rate, specified hereunder and is dependent upon the length of the interruption. Only those facilities on the interrupted portion of the circuit will receive a credit.

2.14.2.3 At the Customer's request, a credit allowance for a continuous interruption of service for more than twenty-four (24) hours will be made in an amount to be determined by the Company on a case-by-case basis.

2.14.2.4 In the event the User is affected by such interruption for a period of less than twenty-four (24) hours, no adjustments will be made. No adjustments will be earned by accumulating non-continuous periods of interruption.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.14 **Allowances for Interruptions in Service** (Cont'd)

2.14.3 **Limitations on Allowances**

No credit allowance will be made for:

(a) interruptions due to the negligence of, or noncompliance with the provisions of this tariff by, the Customer, authorized user, joint user, or other common carrier providing service connected to the service of the Company;

(b) interruptions due to the negligence of any person other than the Company, including but not limited to the Customer or other common carriers connected to the Company's facilities;

(c) interruptions due to the failure of power, equipment, systems or services not provided by the Company;

(d) interruptions of service during any period in which the Company is not given full and free access to its facilities and equipment for the purpose of investigating and correcting interruptions;

(e) interruptions of service during a period in which the Customer continues to use the service on an impaired basis;

(f) interruptions of service during any period when the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements; and

(g) interruption of service due to circumstances or causes beyond the control of Company.

(h) interruptions that occur or continue to occur due to the Customer's failure to authorize replacement of any element of special construction; and

(i) interruptions that were not reported to the Company within thirty (30) days of the date that service was affected.

SECTION 2. TERMS AND CONDITIONS (Cont'd)

2.15 **Transfers and Assignments**

Neither the Company nor the Customer may assign or transfer its rights or duties in connection with the services and facilities provided by the Company without the written consent of the other party, except that the Company may, after receiving any required approvals from the Public Utilities Commission, assign its rights and duties (a) to any subsidiary, parent company or affiliate of the Company, (b) pursuant to any sale or transfer of the assets of the Company, or (c) pursuant to any financing, merger or reorganization of the Company.

2.16 **Notices and Communications**

2.16.1 The Customer shall designate on the Service Order an address to which the Company shall mail or deliver all notices and other communications, except that Customer may also designate a separate address to which the Company's bills for service shall be mailed.

2.16.2 The Company shall designate on the Service Order an address to which the Customer shall mail or deliver all notices and other communications, except that Company may designate a separate address on each bill for service to which the Customer shall mail payment on that bill.

2.16.3 All notices or other communications required to be given pursuant to this tariff will be in writing. Notices and other communications of either party, and all bills mailed by the Company, shall be presumed to have been delivered to the other party on the third business day following placement of the notice, communication or bill with the U.S. Mail or a private delivery service, prepaid and properly addressed, or when actually received or refused by the addressee, whichever occurs first.

2.16.4 The Company or the Customer shall advise the other party of any changes to the addresses designated for notices, other communications or billing, by following the procedures for giving notice set forth herein.

2.17 **Temporary Promotional Programs**

2.17.1 The Company may establish temporary promotional programs wherein it may waive or reduce non-recurring or recurring charges, to introduce present or potential Customers to a service not previously received by the Customers. Insofar as required by Commission regulations, the Company will file notice of its proposed promotions with the Commission.

SECTION 3. EXPLANATION OF RATES

The regulations set forth in this section explain how to apply the rate table associated with the various services offerings described in Section 4.

3.1 Timing of Calls

3.1.1 Billing for calls placed over the Company's underlying carrier's network is based on the duration of the call. Timing begins when the called station is answered, as determined by standard industry methods generally in use for ascertaining answers, including answer supervision hardware by which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. Timing ends when either party hangs up.

3.2 Computation of Charges

3.2.1 Calls will be billed in increments consisting of an initial period followed by additional periods (which may be of the same duration as or different duration than the initial period) as specified within the applicable service description set forth in Section 4 below.

3.3 Credit for Incomplete Calls and Wrong Numbers

3.3.1 The Company will not knowingly charge for incomplete calls or wrong numbers. Upon the Customer's request and proper verification, the Company shall promptly adjust and credit the Customer's account for charges or payment for any such calls.

SECTION 4. DESCRIPTIONS OF SERVICES

The following services are provided to Business Customers subject to a Minimum Call Volume as described within this tariff and specified in Section 5.

4.1 1+ Long Distance

1+ Long Distance Service is a dedicated or switched long distance message telecommunications service provided between points located within the State. Except as otherwise stated, dedicated 1+ Long Distance calls are billed in initial 18-second increments and additional increments of 6 seconds and switched 1+ Long Distance calls are billed in initial 18-second increments and additional increments of 6 seconds.

4.2 Toll Free Service

Toll Free Service is a telecommunications service which allows a caller to place calls to a Customer at no cost to the calling party by dialing a telephone number that is assigned to a Customer Premises and that employs a toll-free area code. Except as otherwise stated, toll free service is billed in initial 18-second increments and additional increments of 6-seconds.

4.3 Special Calling Plans

These calling plans are offered in addition to the services generally made available by the Company. Customers contracting for these plans are eligible for discounted pricing based upon specific revenue or term commitments.

4.3.1 Calling Plan A

This rate plan is available to customers contracting to purchase services with a minimum total revenue commitment of $75,000,000.

4.4 Intrastate Calling Card Service

The Company will provide its Customers with calling cards for the purpose of enabling the customer to access the Company's long distance services from locations other than the Customer's premises.

Issued by: Robert A. Mansbach, Asst. General Counsel
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Bethesda, MD 20817

SECTION 5. RATE SCHEDULES

All services are available only to customers purchasing a Minimum Call Volume of $60,000/year. This MCV may be met as described in Section 1 of this Tariff.

5.1 1+ Long Distance Rates

IntraLATA 1+

ON-ON				OFF-ON				OFF-OFF			
Peak		Off-Peak		Peak		Off-Peak		Peak		Off-Peak	
Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.
0.0185	0.0062	0.0130	0.0043	0.0317	0.0106	0.0239	0.0080	0.0462	0.0154	0.0368	0.0123

InterLATA 1+

ON-ON				OFF-ON				OFF-OFF			
Peak		Off-Peak		Peak		Off-Peak		Peak		Off-Peak	
Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.
0.0185	0.0062	0.0130	0.0043	0.0317	0.0106	0.0239	0.0080	0.0462	0.0154	0.0368	0.0123

5.2 Toll Free Long Distance Rates

IntraLATA Toll-Free

OFF-ON				OFF-OFF			
Peak		Off-Peak		Peak		Off-Peak	
Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.
0.0403	0.0134	0.0317	0.0106	0.0599	0.0200	0.0572	0.0191

InterLATA Toll-Free

OFF-ON				OFF-OFF			
Peak		Off-Peak		Peak		Off-Peak	
Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.	Initial 18 sec.	Addtl. 6 sec.
0.0403	0.0134	0.0342	0.0114	0.0599	0.0200	.0572	0.0191

SECTION 5. RATE SCHEDULES (cont'd)

5.3 Special Calling Plan Rates

Calling Plan A customers are eligible for the following discounts:

Product	ON-ON		OFF-ON & ON-OFF		OFF-OFF	
	Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
IntraLATA 1+	36.6%	36.6%	22.6%	22.6%	22.7%	22.9%
InterLATA 1+	36.6%	36.6%	22.6%	22.6%	22.7%	22.9%
IntraLATA Toll Free	not applicable		22.7%	22.6%	22.9%	22.9%
InterLATA Toll Free			22.7%	22.5%	22.9%	22.9%

5.4 Intrastate Calling Card Service

[Reserved for future use]

5.5 Discounts

Customers contracting for a minimum of twelve months' services may be eligible for a discount of 9% from the above-listed prices. Customers may be eligible for additional discounts based upon either revenue/call volume or term length commitments.

5.6 Transitional Grandfathering Arrangements

The terms and conditions for services applicable to Corporate Plan customers will be grandfathered through January 31, 2002.

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Issued by: Robert A. Mansbach, Asst. General Counsel
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Issued by: Robert A. Mansbach, Asst. General Counsel
Lockheed Martin Global Telecommunications Services, Inc.
6560 Rock Spring Drive
Bethesda, MD 20817

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF LOCKHEED MARTIN GLOBAL TELECOMMUNICATIONS SERVICES, INC. FOR A CERTIFICATE OF AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICES IN SOUTH DAKOTA	)))))))	ORDER GRANTING CERTIFICATE OF AUTHORITY TC01-192

On December 11, 2001, the Public Utilities Commission (Commission), in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, received an application for a certificate of authority from Lockheed Martin Global Telecommunications Services, Inc. (LMGT Services).

LMGT Services proposes to offer a full range of 1+ interexchange services and data transmission services, including, but not limited to, MTS, private line, WATS, post-paid calling card, toll free, ISDN and frame relay service products. A proposed tariff was filed by LMGT Services. The Commission has classified long distance service as fully competitive.

On December 13, 2001, the Commission electronically transmitted notice of the filing and the intervention deadline of December 28, 2001, to interested individuals and entities. No petitions to intervene or comments were filed and at its January 24, 2002, meeting, the Commission considered LMGT Services' request for a certificate of authority. Commission Staff recommended granting a certificate of authority, subject to the condition that LMGT Services not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission. Commission Staff further recommended a waiver of ARSD 20:10:24:02(8).

The Commission finds that it has jurisdiction over this matter pursuant to SDCL Chapter 49-31, specifically 49-31-3 and ARSD 20:10:24:02 and 20:10:24:03. The Commission finds that LMGT Services has met the legal requirements established for the granting of a certificate of authority. LMGT Services has, in accordance with SDCL 49-31-3, demonstrated sufficient technical, financial and managerial capabilities to offer telecommunications services in South Dakota. Further, the Commission finds that there is good cause to waive ARSD 20:10:24:02(8). The Commission approves LMGT Services' application for a certificate of authority, subject to the condition that LMGT Services not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission. As the Commission's final decision in this matter, it is therefore

ORDERED, that LMGT Services' application for a certificate of authority is hereby granted, subject to the condition that LMGT Services not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission. It is

FURTHER ORDERED, that the Commission finds good cause to waive ARSD 20:10:24:02(8). It is

FURTHER ORDERED, that LMGT Services shall file informational copies of tariff changes with the Commission as the changes occur.

Dated at Pierre, South Dakota, this 11th day of February, 2002.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By Delaine Kolbo

Date 2/11/02

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg

JAMES A. BURG, Chairman

Pam Nelson

PAM NELSON, Commissioner

Robert K. Sahr

ROBERT K. SAHR, Commissioner

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

CERTIFICATE OF AUTHORITY

To Conduct Business As A Telecommunications Company
Within The State of South Dakota

Authority was Granted as of the date of the
Order Granting Certificate of Authority
Docket No. TC01-192

This is to certify that

LOCKHEED MARTIN GLOBAL TELECOMMUNICATIONS SERVICES, INC.

is authorized to provide interexchange telecommunications services in South Dakota, subject to the condition that it not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission.

This certificate is issued in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, and is subject to all of the conditions and limitations contained in the rules and statutes governing its conduct of offering telecommunications services.

Dated at Pierre, South Dakota, this 11th day of February, 2002.

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION:

JAMES A. BURG, Chairman

PAM NELSON, Commissioner

ROBERT K. SAHR, Commissioner