

LOCKHEED MARTIN CORP
Form 11-K
June 22, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS
AND SIMILAR PLANS PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One):

- Annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2014
- Transition report pursuant to Section 15(d) of the Securities Exchange Act of 1934**
Commission File Number: 1-11437

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

SAVINGS AND INCOME PLAN

Sandia Corporation

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P.O Box 5800, Mail Stop 0115

Albuquerque, NM 87185-0115

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

LOCKHEED MARTIN CORPORATION

6801 Rockledge Drive

Bethesda, MD 20817

Sandia Corporation Savings and Income Plan

Financial Statements and Supplemental Schedule

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Report of Independent Registered Public Accounting Firm

Plan Administrator of the Sandia Corporation

Savings and Income Plan and the

Sandia Corporation Investment Committee

We have audited the accompanying statements of net assets available for benefits of the Sandia Corporation Savings and Income Plan as of December 31, 2014 and 2013, and the related statement of changes in net assets available for benefits for the year ended December 31, 2014. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Sandia Corporation Savings and Income Plan at December 31, 2014 and 2013, and the changes in its net assets available for benefits for the year ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2014, has been subjected to audit procedures performed in conjunction with the audit of the Sandia Corporation Savings and Income Plan's financial statements. The information in the supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Mitchell & Titus, LLP

Washington, D.C.

June 22, 2015

Sandia Corporation Savings and Income Plan**Statements of Net Assets Available for Benefits****(in thousands)**

	December 31,	
	2014	2013
Assets		
Investments:		
Investments, at fair value	\$ 2,977,096	\$ 2,764,209
Receivables:		
Participant contributions		3,934
Sandia Corporation contributions		2,042
Notes receivable from participants	29,055	27,033
Total assets reflecting investments at fair value	3,006,151	2,797,218
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(9,506)	(10,938)
Net assets available for benefits	\$ 2,996,645	\$ 2,786,280

The accompanying notes are an integral part of these financial statements.

Sandia Corporation Savings and Income Plan
Statement of Changes in Net Assets Available for Benefits**(in thousands)**

	Year Ended December 31, 2014
Net assets available for benefits at beginning of year	\$ 2,786,280
Additions to net assets:	
Contributions:	
Participant	116,234
Employer	58,014
Total contributions	174,248
Investment income:	
Net appreciation in fair value of investments	169,443
Interest and dividends	31,968
Total investment income	201,411
Interest income on notes receivable from participants	942
Total additions	376,601
Deductions from net assets:	
Benefit payments	163,294
Administrative expenses	2,942
Total deductions	166,236
Change in net assets	210,365
Net assets available for benefits at end of year	\$ 2,996,645

The accompanying notes are an integral part of these financial statements.

Sandia Corporation Savings and Income Plan

Notes to Financial Statements

1. Description of Plan

The following description of the Sandia Corporation Savings and Income Plan (the Plan) provides only general information about the Plan's provisions. Participants should refer to the Plan document and Summary Plan Description for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan covering the majority of employees of Sandia Corporation (the Corporation) who have attained age 21. The Corporation is a wholly-owned subsidiary of Lockheed Martin Corporation (Lockheed Martin). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Fidelity Management Trust Company (FMTTC) serves as the trustee of the Plan, and Fidelity Investments Institutional Operations Company, Inc. (FIIOC) serves as the record-keeper of the Plan. The Corporation is the Plan Sponsor and Plan Administrator.

Contributions

Annually participants may contribute from 2% to 25% of their eligible earnings, as defined in the Plan document, in 1% increments, on a pre-tax, Roth and after-tax basis. The total allotment of pre-tax, Roth and after-tax basic and supplemental contributions cannot exceed the maximum amount permitted under the Internal Revenue Code.

In addition, each payroll period the Corporation contributes 6 $\frac{2}{3}$ % of the sum of each participant's pretax, Roth and after-tax basic contribution up to the first 6% of eligible earnings. The Plan allows participants aged 50 or older to make catch-up contributions as permitted by the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001.

Nonunion employees hired on or after January 1, 2009 are eligible for Enhanced Contributions, which are contributions made by the Corporation in the amount of 6% of eligible earnings per pay period until 15 years of service and then 7% is contributed thereafter. Office and Professional Employees International Union members hired on or after July 1, 2009, and Metal Trades Council members and Security Police Association members hired on or after July 1, 2010 are also eligible for Enhanced Contributions.

Participant Accounts

Each participant's account is credited with the participant's and the employer's contributions and the respective investment earnings or losses, less expenses, of the individual funds in which the account is invested.

Benefit Payments

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

Vesting

All participants are immediately vested in their contributions, the Corporation match and actual earnings thereon. Enhanced Contributions are 100% vested after the completion of 3 years of vesting service.

Forfeited Accounts

At December 31, 2014 and 2013, forfeited nonvested accounts totaled \$81,000 and \$48,000, respectively. These accounts will be used to reduce future employer contributions, Enhanced Contributions, and/or pay administrative expenses of the Plan. In 2014, employer contributions were reduced by \$300,000 from forfeited nonvested accounts.

Notes Receivable from Participants

Participants may borrow from their accounts a minimum of \$1,000 up to a maximum of the lesser of \$50,000 less the highest loan balance in the past 12 months or 50% of their vested account balance. Loan terms range from 12 months to 56 months. The loans are secured by the balance in the participant's account and bear interest at the prime rate at the date of the loan. Principal and interest are paid ratably through payroll deductions. A maximum of two loans are permitted at one time. Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest.

Sandia Corporation Savings and Income Plan

Notes to Financial Statements (continued)

Plan Termination

While it has not expressed any intent to do so, the Corporation may terminate the Plan at any time upon submission of written notice to the investment custodian, subject to the provisions of ERISA and any applicable collective bargaining agreements. In the event of the Plan's termination, participants will receive a payment equal to the total vested and unvested value of their accounts.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

The Plan invests in an interest income fund which holds synthetic guaranteed investment contracts (synthetic GICs) that are fully benefit-responsive (see Note 3). The Plan is required to report fully benefit-responsive investment contracts at fair value. However, contract value is the relevant measurement attribute for fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Statements of Net Assets Available for Benefits present the fair value of the fully benefit-responsive investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared using the contract value basis for fully-benefit responsive investment contracts.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Payment of Benefits

Benefits are recorded when paid.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would have been received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for

discussion of fair value measurements.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes gains and losses on investments bought and sold as well as held during the year. Interest income on notes receivable from participants is recorded on the accrual basis.

Administrative Expenses

The Corporation pays substantially all administrative expenses of the Plan, except for investment-related and record-keeping expenses, which are paid by the Plan. Expenses paid by the Plan are shown on the Statement of Changes in Net Assets Available for Benefits, and expenses paid by the Corporation are excluded from these financial statements.

Accounting Standards

In May 2015, the Financial Accounting Standards Board (FASB) issued new guidance that eliminates the current requirement to categorize within the fair value hierarchy investments with fair values measured at net asset value (NAV) using the practical expedient in Accounting Standards Codification (ASC) 820 Fair Value Measurement . The new guidance will require entities to disclose the fair values of such investments as a reconciling item between the balance sheet amounts and the amounts reported in the fair value hierarchy table. Entities will be required to continue to disclose information describing the nature and risks of the investments measured using the NAV practical expedient. The new disclosures are required for the Plan beginning on January 1, 2017. Early adoption is permitted. The new guidance only impacts footnote disclosures and will not impact the financial statements.

Sandia Corporation Savings and Income Plan

Notes to Financial Statements (continued)

3. Investments

General

The Plan invests in an interest income fund that holds synthetic guaranteed investment contracts (GICs) that are fully benefit-responsive with insurance companies and other financial institutions. Since the synthetic GICs are fully benefit-responsive, contract value is the most relevant measurement attribute for that portion of net assets available for benefits attributable to synthetic GICs. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. There are no reserves against the contract value for credit risk of the contract issuer or otherwise.

A synthetic GIC is a wrap contract paired with an underlying investment or investments, usually a portfolio of high-quality, intermediate term fixed income securities. A synthetic GIC credits a stated interest rate for a specified period of time. Investment gains and losses are amortized over the expected duration of the underlying investments through the calculation of the interest rate applicable to the Plan on a prospective basis. Synthetic GICs provide for a variable crediting rate and the issuer of the wrap contract provides assurance that future adjustments to the crediting rate cannot result in a crediting rate less than zero. The crediting rate is primarily based on the current yield-to-maturity of the covered investments, plus or minus amortization of the difference between the fair value and contract value of the covered investments over the duration of the covered investments at the time of computation. The crediting rate is most impacted by the change in the annual effective yield-to-maturity of the underlying securities, but is also affected by the differential between the contract value and the fair value of the covered investments. This difference is amortized over the duration of the covered investments. Depending on the change in duration from reset period to reset period, the magnitude of the impact to the crediting rate of the contract to market difference is heightened or lessened. The crediting rate is adjusted monthly.

Certain events limit the ability of the Plan to transact at contract value. Upon the occurrence of certain events, such as the Plan's failure to maintain its tax qualified status, the fair value of the investment in the synthetic GICs (if lower than its book value) may be repaid. No such events are currently known to have occurred, nor are any such events contemplated as probable by management of the Plan.

Under certain circumstances investment contracts may be terminated. Settlement upon termination will be at contract value unless the terms of the contract were not met or other events as described above trigger payment at fair value.

The Plan owns the investments underlying the synthetic GICs, which consist primarily of U.S. government securities, corporate debt obligations, and mortgage-backed and other asset-backed securities. As of December 31, 2014 and 2013, the fair values of the wrap contracts were not material. The average yield earned on the synthetic GICs was approximately 1.62% and 1.66% for the years ended December 31, 2014 and 2013, respectively. The average yield credited to participants' accounts was approximately 1.69% and 1.54% for the years ended December 31, 2014 and 2013, respectively.

Primarily as a result of the Plan's investment in certain common/collective trusts, the Plan's assets may be invested from time to time in derivative financial instruments. These financial instruments are generally used for liquidity purposes. The Plan's exposure to derivatives is limited to its investment in these common/collective trusts. At

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December 31, 2014 and 2013, the Plan's financial exposure related to derivatives was not material.

Individual investments that represent 5% or more of the Plan's net assets available for benefits are as follows (in thousands):

	December 31, December 31,	
	2014	2013
BlackRock All Country World Index ex U.S. Index Fund	\$ 152,765	\$ 152,641
Dimensional Fund Advisors U.S. Small Cap Portfolio		142,920
Fidelity Contrafund	435,150	448,816
Fidelity Growth Company Pool	255,022	241,420
Fidelity U.S. Equity Index	425,440	372,148
Interest Income Fund	531,448	556,693

Sandia Corporation Savings and Income Plan

Notes to Financial Statements (continued)

Fair Value of Assets

The accounting standard for fair value measurements defines fair value, establishes a market-based framework or hierarchy for measuring fair value, and expands disclosures about fair value measurements. The standard is applicable whenever assets and liabilities are measured and included in the financial statements at fair value.

The fair value hierarchy established in the standard prioritizes the inputs used in the valuation techniques into three levels as follows:

Level 1 Quoted prices in active markets for identical assets and liabilities;

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar instruments, quoted prices for identical or similar instruments in inactive markets, and amounts derived from valuation models where all significant inputs are observable in active markets; and

Level 3 Unobservable inputs where valuation models are supported by little or no market activity that one or more significant inputs are unobservable and require us to develop relevant assumptions.

The following table presents the fair value of the assets in the Plan by asset category and their level within the fair value hierarchy as of December 31, 2014 and their appreciation (depreciation) for the year ended December 31, 2014 (in thousands):

	Level 1	Level 2	Total	Appreciation (Depreciation)
Company Common Stock Fund	\$ 116,357	\$	\$ 116,357	\$ 24,525
Mutual funds:				
U.S. equities	193,914		193,914	5,479
International equities	62,817		62,817	(11,564)
U.S. bonds	788		788	
Common/collective trusts		1,968,282	1,968,282	150,927
Guaranteed investment contracts		531,448	531,448	
Managed separate accounts	103,490		103,490	76
Total investment assets at fair value	\$ 477,366	\$ 2,499,730	\$ 2,977,096	\$ 169,443
Adjustment from fair value to contract value for fully-benefit responsive investment contracts			(9,506)	
Total net assets			\$ 2,967,590	

Sandia Corporation Savings and Income Plan

Notes to Financial Statements (continued)

The following table presents the fair value of the assets in the Master Trust by asset category and their level within the fair value hierarchy as of December 31, 2013 (in thousands):

	Level 1	Level 2	Total
Company Common Stock Fund	\$ 79,774	\$	\$ 79,774
Mutual funds:			
U.S. equities	878,669		878,669
International equities	69,372		69,372
U.S. bonds	84,544		84,544
Common/collective trusts		1,073,708	1,073,708
Guaranteed investment contracts		556,693	556,693
Managed separate accounts		21,449	21,449
Total investment assets at fair value	\$ 1,112,359	\$ 1,651,850	\$ 2,764,209
Adjustment from fair value to contract value for fully-benefit responsive investment contracts			(10,938)
Total net assets			\$ 2,753,271

There are no financial assets or liabilities categorized as Level 3 in the Plan as of December 31, 2014 or December 31, 2013. During 2014, the Plan had no financial assets or liabilities that were transferred between Levels 1, 2, and 3.

Valuation Techniques

The fair value of the Company Common Stock Fund, which consists primarily of Lockheed Martin common stock, is the combined fair value of the underlying common stock and short-term cash position of the fund. The fair value of the common stock portion of the fund is based on the closing price of the common stock on its primary exchange. The short-term cash portion of the fund is recorded at cost, which approximates fair value.

Mutual funds are valued at the net asset value of shares held by the Plan at year-end reported on the active market on which the individual securities are traded. Common/collective trusts and managed separate accounts are valued at the net asset value of units or shares held by the Plan at year-end; the net asset value for these investments is corroborated by observable market data (e.g., purchases or sales activity). Units in common/collective trusts may be redeemed on a daily basis. The fair value of the GICs is equal to the fair value of the underlying assets, which are valued at representative quoted market prices.

The valuation methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to

determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

4. Parties-in-Interest Transactions

The following transactions are considered to be party-in-interest transactions for which a statutory exemption from the prohibited transaction regulations exist:

The Plan held 591,639 and 525,345 shares of Lockheed Martin common stock within the Company Common Stock Fund as of December 31, 2014 and 2013, respectively. Dividends earned by the Plan on Lockheed Martin common stock were \$3,061,851 for the year ended December 31, 2014.

The Plan paid \$2,942,000 in expenses to FIIOC, the record-keeper, for the year ended December 31, 2014. Certain plan investments are managed by affiliates of the Plan's trustee.

In addition, notes receivable from participants are considered to be party-in-interest transactions for which a statutory exemption from the prohibited transaction regulation exists.

Sandia Corporation Savings and Income Plan

Notes to Financial Statements (continued)

5. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service (IRS) dated March 13, 2014, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, is exempt from taxation.

GAAP requires plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2014, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions. The plan administrator believes it is no longer subject to federal tax examinations for years prior to 2012.

6. Reconciliation of Financial Statements to Form 5500

The accompanying financial statements present fully benefit-responsive investment contracts at contract value. The Form 5500 requires fully benefit-responsive investment contracts to be reported at fair value. Therefore, net assets available for plan benefits and total additions to net assets available for plan benefits on the Form 5500 exceeded the related amounts on the financial statements by \$9,506,000 and \$10,938,000 as of December 31, 2014 and 2013, due to the adjustment from fair value to contract value for fully benefit-responsive investment contracts.

Sandia Corporation Savings and Income Plan

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

(in thousands)

December 31, 2014

Identity of Issue, Borrower, Lessor, or Similar Party and Description	Number of Shares or Units	Current Value
* Interest Income Fund	521,942	\$ 531,448
* Company Common Stock Fund	1,001	116,357
Dimensional Fund Advisors U.S. Small Cap Portfolio	4,339	135,156
* Fidelity Contrafund	39,812	435,150
* Fidelity Growth Company Pool	21,270	255,022
* Intermediate Bond Custom Fund	8,339	84,221
* Fidelity Institutional Money Market	788	788
Templeton Foreign Fund	9,144	62,817
T. Rowe Price Large-Cap Value Fund	2,852	58,758
BlackRock Strategic Completion Fund	423	4,237
BlackRock All Country World Index ex U.S Index Fund	8,473	152,765
Fidelity U.S. Equity Index	5,424	425,440
* Harding Loevner Emerging Markets Collective Investment Fund	586	5,895
SSGA U.S. Bond Index	7,814	129,391
Vanguard Target Retirement	1,009	45,310
Vanguard Target 2010	46	1,975
Vanguard Target 2015	1,375	59,758
Vanguard Target 2020	2,500	109,118
Vanguard Target 2025	2,319	99,860
Vanguard Target 2030	1,409	60,229
Vanguard Target 2035	1,074	46,163
Vanguard Target 2040	1,115	48,733
Vanguard Target 2045	1,200	52,314
Vanguard Target 2050	695	30,499
Vanguard Target 2055	103	5,507
Vanguard Target 2060	33	916
Luther King Capital Management Small-Mid Cap Fund	1,427	19,269
* Notes receivable from participants (interest rate of 3.25%; varying maturities)		29,055
Total investments		\$ 3,006,151

* Indicates party-in-interest to the Plan.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Employee Benefits Committee, as Plan Administrator, has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Sandia Corporation Savings and Income Plan, by
Employee Benefits Committee as Plan Administrator

Date: June 22, 2015

by: /s/ Jane Farris
Jane Farris, Senior Manager,

Pension Fund and Savings Plan Department, Sandia
Corporation

EXHIBIT INDEX

Exhibit Number	Description
23	Consent of Independent Registered Public Accounting Firm