Sandia National Laboratories

July 2006

Dear Sandia Savings Plan Participant:

The information provided in this letter is a summary of material modifications to the current Sandia Savings Plans Summary Plan Description, dated June 1, 2004, and should be kept as a supplement with your Savings Plans Summary Plan Description.

**Before Change:**
Savings Plans participants who terminate employment with Sandia, and have an account balance that has not reached $5,000, must immediately roll over the balance to another qualified plan or an Individual Retirement Account (IRA), or receive a full lump sum distribution of the account less applicable tax withholding.

**Change:**
Due to changes to the Internal Revenue Code (IRC), automatic rollovers to an IRA are now the default option for mandatory distributions for employees who terminate employment with an account balance of at least $1,000, but less than $5,000.

The plans were amended December 16, 2005, to incorporate the following provisions:

- Participants who terminate employment with Sandia, and have an account balance of less than $1,000, may take action to roll over the balance to another retirement savings account, or receive an automatic full distribution of the balance less applicable tax withholding.

- Participants who terminate employment with Sandia, and have an account balance of $1,000 up to $5,000, may take action to roll over the balance to another retirement savings account, otherwise the account balance will automatically be transferred to a Fidelity IRA.

  Any balance automatically rolled over to an IRA managed by Fidelity Investments will be invested in a fund option with a goal of preserving principal and providing a reasonable rate of return.

  The only fee associated with this Fidelity IRA amounts to $50, assessed when the IRA is cashed out by the account holder (terminated Sandia employee). The total fee will be the sole responsibility of the account holder.

For more information about this change, you may contact David Medina:

- By phone at 1-505-844-0997,
- Or by mail at
  P.O. Box 5800
  Albuquerque, NM 87185-1302

For more information about your account, you may contact Fidelity:
- By phone at 1-800-240-4015

Sincerely,

Pension Fund and Savings Plans Management Department 10520

July 2009

Dear Sandia Savings Plan Participant:

This following information is a Summary of Material Modifications to the current Sandia Savings Plans Summary Plan Description (SPD), dated June 1, 2004 and should be kept as a supplement to the SPD.

For participants in the Savings and Income Plan and the Savings and Security Plan:

- The investment options were modified to remove the following funds: the Fidelity Institutional Short-Intermediate Government Portfolio; the Conservative, Moderate, and Aggressive Life Strategy Funds; the Fidelity Growth and Income Fund; and the Spartan International Index Fund.
- The following funds were added to the investment options: the BGI LifePath funds, the SSgA Passive Bond Market Index Fund, and the BGI ACWI XUS Index Fund.
- A lower-priced share class was implemented for the Fidelity Contrafund, Fidelity Balanced Fund, Fidelity Growth Company Fund, Neuberger Berman Guardian Fund, Russell Small Cap Fund, and the Templeton Foreign Fund.
- Participants who have been on military active duty for more than 30 days may request a distribution from their account. If such participants receive the distribution, they may not make an elective deferral or contribution during the 6 month period beginning on the distribution date.
- Hardship withdrawals are now allowed for medical care for dependents, payments for burial or funeral expenses, and expenses related to the repair of damages to your principal residence.

For participants in the Savings and Income Plan:

- Participants may now make Roth 401(k) contributions to the Plan. In addition, the Plan will accept direct rollovers to a Roth 401(k) account from another Roth 401(k) account under a qualified retirement plan.
- Nonspouse beneficiaries are now permitted to roll over their interest in the account of a deceased participant to a qualifying Individual Retirement Account (IRA).
- A participant or beneficiary may not make a formal claim more than 365 days after the date the claimant has knowledge of all material facts that are the subject of the claim. A participant or beneficiary may not submit a dispute to a court with respect to a denied claim under this Plan more than 365 days after the date the Employee Benefits Claim Review Committee renders its final decision upon appeal.

- Eligible employees hired or rehired on or after January 1, 2009, will be eligible to receive a company-matching contribution upon enrollment in the Plan. These employees will automatically receive an additional, service-based Enhanced Contribution that will vest after the employees complete three years of vesting service. This enhanced contribution is equal to 6% of eligible pay for service less than 15 years and 7% of eligible pay for 15 or more years of service.
- If a participant does not make an investment election, contributions will be defaulted into the BGI Life Path fund that corresponds to the year the participant attains age 65.

Sandia National Laboratories

# Sandia Savings Plans

Summary Plan Description

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## Effective: June 1, 2004

SAND 2004-2783 W

# Sandia Savings Plans

## The Sandia Corporation 401(k) Savings Plans:

## Savings and Income Plan (for non-union employees)

## Savings and Security Plan (for union employees)

Your savings will be an important part of your income in retirement, supplementing your income from pensions and Social Security. The Sandia Corporation Savings and Income Plan and the Sandia Corporation Savings and Security Plan will help you build financial resources for the future.

The Sandia Corporation Savings and Income Plan and the Sandia Corporation Savings and Security Plan were established on June 1, 1993. This booklet is a summary of the Plans as of June 1, 2004. Please read this booklet carefully and share it with your family.

**The Sandia Corporation Savings Plans are maintained at the discretion of Sandia and are not intended to create a contract of employment. The Sandia Board of Directors (or designated representative) reserves the right to suspend, change, modify, or discontinue the Plan at any time without prior notice, subject to applicable collective bargaining agreements. Of course, should Sandia take any such action, it would be subject to legal and Plan provisions, and your benefits earned to the date of any such action would be protected.**

| Contact Numbers | | |
|---|---|---|
| Resource | Telephone Number | Services |
| Fidelity | 800-581-5800<br>www.401k.com | Enables Internet account access via Net Benefits |
| Fidelity | 800-240-4015 | Provides information on accounts, exchanges, loans, withdrawals, and distributions as well as PINs and statements |
| Pension Fund & Savings Plan Dept. | 505-844-0997<br>505-284-5830 | Intervenes in savings plan issues; assists with rollovers |

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# Contents

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# Highlights

## Summary of Plan Changes

The following section briefly describes changes that have been implemented since publication of the October 2000 Savings and Income Plan/Savings and Security Plan booklet.

- The Sandia Fund List was modified (see Investment Options, pages 13-18). The following occurred:
  - Removal of Credit Suisse Emerging Growth Fund,
  - Addition of DFA U.S. Small Cap Portfolio and Frank Russell Company Small Cap Fund, and
  - Removal of Janus Worldwide Fund as a fund option.
- The rollover provision includes pre-tax and after-tax contributions from other employer-sponsored retirement plans, and IRAs (see Rollover Contributions, page 10).
- The contribution limit was increased to 18%. MTC and OPEIU members have a current limit of 17% as directed by Collective Bargaining Agreements (see Contributions, page 7).
- Participants age 50+ are now able to contribute an additional pre-tax amount to the Savings Plan that is separate from the regular pre-tax deferral (see Catch-up Provision, page 11).
- Participants who receive fiscal year-end Individual Performance Awards (IPAs) are permitted to contribute a portion, or all of it to the Savings Plan on a pre-tax basis, so long as the contributions do not exceed the Internal Revenue Service (IRS) limits for that particular year (see Eligible Earnings, page 7).
- Loans or withdrawals can now be transferred electronically to your bank account through an electronic funds transfer (EFT) service (see Loan Processing, page 26).
- The Plan was modified to allow two loans (see Loan Restrictions, page 25).
- Account statements are available online; paper statements must be requested (see Account Statements, page 20).
- The Company match is now immediately vested (see Vesting, page 23).
- Terminated participants can continue to keep their accounts in the Sandia Plan past the age of 65.

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# Eligibility

**Sandia Corporation Savings and Income Plan (SIP).** You are eligible if you are not a union member and are:

- 21 years old or older,
- A regular employee,
- A limited term, post-doctoral, or year-round faculty sabbatical employee, and

you received a W-2 form from Sandia for a Plan year.

**Sandia Corporation Savings and Security Plan (SSP).** You are eligible if you are a union member and are:

- 21 years old or older,
- A regular employee,
- A limited term employee, and

you received a W-2 form from Sandia for a Plan year.

> **NOTE:** Student interns are not eligible to participate in either Savings Plan.

You can enroll when you are hired and will receive the Company match when you have one year of service at Sandia or Lockheed Martin.

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# Participation

## Enrolling

Your new-hire package contains information on the Savings Plans including a Beneficiary Designation form, a Summary Plan Description, and details on how to enroll and where to find more information.

To enroll, contact Fidelity at 800-240-4015 or on the web at www.401k.com, under NetBenefits. Fidelity will confirm both your enrollment elections and your personal identification number (PIN) for future transactions. If you do not receive a confirmation letter within 10 business days, call Fidelity at 800-240-4015.

## Choosing a Beneficiary

When you enroll, you may designate a beneficiary to receive your account balance when you die.

To designate a beneficiary, complete the Beneficiary Designation Form, and return a completed, signed, and witnessed original form to the Pension Fund & Savings Plan Department (MS 1302). Check to make sure it is complete, signed and witnessed. You will want to also keep a copy for your personal files. If you ever need a copy, you may request one from Fidelity at 800-240-4015.

Consider the following when you choose a beneficiary:

- If you are married and have not designated a beneficiary, your spouse to whom you are married when you die, automatically becomes your beneficiary. Your spouse can roll your account balance directly to an Individual Retirement Account (IRA).
- If you are married and designate someone other than your spouse as your primary beneficiary (including a trust), you must have written, notarized consent from your spouse. (The Beneficiary Designation form includes a consent section.) A non-spouse beneficiary (including a trust) is not allowed to roll your account balance directly into an IRA.

- If you are not married and do not designate a beneficiary, your account balance will be paid to your estate upon your death. State law then determines the disposition of those assets. Your estate cannot roll your account directly into an IRA.
- If you plan to name a minor as a beneficiary, consult your attorney beforehand.
- Your signature on the beneficiary designation form should be witnessed by someone other than your beneficiary.

## Changing Your Beneficiary

You may change your beneficiary designation at any time. Call the Sandia Benefits Office, the Pension Fund & Savings Plan Department, or Fidelity to request a new beneficiary designation form (also available online under Corporate forms). Return the completed, signed original to the Pension Fund & Savings Plan Department (MS 1302) and retain a copy for your personal records.

# Contributions

You can make pre-tax and/or after-tax contributions. Your contributions can be as much as 18% of your eligible earnings (17% for MTC and OPEIU members). When you enroll, Fidelity will ask you to specify the total percentage of your contributions and then break them down into the pre-tax and after-tax percentages.

## Eligible Earnings

For Plan purposes, your eligible earnings include your base pay plus certain nonbase compensation, such as individual performance awards and advancement awards. Eligible earnings do not include shift differentials, muster time, other premium pay (including overtime), workers' compensation payments, royalty awards or the cash value of noncash compensation reported to the IRS for tax purposes, even if such noncash compensation is subject to withholding. (If you receive a Spot award, you may elect upon receipt of the award whether to have contributions withheld.)

## Pre-tax Contributions

You can contribute from 2% to 18%* (17% for MTC and OPEIU members) of your eligible earnings, in 1% increments, on a pre-tax basis, subject to annual limits (see page 10). Pre-tax contributions lower your current pay for federal income tax and for tax withholding purposes. This lowers your taxable income, which, in turn, lowers your current income taxes. However, Social Security (FICA) and Medicare taxes are withheld on both your pre-tax and after-tax contributions, which under current law ensures that your Social Security benefit will not be adversely affected by your participation in the Plan.

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* This percentage may change at the direction of Sandia. Sandia must ensure that the plans pass IRS nondiscrimination tests each year, which are highly dependent upon the pre-tax deferral rate (see Nondiscrimination Tests, page 11).

Pre-tax contributions are taxed when they are paid out of the Plan. Also, withdrawals of pre-tax contributions and earnings while you're employed by Sandia are subject to IRS restrictions (see page 35).

The following table illustrates how much you can reduce the federal income tax and increase your current spendable income by saving pre-tax rather than after-tax dollars in the Plan.  This illustration assumes that you currently earn $50,000 and you contribute 6% of your earnings (or $3,000) to the Plan.

| | Pre-tax Savings | After-tax Savings |
|---|---|---|
| W-2 Wages | $50,000 | $50,000 |
| Pre-tax Savings | 3,000 | 0 |
| W-2 Taxable Wages | 47,000 | 50,000 |
| Estimated Federal Income Taxes* | 6,964 | 7,774 |
| Estimated Social Security (FICA) Taxes | 3,825 | 3,825 |
| Earnings after Taxes | 36,211 | 38,401 |
| After-tax Savings | 0 | 3,000 |
| Spendable Income | 36,211 | 35,401 |
| Tax Reduction/Extra Take-home Pay | 810 | 0 |

- This example is based on 2003 federal income tax rates for a single individual taking the standard deduction and claiming one exemption.  Not shown are additional current savings of state and local taxes, if any.

## After-tax Contributions

You can contribute from 2% to 18%* (17% for MTC and OPEIU) of your eligible earnings, in 1% increments, on an after-tax basis.

After-tax contributions do not reduce your pay for federal income tax and tax withholding purposes.  Under present IRS rules, they are more readily available for withdrawal than pre-tax contributions.

## Combination of Pre-tax and After-tax Contributions

If you make pre-tax and after-tax contributions, you must contribute at least 1% of your eligible earnings to each.  However, the total of your pre-tax and after-tax contributions cannot exceed 18%* of your eligible earnings (17% for MTC and OPEIU).

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* This percentage may change at the direction of Sandia.  Sandia must ensure that the plans pass IRS nondiscrimination tests each year, which are highly dependent upon the pre-tax deferral rate (see Nondiscrimination Tests, page 11).

## How Long Contributions Continue

Your Plan contributions continue until one of the following occurs:

- You take a leave of absence from Sandia employment,
- You terminate employment at Sandia or transfer to another Lockheed Martin (LMC) company,
- You are suspended from contributing due to a hardship withdrawal,
- You have insufficient net pay (after required withholdings) to cover your authorized Plan contributions,
- You discontinue your contributions, or
- You reach the IRS annual additions limit or the annual compensation limit.

## Company Match

Sandia contributes 66-2/3 cents to your account for every dollar that you contribute to the Plan up to the first 6% of your eligible earnings. Sandia does not match contributions above 6% of your eligible earnings. The Company match is placed in your Fidelity account on the same day you make your contribution. Eligibility for Company match requires 12 months of Sandia or Lockheed Martin service in which 1,000 hours were worked as an eligible employee.

### Immediate Company Match

Eligible Sandia employees may receive the Company match immediately under the following conditions:

- You are rehired by Sandia with at least 12 months of prior Sandia service in which 1,000 hours have been worked as a regular employee.
- You were a post-doctoral employee, limited term employee, or year-round faculty sabbatical employee at Sandia who worked 12 months and 1,000 hours in that position and are then hired (within one month) as a regular Sandia employee.
- You were a student intern at Sandia who worked 12 months and 1,000 hours in that position and are then hired (within one month) as a regular Sandia employee.
- You are hired from Lockheed Martin Corporation or one of its 80% owned subsidiaries, and while employed there, you worked 12 months and 1,000 hours.

If you are in one of the above categories but did not work a full 12 months and 1,000 hours, the time you worked will count toward this requirement at Sandia.

## Rollover Contributions

The Savings Plans are tax-qualified pension plans. They accept rollovers from other tax-qualified pension plans.

You may be eligible to roll over these accounts:

- 401(k) pre-tax accounts from another employer,
- After-tax accounts from another employer or a conduit IRA,
- 457 or 403(b) accounts from an educational institution or a nonprofit or government entity,
- IRA accounts,

Corporate Pension Plans to roll a distribution into the Sandia Plan, you must either:

- Transfer the funds within 60 days after you receive payment from the former plan or IRA or
- Directly transfer the funds from your former plan or IRA to this plan.

You will be required to certify that the rollover contribution is from a qualified plan or an IRA that qualifies as a rollover IRA. Call the Pension Fund & Savings Plan Department at 505-844-0997 for assistance in making the rollover.

## IRS Limits on Contributions

The IRS annually limits the amount of your pre-tax contributions to the Plan. The limit for 2004 is $13,000. Once your pre-tax contributions reach the pre-tax limit for a Plan year, Sandia's Payroll automatically switches your pre-tax contributions to after-tax so you will continue to receive the Company match. The IRS further limits the total of your after-tax, pre-tax contributions and the Company match (added together), which cannot exceed $41,000 or 100% of your W-2 compensation for the year, whichever is less.

If you exceed any limitation, you will be informed of how this has affected your Savings Plan account. Excess contributions and related earnings will be returned to you after the end of the Plan year and removed from your account in the following order:

- Supplemental after-tax contributions,

- Supplemental pre-tax contributions,
- Basic after-tax contributions and the related Company match, and
- Basic pre-tax contributions and the related Company match.

In addition, earnings on these amounts will be removed from your account. Company match and related earnings removed from your account will be forfeited in accordance with Plan provisions. Fidelity will issue you a 1099 tax statement at the end of the year.

## Catch-up Provision

The IRS allows participants age 50 and above to elect to have an additional pre-tax amount contributed to their 401(k) accounts without respect to individual or plan limits. The limit for 2004 is an additional $3,000, and contributions may range from 1% to 60% of eligible earnings. This is not automatic. The catch-up contribution is not the normal savings plan deduction; it is separate. You must contact Fidelity either by phone or on the web to make this election.

## Nondiscrimination Tests

The IRS imposes two Plan-level tests to ensure that the Plan does not discriminate in favor of highly compensated employees (generally defined as employees earning over $90,000 a year in 2003 dollars, indexed for cost-of-living adjustments). One test compares the average pre-tax contributions of highly compensated and nonhighly compensated employees. The other test compares the average after-tax contributions and Company match of the two employee groups.

If it is projected that the Plan is going to fail the pre-tax test, those pre-tax contributions of highly compensated employees will be redesignated as after-tax contributions for the remainder of the Plan year.

If it is determined after the close of the Plan year that the pre-tax test has failed, excess pre-tax contributions and earnings will be refunded to the highly compensated employees.

If the Plan fails the additional test that compares the average after-tax contributions and Company matching contributions between highly compensated and non-highly compensated employees, the Plan will refund excess contributions and earnings to highly compensated employees affected by the limitations.

| Contributions Snapshot | |
|---|---|
| **Vesting** | Contributions and Company match: 100% vested which means they are non-forfeitable |
| **Pre-tax or After–tax Contributions** | Minimum: 2% of eligible earnings<br>Maximum: 18% in 1% increments |
| **Combined Pre-tax and After-Tax Contributions** | Combined Minimum: 1% to each contribution type (2%)<br>Combined Maximum: 18% in 1% increments (17% for MTC and OPEIU members) |
| **Company Match** | Amount: 66-2/3 cents for every dollar contributed up to 6% of eligible earnings.<br>Eligibility: Generally 12 months of Sandia or Lockheed Martin employment and 1,000 hours as an employee |
| **Pre-tax Limit** | Annual Pre-tax IRS limit: 2004 limit is $13,000 |
| **Limits on total Contributions** | Annual Additions (Pre-tax + after-tax contributions + Company match): Cannot exceed $41,000 or 100% of W-2 compensation for the year, whichever is less |
| **Catch-Up Contributions** | Age 50 and Above: 2004 IRS limit is $3,000 additional<br>Pre-tax Contribution Range: 1% to 60% of eligible earnings |

# Investment Options

## Choices

You select the fund(s) in which to invest your contributions, Company match, and existing balances. The value of your Plan investments can increase—or decrease—depending on the performance of the fund(s). Since the value of your investments is determined by the financial markets, Sandia cannot make any guarantees about fund performance.

Before you invest in any of the funds, read the prospectuses and other information regarding the funds, their restrictions, their expenses, and the types of securities in which they invest. This can help you determine the investment(s) appropriate for you. Sandia, acting through its Investment Committee appointed by the Board of Directors, reserves the right to add or terminate fund options at its discretion.

> **NOTE:** The duty of Fidelity as the Plan's Trustee is to invest and reinvest the money deposited with it in accordance with your investment instructions. The Plans are intended to qualify as an ERISA Section 404© Plan. If participants provide investment instruction for the investment of their accounts in compliance with ERISA Section 404©, Fidelity and the other Plan fiduciaries will not be liable for investment losses that are the direct result of the participant's investment instructions.

You may choose from any of the funds that are discussed in the following sections. (The Janus Worldwide Fund is no longer available for new contributions.) The funds are grouped by investment category:

## Fixed Income Funds

The Plans offer three fixed income investment funds. They differ primarily in the types of firms (issuers) in whose securities they invest. They may also differ in the length of maturities of individual securities, as well as in the credit quality of the issuers. Fixed income securities are generally considered to be interest-rate sensitive. Their value (and possibly a fund's share price) tends to decrease when interest rates rise and increase when interest rates fall.

- The **Fidelity Institutional Short-Intermediate Government Portfolio** is a Fidelity-managed fund that normally invests in U. S. government securities and instruments related to government securities while maintaining an average maturity of two to five years. Its objective is a high level of current income consistent with preservation of principal. Risks include price fluctuations due to changes in interest rates and changes in an issuer's credit standing. Additionally, the value of your investment may fluctuate based on market conditions and economic and political news. Be sure to read the restriction on page 21 about moving between this fund and the Interest Income Fund. [Fund Code 00662; Ticker Symbol FFXSX]

- The **Fidelity Intermediate Bond Fund** is a Fidelity-managed mutual fund that normally invests in investment-grade debt securities while maintaining an average maturity of three to ten years. Its objective is high current income. Risks include price fluctuations caused by changes in interest rates and changes in an issuer's credit standing. Additionally, the value of your investment may fluctuate based on market conditions and other economic and political news. [Fund Code 00032; Ticker Symbol FTHRX]

- The **Interest Income Fund** seeks to preserve your principal investment while earning interest income. The fund will try to maintain a stable $1 unit price. However, the fund cannot guarantee this stable unit price, and its yield will fluctuate.

  It invests in investment contracts (which allows the fund to maintain its book value) offered by major insurance companies and other approved financial institutions and in certain types of fixed-income securities. A small portion of the fund is invested in a money market fund to provide daily liquidity. Participant withdrawals and exchanges are paid at book value (principal and interest accrued to date) during the life of the contract. Some investment contracts are structured solely as a general debt obligation of the issuer. Other investment contracts ("wrap contracts") are purchased in conjunction with an investment by the fund in fixed-income securities. All investment contracts and fixed-income securities purchased for the fund must satisfy the credit quality standards of Fidelity Management Trust Company (FMTC). The investment contract and fixed-income security commitments are backed solely by the financial resources of the issuer. In addition, investment contract issuers may impose a contract penalty on withdrawals or exchanges from the fund caused by an extraordinary corporate event (layoff, sale of a line of business, etc.).

  The rate of income and return on your investment will vary, generally reflecting changes in interest rates. The yield can lag behind current market rates from time to time. [Fund Code 97604; Ticker Symbol N/A (fund only for Sandians)]

  (Investments in the fund are not guaranteed by FMTC or Sandia Laboratories.)

**NOTE:** See restrictions on exchanges among these funds under Exchanging Investment Fund Balances on page 21.

# Blended Options

Balanced funds invest in both fixed income and equity (stock) investments. The Plans offer a balanced investment fund option

- The **Fidelity Balanced Fund** is a Fidelity-managed mutual fund that invests in a broadly diversified portfolio of high-yielding debt and equity securities. The investment objective is income and capital growth consistent with reasonable risk. The fund typically invests in 60% stocks and 40% bonds. Risks include price fluctuations and variations in corporate earnings and dividends due to changes in interest rates, changes in an issuer's credit standing, and economic changes. [Fund Code 00304; Ticker Symbol FBALX]

- The **Sandia Conservative Life Strategy Investment Option** is an asset-allocation fund administered by Fidelity Management Trust Company as directed by Sandia. It invests in four index funds, combining U.S. equities, U.S. fixed income, and foreign equities. Its goal is a total return consistent with a conservative asset allocation between equity and fixed income investments in a mix of 30% equity and 70% fixed income. Risks include price fluctuations and variations in corporate earnings and dividends due to changes in interest rates, changes in an issuer's credit standing, and economic changes. Investments in small companies and in foreign securities involve more risks than investments in large U.S. companies. These risks include increased price volatility and increased political and economic risks, as well as exposure to currency fluctuations. [Fund Code 21009; Ticker Symbol N/A (not a mutual fund)]

- The **Sandia Moderate Life Strategy Investment Option** is an asset-allocation fund administered by Fidelity Management Trust Company as directed by Sandia. It invests in four index funds, combining U.S. equities, U.S. fixed income, and foreign equities. Its goal is total return consistent with a moderate asset allocation between equity and fixed income investments in a mix of 60% equity and 40% fixed income. Risks include price fluctuations and variations in corporate earnings and dividends due to changes in interest rates, changes in an issuer's credit standing, and economic changes. Investments in small companies and in foreign securities involve more risks than investments in large U.S. companies. These risks include increased price volatility and increased political and economic risks, as well as exposure to currency fluctuations. [Fund Code 21008; Ticker Symbol N/A (not a mutual fund)]

- The **Sandia Aggressive Life Strategy Investment Option** is a Fidelity-managed asset allocation mutual fund (the Fidelity Four-in-One Index Fund). It invests in four index funds, combining U.S. equities, U.S. fixed income, and foreign equities. Its goal is total return. The target asset allocation is 85%

equities and 15% fixed income. Risks include price fluctuations and variations in corporate earnings and dividends due to changes in interest rates, changes in an issuer's credit standing, and economic changes. Investments in small companies and in foreign securities involve more risks than investments in large U.S. companies. These risks include increased price volatility and increased political and economic risks, as well as exposure to currency fluctuations. The fund carries a short-term trading fee to discourage short-term buying and selling of fund shares. If you sell your shares after holding them for less than 30 days, the fund will deduct a short-term trading fee from your account equal to 2% of the value of the shares sold. [Fund Code 21008; Ticker Symbol N/A]

## Equity Funds

The Plans offer nine diversified equity (stock) investment options. These funds provide investors with exposure to the stock markets in the U.S. and/or internationally. These investments, over the long term, may provide protection from the effects of inflation. However, they are considered more risky than fixed-income investments because equity prices typically fluctuate more than bond prices.

Stock values fluctuate in response to the activities of individual companies and general market and economic conditions. You may have a gain or loss when you sell your shares. The stock prices of small, less well-known companies may be more volatile than those of larger companies. Investments in foreign stocks involve more risks than investments in U.S. stocks, including increased political and economic risks as well as exposure to currency fluctuations.

These funds differ in the types of companies in which they invest as well as whether they make investments in the U.S. market (domestic), foreign markets (international), or global markets (both international and domestic).

- The **Fidelity Contrafund®** is a Fidelity-managed mutual fund. It invests in securities of companies believed to be undervalued or out of favor. The investment objective is capital appreciation (increase in the value of the fund's shares). Returns will fluctuate with changes in stock prices. [Fund Code 00022; Ticker Symbol FCNTX]

- The **Fidelity Growth Company Fund** is a Fidelity-managed mutual fund. It invests in equity securities of companies that the fund manager believes have above-average growth potential. The fund's investment objective is capital appreciation (increase in the value of the fund's shares). Returns will fluctuate with changes in stock prices. [Fund Code 00025; Ticker Symbol FDGRX]

- The **Fidelity Growth & Income Portfolio** is a Fidelity-managed mutual fund. It invests mainly in equity securities of companies that offer capital appreciation potential while paying current dividends. The fund's objective is to seek high total return through a combination of current income and capital appreciation. Returns will fluctuate with changes in stock prices. [Fund Code 00027; Ticker Symbol FGRIX]

- The **U.S. Equity Index Commingled Pool** is a fund managed by Geode Capital Management. It holds the stocks of the companies in the Standard and Poor's 500 (S&P 500®) stock index, in the same proportion as that index. Its investment objective is to provide investment results that correspond to the total return performance of common stocks publicly traded in the U.S. Returns will fluctuate with the changes in stock prices of the companies in the S&P 500®.[Fund Code 00782; Ticker Symbol N/A (not a mutual fund)]

- The **Janus Worldwide Fund** (closed to new contributions) is a mutual fund managed by Janus Capital Corporation. It invests primarily in common stocks of both foreign and domestic companies. Its investment objective is long-term growth consistent with preservation of capital. The fund normally invests in securities from at least five different countries, including the U.S.; however, it may invest in fewer than five countries or even in a single country. Returns will fluctuate with changes in stock prices. (Balances in the fund must be moved by March 31, 2005.) [Fund Code 99664; Ticker Symbol JAWWX]

- The **Neuberger Berman Guardian Fund – Trust Class** is a mutual fund managed by Neuberger Berman Management, Inc. It invests mainly in stocks of established, high-quality companies. Its primary objective is to seek capital appreciation, and its secondary objective is to seek current income. Returns will fluctuate with changes in stock prices. [Fund Code 99662; Ticker Symbol NBGTX]

- The **Templeton Foreign Fund-A** is a mutual fund managed by Templeton Global Advisors Limited. It invests primarily in stocks of companies outside the U.S. The fund's investment objective is to seek long-term capital growth. Returns will fluctuate with changes in stock prices. If you sell your shares after holding them for less than 30 days, the fund will deduct a short-term trading fee from your account equal to 2% of the values of the shares sold. [Fund Code 99500; Ticker Symbol TEMFX]

- The **Spartan® International Index Fund** is a mutual fund managed by Geode Capital Management that invests in international stocks. Its goal is returns that correspond to the total return of foreign stock markets as represented generally by the Morgan Stanley Capital International Europe, Australasia, Far East Index (MSCI EAFE® Index). Foreign investments, especially those in emerging markets, involve greater risks than U.S. investments, including political and economic uncertainties of foreign countries as well as the risks of currency fluctuations. If you sell any of your shares after holding them for fewer than 90 days, the fund will deduct a short-term trading fee from your account equal to 1% of the value of the shares sold. [Fund Code 00399; Ticker Symbol FSIIX]

- The **DFA U.S. Small Cap Portfolio** is a small-cap mutual fund managed by Dimensional Funds Advisors, Inc. It invests in common stocks of small cap companies traded on principal U.S. exchanges or on the over-the-counter market. Its goal is long-term capital appreciation. Securities of very small companies are often less liquid and involve greater risk than those of larger companies. Therefore, their prices may fluctuate more than those of larger companies. Share price and return may vary. [Fund Code 91871; Ticker Symbol DFSTX]
- The **Frank Russell Trust Company Small Cap Fund** is a small-cap equity commingled pool managed by Frank Russell Trust Company. Based on the recommendation of multiple advisors, this fund invests in securities of small-to medium-size companies from the recommendations of multiple advisors. Risks include the potential for greater price movements than those of larger companies, limited product lines, markets, and financial resources. Share price and return may vary. [Fund Code 45217; Ticker Symbol N/A (not a mutual fund)]

# Employer Stock

The Company Common Stock Fund invests mainly in the stock of Lockheed Martin Corporation. Because this fund is not diversified, it is considered more risky than diversified stock funds.

- The **Company Common Stock Fund** is managed by Fidelity for the Sandia Corporation Savings Plans. It consists primarily of shares of Lockheed Martin Corporation common stock. To satisfy its cash requirements, some investments are in cash-type securities, such as money market instruments. Dividends are usually reinvested in additional stock. Participants are stockholders in Lockheed Martin Corporation, and they can direct the voting of shares of stock allocated to their accounts. Ownership in the fund is expressed in terms of units and not shares of stock. Returns will fluctuate mainly with the price of Lockheed Martin Corporation common stock. [Fund Code 99198; Ticker Symbol N/A (Ticker Symbol for Lockheed Martin Common Stock:  (LMT)]

# Investment Direction

You direct your contributions and Company Match to one fund or to any combination of the available funds in 1% increments. Dividends and interest earned by the funds are invested in the same fund.

> **NOTE: Sandia and Fidelity Investments reserve the right to limit individual daily trading privileges.**

# Understanding Your Plan Account

## Your Plan Account

When you enroll, Fidelity establishes an account in your name. Your account reflects such items as:

- Your contributions—both basic and supplemental, pre-tax and after-tax;
- The Company match;
- The current value of the investment option(s) you have chosen; and
- The impact of any transactions you have made.

## How Your Account Is Valued

Fidelity values your account daily. You may call Fidelity 24 hours a day, seven days a week, at 800-240-4015 to request the value of your account. The value provided will be as of the prior day's close of business.

You may also access your account at home via the Internet. Call Fidelity at 800-581-5800 to enable NetBenefits to access your account. Verify that you have a compatible Internet browser. (America Online is not a compatible browser at this time.) From your browser, type in www.401k.com. Click on the "Access My Account" ENTER button, and then enter your Social Security number and your PIN.

# Fees

Two types of fees are associated with funds.

**Management fees:** These are fees paid to the management company of the investment option. The daily valuations of each fund reflect these expenses; i.e., when you see the daily valuation of your investment option, these fees have already been deducted.

**Other expenses:** Generally, Sandia pays the cost of administering the Plan. You are charged for certain transaction-related expenses, such as loan processing fees and annual proxy costs, if any, for the Company Common Stock Fund. These fees and costs are deducted from your account and noted on your statement.

# Account Statements

You may receive a statement of your account any day at www.401k.com.

Quarterly paper statements are available on request by calling Fidelity. Statements will be sent to your address on record with Fidelity within 20 days after the end of each calendar quarter. Call Fidelity at 1-800-240-4015 to request the value of your account at any time or check it on the web as outlined in the previous section.

Review all quarterly statements as soon as you receive them, and if there is an error, report it to Fidelity as soon as possible.

You will also receive written confirmations of the following transactions:

- A distribution calculation when you elect a payout, loan, or withdrawal from your account and a transaction confirmation when you elect a fund exchange, a plan transfer, or change in future contributions.
- An adjustment confirmation when an adjustment or correction is made to your account.
- Your PIN is changed.

Review all confirmations immediately to compare the information to your records. Report any discrepancy to Fidelity within 30 days of receiving the statement.

## Changing Your Contributions

By calling Fidelity or contacting Fidelity via the Web, you can:

- Increase or decrease the percentage of your contributions (pre-tax and after-tax),
- Discontinue your contributions, or
- Restart your contributions.

You can change or discontinue your contributions, or change your pre-tax/after-tax mix, on any business day. The change will generally be effective by the second payroll period following the date of your change. Fidelity will mail a confirmation notice to you within three business days verifying your request. Review the confirmation notice carefully, and if it is incorrect, notify Fidelity immediately.

After changing your contributions, check your next few pay stubs to verify that the change has been made. Notify the Pension Fund & Savings Plan Department at 505-844-0997 if there is any discrepancy. That department will work with Sandia Payroll and Fidelity to correct any error.

## Changing Your Investment Direction

You may change your investment direction for future contributions and Company match on any business day. To make a change, call Fidelity at 800-240-4015 or go online through NetBenefits. Changes will be effective with the next regular pay date.

**NOTE: Sandia and Fidelity Investments reserve the right to limit individual daily trading privileges.**

## Exchanging Investment Fund Balances

You can exchange all or part of your fund(s) balances (in 1% increments) to other investment funds on any business day that the New York Stock Exchange is open. However, you may not make direct exchanges from the Interest Income Fund to the Fidelity Institutional Short-Intermediate Government Portfolio, which is considered a competing fund.

To exchange balances from the Interest Income Fund to the Fidelity Institutional Short-Intermediate Government Portfolio, you must first move those balances into a noncompeting fund (i.e., one of the equity-fund or balanced-fund options, or the Intermediate Bond Fund) for at least 90 days. After 90 days, you may request an exchange to the fund of your choice.

The insurance companies and other financial institutions that issue the contracts held by the Interest Income Fund impose these restrictions so that they can maintain the stability necessary to provide a higher rate of return.

To make an exchange, call Fidelity at 800-240-4015 or go online through NetBenefits. The exchange will be effective the same day if you call before 4 P.M. EST or the next day if you call after 4 P.M. EST.

**NOTE: Sandia and Fidelity Investments reserve the right to limit individual daily trading privileges.**

## Voting Lockheed Martin Corporation Shares

If a portion of your account balance is invested in the Company Common Stock Fund (Lockheed Martin Corporation shares), the special services fiduciary for proxies or tenders for this fund is the U.S. Trust Company. It will send you a copy of the Annual Report of Shareholders before each annual meeting or other materials before a special meeting of Lockheed Martin Corporation shareholders.

You will receive the proxy soliciting material for any upcoming meeting and a form requesting instructions on how to vote the Lockheed Martin Corporation shares held in your account. U.S. Trust will vote such shares based on your instructions. If you do not return voting instructions, U.S. Trust will vote your Lockheed Martin Corporation shares in what it determines, on the basis of its independent judgment, to be in your best interest.

If a tender offer is made for LMC shares, you will receive tender information and instructions from U.S. Trust.

Your account may be charged a fee for providing these services whether or not you provide proxy voting instructions to U.S. Trust.

## Requirements for Transactions

To change your contributions or investment direction or to transfer investment fund balances, you must provide Fidelity with your name, Social Security number, and PIN, and you must have a correct address on record in addition to the transaction-related information. These measures help protect your account from unauthorized access.

# Vesting

## Vesting Events

Your contributions and Company match are always 100% vested, which means that those contributions and their associated earnings are nonforfeitable.

> **NOTE:** Terminated participants are covered by the vesting schedule in place at the time of their termination.

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# Borrowing Against Your Account

## Eligibility for Loans

You may borrow against your account if you are an active employee with an account balance sufficient to meet the minimum loan requirement. Former employees are not eligible to take loans from their Plan account balances but may continue to repay any outstanding loans directly to Fidelity by check or by automatic deduction from their checking account. If loans are not repaid, the loan, including accrued interest, will be deemed to have been distributed and will be subject to applicable taxes and possible tax penalties.

## Loan Restrictions

Eligible Plan participants may borrow from their vested account balances, subject to the following restrictions:

- Minimum loan amount is $1,000.
- Maximum loan amount is the lesser of
  - 50% of your vested account balance or
  - $50,000, minus your highest outstanding loan balance during the preceding 12-month period.
- Allowable loan terms are 1 year, 2 years, 3 years, 4 years, or 56 months.
- Biweekly repayments, which are on an after-tax basis, cannot exceed 25% of biweekly gross base pay.
- The interest rate for the full term of the loan is determined by Sandia.
- An initial $35 processing fee will be charged, and $3.75 will be deducted from your account for each quarter that the loan is outstanding.
- No more than two loans may be outstanding at one time.

- You can take a new loan immediately after paying off an existing loan.

## Loan Proceeds

Your loan comes from your account in the following fund source order:

- Basic pre-tax contributions and earnings,
- Supplemental pre-tax contributions and earnings,
- Company match and earnings,
- Rollover balance (if any),
- Basic after-tax contributions and earnings,
- Supplemental after-tax contributions and earnings.

Within each of these fund sources, you borrow first from the most current Plan year(s) until the loan amount is reached. Loans come from your investment funds on a prorated basis (within the fund sources listed above), depending on the amount you have invested in each investment option (Interest Income Fund, Contrafund, etc.). Loan repayments are made with after-tax payroll deductions and will be invested according to your most recent investment direction.

## Loan Processing

You can call Fidelity at 800-240-4015 to inquire about the amount of your account balance available for a loan and current interest rates. A Fidelity representative will review with you various loan scenarios consistent with the Plan provisions. If your loan request meets the Plan's requirements (see above), the loan amount can be mailed to you within 10 business days. You may also set up an electronic funds transfer to have the funds directly sent to your bank account. (The electronic funds transfer initial set-up process takes six business days.)

# Withdrawing Funds From Your Account

## Accessing Funds While Still Working

Although these Plans help you save for retirement, you may take certain withdrawals during your working years. These are subject to the following restrictions:

- The minimum withdrawal amount is $300.
- You may make no more than four withdrawals during the calendar year.

The funds available for withdrawal and the order in which they will be taken from your account are set out below:

- After-tax supplemental contributions and related earnings for all Plan years.
- After-tax basic contributions and related earnings.
- Any amount rolled over from another qualified plan.
- Vested Company match and related earnings.
- Pre-tax basic and supplemental contributions and earnings.
- Catch-up pretax contributions (can only be withdrawn if you are age 59-1/2).

The taxable portion of your withdrawal is subject to mandatory federal income tax withholding of 20%. You may also be subject to a 10% penalty tax (see 10% Penalty Tax, page 35), unless you transfer the withdrawal directly to an IRA or another tax-qualified employer plan.

For withdrawals that include after-tax contributions deposited after January 1, 1987, you will be considered to have withdrawn a proportionate share of any earnings on these contributions. These after-tax contributions can be rolled into an IRA or another 401(k) plan if accepted by these plans. Because earnings are taxable, you will owe taxes on the earnings withdrawn unless they are rolled over.

## Requesting a Withdrawal

Request a withdrawal by calling Fidelity at 800-240-4015 or by going online through NetBenefits. Fidelity will send you a distribution calculation and a check within 10 business days, or you can have the withdrawal amount sent to your bank account by electronic funds transfer. The Fidelity representative will ask you if you have read the “402(f) notice,” which is on the Fidelity website. This IRS notice outlines the tax consequences of taking a withdrawal, and the IRS requires that you be provided with it before a withdrawal is processed.

# Making a Hardship Withdrawal

## Eligibility for Hardship Withdrawals

You can withdraw employer and employee pre-tax contributions (and related earnings for Plan years before January 1, 1989) before age 59-1/2 if you can demonstrate financial hardship.

In general, a financial hardship is a defined event that creates an immediate and heavy financial need that cannot be relieved by all other readily available financial resources, including Savings Plan withdrawals and Plan loans. All these other sources must be exhausted before you can make a hardship withdrawal.

The IRS allows hardship withdrawals for the following reasons:

- Severe, uninsured medical expenses.
- Purchase of a primary residence (but not including mortgage payments).
- College tuition for you, your spouse, or your dependents.
- Preventing foreclosure on, or eviction from, your home.
- Extensive home repairs or renovations related to fire, natural disaster, or other similar unforeseeable event.
- Heavy legal expenses.
- Purchase or repair of the vehicle you or your spouse use to commute to and from work (your primary transportation vehicle). The purchase or repair must be made necessary by an unforeseeable event.

You will not be able to contribute to the Plan for six months following a hardship withdrawal. For example, if you take a hardship withdrawal on February 17, 2003, you are eligible to reenroll on August 18, 2003. Call Fidelity to reinstate your contributions. Multiple suspensions run concurrently.

## Requesting a Hardship Withdrawal

Call Fidelity at 800-240-4015 to inquire about amounts available for withdrawal and to obtain the application form. To request a hardship withdrawal, you must deliver the application form with the following additional information to the Pension Fund & Savings Plan Department:

- Proof of the hardship event—such as hospital bills, a home purchase contract, or tuition bills;
- Documentation of the amounts needed to satisfy the hardship; and
- A signed statement saying that all other sources of funds have been reasonably exhausted and that the financial need cannot be relieved except through a hardship withdrawal.

The IRS imposes the following limitations on hardship withdrawals:

- The amount of the withdrawal may not exceed the amount required to satisfy the need created by the hardship event, and
- You may not use the hardship withdrawal funds for any purpose other than that for which you submitted the request.
- The 10% penalty on taxable amounts for withdrawals before age 59-1/2 may be applicable unless certain conditions are met, and federal income tax is owed on taxable amounts (see Tax Considerations on Withdrawals and Distributions).

Sandia will determine whether your request for a hardship withdrawal meets the necessary requirements.

Payments of hardship withdrawals will normally be made within 10 business days of approval. You will owe regular income taxes on the withdrawal, and you may also be subject to a 10% penalty tax.

# Receiving Distributions

## In Retirement

If you retire from Sandia with a Service or Disability Pension, you may immediately elect to receive your account balance in one of the following payment options:

- A total distribution in a single lump sum or
- Up to 12 withdrawals per calendar year with each withdrawal being a minimum of $500.

Distribution is not automatic. You must call Fidelity at 800-240-4015 to elect one of these options. If you choose the withdrawal option, you must call Fidelity each time that you want to receive a payment. Funds are withdrawn from your account according to a fund source hierarchy with after-tax funds withdrawn first. (See the withdrawal hierarchy list on page 27.) Funds that are taken are prorated from all of your investment options within these fund sources.

Until you choose one of these distribution options, payment of your account will automatically be deferred until you reach age 70-1/2 (see In Retirement, Upon Attainment of Age 70-1/2, page 32). If your account is deferred, you can revoke the deferral at any time by requesting a distribution from Fidelity.

If you retired before January 1, 1993, and elected to receive your account balance in multiple distributions of two to 20 annual installments, you may continue to receive those payments or elect instead one of the other options described above for the remaining balance.

Until your account is fully distributed to you, it remains invested in the funds you select, and you can exchange your fund balances to other Plan investments according to Plan provisions.

## In Retirement, Upon Attainment of Age 70-1/2

As required by law, the Plans provide for automatic annual minimum distributions from your account if you are a retired employee who has attained age 70-1/2. If you do not request a distribution during the year you turned 70-1/2 (or each year thereafter) that would meet or exceed the minimum required distribution by December 1, Fidelity will initiate annual distributions of your account balance that December.

Near your age of 70-1/2, Fidelity will send you a letter requesting your election of calculation method and life expectancy. Fidelity computes the minimum required distribution based on these elections. Your account balance will be distributed over your life expectancy if you are single or over the joint lives of you and your spouse if you elected married, based on IRS tables. Funds withdrawn from your account will be prorated across all your fund sources. Note that the first year that you are eligible for the minimum required distribution, the distribution may be deferred until April 1 of the following year.

> NOTE: If you are an active employee age 70-1/2 or older, this does not apply to you.

## When You Terminate Employment (other than retirement)

If you terminate employment (other than by retiring with a service or disability pension), you are eligible to receive a single lump sum distribution of your account balance. You are not eligible for annual withdrawals.

If you do not call Fidelity to request a distribution immediately and your vested account balance has (at any time) been greater than $5,000, a payment will not be made until you request a distribution.

If the value of your account balance at your termination date has **never** been higher than $5,000, Fidelity will automatically distribute your account to you in a single lump sum. This distribution procedure occurs each calendar quarter.

Until your account is distributed to you, it remains invested in the funds you select. During this period, you can exchange your fund balances to other Plan investments according to Plan provisions. If your distribution is deferred, you can revoke the deferral at any time by requesting the full distribution from Fidelity.

You are always vested in the value of your own contributions (and earnings on those contributions) to the Plan.

## Requesting a Distribution

Two events must occur for Fidelity to process a distribution at your request upon your termination of employment:

- Sandia must report your termination of employment to Fidelity, and
- You must contact Fidelity to request the distribution.

If either of these events is delayed, then your distribution will also be delayed.

To initiate the distribution, call Fidelity at 800-240-4015. Be prepared to supply your name, Social Security number, PIN, and current address in addition to the transaction-related information. You can also contact Fidelity online through NetBenefits.

## Distributions Upon Death

If you die while participating in the Plan, your account will be paid within six months (or less) to your named beneficiary(ies).

## How Your Account Is Paid

Generally, all withdrawals and distributions from the Plan will be made by check. Funds can also be sent electronically if an account exists to receive the funds and if the electronic funds transfer option is selected. If you invested in the Company Common Stock Fund, you may request that the portion of your distribution derived from stock in this fund be made in shares of Lockheed Martin Corporation common stock. Any fractional shares will be paid by check. There is no automatic income tax withholding on stock distributed, only on cash distributions.

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# Tax Considerations on Withdrawals and Distributions

Under current law, you do not pay federal or state income taxes on your pre-tax contributions or on any Company match or earnings as long as they stay in the Plan. You will pay federal and applicable state taxes when these amounts are paid to you.

**Tip**

For advice or answers to your questions regarding taxes or withholding, please consult a qualified tax expert.

You do not owe taxes on your after-tax contributions when they are withdrawn or distributed from the Plan, since you paid taxes on them before they were deposited into your account. For withdrawals that include after-tax contributions deposited after January 1, 1987, you are considered to have withdrawn a proportionate share of any earnings on these contributions. Because earnings are taxable, you will owe taxes on the earnings withdrawn.

## 10% Penalty Tax

The IRS imposes a 10% penalty tax on the taxable portion of a withdrawal, hardship withdrawal, or distribution following termination of employment if you receive the withdrawal or distribution before age 59-1/2. The penalty tax is in addition to the regular income tax you must pay on the taxable portion of the withdrawal.

However, the penalty tax may not apply if:

- You terminate employment any time during the year in which you turn 55,
- You become disabled or die,

- You use the distribution for medical expenses that are deductible on your tax return,
- The distribution is part of a series of substantially equal periodic payments over your life expectancy or the joint life expectancies of you and your spouse, or
- The distribution is required by a Qualified Domestic Relations Order (QDRO) (see Nonassignment of Benefits, page 38).

**NOTE:** If you retire before age 55 and take a distribution, you will owe a 10% penalty tax (if the exceptions above do not exist). To avoid the 10% penalty, you will have to wait until age 59-1/2 before you can receive your money. If you retire or terminate in the year you turn age 55, you will not owe a 10% penalty tax on your withdrawals.

If you are an employee and are older than 59-1/2, you will not owe a 10% penalty tax on your withdrawals. If you are an employee younger than age 59-1/2, you will owe a 10% penalty tax on your withdrawals.

## 20% Withholding

Federal tax regulations require that 20% must be withheld by Fidelity for federal income taxes on all eligible withdrawals or distributions from the Plan that are not directly rolled over to an IRA or the qualified Plan of a new employer. To avoid the 20% withholding, you must instruct Fidelity to directly roll over your distribution or withdrawal to the trustee of an IRA or qualified retirement plan. The following distributions cannot be rolled over and are exempt from this automatic withholding rule:

- Minimum required distributions at age 70-1/2 and after age 70-1/2.
- Substantially equal periodic payments made to you on an annual basis for your life or the joint lives of you and your spouse.
- Substantially equal periodic payments made to you on an annual basis for a specified period of 10 years or more.

# Other Important Information

## Transfers Between Plans

If you change between a represented (union) job and a nonrepresented (non-union) job, your Plan affiliation will automatically be switched (from SSP to SIP or vice versa), and your contributions will be made to the new Plan as soon as possible following your change in position. Your investment option choices will not change—unless you initiate a change with Fidelity. The balance in your old Plan will be moved as soon as administratively practicable. For a short time, you may have balances in both Plans. If you have any questions, please call the Pension Fund & Savings Plan Department at 505-844-0997.

## Leave of Absence

If you take a Company-approved leave of absence, your contributions and Company match will be suspended during the leave. Your Plan account will continue to share in the Plan's investment experiences, and you may exercise all options available to an active participant, except taking new loans. Contributions temporarily discontinued because of a leave of absence automatically resume upon return from the leave.

If you have an outstanding loan when you start your leave, your loan repayments will be suspended during the leave, not to exceed one year. When you return to active employment, you need to reinitiate loan payments or have the loan treated as a taxable distribution. When you call Fidelity to reinitiate loan payments, Fidelity calculates the additional amount (including accrued interest) that you must repay for the remaining term of the loan to "catch up" on the missed payments.

If you are on leave for more than one year, you can reinitiate payment on your Plan loan by sending a personal check monthly to Fidelity or setting up an automatic payment process. If you do not reinitiate loan payments, your loan will be treated as a taxable distribution. Call the Pension and Savings Plan department at 844-0997 for details.

Participants on military leaves of absence may have their loans suspended for more than one year. Also, missed Company match during the military leave of absence can be restored.

When you return as an active employee, the contribution rate in effect at the time the leave was approved resumes automatically. Your contribution percentage and mix between pre-tax and after-tax will be the same as before the leave of absence. Notify the Sandia/New Mexico Benefits Office when you return from a leave of absence so that it can verify with Fidelity that your contributions have resumed.

There is no make-up of missed contributions for the period of your leave of absence unless you were on a military leave of absence.

## Sickness

If you are receiving benefits under Sandia's Sickness Absence Plan, your contributions will continue unless you elect otherwise. If your Sickness Absence Plan benefits are reduced to one-half pay, your Plan contributions will also be reduced accordingly. You may always stop your contributions by calling Fidelity.

## Nonassignment of Benefits

You cannot assign or pledge your account under the Plan or use it as security for a loan. The Plan is required to comply with IRS tax levies and with court-issued Qualified Domestic Relations Orders (QDROs). A QDRO could require the Plan to distribute part or all of your vested account balance to an alternate payee such as a former spouse or family member. Participants and beneficiaries can obtain a description of the procedure for QDRO determinations at no charge from the Benefits Organization 3332, Sandia/New Mexico, P. O. Box 5800, MS 1021, Albuquerque, New Mexico 87185-1021.

## Top-Heavy Rules

A "top-heavy" plan provides more than 60% of its benefits to "key employees." Both "top heavy" and "key employees" are terms defined by the IRS. If the Plan becomes top heavy, you will be informed, and the Company match made on your behalf may be increased.

# Benefits Claim & Appeal Procedures

## To File a Claim

Employees, retirees, their beneficiaries, and former employees (or any duly authorized individual) have the right under the Employee Retirement Income Security Act of 1974 (ERISA) and the Plan to file a written claim for benefits. Any written claim should be sent to the:

Employee Benefits Committee
Organization 3332
MS 1021
P. O. Box 5800
Sandia National Laboratories
Albuquerque, New Mexico 87185-1021.

## If a Claim Is Denied

If your claim is denied either in whole or in part, you will receive written notification from the Employee Benefits Committee stating the reason for the denial within 90 days after the Committee receives the claim.

If the Committee needs more than 90 days to make a decision, it will notify you in writing within the initial 90-day period and explain why more time is required. The Committee may take 90 more days—for a total of 180 days—to decide. The extension notice will show the date by which the Committee's decision will be sent.

If your claim is denied, the Committee will provide in its written notification to you:

- The specific reason(s) for the denial,
- References to pertinent Plan provisions,

- A description of any additional material or information needed from you, and
- An explanation of the steps to be taken if you wish to submit your claim for further review.

## To Appeal a Denied Claim

You can use the appeal procedure if*:*

- You received no reply at all within 90 days;
- The Committee extended the time by an additional 90 days and you still received no reply;
- You received written denial of the claim within the appropriate time limit and want to appeal it.

If a claim for benefits is denied in whole or in part, you or your duly authorized representative may appeal in writing within 60 days after the denial is received. The appeal should be sent to the Chairman, Employee Benefits Committee. The Chairman will submit the request to the Employee Benefits Claim Review Committee. It will conduct a review and make a final decision within 60 days after receipt of the written request for review.

If the Employee Benefits Claim Review Committee needs more than 60 days to decide, it will notify you in writing within the initial 60-day period and explain why more time is required. The Committee may then take 60 more days—for a total of 120 days—to decide. The Committee will notify you in writing of the decision, including the specific reason(s) for the decision. If the Committee does not respond within 60 (or 120) days, you may consider the claim denied.

If you or your duly authorized representative submit a written request for review of a denied claim, you have the right to:

- Review pertinent plan documents, which can be obtained as described in the ERISA Information booklet, available at http://www.sandia.gov/benefits/spd/erisa2002 or from the Sandia Benefits Office at 505-845-2363.
- Send to the Chairman, Employee Benefits Committee, a written statement including an explanation and any documentation in support of the appeal.

Please note that the Plan's provisions require that you pursue all your claim and appeal rights described above before you seek any other legal recourse regarding claims for benefits.

# ERISA Information

## Your Rights Under ERISA

As a participant in this Plan, you have certain rights and protections under ERISA, which provides that all Plan participants shall be entitled to:

- Examine, without charge, at the Plan Administrator's office and at other specified locations such as worksites and union halls, all documents governing the plans, including insurance contracts, collective bargaining agreements, Summary Plan Descriptions, and copies of the latest annual reports (Form 5500 Series) filed by the plans with the U.S. Department of Labor and available in the public disclosure room of the Office of Employee Benefits Security Administration.
- Obtain copies of all documents governing the plans and other plan information upon written request to the Plan Administrator. The Plan Administrator may charge a reasonable dollar amount for the copies.
- Receive a summary of each plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this Summary Annual Report.

In addition to creating rights for Plan participants, ERISA imposes duties upon the people responsible for the operation of this Plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries.

No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension or welfare benefit or exercising your rights under ERISA.

If your claim for a pension or welfare benefit is denied in whole or in part, you have a right to know why, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules. Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless they were not sent for reasons beyond the control of the Administrator.

If your claim for benefits is denied or ignored, in whole or in part, you may file suit in a state or federal court after exhausting the appeals mechanisms provided in the Plan.

If plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you win, the court may order the person you sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees (e.g., the court finds your claim frivolous).

If you have any questions about any of your pension or welfare benefit Plans, contact your Benefits representative at Sandia National Laboratories in Albuquerque at 505-845-2363 or Livermore at 925-294-2254.

If you have any questions about this statement of your rights, or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, contact the nearest Office of Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Office of Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Office of Employee Benefits Security Administration.

# Plan Identification Information

The Sandia Corporation Savings and Income Plan and the Sandia Corporation Savings and Security Plan are sponsored by Sandia Corporation. Sandia's Employer ID Number is 85-0097942. The Plan ID Numbers assigned by Sandia are 007 for the Sandia Corporation Savings and Security Plan and 008 for the Sandia Corporation Savings and Income Plan.

Sandia Corporation is the Plan Administrator, located at Sandia National Laboratories, Organization 10520, MS 1302, P. O. Box 5800, Albuquerque, New Mexico 87185-1302. The telephone number is 505-845-2363.

## Plan Documents

The Summary Plan Description summarizes the principal features of these Plans. Statements contained in this booklet are subject to the provisions of the official Plan documents that set forth the benefits, terms, and conditions of the Plans and that legally govern the Plans' operations.

Plan documents include the official Plan text, the trust agreement, the annual report, and other documents and reports maintained by the Plan or filed with a federal government agency. You or your beneficiaries can review copies of the documents during normal working hours in the Pension and Savings Plan office at Sandia National Laboratories in New Mexico. You can also request copies of any Plan documents by writing to Sandia at the address above. Copies of Plan documents will be furnished within 30 days at a reasonable charge.

## Legal Service

Direct process of legal service is to Sandia at the address above.

## Plan Continuation

Sandia intends to continue these benefit Plans indefinitely, but reserves the right to amend or terminate them at any time, subject to applicable collective bargaining agreements. Written notification of Plan termination will be given at least 30 days in advance of termination.

# IRS 402(f) Notice

The IRS 402(f) special tax notices can be seen on the web by following these steps:

- Log onto NetBenefits at www.401k.com.
- Click on your Sandia Plan in the Accounts box.
- Click "Withdrawals" under "Account Management" on the left side of the screen.
- Click the "View" button to read the 402(f) notice.

**NOTE:** If you do not have a computer, you may receive a written 402(f) notice by requesting one from Fidelity at 1-800-240-4015.

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# Appendix A

## Acronyms and Definitions

### Acronyms

| | |
|---|---|
| **DFA** | Dimensional Funds Advisors, Inc. |
| **EBC** | Employee Benefits Committee |
| **EBRC** | Employee Benefits Review Committee |
| **EFT** | electronic funds transfer |
| **ERISA** | Employee Retirement Income Security Act of 1974 |
| **IPA** | Individual Performance Award |
| **IRA** | Individual Retirement Account |
| **IRS** | Internal Revenue Service |
| **LMC** | Lockheed Martin Corporation |
| **LTE** | limited term employee |
| **MTC** | Atomic Projects and Production Workers Metal Trades Council, AFL-CIO |
| **OPEIU** | Office and Professional Employees International Union, Local 251, AFL-CIO |
| **PBGC** | Pension Benefit Guarantee Corporation |
| **PIN** | personal identification number |
| **QDRO** | Qualified Domestic Relations Order |
| **SIP** | Sandia Corporation Savings and Income Plan |

**SPA** Security Police Association, Local 7002 of the International Union of Police Associations, AFL-CIO

**SSP** Sandia Corporation Savings and Security Plan

# Definitions

**basic contribution** The first 2% to 6% of the contributions you authorize to be withheld from your eligible earnings, which receives the Company match.

**beneficiary** The person(s) or legal entity designated to receive the value of your account if you die while a participant in the Plan.

**Company match** Sandia matching contributions. Sandia adds an additional 66-2/3% of your Basic Contribution to your account.

**contribution (basic and supplemental)** **Basic:** The first 6% of your eligible earnings that you authorize to be withheld from your pay and directed to the Plan, which is matched by Sandia at 66-2/3%. You can elect pre-tax contributions, after-tax contributions, or a combination of the two types of contributions.

**Supplemental:** From 7% to 18% of your eligible earnings that you authorize to be withheld from your pay and directed to the Plan, which is not matched by Sandia. You can elect pre-tax, after-tax, or a combination of the two.

**eligible earnings** Your base pay plus certain nonbase compensation, such as Individual Performance Awards and Advancement Awards. Eligible earnings do not include shift differentials, muster time, other premium pay (including overtime), workers' compensation payments, royalties, or the cash value of noncash compensation reported to the IRS for tax purposes.

**employee** An individual employed by Sandia as a regular or limited term employee.

**Fidelity** Fidelity Institutional Retirement Services Company, a firm hired by Sandia to provide certain administrative, trustee, and investment services to the Plans.

| | |
|---|---|
| **hour of service** | Each hour for which you are paid or are entitled to payment as an employee of Sandia, including paid absences such as vacation, holiday, illness, disability, or jury duty. |
| **Limited term employee** | A temporary employee hired for a specific period of time. |
| **Lockheed Martin Corporation** | Parent organization of Sandia Corporation. Occasionally referred to in this document as LMC. |
| **net unrealized appreciation** | The increase in the value of LMC company stock distributed over the cost of the shares. |
| **PIN** | A 6- to 12-digit personal identification number you choose to authorize transactions under the Plan by phone or via the Internet. |
| **Plan** | Sandia Corporation Savings and Income Plan or the Sandia Corporation Savings and Security Plan. |
| **Plan year** | A calendar year (January 1 through December 31). |
| **post-doctoral employee** | A PH.D candidate hired for a specific period of time. |
| **regular employee** | Any full-time or part-time Sandia employee scheduled to continue working 20 or more hours a week for an indefinite period of time. |
| **supplemental contributions** | Your contributions greater than 6% of your eligible earnings. These are not matched by Sandia. |
| **year-round faculty sabbatical employee** | A university faculty member hired for a specific period of time. |
| **vesting** | An event that causes the Company match and related earnings in your account to become nonforfeitable under any circumstances. |
| **year of service** | A period of 12 consecutive months in which you are paid (or entitled to be paid) for at least 1,000 hours of service. |

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