



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