

LOCKHEED MARTIN CORP
Form DEF 14A
March 14, 2014
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14a-6(e) (2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to ss.240.14a-12

LOCKHEED MARTIN CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

“We are committed to our stockholders and want to hear what you have to say. Please vote your shares in person or by proxy.”

Marilyn Hewson

March 14, 2014

Dear Fellow Stockholders:

On behalf of the Board of Directors, I would like to invite you to attend our 2014 Annual Meeting of Stockholders. We will meet on Thursday, April 24, 2014, at 10:30 a.m. Central Daylight Savings Time, at the Hilton Sandestin Beach, 4000 Sandestin Boulevard South, Destin, Florida 32550. Prior to the meeting, you are invited to join the Board of Directors and senior management at a reception at 10:00 a.m.

Our friend and colleague, Robert J. Stevens, ended his service as a member of our Board of Directors and as Executive Chairman effective December 31, 2013. We are extremely grateful for his many valuable contributions to our Corporation and the Board of Directors.

In 2013, our industry experienced challenges in the face of a declining global economic environment. To maintain our leadership in the industry, we took decisive actions to maintain a strong management team, shape our business portfolio and align operations around the realities of our market and opportunities for the future. We delivered strong performance that enabled us to:

- generate total stockholder return of 68 percent;
- attain record levels for several key financial metrics; and
- increase our dividend by more than 15 percent.

We remain committed to achieving long-term business growth and delivering value to our stockholders by executing on sound business strategies, diligent risk oversight, top-quality talent development, and robust succession planning. During the last year, we strengthened our focus on corporate sustainability, investor engagement, and executive compensation best practices. Based on direct feedback from our investors and stakeholders, we have adopted additional improvements to our governance and compensation programs.

Your vote is important. We urge you to vote promptly, even if you plan to attend the Annual Meeting. The accompanying Notice and Proxy Statement provide information about the matters on which you may vote, our leadership changes, and our 2013 results. Thank you for your continued support of Lockheed Martin. I look forward to seeing you at the Annual Meeting.

Sincerely,

Marilyn A. Hewson
Chairman, President and Chief Executive Officer

Lockheed Martin Corporation
6801 Rockledge Drive Bethesda MD 20817

Notice of 2014 Annual Meeting of Stockholders

Thursday, April 24, 2014

10:30 a.m. Central Daylight Savings Time

Hilton Sandestin Beach, 4000 Sandestin Boulevard South, Destin, Florida 32550

Lockheed Martin Corporation stockholders of record at the close of business on February 21, 2014 are entitled to receive notice of, and to vote at, the Annual Meeting.

Items of Business:

1. Election of 12 director-nominees to serve on the Board for a one-year term ending at next year's Annual Meeting.
2. Ratification of the appointment of Ernst & Young LLP, an independent registered public accounting firm, as our independent auditors for 2014.
3. Advisory vote to approve the compensation of our named executive officers.
4. Management proposal to amend the Corporation's Amended and Restated 2011 Incentive Performance Award Plan to authorize and reserve 4,000,000 additional shares.
5. Consideration of three stockholder proposals described in the accompanying Proxy Statement, if properly presented at the Annual Meeting.
6. Consideration of any other matters that may properly come before the meeting.

We have enclosed our 2013 Annual Report to Stockholders. The report is not part of the proxy soliciting materials for the Annual Meeting.

Please vote your shares at your earliest convenience. This will help us to ensure the presence of a quorum at the meeting. Promptly voting your shares via the Internet, by telephone, or by signing, dating, and returning the enclosed proxy card will save the expense of additional solicitation. If you wish to vote by mail, we have enclosed a self-addressed, postage prepaid envelope. Submitting your proxy now will not prevent you from voting your shares at the meeting, as your proxy is revocable at your option.

For security reasons before being admitted into the Annual Meeting, you must present your admission ticket or proof of ownership and a valid photo identification. All hand-carried items will be subject to inspection, and all bags, briefcases, or packages must be checked.

Sincerely,

Maryanne R. Lavan

Senior Vice President, General Counsel and Corporate Secretary

March 14, 2014

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be Held on April 24, 2014: The 2014 Proxy Statement and 2013 Annual Report are available at <http://www.lockheedmartin.com/investor>.

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The Board of Directors (the “Board”) of Lockheed Martin Corporation (the “Corporation”) is providing the Notice of 2014 Annual Meeting of Stockholders, this Proxy Statement, and the proxy card (“Proxy Materials”) in connection with the Corporation’s solicitation of proxies to be voted at the Annual Meeting of Stockholders (the “Annual Meeting”) to be held on April 24, 2014, at 10:30 a.m. Central Daylight Savings Time, at the Hilton Sandestin Beach, 4000 Sandestin Boulevard South, Destin, Florida 32550, and at any adjournment or postponement thereof. Proxy Materials or a Notice of Internet Availability were first sent to stockholders on or about March 14, 2014.

PROXY SUMMARY

This summary highlights information contained elsewhere in our Proxy Statement. The summary does not contain all of the information that you should consider, and we encourage you to read the entire Proxy Statement carefully.

2013 Performance Highlights**STOCKHOLDERS BENEFIT FROM LOCKHEED MARTIN’S STRONG PERFORMANCE****\$82.6 BILLION RECORD YEAR-END BACKLOG**

Financial Goals*	2013 Goals (\$)	2013 Actual (\$)	2013 Assessment
Orders	41,750 – 43,250M	45,621M	Exceeded
Sales	44,500 – 46,000M	45,358M	Achieved
Segment Operating Profit*	5,175 – 5,325M	5,752M	Exceeded
Cash From Operations	≥ 4,000M	4,546M	Exceeded

We use the following non-GAAP terms in this Proxy Statement – “Segment Operating Profit,” “Return on Invested Capital (ROIC),” and “Performance Cash” – which are defined in Appendix A. Please refer to Appendix A for an explanation of these terms as well as our disclosure regarding forward-looking statements concerning future performance or goals for future performance.

*

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Corporate Governance and Business Conduct Best Practices

Our Governance Profile Reflects Best Practices

Diverse Representation on Board of Directors; One-Third of Our Directors Are Women

Mandatory Director Retirement Policy

Directors are Elected Annually by a Simple Majority of Votes Cast

Resignation Policy for Directors in Failed Elections

Over 95% Average Board Meeting Attendance in 2013

Director Attendance at Annual Meeting

Regular Executive Sessions of Non-Management Directors

Eleven of Twelve Directors are Independent

Independent Lead Director With Broad Authority and Responsibility

Stockholders and All Interested Parties May Communicate With the Lead Director by Email at *Lead.Director@lmco.com*

Director Stock Ownership Guidelines With a Multiple of Five Times (5X) Annual Cash Retainer

Policy Prohibiting Pledging or Hedging of Our Stock by Directors and Employees

Overboarding Policy

Corporate Sustainability

Named to the 2013 Dow Jones Sustainability North America Index

Named One of the Top Companies Worldwide on the CDP (Carbon Disclosure Project) 2013 Global Carbon Performance Leadership Index

Received 2013 Responsible CEO of Year Award by CR (Corporate Responsibility) Magazine

Published Our Annual Sustainability Report

Ethics Policy

Human Rights Policy

“Go Green” Environmental Stewardship Initiatives

Disclosure of Corporate Political Contributions

Placed in the Top Quartile of the CPA–Zicklin Index of Corporate Political Accountability and Disclosure

Target Zero Workplace Safety Program

Board-Level Committee With Ethics and Sustainability Oversight

Long-Standing Investor Engagement Program

We welcome the opportunity to communicate with you, our stockholders, and share our approach to governance. Throughout the year, we conduct governance reviews and investor outreach so that we understand and consider the issues that matter most to our stockholders. Our commitment to the interests of our stockholders is a key component of our governance strategy and compensation philosophy. During 2013, we held over 40 meetings or phone conversations with our largest investors, who represent more than 40 percent of the Corporation’s outstanding shares.

In our 2013 proxy statement, we described changes to our executive compensation programs we were adopting in response to investor input after our 2012 Annual Meeting and our review of best practices. At our 2013 Annual Meeting, more than 85% of those who voted approved the compensation of our named executive officers (“NEOs”). This significant increase in support from the prior year underscored the impact of the many compensation changes implemented during 2013.

Following the 2013 Annual Meeting, we continued to seek investor feedback including changes to the executive compensation programs described in the 2013 proxy statement. All of the investors with whom we spoke reacted positively to the changes we made to our 2013 executive compensation programs.

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Executive Compensation Summary

2013 Compensation Reflects Changes Adopted in 2012

• **Burn Rate.** Number of shares used for equity grants in 2013 as well as in 2014 is significantly less than shares used in prior years.

• **Alignment with Stockholder Interests.** Nearly three quarters of the Chief Executive Officer’s (“CEO”) target compensation opportunity is granted in the form of long-term incentives, of which the vast majority is equity-based, directly aligning with stockholder interests.

• **Pay for Performance.** 70% of the 2013 target long-term incentives granted to the CEO will be earned based upon achievement of specific and measurable goals approved at the beginning of 2013.

• **Performance Metrics.** 2013 annual incentive compensation assessment reflects pre-established financial, strategic, and operational goals with the financial goals weighted the heaviest at 60% and, at the enterprise level, based on publicly disclosed guidance provided to investors.

• **Market-Based Compensation.** For 2013, base salary, annual incentive target amount, and long-term incentive target for all NEOs is at or below the 50th percentile of our comparator group.

2013 Pay Aligns to Performance

• Our 2013 annual incentive bonus paid above target, reflecting record-setting financial results as well as key strategic and operational accomplishments.

• The 2011-2013 Long-Term Incentive Performance (“LTIP”) award paid out at 139.7%, based on our three-year Performance Cash generation and return on invested capital (“ROIC”) and our three-year total stockholder return (“TSR”) placing us in the 95th percentile of the S&P Industrials index.

Voting Matters and Board’s Voting Recommendations

Management Proposals:	Board’s Voting Recommendations	Page
Election of 12 Director-Nominees (Proposal 1)	FOR ALL DIRECTOR-NOMINEES	19
Ratification of Ernst & Young LLP as Independent Auditors for 2014 (Proposal 2)	FOR	26
Advisory Vote to Approve the Compensation of our Named Executive Officers (“Say-on-Pay”) (Proposal 3)	FOR	27
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Management Proposal to Amend the Corporation's Amended and Restated
2011 Incentive

Performance Award Plan to Authorize and Reserve 4,000,000 Additional
Shares (**Proposal 4**)

Stockholder Proposals:

Stockholder Action by Written Consent (Proposal 5)	AGAINST	78
Adopt a Policy Requiring that Senior Executives Retain a Significant Percentage of Shares	AGAINST	79
Acquired Through Equity Compensation Until Retirement Age (Proposal 6)		
Amend the Corporation's Clawback Policy for Executive Incentive Compensation (Proposal 7)	AGAINST	81

You can vote in the following ways:

By Internet

Visit
<http://www.investorvote.com>

By Telephone

In the United States,
Canada, and Puerto
Rico, call
1-800-652-8683; outside
the
United States call
1-781-575-2300.

By Mail

Mark, date, and sign
your
proxy card or voting
instruction form and
return it
in the accompanying
postage-paid envelope.

QR Code

Scan this QR
code to vote
with your mobile
device.

In Person

Attend the
meeting to vote
in person.

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CORPORATE GOVERNANCE

Lockheed Martin has a culture dedicated to ethical behavior and responsible corporate activity. This commitment is reflected in our core values: “Do What’s Right;” “Respect Others;” and “Perform with Excellence.” These values are shared across Lockheed Martin and are the foundation of our commitment to sustainability: “Fostering innovation, integrity and security to protect the environment, strengthen communities and propel responsible growth.”

Lockheed Martin’s Code of Ethics and Business Conduct (“Code of Conduct”) has been in place since the Corporation was formed in 1995. The Code of Conduct (which is available on the Corporation’s website at http://ethics.corp.lmco.com/ethics/code_of_conduct.cfm) applies to all Board members, officers, and employees and provides our policies and expectations on a number of topics, including our commitment to good citizenship, promoting a positive and safe work environment, providing transparency in our public disclosures, avoiding conflicts of interest, honoring the confidentiality of sensitive information, preservation and use of company assets, compliance with all laws, and operating with integrity in all that we do. To implement this Code of Conduct, Board members, officers, and employees participate annually in ethics training. There were no waivers from any provisions of our Code of Conduct or amendments applicable to any Board member or executive officer in 2013.

In 2013, Lockheed Martin issued a Supplier Code of Conduct that applies to all our suppliers and requires compliance by our suppliers in their own business conduct.

Corporate Sustainability

The Ethics and Sustainability Committee of the Board oversees sustainability efforts in corporate responsibility, human rights, environmental stewardship, employee health and safety, ethical business practices, community outreach, philanthropy, diversity, inclusion, and equal opportunity, and the Corporation’s record of compliance with related laws and regulations.

The Corporate Sustainability Council, comprised of business area and functional executives, governs and directs corporate-wide sustainability efforts to generate long-term environmental and social benefits for all stakeholders. The council meets three times a year and is chaired by the Vice President, Ethics and Sustainability, who reports directly to the CEO and the Ethics and Sustainability Committee of our Board.

Corporate sustainability is part of our business strategy. It influences our operations and informs our decision-making at every stage of our business lifecycle. In 2013, we:

Conducted a sustainability core issues assessment and developed a Sustainability Management Plan to effectively manage, measure, and disclose performance. Through deliberate engagement of internal and external stakeholders, we identified and prioritized six core non-financial issues that are integral to business success and resiliency. This core issues platform includes Governance, Information Security, Supplier Sustainability, Product Performance, Resource Efficiency, and Talent Competitiveness. Performance against the plan will be reported to the Corporate Sustainability Council twice a year.

Published our annual Sustainability Report. The report discloses performance indicators on our environmental, social, and governance responsibilities, and conforms to the Global Reporting Initiative (GRI) 3.1 Standard. Based primarily on disclosures in this report, we were named to the prestigious Dow Jones Sustainability North America Index for the first time. A copy of the report is available at <http://www.lockheedmartin.com/sustainability>.

Established an Independent Insights Group advisory panel. The group of advisors represents expertise in academia, business sustainability, law, and government, and will provide guidance to strengthen our sustainability programming and reporting.

Convened an international stakeholder engagement session. The purpose of the session, held in London, UK with industry stockholder, government, and academic participants, was to collect input on our sustainability reporting, program goals, programs, and plans. The input has contributed to our ongoing assessment of environmental, social and governance issues and their possible impact on our performance.

Achieved year-over-year reductions through our Go Green initiative and established new reduction targets for 2020. Our reductions in carbon emissions, use of water, and waste in operations through our Go Green initiative are described in further detail in our Sustainability Report at <http://www.lockheedmartin.com/sustainability>.

Maintained leadership status for carbon disclosure. Our expanded disclosure of Scope 1, 2, and 3 carbon measurement and reductions in our operations is included in the CDP and can be found at <http://www.lockheedmartin.com/content/dam/lockheed/data/corporate/documents/Sustainability/2013-investor-cdp-response.pdf>.

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Supplier and Community Engagement

In 2013, we:

- Achieved \$5.8 billion in total spending with 10,401 small diverse businesses, including businesses owned by women, veterans, service-disabled veterans, small, disadvantaged businesses, and historically under-utilized business zones.
- Provided training and mentorship to develop 10 protégé small businesses under 11 agreements within several government agency mentor protégé programs.
- Enhanced cyber security protection in the supply chain by partnering with suppliers to implement two factor authentication for external access to Lockheed Martin corporate systems.
- Hired 2,490 military veterans, representing approximately 37 percent of all external hires.

Contributed more than \$25 million to 1,175 charitable organizations in our communities, with special emphasis on those focused on support for the military and veterans and on science, technology, engineering, and math (STEM) education. Separately, our employees contributed more than \$20 million of their own money and reported volunteering more than 800,000 hours to worthy causes. Since 2002, employees have volunteered more than 11 million hours of their personal time in service to their communities.

Corporate Governance Guidelines

Lockheed Martin is committed to maintaining and practicing the highest standards of corporate governance. The Board has adopted Corporate Governance Guidelines that describe the framework within which the Board and its committees oversee the governance of the Corporation. The current Corporate Governance Guidelines are available on the Corporation's website at <http://www.lockheedmartin.com/corporate-governance>, by clicking on "Corporate Governance Guidelines." The Nominating and Corporate Governance Committee ("Governance Committee") regularly assesses our governance practices in light of new or emerging trends and best practices.

Our Corporate Governance Guidelines cover a wide range of subjects, including: the role of the Board and director responsibilities; the role and responsibilities of the Lead Director; a comprehensive Code of Ethics and Business Conduct; director nomination procedures and qualifications; director independence standards; a policy for the review, approval, and ratification of related person transactions; director orientation and continuing education; procedures for annual performance evaluations of the Board and the committees; director stock ownership guidelines; and a clawback policy for executive incentive compensation.

The Corporate Governance Guidelines state the Board's expectation that any incumbent director who receives more votes "AGAINST" his or her election than "FOR" his or her election is required to offer his or her resignation to the

Board, as well as set forth the procedures to be followed by the Board in considering whether to accept or reject the resignation.

In recent years, we have amended the Corporate Governance Guidelines to formally implement certain best governance practices and enhance the operation and effectiveness of the Board. In 2013, we changed the stock ownership guidelines for directors from two times (2X) the total annual retainer to five times (5X) the annual cash retainer within five years of joining the Board.

In addition, all directors and employees are prohibited from hedging or pledging transactions involving our stock either through corporate policy statements or the Corporate Governance Guidelines.

Role of the Board of Directors

The Board plays an active role in overseeing management and representing the interests of stockholders. Directors are expected to attend Board meetings, the meetings of the committees on which they serve, and the Annual Meeting. Between meetings, directors interact with the Chairman and CEO, the Lead Director, and other members of management and are available to provide advice and counsel to management.

In 2013, the Board met a total of nine times. All directors attended at least 75 percent of the total Board and committee meetings to which they were assigned. All incumbent directors attended the 2013 Annual Meeting except for Daniel F. Akerson who was elected to the Board on February 27, 2014.

The Board and the committees regularly schedule and hold executive sessions without any members of management present.

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Service on Other Boards

The Board recognizes that its members benefit from service on the boards of other companies and it encourages such service. The Board also believes, however, that it is critical that directors have the opportunity to dedicate sufficient time to their service on the Corporation's Board. Therefore, the Corporate Governance Guidelines provide that, without obtaining the approval of the Governance Committee:

- A director may not serve on the boards of more than four other public companies;
- If the director is an active chief executive officer or equivalent of another public company, the director may not serve on the boards of more than two other public companies;
- No member of the Audit Committee may serve on more than two other public company audit committees; and
- No member of the Management Development and Compensation Committee ("Compensation Committee") may serve on more than three other public company compensation committees. This policy was added in 2013 in acknowledgement of the increased workload on the Committee.

In addition, directors must notify the Chairman, Lead Director, and Senior Vice President, General Counsel and Corporate Secretary before accepting an invitation to serve on the board of any other public company.

Lead Director

The Board regularly reviews its leadership structure in light of the Corporation's then current needs, governance trends, internal assessments of Board effectiveness, and other factors. In accordance with our Bylaws and Corporate Governance Guidelines, the independent members of the Board annually elect one of the independent directors to serve as the Lead Director by the affirmative vote of a majority of the directors who have been determined to be "independent" for purposes of the New York Stock Exchange ("NYSE") listing standards. The Board has structured the role of the Lead Director with sufficient authority to serve as a counter-balance to management. The responsibilities specified in our Bylaws for the Lead Director are to:

- Preside as Chair at Board meetings while in executive sessions of the non-management members of the Board or executive sessions of the independent directors, or when the Chairman is ill, absent, incapacitated, or otherwise unable to carry out the duties of Chairman.

- Determine the frequency and timing of executive sessions of non-management directors and report to the Chairman on all relevant matters arising from those sessions, and invite the Chairman to join the executive session for further discussion as appropriate.

- Consult with the Chairman and CEO and committee chairs regarding the topics and schedules of the meetings of the Board and committees and approve the topics and schedules of Board meetings.
- Review and approve all Board and committee agendas and provide input to management on the scope and quality of and approve information sent to the Board.
- Assist with recruitment of director candidates and, along with the Chairman, may extend the invitation to a new potential director to join the Board.
- Act as liaison between the Board and management and among the directors and the committees of the Board.
- Serve as member of the Executive Committee of the Board.
- Serve as ex-officio member of each committee if not otherwise a member of the committee.
- Serve as the point of contact for stockholders and others to communicate with the Board.
- Recommend to the Board and committees the retention of advisors and consultants who report directly to the Board.
- Call a special meeting of the Board or of the independent directors at any time, at any place, and for any purpose.
- Perform all other duties as may be assigned by the Board from time to time.

The Lead Director and the committee Chairmen review and discuss the agendas for the meetings in advance of distribution of the agendas and related Board or committee material.

Mr. McCorkindale was elected by the independent directors and has served as the elected Lead Director for four consecutive years. Stockholders and other interested parties may communicate with the Lead Director by email at *Lead.Director@lmco.com*.

Positions of Chairman and Chief Executive Officer

The Board reviews and considers whether the positions of Chairman and CEO should be combined or separated as part of its regular review of the effectiveness of the Corporation's governance structure.

There are several effective models for corporate governance. For example, an independent chair is the dominant model in the UK, but a combined Chairman and CEO is the dominant model in the U.S. The Board believes that it must be independent and must provide strong and effective oversight, but also believes that the independent Board members should have the flexibility to respond to changing circumstances and choose the model that best fits the then-current situation.

In 2012, the Board reviewed its leadership structure in connection with Mr. Stevens' announcement of his plans to retire as CEO. At that time, the Board concluded that the transition to the new CEO would be best accomplished by having Mr. Stevens serve as Executive Chairman through 2013. This decision resulted in a separation of the roles of Chairman and CEO.

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The Board reviewed its governance options throughout 2013 and concluded that, following the departure of Mr. Stevens from the Board at the end of 2013, Ms. Hewson should be elected as Chairman, effective January 1, 2014. In reviewing the alternatives, the independent members of the Board considered materials cited by stockholders who submitted proposals to split the roles in prior years as to the reasons to separate the two positions as well as other governance studies. The independent members of the Board reviewed trends in stockholder proposals for separating the roles and noted that the Corporation's stockholders supported the Board's flexible approach in the past, voting against stockholder proposals requiring the separation of the roles in 2013 and 2012. In addition, the Board considered the role of the independent directors in the governance of the Corporation including the scheduling of an executive session of the independent directors at every Board meeting, regular Board review and consideration of the CEO succession plan, the scope of the duties of the independent Lead Director, and the oversight of the CEO's compensation by the Compensation Committee, a committee composed entirely of independent directors that is advised by an outside independent compensation consultant. The independent members of the Board also noted Ms. Hewson's strong performance as a leader in 2013, the fact that she would be the only representative of management on the Board beginning in 2014, and the desirability of having consolidated leadership engagement with government customers as well as the leadership of the U.S. Department of Defense and other agencies of the U.S. Government.

The Board believes that, at the present time, the Corporation is best served by allocating governance responsibilities between a combined Chairman and CEO and an independent Lead Director with robust responsibilities. This structure allows the Corporation to present a single face to the customer through the combined Chairman and CEO position while at the same time providing an active role and voice for the independent directors through the Lead Director position.

The independent directors plan to continue to examine our corporate governance policies and leadership structures on an ongoing basis to ensure that they continue to meet the Corporation's needs.

Succession Planning and Talent Management

Management has established bi-annual talent reviews that coincide with our business operating processes, as well as quarterly reviews within each of our operating businesses. During these reviews, the executive leadership team discusses succession plans for key positions and identifies top talent for development in future leadership roles. The Board is actively engaged in talent management. Annually, the Board evaluates our succession strategy and leadership pipeline for key roles. High potential leaders are given exposure and visibility to Board members through formal presentations and informal events. More broadly, the Board is regularly updated on key talent indicators for the overall workforce, including diversity, recruiting, and development programs. Board members also are active partners, engaging and spending time with our high potential leaders throughout the year.

Enterprise Risk Management

Enterprise Risk Management is monitored by the Board of Directors, the Audit Committee and the Strategic Affairs Committee (“SA Committee,” formerly known as the Strategic Affairs and Finance Committee). Management reviews enterprise risk through the Risk and Compliance Committee (“RCC”) and the Integrated Risk Council.

In June 2013, as a result of feedback received from our annual board self-assessment, the responsibilities of the Audit and Strategic Affairs and Finance Committees were realigned and the respective committee charters were amended accordingly. Additional information about the new responsibilities of each Board committee are more fully described on pages 16 and 18. The Strategic Affairs and Finance Committee changed its name to the SA Committee.

The Audit Committee reviews our policies and practices with respect to risk assessment and risk management, including discussing with management the Corporation’s major financial risk exposures and the steps that have been taken to monitor and control such exposures. The Audit Committee reports the results of its review to the Board.

Matters of risk management are brought to the attention of the Audit Committee by the Executive Vice President and Chief Financial Officer (“CFO”), who serves as the Corporation’s Chief Risk Officer, or by the Vice President, Corporate Internal Audit, who regularly reviews and assesses internal processes and controls for ongoing compliance with internal policies and legal and regulatory requirements, as well as for potential deficiencies that could result in a failure of an internal control process. The SA Committee of the Board reviews and makes assessments on mitigation plans on potential areas identified as the most significant risks.

The RCC, comprised of representatives of the direct reports to the President and CEO, is charged with overseeing the Corporation’s Enterprise Risk Management program and with the integration and dissemination of risk information to management and throughout the Corporation. This Committee met eight times in 2013 and reports to the Integrated Risk Council made up of the Executive Vice President and CFO; Senior Vice President, General Counsel and Corporate Secretary; Vice President, Corporate Communications; Vice President, Ethics and Sustainability; and the Vice President, Corporate Internal Audit. At the request of the Audit Committee, the RCC has undertaken to regularly survey our businesses to identify risks, analyze the probability of occurrence and potential impact to our business of those risks, and assess mitigation efforts.

We employ a number of additional risk identification and mitigation strategies. A panel of executives reviews all major proposals to ensure the technical and pricing structures are consistent with our tolerance for risk. Corporate management conducts reviews of ongoing business performance and financial results and future opportunities through the long-range planning process, executive management meetings, and staff meetings.

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Identifying and Evaluating Nominees for Directors

Each year, the Governance Committee recommends to the Board the slate of directors to propose as nominees for election by the stockholders at the Annual Meeting. The process for identifying and evaluating candidates to be nominated to the Board starts with an evaluation of a candidate by the Chairman of the Governance Committee followed by the entire Governance Committee and the Chairman of the Board. Director candidates also may be identified by stockholders and will be evaluated and considered by the Governance Committee in the same manner as other director candidates. The Governance Committee has retained Heidrick & Struggles International, Inc. to assist in the identification and evaluation of potential director candidates to ensure that candidates' skills and competencies are aligned to the company's future strategic challenges and opportunities. Stockholder proposals for nominations to the Board should be submitted to the Nominating and Corporate Governance Committee, c/o the Senior Vice President, General Counsel and Corporate Secretary, at Lockheed Martin Corporation, 6801 Rockledge Drive, Bethesda, MD 20817. To be considered by the Board for nomination at the 2015 Annual Meeting, written notice of nominations by a stockholder must be received between the dates of October 15, 2014 and November 14, 2014, inclusive.

The information requirements for any stockholder proposal or nomination can be found in Section 1.10 of our Bylaws available on the Corporation's website at <http://www.lockheedmartin.com/corporate-governance>. Proposed stockholder nominees are presented to the Chairman of the Governance Committee, who decides if further consideration should be given to the nomination by the Board.

Majority Voting Policy for Uncontested Director Elections

The Corporation's Charter and Bylaws provide for simple majority voting. Pursuant to the Corporate Governance Guidelines, in any uncontested election of directors, any incumbent director who receives more votes "AGAINST" than votes "FOR" is required to offer his or her resignation for Board consideration.

Upon receipt of a resignation of a director tendered as a result of a failed stockholder vote, the Governance Committee will make a recommendation to the Board as to whether to accept or reject the resignation, or whether other action is recommended. In considering the tendered resignation, the Board will consider the Governance Committee's recommendation as well as any other factors it deems relevant, which may include:

- The qualifications of the director whose resignation has been tendered.
- The director's past and expected future contributions to the Corporation.
- The overall composition of the Board and its committees.
-

Whether accepting the tendered resignation would cause the Corporation to fail to meet any applicable rule or regulation (including NYSE listing standards and the federal securities laws).

- The percentage of outstanding shares represented by the votes cast at the Annual Meeting.

Any director whose resignation has been tendered may not participate in the deliberations of the Governance Committee or in the Board's consideration of the Governance Committee's recommendation with respect to such director. In the event that a majority of the members of the Governance Committee have offered to resign as a result of their failure to receive the required vote for their election by the stockholders, then the independent members of the Board who have not offered to resign, without further action by the Board, will constitute a committee of the Board for the purpose of considering the offered resignation(s), and will recommend to the Board whether to accept or reject those offers and, if appropriate, make a recommendation to take other actions. If there are no such independent directors, then all of the independent directors, excluding the director whose offer to resign is being considered, without further action of the Board, will constitute a committee of the Board to consider each offer to resign, make a recommendation to the Board to accept or reject that offer and, if appropriate, make a recommendation to take other actions.

The Board will act on a tendered resignation within 90 days following certification of the stockholder vote for the annual meeting and will promptly disclose its decision and rationale as to whether to accept the resignation (or the reasons for rejecting the resignation, if applicable) in a press release, in a filing with the Securities and Exchange Commission ("SEC") or by other public announcement, including a posting on the Corporation's website.

If a director's resignation is accepted by the Board, or if a nominee for director who is not an incumbent director is not elected, the Board may fill the resulting vacancy or may decrease the size of the Board pursuant to the Corporation's Bylaws. The Board may not fill any vacancy so created with a director who was nominated but not elected at the annual meeting by the vote required under the Corporation's Bylaws.

Stockholder Right to Call Special Meeting

As part of the Board's continuous review of, and commitment to, best corporate governance practices and as a result of dialogue with stockholders, in recent years the Corporation has adopted a number of governance changes. The Board amended the Bylaws in 2010 to reduce the percentage of shares that an individual stockholder or a group of stockholders must own to cause the Corporate Secretary of the Corporation to call a special meeting of stockholders. Any stockholder who individually owns 10%, or stockholders who in the aggregate own 25%, of the outstanding common stock may demand the calling of a special meeting to consider any business properly before the stockholders. Our Bylaws do not restrict the timing of a request for a special meeting. The only subject matter restriction is that we are not required to call a special meeting to consider a matter that is substantially the same as voted on at a special meeting within the preceding 12 months unless requested by a majority of all stockholders.

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Director Independence

Under applicable NYSE listing standards, a majority of the Board and each member of the Audit Committee, Governance Committee, and Compensation Committee must be independent and must satisfy additional independence requirements related to the function of each committee.

Under the NYSE listing standards and our Corporate Governance Guidelines, a director is not independent if the director has a direct or indirect material relationship with the Corporation. The Governance Committee annually reviews the independence of all directors and reports its findings to the full Board. To assist in this review, the Board has adopted director independence guidelines that are included in our Corporate Governance Guidelines, which are available on our Corporation's website at <http://www.lockheedmartin.com/corporate-governance>.

Our director independence guidelines set forth certain relationships between the Corporation and directors and their immediate family members, or affiliated entities, that the Board, in its judgment, has deemed to be material or immaterial for purposes of assessing a director's independence. In the event a director has a relationship with the Corporation that is not addressed in the independence guidelines, the independent members of the Board determine whether the relationship is material.

The Board has determined that the following directors are independent: Daniel F. Akerson, Nolan D. Archibald, Rosalind G. Brewer, David B. Burritt, James O. Ellis, Jr., Thomas J. Falk, Gwendolyn S. King, James M. Loy, Douglas H. McCorkindale, Joseph W. Ralston, and Anne Stevens. Robert J. Stevens (who served on the Board in 2013) was and Marillyn A. Hewson is an employee of the Corporation and are not independent under the NYSE listing standards or our Corporate Governance Guidelines. In determining that each of the non-management director-nominees is independent, the Board considered the relationships described under "Certain Relationships and Related Person Transactions of Directors, Executive Officers, and 5 percent Stockholders," on page 15, which it determined were immaterial to the individual's independence.

The Governance Committee and Board considered that the Corporation in the ordinary course of business purchases products and services from, or sells products and services to, companies or subsidiaries or parents of companies at which some of our director-nominees (or their immediate family members) are or have been directors or officers and to other institutions with which some of these individuals have or have had relationships. These relationships included: Mr. Akerson (General Motors Company, The Carlyle Group, and PricewaterhouseCoopers); Mr. Archibald (Stanley Black & Decker, Inc., Brunswick Corporation, and Huntsman Corporation); Mrs. Brewer (Sam's Club, a subsidiary of Walmart Stores, Inc., and Spelman College); Mr. Ellis (Inmarsat plc, Level 3 Communications, Inc., The Georgia Institute of Technology, and Stanford University); Mr. Falk (Kimberly-Clark Corporation, Catalyst, Inc., and University of Wisconsin Foundation); Mr. Loy (RAND Corporation); Mr. Ralston (Lynden Incorporated, The Timken Company, and URS Corporation); and Ms. Stevens (Anglo American plc and XL Group plc). In determining that these relationships did not affect the independence of those directors, the Board considered that none of the director-nominees had any direct or indirect material interest in, or received any special compensation in connection with, the Corporation's business relationships with those companies. In addition to their consideration of these ordinary

course of business transactions, the Governance Committee and the Board relied upon the director independence guidelines included in our Corporate Governance Guidelines to conclude that contributions to a tax-exempt organization by the Corporation or its foundation did not create any direct or indirect material interest for the purpose of assessing director independence.

The Governance Committee also concluded that all members of each of the Audit Committee, the Compensation Committee, and the Governance Committee are independent within the meaning of our Corporate Governance Guidelines and NYSE listing standards including the additional independence requirements applicable to members of the Audit Committee, Compensation Committee, and Governance Committee.

Related Person Transaction Policy

The Board has approved a written policy and procedures for the review, approval, and ratification of transactions among the Corporation and its directors, executive officers, and their related interests. A copy of the policy is available on the Corporation's website at <http://www.lockheedmartin.com/corporate-governance>. Under the policy, all related person transactions (as defined in the policy) are to be reviewed by the Governance Committee. The Governance Committee may approve or ratify related person transactions at its discretion if deemed fair and reasonable to the Corporation. This may include situations where the Corporation provides products or services to related persons on an arm's length basis on terms comparable to those provided to unrelated third parties. Any director who participates in or is the subject of an existing or potential related person transaction may not participate in the decision-making process of the Governance Committee with respect to that transaction.

Under the policy, and consistent with applicable SEC regulations and NYSE listing standards, a related person transaction is any transaction in which the Corporation was, is, or will be a participant, where the amount involved exceeds \$120,000, and in which a related person had, has, or will have a direct or indirect material interest. A related person includes any director, a director-nominee, or executive officer of the company, any person who is known to be the beneficial owner of more than 5 percent of any class of the company's voting securities, an immediate family member of any person described above, and any firm, corporation, or other entity controlled by any such person described above.

The policy requires each director and executive officer to complete an annual questionnaire to identify his or her related interests and persons, and to notify the Corporation of changes in that information. Based on that information, the Corporation maintains a master list of related persons for purposes of tracking and reporting related person transactions.

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Because it may not be possible or practical to pre-approve all related person transactions, the policy contemplates that the Governance Committee may ratify transactions after they commence or pre-approve categories of transactions or relationships. If the Governance Committee declines to approve or ratify a transaction, the related person transaction is referred to management to make a recommendation to the Governance Committee concerning whether the transaction should be terminated or amended in a manner that is acceptable to the Governance Committee.

Certain Relationships and Related Person Transactions of Directors, Executive Officers, and 5 Percent Stockholders

The following transactions or relationships are considered to be “related person” transactions under our corporate policy and applicable SEC regulations and NYSE listing standards.

Two of our directors, Mr. Loy and Mr. Ralston, are employed as Senior Counselor and Vice Chairman, respectively, of The Cohen Group, a consulting business that performs services for the Corporation. In 2013, we paid The Cohen Group approximately \$480,000 for consulting services and related expenses.

We currently employ approximately 115,000 employees and have an active recruitment program for soliciting job applications from qualified candidates. We seek to hire the most qualified candidates and consequently do not preclude the employment of family members of current directors and executive officers. These related person transactions (and compensation) involved a former Board member and executive officer’s (Robert J. Stevens) son, John E. Stevens, Associate General Counsel in the Legal Department (\$228,000 current annual rate of base salary, annual incentive award of \$47,200 for 2013 performance, and a fixed cash award of \$58,500 under the Key Employee Engagement Plan which will vest in January 2016 if he remains employed until then), and a Board member’s (Joseph Ralston) brother-in-law, Mark E. Dougherty, Capture Management Principal (\$169,178 current annual rate of base salary). Messrs. Stevens and Dougherty may participate in other employee benefit plans and arrangements which are generally made available to other employees at the same level (including health, welfare, vacation, and retirement plans). Their compensation was established in accordance with the Corporation’s employment and compensation practices applicable to employees with equivalent qualifications, experience, and responsibilities. Neither John Stevens nor Mark Dougherty served as an executive officer of the Corporation during 2013.

From time to time, the Corporation has purchased services in the ordinary course of business from financial institutions that beneficially own five percent or more of Lockheed Martin’s common stock. In 2013, the Corporation paid fees of approximately \$4,512,876 to State Street Bank and Trust Company for credit facility and benefit plan administration and its affiliates for investment management fees, \$300,814 to BlackRock, Inc., for investment management fees, and \$168,506 to Capital Guardian, an affiliate of Capital World Investors, for investment management fees.

Director Orientation and Continuing Education

Upon joining the Board, directors are provided with an orientation about our Corporation, including our business operations, strategy, and governance. Directors may enroll in director education programs on the principles of corporate governance and director professionalism offered by nationally-recognized organizations at the Corporation's expense. Directors also may attend outside director continuing education programs sponsored by educational and other institutions to assist them in staying abreast of developments in corporate governance and critical issues relating to the operation of public company boards. Members of our senior management regularly present reports at Board meetings and review the operating plan of each of our business areas and the Corporation as a whole. The Board also conducts periodic visits to our facilities as part of its regularly scheduled Board meetings.

Board Performance Self-Assessment

Each year the Board and each committee evaluate its performance and effectiveness. In 2013, the Executive Chairman conducted individual interviews with each director to elicit feedback on specific aspects of the Board's role, organization, and meetings (including committee meetings). The collective ratings and comments are compiled, summarized and presented to the Governance Committee and the full Board.

No Stockholder Rights Plan (Poison Pill)

The Corporation does not have a Stockholder Rights Plan, otherwise known as a "Poison Pill." Through our Corporate Governance Guidelines, the Board has communicated that it has no intention of adopting one at this time. If the Board does choose to adopt a Stockholder Rights Plan, the Board has indicated that it would seek stockholder ratification within 12 months of the date of adoption.

[Back to Contents](#)**COMMITTEES OF THE BOARD OF DIRECTORS**

The Board has seven standing committees. The following table lists our Board committees, the chairs of each committee, the directors who served in 2013 on them, and the number of Committee meetings held in 2013. Charters for each committee are available on the Corporation's website at <http://www.lockheedmartin.com/corporate-governance>.

Membership on Board Committees

	Classified		Ethics and Sustainability	Executive Compensation	Management Development and Compensation	Nominating and Corporate Governance	Strategic Affairs
	Audit	Business and Security					
Director*							
Nolan D. Archibald				X		X	Chair
Rosalind G. Brewer			X		X		
David B. Burritt	Chair			X	X		X
James O. Ellis, Jr.		Chair		X		X	X
Thomas J. Falk	X					X	
Marillyn A. Hewson**				Chair			
Gwendolyn S. King			Chair	X		X	
James M. Loy		X	X				X
Douglas H. McCorkindale***	X	X		X	X	Chair	
Joseph W. Ralston		X	X				X
Anne Stevens	X			X	Chair		
Robert J. Stevens**				X			
Meetings held in 2013	6	2	3	0	4	4	3

* Daniel F. Akerson was elected as a director on February 27, 2014 and did not serve on any committees in 2013.

** Ms. Hewson was elected Chairman of the Executive Committee in January 2014. Mr. Stevens was Chairman during 2013.

***Lead Director

Audit Committee

The Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities relating to (i) the financial condition of the Corporation, (ii) the integrity of the Corporation's financial statements, and (iii) the Corporation's compliance with legal and regulatory requirements. In addition, the Audit Committee has oversight of the Corporation's internal audit organization including enterprise risk management processes. It is directly responsible for the qualifications, independence and performance of the Corporation's independent auditors. In accordance with the realignment of responsibilities with the SA Committee, the Audit Committee is now responsible for reviewing the allocation of resources, the Corporation's financial condition and capital structure, and policies regarding derivatives

and capital expenditures. The functions of the Audit Committee are further described under the heading “Audit Committee Report” on page 18.

All the members of the Audit Committee are independent within the meaning of the NYSE listing standards, applicable SEC regulations, and our Corporate Governance Guidelines. In order to be considered independent under applicable SEC regulations, a member of the Audit Committee cannot accept any consulting, advisory, or other compensatory fee from the Corporation, or be an affiliated person of the Corporation or its subsidiaries.

The Board has determined that Mr. Burritt, Chairman of the Audit Committee, Mr. Falk, and Mr. McCorkindale are qualified audit committee financial experts within the meaning of applicable SEC regulations. All members of the Audit Committee have accounting and related financial management expertise sufficient to be considered financially literate within the meaning of the NYSE listing standards.

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Classified Business and Security Committee

The Classified Business and Security Committee (the “CBS Committee”) assists the Board in fulfilling its oversight responsibilities relating to the Corporation’s classified business activities and the security of personnel, data, and facilities. The CBS Committee consists of three or more directors who meet the independence requirements of the NYSE and who possess the appropriate security clearance credentials, at least one of whom shall be a member of the Audit Committee, and none of whom are officers or employees of the Corporation and are free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a member of the CBS Committee.

Ethics and Sustainability Committee

The Ethics and Sustainability Committee monitors compliance and recommends changes to our Code of Ethics and Business Conduct. It reviews our policies, procedures, and compliance with respect to sustainability, including corporate responsibility, human rights, environmental stewardship, employee health and safety, ethical business practices, community outreach, philanthropy, diversity, inclusion, and equal opportunity. It oversees matters pertaining to community and public relations, including government relations, political contributions, and charitable contributions.

Executive Committee

The Executive Committee primarily serves as a means for taking action requiring Board approval between regularly scheduled meetings of the Board. The Executive Committee is authorized to act for the full Board on all matters other than those specifically reserved by Maryland law to the full Board.

Management Development and Compensation Committee

The Compensation Committee reviews and approves the corporate goals and objectives relevant to the compensation of the CEO, evaluates the performance of the CEO, and, either as a committee or together with the other independent members of the Board, determines and approves the compensation philosophy and levels of the CEO and other members of senior management. During 2013, the Compensation Committee exercised these responsibilities relative to the compensation of Mr. Stevens in his capacity as Strategic Advisor to the CEO.

Additional information regarding the role of the Compensation Committee and our compensation practices and procedures is provided under the captions “Compensation Committee Report” on page 37, “Compensation Discussion and Analysis (“CD&A”)” beginning on page 38, and “Other Corporate Governance Considerations in Compensation” on page 54.

All members of the Compensation Committee are independent within the meaning of the NYSE listing standards, applicable SEC regulations, and our Corporate Governance Guidelines.

Nominating and Corporate Governance Committee

The Governance Committee is responsible for developing and implementing policies and practices relating to corporate governance, including our Corporate Governance Guidelines. The Governance Committee assists the Board by selecting candidates to be nominated to the Board, making recommendations concerning the composition of Board committees, and by overseeing the evaluation of the Board and its committees.

The Governance Committee reviews and recommends to the Board the compensation of directors. Our executive officers do not play a role in determining director pay other than to gather publicly available information, although in 2013 the Executive Chairman was consulted regarding the impact of any change in director pay on the Corporation as a whole.

All members of the Governance Committee are independent within the meaning of the NYSE listing standards, applicable SEC regulations, and our Corporate Governance Guidelines.

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Strategic Affairs Committee

Under the amended charter, the SA Committee reviews and recommends to the Board management's long-term strategy for the Corporation and reviews risks and opportunities to the strategy as identified by the Corporation's Enterprise Risk Management processes. The SA Committee reviews and recommends to the Board certain significant strategic decisions regarding exit from existing lines of business and entry into new lines of business, acquisitions, joint ventures, investments or dispositions of businesses and assets, and the financing of related transactions.

Audit Committee Report

We oversee Lockheed Martin's financial reporting process on behalf of the Board. Lockheed Martin's management is responsible for the financial reporting process and preparation of the quarterly and annual consolidated financial statements, including maintaining an effective system of internal control over financial reporting. In addition to our oversight of the Corporation's internal audit organization, we are directly responsible for the appointment, compensation, retention, oversight, and termination of the Corporation's independent auditors, Ernst & Young LLP, an independent registered public accounting firm. The independent auditors are responsible for auditing the annual consolidated financial statements and expressing an opinion on the conformity of those financial statements with U.S. generally accepted accounting principles, and for expressing an opinion on the effectiveness of internal control over financial reporting.

In connection with the December 31, 2013 audited consolidated financial statements, we have:

- Reviewed and discussed the Corporation's audited consolidated financial statements with management, including discussions regarding critical accounting policies, financial accounting and reporting principles and practices, the quality of such principles and practices, the reasonableness of significant judgments and estimates, and the effectiveness of internal control over financial reporting.

- Discussed with the independent auditors the quality of the financial statements, the clarity of the related disclosures, the effectiveness of internal control over financial reporting, and other items required to be discussed under Public Company Accounting Oversight Board ("PCAOB") Auditing Standard No. 16, *Communications with Audit Committees*.

- Received from the independent auditors written disclosures regarding the auditors' independence required by PCAOB Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*, and discussed with the independent auditors any matters affecting their independence.

Based on the reviews and discussions above, we recommended to the Board that the audited consolidated financial statements for 2013 be included in Lockheed Martin's Annual Report on Form 10-K for the year ended December 31, 2013 for filing with the SEC. The Board approved our recommendation.

Submitted on February 27, 2014 by the Audit
Committee:

David B. Burritt, <i>Chairman</i>	Douglas H. McCorkindale
Thomas J. Falk	Anne Stevens

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PROPOSAL 1: ELECTION OF DIRECTORS

There are 12 director-nominees for election to the Board at the Annual Meeting. Each director-nominee currently serves as a director. Each director-nominee was recommended for nomination by the Governance Committee. The Governance Committee has determined that all the director-nominees, except for Marillyn A. Hewson, Chairman, President and CEO, are independent under the listing standards of the NYSE and our Corporate Governance Guidelines. The Board ratified the slate of director-nominees and recommends that our stockholders vote for the election of all the individuals nominated by the Board.

Director-nominees are expected to attend the 2014 Annual Meeting. All incumbent directors attended the 2013 Annual Meeting except for Daniel F. Akerson who was elected to the Board on February 27, 2014. All director-nominees who are elected will serve a one-year term that will end at the 2015 Annual Meeting. If any of the director-nominees are unable or unwilling to stand for election at the 2014 Annual Meeting (an event which is not anticipated), the Board may reduce its size or designate a substitute. If a substitute is designated, proxy holders may vote for the substitute nominee or refrain from voting for any other director-nominee at their discretion. Directors' ages are reported as of the 2014 Annual Meeting.

Board Composition, Qualifications, and Diversity

We have no agreements obligating the Corporation to nominate a particular candidate as a director, and none of our directors represents a special interest or a particular stockholder or group of stockholders.

We believe that our business accomplishments are a result of the efforts of our employees around the world, and that a diverse employee population will result in a better understanding of our customers' needs. Our success with a diverse workforce also informs our views about the value of a board of directors that has persons of diverse skills, experiences, and backgrounds. To this end, the Board seeks to identify candidates with areas of knowledge or experience that will expand or complement the Board's existing expertise in overseeing a technologically advanced global security and aerospace company.

Under the Corporate Governance Guidelines, the Board desires a diverse group of candidates who possess the background, skills, expertise, and time to make a significant contribution to the Board, the Corporation, and its stockholders. The Governance Committee makes recommendations to the Board concerning the composition of the Board and its committees, including size and qualifications for membership. The Governance Committee evaluates prospective nominees against the standards and qualifications set forth in the Corporation's Corporate Governance Guidelines, as well as other relevant factors as it deems appropriate.

Listed below are the skills and experience that we have considered important for our directors to have in light of our current business and structure. The directors' biographies that follow note each director's relevant experience, skills, and qualifications relative to this list.

- **Senior Leadership Experience.** Directors who have served in senior leadership positions are important, as they bring experience and perspective in analyzing, shaping, and overseeing the execution of important operational and policy issues at a senior level. These directors' insights and guidance, and their ability to assess and respond to situations encountered in serving on our Board, may be enhanced if their leadership experience was developed at businesses or organizations that operated on a global scale, or involved technology or other rapidly evolving business models.
- **Public Company Board Experience.** Directors who have served on other public company boards can offer advice and insights with regard to the dynamics and operation of a board of directors, the relationship between a board and the CEO and other management personnel, the importance of particular agenda items, and oversight of a changing mix of strategic, operational, and compliance matters.
- **Financial Expertise.** Knowledge of financial markets, financing and funding operations, and accounting and financial reporting processes are important because it assists our directors in understanding, advising, and overseeing the Corporation's capital structure, financing and investment activities, financial reporting, and internal control of such activities.
- **Government and Military Expertise.** Directors who have served in government and senior military positions can provide experience and insight into working constructively with our core customers and governments around the world and addressing significant public policy issues, particularly in areas related to the Corporation's business and operations. They also provide support for science, technology, engineering, and mathematics education.
- **Global Expertise.** Because we are a global organization with increasing revenue coming from sales outside the United States, directors with global expertise can provide useful business and cultural perspectives regarding many significant aspects of our business.
- **Interpersonal Skills and Diversity.** Directors with different backgrounds and skills help build diversity on the Board and maximize group dynamics in terms of function, thought, gender, race and age.

As part of its annual assessment of Board effectiveness, the Board is asked to evaluate whether it has the appropriate mix of general business expertise, skills, and specific expertise in areas vital to our success. The 2013 assessment reflected that the incumbent slate has the right mix. Mr. Akerson will complement the existing mix and broaden the Board's public company and financial experience. Under our Bylaws, unless exempted by the Board, an individual is not eligible to stand for election at an Annual Meeting following the individual's 75th birthday.

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

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Director-Nominees

Daniel F. Akerson

Committees:*

Audit

Management Development and Compensation

(Age 65)
Director Since
February 2014

**Appointment subject to election by stockholders and effective following the Annual Meeting.*

Skills and Qualifications:

- Core leadership skills and experience with the demands and challenges of the global marketplace.
- Extensive operating, financial and senior management experience in a succession of major companies in challenging, highly competitive industries.
- Financial, investment, mergers and acquisitions expertise.

The Board has determined that Mr. Akerson meets the SEC’s criteria of an “audit committee financial expert.”

Vice Chairman and Special Advisor to the Board of The Carlyle Group since March 1, 2014. Previously, Mr. Akerson was Chairman of the Board of Directors and Chief Executive Officer of General Motors Company since January 2011 until his retirement from these positions in January 2014; was elected to the Board of Directors of General Motors in 2009 and became Chief Executive Officer in September 2010. Prior to joining General Motors Company, he was a Managing Director of The Carlyle Group, serving as the Head of Global Buyout from July 2009 to August 2010 and as co-Head of U.S. Buyout from June 2003 to June 2009. Mr. Akerson served as a director of American Express Company from April 1995 to April 2012 and AOL Time Warner, Inc. (now doing business as Time Warner, Inc.) from April 1997 to April 2003. He currently serves as a director of the United States Naval Academy Foundation.

Nolan D. Archibald

Committees:

Strategic Affairs (Chair)

Executive

Nominating and Corporate Governance

(Age 70)
Director Since
April 2002

Skills and Qualifications:

- Experience with the demands and challenges of the global marketplace with a focus on innovation from his prior positions as Executive Chairman of Stanley Black & Decker, Inc. and Chairman, Chief Executive Officer and Chief Operating Officer of The Black & Decker Corporation, companies that have sold products in more than 100 countries.

- Experience in talent management, business management, strategic planning, and international business operations.

- Corporate governance expertise from service as director of large public companies.

Executive Chairman of the Board of Stanley Black & Decker, Inc. from March 2010 until his retirement in April 2013. Previously, Mr. Archibald was Chairman of the Board and Chief Executive Officer of The Black & Decker Corporation from 1986 to March 2010; President of The Black & Decker Corporation from 1985 to 2010; and Chief Operating Officer of The Black & Decker Corporation from 1985 to 1986. Mr. Archibald held various management positions at Beatrice Companies, Inc. from 1977 to 1985, including Senior Vice President and President of the Consumer & Commercial Products Group, and currently serves as a director of Brunswick Corporation and Huntsman Corporation.

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(Age 51)
Director
Since April
2011

Skills and Qualifications:

Experience in large-scale operations based on her positions as President and Chief Executive Officer of Sam's Club, Executive Vice President for Walmart Stores, Inc., and more than two decades of experience as an executive with Kimberly-Clark Corporation.

Experience in product development, product management, manufacturing, large-scale operations, supply chain logistics, and leading change management initiatives.

Leadership and executive expertise in international consumer business operations.

President and Chief Executive Officer of Sam's Club, a division of Walmart Stores, Inc., since February 2012. Previously, Mrs. Brewer was Executive Vice President and President of Walmart Stores, Inc.'s East Business Unit from February 2011 to January 2012; Executive Vice President and President of Walmart South from February 2010 to February 2011; Senior Vice President and Division President of Southeast Operating Division from March 2007 to January 2010; and Regional General Manager, Georgia Operations, from 2006 to February 2007. Previously, Mrs. Brewer was President of Global Nonwovens Division for Kimberly-Clark Corporation from 2004 to 2006; and held various management positions of increasing responsibilities at Kimberly-Clark Corporation from 1984 to 2006. Mrs. Brewer formerly served as a director of Molson Coors Brewing Company from 2006 to 2011 and currently serves on the Board of Trustees of Spelman College.

David B. Burritt**Committees:***Audit (Chair)**Executive**Management Development and Compensation*

(Age 58)
Director
Since April
2008

Skills and Qualifications:

Expertise in public company accounting, risk management, disclosure, financial system, and talent management from roles as Executive Vice President and Chief Financial Officer of United States Steel Corporation and Chief Financial Officer, Chief Accounting Officer, and Controller at Caterpillar Inc., a company that manufactures equipment and sells products and services throughout the world. Over 30 years experience with the demands and challenges of the global marketplace from his positions at Caterpillar Inc., a global corporation and, more recently, United States Steel Corporation.

The Board has determined that Mr. Burritt meets the SEC's criteria of an "audit committee financial expert."

Strategic Affairs

Executive Vice President and Chief Financial Officer of United States Steel Corporation since September 2013. Previously, Mr. Burritt was Vice President and Chief Financial Officer of Caterpillar Inc. from 2004 to June 2010; Corporate Controller and Chief Accounting Officer of Caterpillar Inc. from 2002 to 2004; held various positions of

increasing responsibility for Caterpillar Inc. in finance, tax, accounting, and international operations from 1978 to 2002. Mr. Burritt served as a director of Aperam from December 2010 to May 2013 and currently serves as a director of Global Brass & Copper Holdings, Inc.

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**James O. Ellis,
Jr.**

Committees:

*Classified Business
and Security (Chair)*

Executive

Skills and Qualifications:

Industry-specific expertise and knowledge of our core customers from his service in senior leadership positions with the military.
Expertise in aeronautical and aerospace engineering and emerging energy issues.

(Age 66)

*Director Since
November 2004*

*Nominating and
Corporate
Governance*

Over 40 years experience in managing and leading large and complex technology-focused organizations, in large part as a result of serving for 35 years as an active duty member of the U.S. Navy.

Strategic Affairs

President and Chief Executive Officer, Institute of Nuclear Power Operations from May 2005 until his retirement in May 2012. Retired from active duty in July 2004. Admiral and Commander, United States Strategic Command, Offutt Air Force Base, Nebraska from October 2002 to July 2004; Commander in Chief, United States Strategic Command from November 2001 to September 2002; Commander in Chief, U.S. Naval Forces, Europe and Commander in Chief, Allied Forces from October 1998 to September 2000; Deputy Chief of Naval Operations (Plans, Policy and Operations) from November 1996 to September 1998; director of Inmarsat plc from June 2005 to March 4, 2014; currently serves as a director of Level 3 Communications, Inc. and Dominion Resources, Inc. In November 2013, Mr. Ellis was appointed as an Annenberg Distinguished Visiting Fellow of the Hoover Institution at Stanford University and in February 2013, he was elected as a member of the National Academy of Engineering.

**Thomas J.
Falk**

Committees:

Audit

*Nominating and
Corporate Governance*

(Age 55)

*Director Since
June 2010*

Skills and Qualifications:

Experience with the demands and challenges associated with managing global organizations from his experience as Chairman and Chief Executive Officer of Kimberly-Clark Corporation.

Knowledge of financial system management, public company accounting, disclosure requirements, and financial markets.

Marketing, talent management, compensation, governance, and public company board experience.

The Board has determined that Mr. Falk meets the SEC's criteria of an "audit committee financial expert."

Chairman of the Board and Chief Executive Officer of Kimberly-Clark Corporation since 2003; Chief Executive Officer from 2002 and President and Chief Operating Officer from 1999 to 2002; held various senior management positions since joining Kimberly-Clark Corporation in 1983; director of Centex Corporation from 2003 to 2009 (Centex Corporation was acquired by Pulte Homes in 2009); and currently serves as a director of the nonprofit organizations, Catalyst, Inc., the University of Wisconsin Foundation, and The Consumer Goods Forum, and serves as

a governor of the Boys & Girls Clubs of America.

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Marilyn A. Hewson

Committees: Skills and Qualifications:

<p>(Age 60) <i>Director Since November 2012</i></p>	<p><i>Executive (Chair)</i></p>	<p>Broad insight and knowledge into the complexities of global business management, strategic planning, finance, supply chain, and leveraged services based on more than two decades of experience in executive and operational roles with the Corporation and in our industry.</p> <p>Expertise in government relations, government contracting, manufacturing, marketing, and human resources.</p> <p>Corporate governance and audit expertise derived from service on boards of other multinational corporations and nonprofit organizations.</p>
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Chairman, President and Chief Executive Officer of Lockheed Martin since January 2014; Chief Executive Officer and President from January 2013 to December 2013; President and Chief Operating Officer from November 2012 to December 2012; Executive Vice President – Electronic Systems from January 2010 to December 2012; President, Systems Integration – Owego from September 2008 to December 2009; Executive Vice President – Global Sustainment for Aeronautics from February 2007 to August 2008; President, Lockheed Martin Logistics Services Company from January 2007 to February 2007; and President and General Manager, Kelly Aviation Center, L.P. from August 2004 to December 2007. She previously served as a director of Carpenter Technology Corporation from 2002 to 2006 and Chairman of the Board of Directors of Sandia Corporation from 2010 to July 2013. Ms. Hewson currently serves as a director of E. I. du Pont de Nemours and Company (DuPont); the University of Alabama’s Culverhouse College of Commerce and Business Administration Board of Visitors; the Board of Governors of the USO; the Board of Governors of the Aerospace Industries Association; the Board of Directors of the Congressional Medal of Honor Foundation; and the Board of the National Geographic Education Foundation. In September 2013, Ms. Hewson was appointed by President Barack Obama to the President’s Export Council, the principal national advisory committee on international trade.

Gwendolyn S. King

Committees: Skills and Qualifications:

<p>(Age 73) <i>Director Since March 1995</i></p>	<p><i>Ethics and Sustainability (Chair)</i></p> <p><i>Executive</i></p> <p><i>Nominating and Corporate Governance</i></p>	<p>Experience and industry-specific knowledge of our civil customer and the demands and challenges associated with managing large organizations and regulated industries from experience as Senior Vice President at PECO Energy Company and Commissioner of the Social Security Administration.</p> <p>Expert in external communications and extensive experience in matters relating to public policy, regulatory oversight, and government relations from her senior advisory roles in two previous White House administrations.</p> <p>Corporate governance expertise and compliance experience from her service on the board of the National Association of Corporate Directors.</p>
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President of Podium Prose, a Washington, D.C. speaker’s bureau and speechwriting service, since 2000. Founding Partner, The Directors’ Council, a corporate board search firm, from October 2003 to June 2005; Senior Vice President

of Corporate and Public Affairs of PECO Energy Company (formerly Philadelphia Electric Company) from October 1992 until her retirement in February 1998; Commissioner of the Social Security Administration from August 1989 to September 1992; director of Marsh & McLennan Companies, Inc. from 1998 to May 2011; and currently serves as a director of Monsanto Company.

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James M. Loy

Committees:

Skills and Qualifications:

Classified Business and Security

Experience with the demands and challenges associated with managing large organizations from his service as Commandant of the Coast Guard. Industry-specific expertise and knowledge with our core customers including requirements for acquisition of products and services from prior senior management positions with the Department of Homeland Security, Transportation Security Administration, and the Coast Guard.

(Age 71)
Director
Since August 2005

Ethics and Sustainability

Leadership skills in organization transformation and redesigning larger scale operations from his 45-year career in public service.

Strategic Affairs

Senior Counselor of The Cohen Group since 2005. Deputy Secretary of Homeland Security from 2003 to 2005; Administrator, Transportation Security Administration from 2002 to 2003; Commandant, U.S. Coast Guard from 1998 to 2002; Coast Guard Chief of Staff from 1996 to 1998; Commander of the Coast Guard's Atlantic Area from 1994 to 1996; a director of L-1 Identity Solutions, Inc. from 2006 to 2011; and currently serves as a director of Rivada Networks, LLC and Board of Trustees of RAND Corporation, a nonprofit organization.

Douglas H. McCorkindale

Committees:

Skills and Qualifications:

Nominating and Corporate Governance (Chair)

Experience with the demands and challenges associated with managing global organizations from prior positions as Chairman, Chief Executive Officer, and President of Gannett Co., Inc.

(Age 74)
Director Since April 2001

Audit

Expertise in financial system management, public company accounting, disclosure, and financial markets from prior roles as Chief Financial Officer at Gannett Co., Inc. and as trustee of mutual funds.

Independent Lead Director Since 2010

Classified Business and Security

Corporate governance expertise from service as director of large public companies.

The Board has determined that Mr. McCorkindale meets the SEC's criteria of an "audit committee financial expert."

Executive

Management Development and Compensation

Chairman of Gannett Co., Inc. (“Gannett”) from 2001 until his retirement in June 2006. Chief Executive Officer of Gannett from June 2000 to 2005; President of Gannett from 1997 to 2005; Vice Chairman of Gannett from 1984 to January 2001; Chief Financial Officer of Gannett from 1979 to 1997; Chief Administrative Officer of Gannett from 1985 to 1997; director of Continental Airlines, Inc. from 1993 to 2010; and currently serves as a director or trustee of approximately 67 fund portfolios in the Prudential Fund Complex, the boards of which meet concurrently and function as a single board.

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Joseph W. Ralston