

GENERAL DYNAMICS CORP
Form 11-K
June 27, 2014

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, 2013

OR

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

For the transition period from _____ to _____

Commission file number 1-3671

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

GENERAL DYNAMICS CORPORATION

401(K) PLAN 5.0

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

GENERAL DYNAMICS CORPORATION

2941 Fairview Park Drive, Suite 100

Falls Church, Virginia 22042-4513

GENERAL DYNAMICS CORPORATION

401(k) PLAN 5.0

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Report of Independent Registered Public Accounting Firm

The Participants and Administrator of the General Dynamics Corporation 401(k) Plan 5.0:

We have audited the accompanying statements of net assets available for benefits of the General Dynamics Corporation 401(k) Plan 5.0 (the Plan) as of December 31, 2013 and 2012, and the related statement of changes in net assets available for benefits for the year ended December 31, 2013. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2013 and 2012, and the changes in net assets available for benefits for the year ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules, Schedule H, Line 4a Schedule of Delinquent Participant Contributions for the year ended December 31, 2013 and Schedule H, Line 4i Schedule of Assets (Held at End of Year) as of December 31, 2013, are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG

McLean, VA

June 27, 2014

GENERAL DYNAMICS CORPORATION**401(k) PLAN 5.0**

Statements of Net Assets Available for Benefits

December 31, 2013 and 2012

| | 2013 | 2012 |
|--|-------------------------|----------------------|
| Assets: | | |
| Investments in Master Trust at fair value (note 4) | \$ 2,203,941,161 | 2,460,900,770 |
| Notes receivable from participants | 43,922,204 | 47,550,513 |
| Contributions receivable employer | 2,459,027 | 2,407,317 |
| Contributions receivable participant | 1,833,672 | 832,003 |
| Due from merged plans | 30,060,856 | |
| Total assets | 2,282,216,920 | 2,511,690,603 |
| Liabilities: | | |
| Accrued administrative expenses | 152,812 | 235,034 |
| Net assets reflecting all investments at fair value | 2,282,064,108 | 2,511,455,569 |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts | (7,416,570) | (18,336,405) |
| Net assets available for benefits | \$ 2,274,647,538 | 2,493,119,164 |

See accompanying notes to financial statements.

GENERAL DYNAMICS CORPORATION**401(k) PLAN 5.0**

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2013

| | |
|---|------------------|
| Additions to net assets attributed to: | |
| Participation in income of Master Trust (note 4) | \$ 555,079,385 |
| Interest income from notes receivable from participants | 1,871,993 |
| Contributions: | |
| Rollovers | 4,932,426 |
| Participant | 105,202,669 |
| Employer | 54,701,056 |
| Total contributions | 164,836,151 |
| Total additions | 721,787,529 |
| Deductions from net assets attributed to: | |
| Benefits paid to participants (note 7) | 264,366,754 |
| Administrative expenses | 1,476,546 |
| Total deductions | 265,843,300 |
| Net increase prior to transfers | 455,944,229 |
| Transfers in due to mergers (note 1) | 46,206,388 |
| Net transfer to and from other plans within the master trust (note 1) | (720,622,243) |
| Net assets available for benefits: | |
| Beginning of year | 2,493,119,164 |
| End of year | \$ 2,274,647,538 |

See accompanying notes to financial statements.

GENERAL DYNAMICS CORPORATION

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Notes to Financial Statements

December 31, 2013 and 2012

(1) Plan Description

The following description of the General Dynamics Corporation 401(k) Plan 5.0 (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

(a) General

The Plan is a defined contribution plan covering eligible employees of General Dynamics Corporation and its subsidiaries (the Company or the Plan Sponsor). Employees subject to a collective bargaining agreement are not eligible to participate in this Plan. The Plan is one of four plans that comprise the General Dynamics Corporation 401(k) Plan Master Trust Agreement (Master Trust).

Effective March 31, 2013, the Force Protection 401(k) Plan was merged into the Plan. Effective December 31, 2013, the Earl Industries 401(k) Plan was also merged into the Plan.

As a result of the mergers discussed above, during 2013, assets in the following amounts were transferred from the plans noted below:

| | |
|------------------------------|---------------|
| Force Protection 401(k) Plan | \$ 16,145,532 |
| Earl Industries 401(k) Plan | 30,060,856 |
| | \$ 46,206,388 |

The net transfers to and from plans are a result of either entire employee groups being transferred from one plan to another or from individual participants transferring jobs which causes them to become a participant of a different plan.

(b) Plan Administration

Prior to December 31, 2012, The Northern Trust Company (TNT) held the Plan's assets as the Plan's trustee and Hewitt Associates, LLC (Aon Hewitt) was the Plan's recordkeeper. Effective December 31, 2012, Fidelity Management Trust Company (Fidelity) became the Plan's trustee and Fidelity Workplace Services, LLC became the Plan's recordkeeper.

(c) Contributions

Participants are eligible to participate in the Plan upon hire. Contribution percentages range from 1% to 50% of eligible compensation on a before-tax or after-tax basis (Roth contributions), up to the statutory limits defined by the

Internal Revenue Code (IRC). The Plan has an employer match rate of up to 100% of the first 4% of eligible compensation contributed to the Plan and 50% of the next 2% of eligible compensation contributed to the Plan. The Plan is intended to be a safe-harbor plan as defined in the IRC.

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Notes to Financial Statements

December 31, 2013 and 2012

(d) Participant Accounts

Each participant directs his or her contributions to be invested in various funds. Changes to investment elections can be made according to rules set by the Plan Sponsor. Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contribution and (b) Plan earnings, less an allocation of administrative expenses. The benefit to which a participant is entitled is the vested balance of his or her account.

(e) Vesting

Participants' contributions, Company matching contributions made on or subsequent to January 1, 2007, are always 100% vested.

(f) Notes Receivable from Participants

The Plan permits active participants to borrow the lesser of \$50,000 less the highest outstanding note receivable (or participant loans or loan) balance during the last 12 months, or 50% of the vested amount in their accounts (subject to limits defined in the Plan document and by the IRC). Loans are secured by the remaining balance in the participants' accounts. Participants are required to repay the loan by regular payroll deductions over a period of up to five years. The Plan also offers primary residence loans (with terms up to 20 years). Loans are issued at the U.S. prime rate of interest.

Participant loans outstanding at December 31, 2013, bear interest at rates that range from 3.12% to 10.50%.

Participant loans are recorded at amortized cost, which is the remaining unpaid principal balance plus any accrued but unpaid interest.

(g) Payment of Benefits

On termination of service, a participant (or designated beneficiary) may elect to (a) receive a lump-sum amount equal to the value of the participant's vested interest in his or her account, (b) roll over the value of the participant's vested interest in his or her account into another qualified plan, (c) receive annual or monthly installment payments over a specified period or in specified amounts, or (d) receive a partial distribution of his or her total account balance. Active participants may be eligible to receive in-service or hardship withdrawals or withdrawals allowed under the IRC for participants that reach age 59 ½.

(h) Forfeited Accounts

During 2013, \$19,131 in forfeitures were used to reduce employer contributions. At December 31, 2013, participants forfeited nonvested accounts totaled \$45. These amounts will be used to reduce employer contributions.

(i) Administrative Expenses

The Master Trust generally pays the administrative expenses of the Plan. The Plan document provides that the Company may reimburse the Plan for administrative expenses. The Company did not reimburse any administrative expenses in 2013.

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Notes to Financial Statements

December 31, 2013 and 2012

Company employees perform certain administrative functions that are not reimbursed by the Master Trust. The Plan document provides that the Company is entitled to reimbursement for certain costs incurred on behalf of the Plan. The Company did not seek reimbursement for these costs in 2013.

Administrative expenses are specifically identified to the four plans that participate in the Master Trust. Specifically identified expenses of the Plan for 2013 were \$1,476,546 and are reflected as administrative expenses in the Statement of Changes in Net Assets Available for Benefits.

(j) Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, liquidity 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.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements are prepared under the accrual basis of accounting.

(b) Investment Valuation and Income Recognition

The Plan's investments are stated at fair value with the exception of fully benefit-responsive investment contracts (referred to herein as guaranteed investment contracts or GICs), which are adjusted from fair value to contract value. The Master Trust has a direct investment in GICs through its investment in the Fixed Income Fund.

Purchases and sales of investments are recorded on the trade date. Investment income consists of dividend income, interest income, and net appreciation (depreciation) in the fair value of investments. Dividends are recognized on the ex-dividend date, the date on which an entity or an individual must own the stock to receive the pending dividend. Interest income is recorded on an accrual basis. Net appreciation (depreciation) includes the gains and losses on investments bought and sold as well as held during the year.

(c) *Payment of Benefits*

Benefits are recorded when paid.

(d) *Use of Estimates*

The preparation of financial statements in accordance with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

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Notes to Financial Statements

December 31, 2013 and 2012

(3) Tax Status

The Internal Revenue Service (IRS) issued a favorable determination letter on May 30, 2014, indicating that the Plan is a qualified plan under Section 401(a) of the IRC. The Plan is exempt from federal income tax under Section 501(a) of the IRC.

U.S. GAAP requires Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not 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, 2013 and 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. There are currently no audits in progress for any tax periods. Under the IRS statute of limitations, the Plan is no longer subject to income tax examinations for years prior to 2010.

(4) Investments

(a) General

The Plan's investments are held by the Master Trust, which was established for the investment of the Plan's assets and the assets of the General Dynamics Corporation 401(k) Plan 3.0, the General Dynamics Corporation 401(k) Plan 4.5, and the General Dynamics Corporation 401(k) Plan for Represented Employees, collectively the Plans. Each of the Plans has a pro rata interest in the Master Trust. Net assets and net participation in the net income of the Master Trust are allocated to the Plans according to each Plan's participants' investment elections and earnings thereon. At December 31, 2013 and 2012, the Plan's interest in the net assets of the Master Trust was approximately 20% and 30%, respectively.

GENERAL DYNAMICS CORPORATION**401(k) PLAN 5.0**

Notes to Financial Statements

December 31, 2013 and 2012

The following table presents the investments of the Master Trust as of December 31, 2013 and 2012:

| | 2013 | 2012 |
|--|-------------------|------------------|
| Brokerage accounts | \$ 105,480,509 | \$ |
| General Dynamics Corporation common stock | 2,543,378,903 | 2,127,670,462 |
| Equity securities | 1,032,284,124 | 631,654,975 |
| Fixed Income Fund (Synthetic GIC) | | |
| Wrapper contracts | 24,481,676 | 23,204,606 |
| Mortgage backed securities | 406,440,533 | 476,689,165 |
| Asset backed securities | 85,650,686 | 109,497,411 |
| Corporate debt obligations | 963,823,226 | 878,412,662 |
| Government debt obligations | 926,544,948 | 788,454,053 |
| Foreign government debt obligations | 1,867,782 | |
| Short term investment funds | 209,392,312 | 389,666,711 |
| Collective trusts | 29,144,831 | |
| Units of collective trusts (CCTs) | 4,211,014,209 | 2,907,186,787 |
| Units of registered investment companies (RICs) | 161,534,624 | |
| Cash and cash equivalents, other | 20,455,628 | 19,094,252 |
| | | |
| Total investments at fair value | 10,721,493,991 | 8,351,531,084 |
| Pending trades receivable | 1,693,846,291 | |
| | | |
| Total assets | 12,415,340,282 | |
| Pending trades payable | (1,582,790,189) | |
| | | |
| Total liabilities | (1,582,790,189) | |
| | | |
| Net assets of Master Trust before adjustment to contract value | 10,832,550,093 | 8,351,531,084 |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts | (33,528,140) | (60,274,062) |
| | | |
| Net assets of Master Trust | \$ 10,799,021,953 | \$ 8,291,257,022 |

GENERAL DYNAMICS CORPORATION**401(k) PLAN 5.0**

Notes to Financial Statements

December 31, 2013 and 2012

The Plans' interests in the Master Trust's net assets at December 31, 2013 and 2012 were as follows:

| | 2013 | 2012 |
|--|--------------------------|-------------------------|
| General Dynamics Corporation 401(k) Plan 3.0 | \$ 3,247,426,122 | \$ 3,100,365,484 |
| General Dynamics Corporation 401(k) Plan 4.5 | 4,222,196,109 | 1,744,551,380 |
| General Dynamics Corporation 401(k) Plan 5.0 | 2,196,524,591 | 2,442,564,365 |
| General Dynamics Corporation 401(k) Plan for Represented Employees | 1,132,875,131 | 1,003,775,793 |
| Total | \$ 10,799,021,953 | \$ 8,291,257,022 |

Net investment income for the Master Trust for the year ended December 31, 2013 consisted of the following:

| | |
|--|-------------------------|
| Net appreciation on equity securities other than Company stock | \$ 264,202,008 |
| Net appreciation on Company stock | 735,782,057 |
| Net appreciation in collective trust funds | 753,568,991 |
| Net appreciation in registered investment companies | 10,148,319 |
| Interest on fixed income fund | 46,394,284 |
| Dividends on Company stock | 45,130,911 |
| Dividends other than on Company stock | 12,320,567 |
| Net appreciation on brokerage account | 6,860,462 |
| Total | \$ 1,874,407,599 |

The Plans' interests in the Master Trust's investment income for the year ended December 31, 2013 were as follows:

| | |
|--|----------------|
| General Dynamics Corporation 401(k) Plan 3.0 | \$ 723,074,381 |
| General Dynamics Corporation 401(k) Plan 4.5 | 393,316,082 |
| General Dynamics Corporation 401(k) Plan 5.0 | 555,079,385 |
| | 202,937,751 |

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General Dynamics Corporation 401(k) Plan for
Represented Employees

| | |
|-------|------------------|
| Total | \$ 1,874,407,599 |
|-------|------------------|

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(Continued)

GENERAL DYNAMICS CORPORATION
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Notes to Financial Statements

December 31, 2013 and 2012

The fair value of the Master Trust's investments that represented 5% or more of the Master Trust's ending net assets as of December 31, 2013 and 2012 were as follows:

| | 2013 | 2012 |
|---|------------------|------------------|
| General Dynamics Corporation common stock | \$ 2,543,378,903 | \$ 2,127,670,462 |
| Fixed Income Fund | 2,647,345,994 | 2,665,924,608 |
| BTC US Debt Index Non-Lending Fund F | | 666,716,465 |
| Northern Trust S&P 500 Non-Lending Fund | 1,553,538,888 | 1,132,558,169 |
| Northern Trust Extended Market Index Fund | 773,647,226 | 552,167,464 |

(b) Fixed Income Fund (Synthetic GIC)

The Fixed Income Fund holds fully benefit-responsive investment contracts (wrapper contracts) with MetLife Insurance Company (MetLife) in order to provide participants with a stable, fixed-rate of return on investments, and protection of principal from changes in market interest rates. MetLife's credit rating from Standard & Poor's at December 31, 2013 was AA-. The Fixed Income Fund is a synthetic guaranteed investment contract (synthetic GIC) which is valued at the estimated fair value of the underlying investments of the contracts, primarily debt securities and wrapper contracts. Interest is credited to the contract at interest rates that reflect the performance of the underlying portfolio. MetLife resets the interest rate semi-annually based on the market value of the portfolio and the guaranteed value over the weighted average duration of the investments. Participants will receive the principal and accrued interest upon withdrawal for events such as transfers to other Plan investment options or payments for retirement, termination of employment, disability, death and in-service withdrawals as permitted by the Plan.

The contract value of the Fixed Income Fund at December 31, 2013 and 2012 was \$2,613,817,854 and \$2,605,650,546, respectively, as compared to the fair value of \$2,647,345,994 and \$2,665,924,608, respectively. The average yield and crediting interest rates ranged from 1.62% to 2.34% for 2013 and 2.15% to 2.75% for 2012. The crediting interest rate resets semi-annually and is based on an agreed-upon formula with the issuers, but cannot be less than zero. The key factors that influence future interest crediting rates could include the following: the level of market interest rates; the difference between the fully benefit-responsive investment contracts' book and market values; the amount and timing of Participant contributions; transfers and withdrawals into/out of the fully benefit-responsive investment contracts; and the duration of the underlying investments backing the fully benefit-responsive investment contracts.

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Notes to Financial Statements

December 31, 2013 and 2012

(c) Fair Value Determination

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between marketplace participants. Various valuation approaches can be used to determine fair value, each requiring different valuation inputs. The following hierarchy classifies the inputs used to determine fair value under U.S. GAAP:

Level 1 Quoted prices (unadjusted) in active markets for identical investments.

General Dynamics Corporation Common Stock, Investments in Equity Securities, Brokerage Accounts and Units of Registered Investment Companies:

General Dynamics Corporation common stock, investments in equity securities, brokerage accounts and units of registered investment companies are valued using quoted prices in an active market.

Level 2 Inputs other than quoted prices that are observable to the market participant for the asset, or quoted prices in a market that is not active.

Units of Collective Trusts:

Units of collective trusts are private investment securities valued using the Net Asset Value (NAV) provided by the Plan's trustee. NAV is based on the value of the underlying assets owned minus its liabilities, divided by the number of units outstanding. Investments in collective trusts are redeemable daily at NAV, and there are no restrictions on redemptions. Investments in collective trusts have investment strategies consistent with their classifications in the tables that follow. The NAV is quoted on a private market that is not active. However, the unit price is based primarily on underlying investments that are traded on an active market.

Fixed Income Fund (Synthetic GIC):

Asset-backed and mortgage-backed securities are valued at their most recent bid prices (sales prices if their principal market is an exchange) in the principal market in which such securities are traded, as determined by recognized dealers in such securities, or are valued on the basis of information provided by a pricing service. The fair values of corporate debt obligations are estimated based on yields currently available on comparable securities of issues with similar credit ratings. The fair values of government debt obligations and foreign government debt obligations are estimated based on current rates for similar instruments. The short term investment funds hold short term investments for capital preservation and fair values are estimated at their quoted redemption prices and recent transaction prices of \$1.00 per unit, with no discounts for credit quality or liquidity restrictions.

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Notes to Financial Statements

December 31, 2013 and 2012

Level 3 Inputs are unobservable to the market participant.

Wrapper Contracts:

Investments in wrapper contracts are valued at fair value using a discounted cash flow model which considers recent fee bids as determined by recognized dealers, discount rate, and the duration of the underlying portfolio of securities. The contracts are unallocated in nature and are fully benefit-responsive. Therefore, net assets available for benefits reflects the Plan's interest in the contract value of the Fixed Income Fund because the Plan's allocable share of the difference between fair value and contract value for this investment is presented as a separate adjustment in the statement of net assets available for benefits. There are no reserves against contract values (which represent contributions made under the contract, plus earnings, less withdrawals and administrative expenses) for credit risk of the contract issuer or otherwise. Wrapper contracts provide the Fixed Income Fund with the ability to use contract value accounting to maintain a constant \$1.00 unit price. Wrapper contracts also provide for the payment of Participant-directed withdrawals and exchanges at contract value (principal and interest accrued to date) during the term of the wrapper contracts. However, withdrawals prompted by certain events (e.g., layoffs, retirement during specified early retirement window periods, spin-offs, sale of a division, facility closings, plan terminations, partial plan terminations, changes in law or regulation, material breach of contract responsibilities, loss of the Plan's qualified status, etc.) may be paid at fair value which may be less than contract value. Currently, management believes that the occurrence of an event that would cause the Plan to be paid at less than contract value is not probable. A wrap issuer may terminate a wrapper contract at any time; however, if the fair value of the contract is less than the contract value, the wrap issuer can either hold the contract until the fair value and contract value are equal or make up the difference between the two. If the funds in the wrapper contracts are needed for benefit payments prior to contract maturity, they may be withdrawn without penalty.

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Notes to Financial Statements

December 31, 2013 and 2012

The following tables present the fair values of the Master Trust's assets on December 31, 2013 and 2012 and the basis for determining their fair values:

| | Fair value | Quoted price in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|--|------------------|--|---|--|
| December 31, 2013: | | | | |
| General Dynamics Corporation | | | | |
| common stock | \$ 2,543,378,903 | \$ 2,543,378,903 | \$ | \$ |
| Brokerage account | 105,480,509 | 105,480,509 | | |
| Investments in other equity securities | | | | |
| U.S. companies: | | | | |
| Financial | 121,415,799 | 121,415,799 | | |
| Capital goods | 18,578,759 | 18,578,759 | | |
| Consumer durables and apparel | 46,941,360 | 46,941,360 | | |
| Energy | 70,967,104 | 70,967,104 | | |
| Food and beverage | 55,938,807 | 55,938,807 | | |
| Healthcare and pharmaceutical | 141,769,747 | 141,769,747 | | |
| Hospitality | 50,393,625 | 50,393,625 | | |
| Media and telecommunications | 113,888,143 | 113,888,143 | | |
| Retail | 74,306,043 | 74,306,043 | | |
| Technology | 294,871,589 | 294,871,589 | | |
| Other | 43,213,148 | 43,213,148 | | |
| Synthetic guaranteed investment contracts: | | | | |
| Wrapper contracts | 24,481,676 | | | 24,481,676 |
| Mortgage backed securities | 406,440,533 | | 406,440,533 | |
| Asset back securities | 85,650,686 | | 85,650,686 | |
| Corporate debt obligations | 963,823,226 | | 963,823,226 | |
| Government debt obligations | 926,544,948 | | 926,544,948 | |
| Foreign government debt obligations | 1,867,782 | | 1,867,782 | |
| Short term investment funds | 209,392,312 | | 209,392,312 | |
| Collective trusts | 29,144,831 | | 29,144,831 | |
| Units of collective trusts: | | | | |
| Large cap U.S. equity | 1,582,540,815 | | 1,582,540,815 | |
| Small/mid cap U.S. equity | 937,913,740 | | 937,913,740 | |

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| | | | |
|----------------------------------|-------------------|------------------|--------------------------------|
| Blended equity/bond fund | 36,670,242 | | 36,670,242 |
| International equity | 57,353,370 | | 57,353,370 |
| Fixed income | 508,885,931 | | 508,885,931 |
| Target date 2010 2020 | 415,344,386 | | 415,344,386 |
| Target date 2025 2035 | 511,921,158 | | 511,921,158 |
| Target date 2040 2050 | 150,817,149 | | 150,817,149 |
| Target date 2055 2060 | 9,567,418 | | 9,567,418 |
| Registered investment companies | 161,534,624 | 161,534,624 | |
| Cash and cash equivalents, other | 20,455,628 | 20,455,628 | |
| | \$ 10,721,493,991 | \$ 3,863,133,788 | \$ 6,833,878,527 \$ 24,481,676 |

GENERAL DYNAMICS CORPORATION

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Notes to Financial Statements

December 31, 2013 and 2012

| | Fair value | Quoted price in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|--|------------------|--|---|--|
| December 31, 2012: | | | | |
| General Dynamics Corporation common stock | \$ 2,127,670,462 | \$ 2,127,670,462 | \$ | \$ |
| Investments in other equity securities | | | | |
| U.S. companies: | | | | |
| Financial | 91,834,839 | 91,834,839 | | |
| Capital goods | 16,426,484 | 16,426,484 | | |
| Consumer durables and apparel | 21,818,739 | 21,818,739 | | |
| Energy | 36,402,794 | 36,402,794 | | |
| Food and beverage | 32,311,638 | 32,311,638 | | |
| Healthcare and pharmaceutical | 89,707,751 | 89,707,751 | | |
| Hospitality | 30,284,517 | 30,284,517 | | |
| Media and telecommunications | 79,721,555 | 79,721,555 | | |
| Retail | 45,949,159 | 45,949,159 | | |
| Technology | 151,583,326 | 151,583,326 | | |
| Other | 35,614,173 | 35,614,173 | | |
| Synthetic guaranteed investment contracts: | | | | |
| Wrapper contracts | 23,204,606 | | | 23,204,606 |
| Mortgage backed securities | 476,689,165 | | 476,689,165 | |
| Asset backed securities | 109,497,411 | | 109,497,411 | |
| Corporate debt obligations | 878,412,662 | | 878,412,662 | |
| Government debt obligations | 788,454,053 | | 788,454,053 | |
| Short term investment funds | 389,666,711 | | 389,666,711 | |
| Units of collective trusts: | | | | |
| Large cap U.S. equity | 1,163,318,496 | | 1,163,318,496 | |
| Small/mid cap U.S. equity | 552,167,464 | | 552,167,464 | |
| Blended equity/bond fund | 24,902,553 | | 24,902,553 | |
| Fixed income | 666,716,465 | | 666,716,465 | |
| Target date 2010 2020 | 232,152,010 | | 232,152,010 | |
| Target date 2025 2035 | 226,348,124 | | 226,348,124 | |
| Target date 2040 2050 | 40,763,154 | | 40,763,154 | |
| Target date 2055 2060 | 818,521 | | 818,521 | |
| Cash and cash equivalents, other | 19,094,252 | | 19,094,252 | |

\$ 8,351,531,084 \$ 2,759,325,437 \$ 5,569,001,041 \$ 23,204,606

GENERAL DYNAMICS CORPORATION**401(k) PLAN 5.0**

Notes to Financial Statements

December 31, 2013 and 2012

The table below presents a reconciliation of Plan investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2013, including the reporting classifications for the applicable gains and losses included in the statement of changes in net assets available for benefits:

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | |
|--|--|------------|
| Wrapper contracts | | |
| Beginning balance, January 1, 2013 | \$ | 23,204,606 |
| Total gains or losses included in change in net assets available for benefits: | | |
| Realized appreciation | | |
| Unrealized appreciation (relating to assets held at end of year) | | 1,277,070 |
| Net appreciation in fair value of investments | | 1,277,070 |
| Ending balance, December 31, 2013 | \$ | 24,481,676 |

The valuation methods described above may produce a fair value that is not indicative of a net realizable value or reflective of future fair values. Furthermore, although the Plan Sponsor 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 financial instruments could result in a different fair value measurement at the reporting date.

(5) Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended. In the event the Plan is terminated, each participant will automatically become vested in his or her unvested Company contributions. Each participant will receive payments based on the specific dollar amounts and shares of the Company's common stock in his or her account.

(6) Party-in-Interest Transactions

The Plan may, at the discretion of the Plan's participants or via the Company match, invest through the Master Trust an unlimited amount of its assets in the Company's common stock. The Master Trust held 26,618,275 and 30,715,612 shares of the Company's common stock as of December 31, 2013 and 2012, respectively. Dividends earned by the Master Trust on the Company's common stock were \$45,130,911 for the year ended December 31, 2013.

GENERAL DYNAMICS CORPORATION**401(k) PLAN 5.0**

Notes to Financial Statements

December 31, 2013 and 2012

The Plan also invests, through the Master Trust, in collective trust funds and a money market fund that are managed by the trustees or affiliates of the trustees of the Plan (TNT until December 31, 2012 and Fidelity as of December 31, 2012). The Plan also invests, through the Master Trust, in a collective trust managed by one of its investment managers. These funds are considered party-in-interest investments. The following table summarizes the value of units held by the Master Trust in these funds at December 31, 2013 and 2012:

| | 2013 | | 2012 |
|--|-------------|---|---------------|
| NT Collective Daily S&P 500 Equity Fund | | * | 30,760,327 |
| BTC US Debt Index Non-Lending Fund F | 508,885,931 | | 666,716,465 |
| NT Extended Market Index Fund | | * | 552,167,464 |
| NT S&P 500 Index Non-Lending Fund | | * | 1,132,558,169 |
| Fidelity Institutional Cash US Government Fund | 48,291,565 | | |
| Fidelity Government Money Market Fund | 3,523,711 | | 242,043,364 |

* TNT is not deemed as a party-in-interest as of January 1, 2013.

The following table summarizes the aggregate net interest earned, and realized and unrealized gains recognized by the Master Trust on these funds for the year ended December 31, 2013:

| | |
|--|-----------------|
| BTC US Debt Index Non-Lending Fund F | \$ (11,047,685) |
| Fidelity Institutional Cash US Government Fund | 265 |
| Fidelity Government Money Market Fund | 228 |

Notes receivable from participants are also considered party-in-interest transactions.

(7) Reconciliation of Financial Statements to Form 5500

Benefit requests that have been processed and approved for payment prior to December 31 but not yet paid as of that date are not reported in the financial statements until the subsequent year but are included in amounts allocated to withdrawing participants on the Form 5500 for that year.

GENERAL DYNAMICS CORPORATION**401(k) PLAN 5.0**

Notes to Financial Statements

December 31, 2013 and 2012

The following is a reconciliation of net assets available for benefits at December 31, 2013 and 2012, as reported in the financial statements to the Form 5500:

| | 2013 | 2012 |
|--|------------------|---------------|
| Net assets available for benefits as reported in the financial statements | \$ 2,274,647,538 | 2,493,119,164 |
| Delinquent notes receivable in financial statements recorded as in the Form 5500 | (1,768,023) | |
| Amounts allocated to withdrawing participants at December 31, 2012 | | (2,133) |
| Net assets available for benefits as reported in the Form 5500 | \$ 2,272,879,515 | 2,493,117,031 |

The following is a reconciliation of benefits paid to participants for the year ended December 31, 2013, as reported in the financial statements to the Form 5500:

| | |
|--|----------------|
| Net increase prior to transfers per financial statements | \$ 455,944,229 |
| Deemed distributions of participant loans reported in the 2013 Form 5500 | (1,768,023) |
| Amounts allocated to withdrawing participants at December 31, 2012 | 2,133 |
| Net income (loss) per the Form 5500 | \$ 454,178,339 |

(8) Untimely Contributions

Untimely contributions represent the failure to segregate and forward participant contributions to a plan from the general assets of the employer within a reasonable period of time following the pay period in which such amounts would have been payable to the participant in cash. During the Plan year ended December 31, 2012, there were untimely contributions of \$258 (as reported in Schedule H, Line 4a of the Form 5500) that were corrected during the Plan year. There were no untimely contributions during the Plan year ended December 31, 2013.

GENERAL DYNAMICS CORPORATION

401(k) PLAN 5.0

Schedule H, Line 4a Schedule of Delinquent Participant Contributions

Year ended December 31, 2013

| | Total that constitute nonexempt prohibited transactions | | | Total fully corrected under VFCP and PTE 2002-51 |
|---|--|-----------------------------------|---|---|
| | Contributions corrected | Contributions outside VFCP | Contributions pending correction in VFCP | |
| Participant contributions transferred late to plan | Contributions not corrected | outside VFCP | correction in VFCP | 2002-51 |
| Check here if late participant loan repayments are included | | \$ 258 | | |
| See accompanying independent auditor's report. | | | | |

GENERAL DYNAMICS CORPORATION

401(k) PLAN 5.0

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

December 31, 2013

(b) Identity of issuer, borrower, (c) Description of investment including maturity date, rate of interest,

| (a) Lessor or similar party | (c) collateral par or maturity date | (d) Cost | (e) Current value |
|-----------------------------|-------------------------------------|----------|-------------------|
| * Participant Loans | Interest Rates (3.12-10.50%) | # | 42,154,181 |

* Party-in-interest

Cost information omitted for participant directed investments

See accompanying independent auditor's report.

SIGNATURE

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

GENERAL DYNAMICS CORPORATION

As Plan Administrator of the General Dynamics
Corporation 401(k) Plan 5.0

by /s/ Henry C. Eickelberg
Henry C. Eickelberg

Vice President, Human Resources and Shared Services

Dated: June 27, 2014