

# SAVINGS AND INCOME PLAN

Effective: January 1, 2015

Summary Plan Description

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**SUMMARY PLAN DESCRIPTION**  
**FOR**  
**THE SANDIA CORPORATION SAVINGS AND INCOME PLAN**

**Introduction**

The Sandia Corporation Savings and Income Plan (the “Plan”) can help you build financial resources for the future. The Plan can be an important part of your retirement income in supplementing your income from other sources.

This document is a summary of the Plan as of January 1, 2015, typically referred to as a Summary Plan Description or “SPD.” More detailed information is contained in the official Savings and Income Plan document, which governs the operation of the Plan. In the event there is or appears to be any discrepancy between the terms of the Plan document and this SPD, the terms of the Plan document control. Please read this SPD carefully and share it with your family.

*NOTE:* Capitalized words and terms are generally defined in Appendix A: Definitions.

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**IMPORTANT:** The Sandia Corporation Savings and Income Plan is maintained at the discretion of Sandia and is not intended to create a contract of employment and does not change the at-will employment relationship between you and Sandia. The Sandia Board of Directors (or its designated representative) reserves the right to change or amend in writing any or all provisions of the Savings and Income Plan and to terminate it in writing at any time without prior notice.

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## Summary of Plan Changes

This section contains a brief description of Plan changes that have been implemented since December 31, 2012.

Effective 11:59 PM on December 31, 2012, the Sandia Corporation Savings and Security Plan (“SSP”) was merged into the Plan (the “Merger”). Therefore, as of January 1, 2013 (the “Merger Date”), the assets and liabilities of this Plan and the SSP constitute a single plan. The benefits of any Participant who had an account transferred to this Plan from the SSP due to the Merger are subject to the terms of this Plan. In no event will a Participant’s Account under this Plan on the Merger Date be less than the Participant’s account under the SSP on the day immediately preceding the Merger.

There have been some changes to the Plan’s investment options. You are encouraged to read Question 18 of the SPD, and visit the Fidelity NetBenefits website at [www.401k.com](http://www.401k.com). You can also obtain personalized independent investment advice by calling Financial Engines at 1-877-401-5762.

Effective April 1, 2015, the Plan was amended to provide for “In-Plan Roth Rollovers.” This change is addressed in Question 8 of this SPD. You are encouraged to review this important Account option, as it may provide you with desirable tax advantages. As always, you should consult with your professional tax advisor regarding this and other retirement plan options.

## 1. Who is Eligible to Participate in the Plan?

You are eligible to participate in the Plan if you are an “Eligible Employee” (see Question 2, below), you have attained age 21 and are a:

- Regular Employee,
- limited-term employee; or
- post-doctoral appointee.

## 2. Who is an Eligible Employee?

An “Eligible Employee” for purposes of participation in the Plan is an employee who works for the Company, *other* than the following:

- a Leased Employee,
- non-resident alien without any United States source income,
- individual whose earnings and conditions of employment are governed by the terms of a collective bargaining agreement, unless and to the extent that a written agreement between the Company and the relevant union makes such coverage available,
- prior to the Merger Date (*see* Summary of Plan Changes), an individual who was eligible to participate in the Sandia Corporation Savings and Security Plan,
- student intern,
- faculty sabbatical Employee, or
- recurrent (on call) Employee.

Notwithstanding the forgoing, every individual who was a participant in the SSP on December 31, 2012, and who continued employment with the Company, became an Eligible Employee under the Plan effective as of January 1, 2013.

## 3. How Do I Enroll in the Plan?

Your new-hire package contains information regarding the Plan, including this SPD. It also contains details regarding how to enroll in the Plan and how to obtain additional information regarding the Plan. You will also receive a Notice Regarding Designated Default Investments to inform you of how your contributions will be invested if you do not make a fund selection. If you do not receive some or all of this information, please contact HBE Customer Service at (505)-844-4237.

To enroll at any time, contact Fidelity at 1-800-240-4015 or on the web at [www.401k.com](http://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, contact Fidelity at 1-800-240-4015.

#### **4. How Do I Choose or Change a Beneficiary?**

At any time, you may designate one or more beneficiaries to receive your account balance upon your death.

To designate a Beneficiary, go to NetBenefits at [www.401k.com](http://www.401k.com) to complete the Beneficiary Designation Form. You may also order a paper form from Fidelity at 1-800-240-4015. Please 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.
- If you are married and designate someone other than your spouse as your primary Beneficiary (including a trust), your spouse must waive his or her right to your account and consent to the non-spouse Beneficiary designation in a written, notarized statement (the Beneficiary Designation Form includes a consent section).
- If you are not married and do not designate a Beneficiary, or if you are married and your spouse predeceases you and you do not name a new Beneficiary or remarry, your account balance will be paid to your estate upon your death. State law will then apply to the disposition of the Plan assets paid to your estate.
- Consult your attorney before naming a minor as a Beneficiary.

A divorce will not automatically make null and void your designation of your former spouse as your Beneficiary. If you wish to remove a former spouse whom you designated as your Beneficiary, you must complete a new Beneficiary Designation Form.

#### **5. What Contributions Can be Made to the Plan on My Behalf?**

Contributions to the Plan may include *your* contributions (pretax, after-tax, Roth, catch-up or rollover contributions), and *Company* contributions (Company Matching Contributions or Enhanced Program Contributions-if you were hired or rehired on or after January 1, 2009). When you enroll, you must specify the total percentage of your Compensation (*see* Question 6, below) that you wish to contribute and the percentage to be contributed into the pretax, after-tax, Roth or catch-up (if applicable) sources.

#### **6. How is “Compensation” Defined for Contribution Purposes?**

For Plan purposes, your Compensation includes your base salary or wages, plus certain non-base compensation. Non-base Compensation awards include Individual Performance Awards

(IPAs); advancement awards; Sandia Awards for Excellence; Special Recognition Awards; and promotion, sign-on and appointment awards. Compensation also includes incentive Compensation under the Sandia Corporation Management Incentive Compensation Plan (formerly Lockheed Martin Corporation (LMC) Management Incentive Compensation Plan), and vacation donation pay for those performing qualified military service.

Compensation does *not* include severance pay, shift differentials, overtime or premium pay, workers compensation payments, royalty awards, the cash value of noncash Compensation reported to the IRS for tax purposes (even if such noncash Compensation is subject to withholding), or amounts paid as reimbursement for employee expenses, including relocation reimbursements, automobile reimbursements, travel allowances, or tax allowances.

## 7. What Contributions Can I Make to the Plan?

(a) **Pretax Contributions.** You can contribute to the Plan a portion of your Compensation in 1% increments on a pretax basis, subject to IRS annual limits (\$18,000 for 2015). Pretax contributions lower your taxable income which, in turn, may lower your current income tax withholding. However, Social Security and Medicare taxes are withheld on both your pretax and after-tax contributions (including Roth), so your Social Security benefit will not be negatively affected by participating in the Plan.

Pretax contributions are taxed when they are paid out of the Plan. You are subject to IRS restrictions if you withdraw pretax contributions and earnings while you are employed by Sandia.

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

	Pretax Savings	After-tax Savings
W-2 Wages	\$50,000	\$50,000
Pretax Contributions	3,000	0
W-2 Taxable Wages	47,000	50,000
Estimated Federal Income Taxes*	5,044	5,719
Estimated Social Security (FICA) and Medicare Taxes	3,596	3,825
Earnings after Taxes	38,360	40,456
After-tax Contributions	0	3,000
Spendable Income	38,360	37,456
Tax Reduction/Extra Take-home Pay	904	0

\* This example is based on 2015 federal income tax rates for a single individual taking the standard deduction and claiming one exemption. Not shown in this example are any additional current savings of state and local taxes.

(b) **After-Tax Contributions.** You can contribute to the Plan a portion of your Compensation, in 1% increments, on an after-tax basis.

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

(c) **Roth Contributions.** You can contribute to the Plan a portion of your Compensation, in 1% increments, as Roth contributions. Roth contributions are made after-tax, but are treated the same as pretax contributions for all purposes under the Plan, including the annual deferral limit (\$18,000 for 2015). You will not be taxed on distributions of your Roth contributions or related earnings if you take a “Qualified Distribution” from the Plan. Qualified Distributions may be made after:

- You reach age 59 ½, you become disabled, or you die, and
- The five-year period beginning with the first year in which you make your Roth Contribution.

(d) **Catch-Up Contribution.** For a Plan Year, if you are at least age 50 or will become age 50 during the Plan Year, you may elect to make additional pretax or Roth contributions to the Plan. The limit for 2015 is an additional \$6,000. This election is not automatic and you must contact Fidelity either by phone or on the web to make this election. To be eligible to make catch-up contributions, you must first contribute at least 6% of your Compensation as a 401(k) pretax, after-tax or Roth contribution. Sandia does *not* match catch-up contributions.

(e) **Rollover Contributions.** The Plan is designed to be a tax-qualified retirement plan that accepts rollovers from other tax-qualified retirement plans and certain other retirement vehicles listed below:

- 401(k) pretax accounts from another employer
- After-tax accounts from another employer
- 403(b) accounts from an educational institution or a nonprofit entity
- 457(b) accounts from a governmental entity
- IRA accounts (pre-tax only)
- Roth accounts from another employer

To roll a distribution into the 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. Contact Fidelity at 1-800-240-4015 for assistance with making the rollover.

## 8. May I Convert My Pretax Contributions Into Roth Contributions?

Yes, effective April 1, 2015, “In-Plan Roth Rollover” conversions are available. Contact Fidelity at 800-240-4015 or [www.401k.com](http://www.401k.com) for information on eligibility.

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**NOTE:** The decision to convert needs to be made carefully. Consult a qualified tax expert.

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## 9. How Much Can I Contribute to the Plan?

If you make pretax, after-tax or Roth contributions, you must contribute in 1% increments and in accordance with any minimum amounts as may be established by the Employee Benefits Committee, in its discretion. However, effective on and after January 1, 2016, the total of your contributions cannot exceed 75% of your Compensation.

## 10. How Long Can I Continue to Make Contributions to the Plan?

Your Plan contributions continue until one of the following events occurs:

- You take an unpaid leave of absence or are in another unpaid status from Sandia employment,
- You terminate employment at Sandia or transfer to another LMC Company,
- You take a hardship withdrawal in which case you are suspended from contributing for 6 months,
- You take a distribution after having been on active military duty for more than 30 days, in which case you are suspended from contributing for 5 months,
- You do not have enough net pay (after required withholdings) to cover your authorized Plan contributions,
- You discontinue your contributions, or
- You reach an IRS contribution limit such as the deferral limit, the annual additions limit, or the annual Compensation limit (see Questions 12, 13 and 14).

## 11. What Contributions Can the Company Make to the Plan on My Behalf?

- (a) ***Company Matching Contributions.*** If you were hired before January 1, 2009, you are

eligible for the Company Matching Contributions after completing one year of service with either Sandia or an Affiliated Employer. If you are hired or rehired on or after January 1, 2009, you are eligible to receive the Company Matching Contributions immediately upon hire.

Once you are eligible for Company Matching Contributions, the Company will contribute 66-2/3 cents to your account for every dollar that you contribute to the Plan on a pretax, after-tax, or Roth basis up to the first 6% (your Basic Contribution) of your Compensation. Sandia does *not* match contributions above 6% of your Compensation.

(b) **Enhanced Program Contribution.** If you are eligible to participate in the Plan and are classified as an Enhanced Program Employee, as described in Appendix A of this SPD, you will automatically receive a service-based Enhanced Program Contribution according to the following schedule:

Plan Service	Enhanced Program Contributions
Less than 15 years	6% of Compensation
15 or more years	7% of Compensation

You will not be considered a rehired employee and thus will not be an Enhanced Program Employee if you:

- Were required to terminate from Sandia before January 1, 2009 to take temporary employment with the U.S. government that otherwise would have qualified for an approved Special Leave of Absence or Intergovernmental Personnel Assignment and your return to Sandia from your temporary employment at the conclusion of that government employment,
- Return to Sandia from an unpaid leave of absence (LOA) or are in another unpaid status from Sandia employment,
- Return to employment with the Company at the conclusion of an LOA,
- Return to Sandia from qualified military service within the time required by applicable law,
- Were employed in a non-regular job not eligible to participate in the Plan on December 31, 2008, and later convert to an eligible job classification within 30 days, or
- Transfer to Sandia from a Parent Organization and assets are transferred to the Retirement Income Plan on your behalf from a Lockheed Martin-defined benefit pension plan.

## 12. Are There Limits on the Amount of Contributions That Can be Made on My Behalf?

**Pretax and Roth Deferral Limit.** Section 402(g) of the Internal Revenue Code limits the annual amount of your total pretax and Roth contributions to the Plan. For 2015, this deferral limit is \$18,000.

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**Note:** Regular after-tax contributions are not included in this deferral limit.

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Once your pretax and Roth contributions reach the deferral limit for a Plan year, Sandia's payroll department automatically switches your pretax and Roth contributions to after-tax so you will continue to receive the Company Matching Contributions.

### 13. What Is The Annual Additions Limit?

Section 415 of the Internal Revenue Code further limits the annual amount of your after-tax, pretax, and Roth contributions; your Enhanced Program Contributions (if any); and the Company Matching Contributions. These sources added together cannot exceed \$53,000 (for 2015) or 100% of your W-2 Compensation for the year, whichever is less. If you exceed these limits, your excess employee contributions will be returned to you after the end of the Plan year and other contributions, such as Company Matching Contributions, may be forfeited according to Plan provisions.

<b>Contributions Snapshot</b>	
Pretax, After-tax, or Roth Contributions	<p><u>Minimum:</u> 2 % of Compensation (in 1% increments) as established by the Employee Benefits Committee</p> <p><u>Maximum:</u> Effective January 1, 2016, 75% of Compensation in 1% increments</p>
Combined Pretax, Roth, and After-Tax Contributions	<p><u>Combined Minimum:</u> 1% of Compensation to a contribution type for a total minimum of 2% of Compensation (in 1% increments) as established by the Employee Benefits Committee</p> <p><u>Combined Maximum:</u> Effective January 1, 2016, 75% in 1% increments up to the Annual Addition Limit</p>
Company Matching Contributions	<p><u>Amount:</u> 66-2/3 cents for every dollar contributed up to 6% of Compensation</p> <p><u>Eligibility:</u> If hired or rehired on or after 1/1/09, immediate eligibility</p>
Enhanced Program Contributions	Enhanced Program Employees will automatically receive an additional, service-based Enhanced Program Contribution. This Enhanced Program Contribution is equal to 6% of Compensation. Those with 15 or more years of Plan Service will receive a contribution of 7% of Compensation
Pretax and Roth Contribution Limit	Combined annual pretax and Roth contribution IRS deferral limit: \$18,000 (for 2015)
Annual Addition Limit	The total of your contributions, excluding rollovers, cannot exceed \$53,000 (for 2015) or 100% of W-2

	Compensation
Catch-up Limit	\$6,000 (for 2015)

#### **14. What Is the Limit on the Amount of Compensation that Can be Taken Into Account in Determining My Plan Contributions?**

Section 401(a)(17) of the Internal Revenue Code limits the amount of your Compensation that can be recognized for determining contributions to the Plan. For 2015, the limit on Compensation is \$265,000. When you reach \$265,000 in Compensation during a year, no additional pretax, after-tax, Roth, or catch-up contributions will be withheld from your paycheck for the remainder of the calendar year, and no additional Enhanced Program Contributions will be made on your behalf. If you are in this salary range, you may want to monitor your contributions so you can receive the maximum deferrals and Company Matching Contributions before you reach the limit.

#### **15. What Nondiscrimination Tests May Limit My Contributions to the Plan?**

In addition to the individual participant limits discussed above, the Plan as a whole must comply with two additional tests to prevent discrimination in favor of Highly Compensated Employees. One test compares the average pretax and Roth contributions of Highly Compensated and non-highly compensated employees (*See* definition of “Highly Compensated Employee” in Appendix A). The other test compares the average after-tax contributions and Company Matching Contributions of the two employee groups.

If at any time during the year it is projected that the Plan is going to fail the pretax/Roth test, those pretax and Roth contributions of highly compensated employees may be re-designated as after-tax contributions for the remainder of the Plan year.

If it is determined after the close of the Plan year that the pretax/Roth test has failed, excess pretax and Roth contributions and earnings will be refunded to 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 after-tax contributions and earnings to highly compensated employees affected by the limitations and a highly compensated employee’s Company Matching Contributions may be forfeited.

#### **16. How Are My Plan Accounts Invested?**

You select the fund(s) in which to invest contributions made to the Plan on your behalf. (The issue of the Plan’s investment options is addressed in Question 18, below.) You may direct all contributions made to the Plan on your behalf 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. The value of

your Plan investments can increase- or decrease- depending on the performance of the fund(s). The financial markets determine the value of your investments. Sandia cannot make any guarantees about fund performance.

Before you invest in any of the funds, evaluate your tolerance for risk and investment objectives, and read the prospectus and other information regarding the funds, their restrictions (if any), their expenses, and the types of securities in which they invest. This information is available on Fidelity's NetBenefits web site and it can help you determine the investments that are appropriate for you. Sandia's Investment Committee reserves the right to add or terminate fund options at its discretion.

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**NOTE:** As a participant in the Plan, you decide how to invest your account balance and to direct Fidelity, the Plan's Trustee, to invest according to your instructions. The Plan is intended to qualify as a plan described in Section 404(c) of ERISA. This means the Plan fiduciaries are not liable for losses you incur as a direct result of your investment instructions (including losses generated by investments in designated default investments that are made because you failed to provide investment instructions). In addition, Plan fiduciaries are not liable for losses generated by investment decisions provided or made on behalf of a participant by Financial Engines.

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## **17. What Investment Advice is Available to Me?**

No employee of Fidelity or Sandia is authorized to advise you on which investment options to choose or how to spread your assets among the various options. However, Sandia contracts with Financial Engines LLC., a registered investment advisor, to offer independent investment advice and account management services to participants.

Annually, Financial Engines will provide you with a retirement evaluation that analyzes your plan investment allocation, your savings level and your projected retirement income.

For participants who wish to actively manage their accounts, the Plan offers the Online Advice service. Log on to [www.401k.com](http://www.401k.com) and choose the link to Financial Engines. The advice tool on the Financial Engines web site provides professional advice to help you refine your investment strategy. It includes a personalized forecast and a step-by-step action plan with specific fund recommendations. Sandia currently pays the fee for this service.

For employees who prefer to partner with a specialist, the Plan offers the Professional Management program. When you enroll, Financial Engines will research and analyze the options available in your Plan to create a customized investment strategy. Financial Engines will implement that strategy for you, and monitor your portfolio on an ongoing basis, making adjustments as needed to keep your portfolio on track with your investment strategy. Your account will be charged an annual asset-based management fee for this service determined by the following schedule:

- 0.60% of the first \$100,000 of your account balance
- 0.45% of the next \$150,000 of your account balance
- 0.30% of the amount above \$250,000

For example, if your account balance is \$140,000, the annual fee would be about \$780, or \$65 per month.

Financial Engines can also take your outside accounts into consideration when giving you advice, whether you use **Online Advice** or the **Professional Management** service.

For more information, log on to [www.401k.com](http://www.401k.com) or call 1-877-401-5762.

## **18. What Are My Investment Options?**

You may choose from any of the Plan's current investment options, which are listed and described on the Fidelity NetBenefits website at [www.401k.com](http://www.401k.com). You can also obtain personalized independent investment advice by calling Financial Engines at 1-877-401-5762.

## **19. Can I Change My Investment Direction?**

You may change your investment direction for your future contributions, Enhanced Program Contributions (if any) and Company Matching Contributions on any business day. To make a change, contact Fidelity at 1-800-240-4015 or via [www.401k.com](http://www.401k.com). Changes will generally be effective on the next regular pay date.

To change your contributions or investment direction or to transfer investment fund balances, you must provide Fidelity with your name, SSN (or personally selected customer ID 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.

## **20. How Can I Exchange My 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.

To make an exchange, contact Fidelity at 1-800-240-4015 or via [www.401k.com](http://www.401k.com). The exchange will generally 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.

To change your contributions or investment direction or to transfer investment fund balances, you must provide Fidelity with your name, SSN (or personally selected customer ID 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.

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

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## **21. What Happens if I Don't Make any Investment Selections?**

If you do not select an investment option(s), your contributions (including any Enhanced Program Contributions and/or Company Matching Contributions) will be invested in the target date fund that most closely corresponds to the year in which you will turn 65. This direction will apply until you make an affirmative election and indicate how you would like your contributions to be invested.

## **22. Are There any Fees Associated with My Investments?**

Yes, the following fees are associated with the Plan's investment options:

(a) **Expense Ratios.** Every investment option in the Plan charges fees called expense ratios. These are management fees and other operating expenses 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). Expense ratios may change from time to time. For more information on these fees, please refer to the prospectus or other fund information for the investment option available on Fidelity's NetBenefits website at [www.401k.com](http://www.401k.com).

(b) **Other Expenses.** In addition to the expense ratios, you may be charged for certain transaction-related expenses, such as loan processing fees when you take a loan from your account. You will also be charged for annual proxy costs, if any, for the Company Common Stock Fund if you have investments in that fund. Additionally, you may be charged for costs associated with administering the Plan. These fees and costs are deducted from your account and noted on your statement. As noted in the fund descriptions, fund prospectuses and other fund information, short term trading fees may be deducted from your investments in certain funds if you sell those investments within a specified period after purchasing them.

## **23. What is My Plan Account?**

When you enroll, Fidelity establishes an account in your name (see Appendix A "Account," for a complete list of sources for your Account). In summary, your Account reflects items such as:

- Your contributions – pretax, after-tax, Roth, catch-up and rollovers from another plan,
- Company Matching Contributions,
- Enhanced Program Contributions for Employees hired or rehired on or after January 1, 2009,

- Current value of the investment option(s) you have chosen, and
- Impact of transactions you have made.

## **24. How is My Account Valued?**

Fidelity values your account daily. You may contact Fidelity 24 hours a day, seven days a week, at 1-800-240-4015 to request the value of your account. You may also access your account online at [www.401k.com](http://www.401k.com). The value provided will be as of the prior day's close of business.

## **25. When and How Will I Receive Account Statements?**

A statement of your Account is available each calendar quarter from Fidelity electronically through NetBenefits or alternatively mailed to you. You must call Fidelity at 1-800-240-4015 to request to receive quarterly paper statements. Fidelity will then mail you a statement each quarter at your address on record.

You will also receive 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.
- A PIN change.

Review all quarterly statements and confirmations as soon as you receive them to compare the information to your records. Report any discrepancy (or missed quarterly statement or confirmation) to Fidelity as soon as possible.

## **26. How Can I Increase, Decrease, Discontinue and/or Restart My Contributions to the Plan?**

By contacting Fidelity at 1-800-240-4015 or via [www.401k.com](http://www.401k.com), you can:

- Increase or decrease the percentage of your contributions (pretax, after-tax, Roth, or catch-up),
- Discontinue your contributions, or
- Restart your contributions.

You can change or discontinue your contributions or change your pretax/after-tax/Roth mix on

any business day. The change will generally be effective by the second payroll period following the date of your change. Fidelity will generally mail a confirmation notice to you or e-mail you within three business days verifying your request. Review the confirmation notice carefully; if it is incorrect (or if you don't receive your confirmation), notify Fidelity immediately.

After changing your contributions, check your next few pay stubs to verify that the change has been made.

## **27. What are Vesting Events?**

Vesting describes the portion of your account balance that is nonforfeitable if you leave Sandia. Your contributions and Company Matching Contributions, and associated earnings, are always 100% vested. However, if you are hired or rehired on or after January 1, 2009, the Enhanced Program Contributions portion of your account and any associated earnings will vest only after you are credited with three years of vesting service. Beginning with the year of your 18<sup>th</sup> birthday, a year of vesting service is a calendar year in which you are credited with 1,000 hours of service with the Company and/or an Affiliated Employer.

Full-time Employees are credited with 45 hours of vesting service for each week they are paid for one or more hours. Part-time Employees, or Employees who are employed for no more than three consecutive weeks and for no more than a total of 30 days in a calendar year, are credited with 10 hours of vesting service for each day they are paid for one or more hours.

If you terminate from Sandia (and all Affiliated Employers) before completing three years of vesting service, your nonvested account balance will be forfeited.

## **28. Can I Take a Loan from the Plan?**

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 they may continue to repay any outstanding loans directly to Fidelity 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 penalties. Plan loans are administered in accordance with a Plan loan policy. For more information on these procedures, please contact Fidelity at 1-800-240-4015.

## **29. Are There any Restrictions on My Ability to Take a Loan?**

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

- 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 are after-tax.
- The Plan Administrator determines the interest rate for the full term of the loan.
- 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.

### **30. How are Loans Allocated to My Plan Account?**

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

- Pretax contributions and earnings
- Pretax employee catch-up contributions and earnings
- Company Matching Contributions and earnings
- Vested Enhanced Program Contributions
- Pretax rollover balance
- After-tax rollover and earnings
- 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), which depends on the amount you have invested in each investment option. Loan repayments will be invested according to your most recent investment direction. Balances in the Roth contribution fund source will be included to determine the loan maximum, but will not be included in the loan itself.

### **31. How do I Apply for a Plan Loan?**

You can contact Fidelity at 1-800-240-4015 or go to NetBenefits at [www.401k.com](http://www.401k.com) to verify your account balance available for a loan and current interest rates. A Fidelity representative will review (or the website will present) various loan scenarios. You may set up an electronic funds transfer to have your loan directly sent to your bank account. You do not have to state a reason for requesting the loan.

## **32. Can I Receive My Plan Benefits While I'm Still Working for the Company?**

Although the Plan helps you save for retirement, you may take certain withdrawals during your working years subject to the following restrictions:

- Minimum withdrawal is \$300.
- Maximum number of withdrawals is four (4) during a calendar year.

The following fund sources are available for withdrawal at any time (subject to the restrictions listed above):

- After-tax contributions and related earnings for all Plan years.
- Any amount rolled over from another qualified plan.
- Company Matching Contributions and related earnings that have been in your account for two full Plan years.

If you are age 59 ½ or older, you may withdraw all or a portion of the funds in your account. If you only withdraw a portion of your account, the funds will be taken out in the following order:

- After-tax contributions and related earnings
- Pretax rollover contributions and related earnings
- After-tax rollover contributions and related earnings
- Company Matching Contributions and related earnings
- Vested Enhanced Program Contributions
- Pretax contributions and related earnings
- Pretax catch-up contributions
- Roth contributions and related earnings
- Roth catch-up contributions and related earnings
- Roth rollover contributions and related earnings.

The taxable portion of your withdrawal is subject to a mandatory federal income tax withholding of 20% and may also be subject to a 10% penalty tax (see Question 42(a), regarding “10% Penalty Tax”). Generally, these taxes may be avoided if you roll the withdrawal directly to an IRA or to another tax-qualified employer plan.

You will be considered to have withdrawn a proportionate share of any earnings on after-tax contributions that were deposited after January 1, 1987. These after-tax contributions and earnings can

be rolled into an IRA or another tax-qualified employer plan if the contributions and earnings are accepted by these plans. You will owe taxes on the earnings that are withdrawn unless they are rolled over.

Participants who have been on military active duty for more than 30 days may request a distribution of their account. If such participants receive the distribution, they may not make an elective deferral or contribution (and they will not receive a Company Matching Contributions) during the 6-month period beginning on the distribution date.

### **33. How do I Request Withdrawals from My Plan Account?**

Request a withdrawal by contacting Fidelity at 1-800-240-4015 or via [www.401k.com](http://www.401k.com). Before Fidelity can process your request, you must read the applicable 402(f) notice on the NetBenefits website, which outlines the tax consequences of taking a withdrawal. Once your request is received, Fidelity will generally send you a distribution calculation and a check within 10 business days, or you may be able to have the withdrawal amount sent directly to an IRA, to another tax-qualified employer plan, or to your bank account through electronic funds transfer. Special rules apply to hardship withdrawals.

### **34. Can I Withdraw My Pre-Tax Contributions if I Suffer Financial Hardship?**

You can withdraw employee pretax contributions (and related earnings for Plan years before January 1, 1989) before age 59 ½ 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 in-service withdrawals and Plan loans). All of these other sources must be exhausted before you can make a hardship withdrawal.

Hardship withdrawals are permitted for the following reasons:

- Severe, uninsured medical expenses for you, your spouse, or your dependents.
- Purchase of a primary residence (but not including mortgage payments).
- College tuition for you, your spouse, your children, 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.
- Large legal expenses.
- Purchase or repair of the vehicle that you use or your spouse uses to commute to and from work (your primary transportation vehicle). The purchase or repair must be made necessary

by an unforeseeable event.

- Funeral or burial expenses for your parents, spouse, children, or dependents.

You will not be able to contribute to the Plan (and you will not receive Company Matching Contributions) for six months following a hardship withdrawal. For example, if you take a hardship withdrawal on February 17, 2015, you are eligible to reenroll on August 18, 2015. Contact Fidelity to reinstate your contributions. Multiple suspensions run concurrently.

### **35. How do I Request a Hardship Withdrawal?**

Contact Fidelity at 1-800-240-4015 to inquire about amounts available for a hardship withdrawal and to obtain the application form. Follow Fidelity's instructions on completing the application form, where to send it, and what documents to include.

### **36. What Limitations Apply to Hardship Distributions?**

The following limitations are imposed on hardship withdrawals:

- The amount of the withdrawal may not exceed the amount required to satisfy the need created by the hardship event (including federal, state, or local income taxes and penalties reasonably anticipated to result from the withdrawal).
- You may not use 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 ½ may apply unless certain conditions are met, and federal income tax is owed on taxable amounts (see Question 42(a), regarding "10% Penalty Tax").

The Plan Administrator will determine whether your request for a hardship withdrawal meets the necessary requirements.

### **37. When Am I Eligible to Receive Distributions from the Plan?**

**Termination of Employment.** When you terminate employment with Sandia (and all Affiliated Employers), you are eligible to receive a single lump-sum distribution of your vested account balance, as well as annual or monthly withdrawals (in an amount not to less than the lesser of \$500 or your remaining Account balance), and the following rules apply:

- If your vested account balance is \$1,000 or less, you automatically will receive a lump sum distribution of your entire account.

- If your vested account balance is greater than \$1,000, but does not exceed \$5,000, and you do not elect a distribution, your entire account will be rolled over to a Fidelity IRA.
- If your vested account balance is greater than \$5,000, and you do not elect a distribution, payment of your account will automatically be deferred until you reach age 70 ½ (see Attainment of Age 70 ½ in (c), below). If your account is deferred, you can revoke the deferral at any time by requesting a distribution from Fidelity. Until your account is fully distributed, it remains invested in the Plan's investment funds you have selected, and you can exchange to other Plan investments according to Plan provisions.

If you do not contact Fidelity to request a distribution immediately and your vested account balance is more than \$5,000, a payment will not be made until you request a distribution. If your account balance is greater than \$1,000 but does not exceed \$5,000 and you do not elect a distribution, your account balance will be rolled over to a Fidelity IRA. You will automatically receive a lump sum distribution if your vested account balance is \$1,000 or less.

Distribution is not automatic. You must contact Fidelity at 1-800-240-4015 to elect one of these options. If you choose the withdrawal option, you must contact 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 third paragraph of Question 32, above). Withdrawn funds are prorated from all of your investment options within these fund sources.

Note that if you retire before age 55, you may have a premature distribution tax penalty unless you meet an exception to this IRS rule. These exceptions may be explored with a tax consultant. (See Question 42(a), regarding "10% Penalty Tax.")

Attainment of Age 70 ½. If you have terminated employment with Sandia (and all Affiliated Employers) and you do not request a distribution during the year you turn 70 ½ (or each year thereafter) that would meet or exceed the minimum required distribution by December 1, Fidelity will initiate distributions of your vested account balance that December. This requirement does not apply if you are actively employed by Sandia (or an Affiliated Employer).

Near your attainment of age 70 ½, Fidelity will send you a letter requesting your election of calculation method. Fidelity computes the minimum required distribution based on these elections. Your account balance will be distributed over your life expectancy if you elected single status or over the joint lives of you and your spouse if you elected married status, based on IRS tables. Funds withdrawn from your account will be prorated across all your fund sources.

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**NOTE:** The first year that you are eligible for the minimum required distribution, the distribution may be deferred until April 1 of the following year.

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### **38. How do I Request a Distribution of My Plan Benefits?**

The following two events must generally occur before Fidelity can distribute your account after

your termination of employment from Sandia and all Affiliated Employers:

- Sandia must report your termination of employment to Fidelity, and your employment status code is changed from an active to terminated status; 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, contact Fidelity at 1-800-240-4015. Be prepared to supply your name, SSN, PIN (or customer ID), and current address in addition to the transaction-related information. You can also contact Fidelity online through NetBenefits at [www.401k.com](http://www.401k.com). Before Fidelity can process your request, you must read the applicable 402(f) notice on the NetBenefits website, which outlines the tax consequences of taking a distribution.

### **39. What Happens if I Die Before Receiving My Plan Benefits?**

If you die while participating in the Plan, your account will be paid in a single lump sum as soon as practicable to your named Beneficiary(ies). If you properly designate a Beneficiary who is not your spouse, the named Beneficiary may roll your account balance directly to a qualifying IRA.

Survivors of a participant who dies while performing qualified military service will be entitled to any additional benefit provided under the Plan had the participant resumed and then terminated employment on account of death.

### **40. How is My Account Paid to Me?**

Generally, all withdrawals and distributions from the Plan will be made by check, in a lump sum. 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 LMC common stock. Any fractional shares will be paid by check. There is not any automatic income tax withholding on the distribution of stock; automatic withholding only applies to cash distributions.

### **41. Do any Special Rules Apply if My Plan Account Includes Amounts Transferred from the LMC Salaried Savings Plan?**

If your account under the Plan includes a Money Purchase Plan balance transferred from the LMC Salaried Savings Plan, you have additional distribution options for that portion of your account. Contact the savings plan specialist at 1-505-844-1431 for more information.

## 42. What Tax Considerations Apply to Withdrawals and Distributions from My Plan Account?

Under current law, you do not pay federal or state income taxes on your pretax contributions and associated earnings, Company Matching Contributions and associated earnings, or on “Enhanced Program Contributions” and associated earnings as long as they stay in the Plan. You will pay federal and applicable state taxes when these amounts are paid to you.

You do not owe taxes on your after-tax or Roth contributions when they are withdrawn or distributed from the Plan since you paid taxes 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, and taxes will apply.

If the distribution of your Roth contribution is a Qualified Distribution (see Question 7(c), regarding Roth Contributions), the earnings on your Roth contributions will not be subject to income tax. If the distribution of your Roth contribution is not a Qualified Distribution, the earnings will be subject to income tax.

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

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(a) **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 ½. The penalty tax is imposed 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 (or later),
- 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,
- The distribution is required by a Qualified Domestic Relations Order (QDRO) following a divorce (see Question 49), or
- The distribution is rolled over.

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**NOTE:** If you are an employee older than 59 ½, you are not subject to the 10% penalty tax on your withdrawals or distributions.

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(b) **20% Withholding.** Federal tax regulations require that 20% must be withheld for federal income taxes on all eligible withdrawals or distributions from the Plan that are not directly rolled over to an IRA, Roth IRA, or another tax-qualified employer plan. Qualified Roth deferrals are not subject to the automatic 20% withholding requirement. To avoid the 20% withholding, you must instruct Fidelity to directly roll over your distribution or withdrawal to the trustee of an IRA, Roth IRA, or another tax-qualified employer plan. The following distributions cannot be rolled over and are exempt from this automatic withholding rule:

- Minimum required distributions at age 70 ½ and after age 70 ½.
- 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.
- Hardship withdrawals.

### **43. How Does a Leave of Absence Affect My Plan Benefits?**

If you take a Company-approved leave of absence, your contributions, Company Matching Contributions, and “Enhanced Program Contributions” will generally be suspended during the leave. Your account may continue to experience investment gains or losses based on your investment choices, and you may exercise all options available to an active participant except to take new loans. Contributions that are temporarily discontinued automatically resume when you 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 must reinitiate loan payments or the loan will be treated as a taxable distribution. When you contact 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 loan through an automatic payment process. If you do not reinitiate loan payments, your loan will be treated as a taxable distribution.

Participants on a military leave of absence may have their loans suspended for more than one year. In addition, missed employee contributions, Company Matching Contributions and Enhanced Program Contributions for the period of the military leave of absence can be restored. For more information regarding the affect of a military leave on your Plan benefits, please contact your Sandia

benefits representative.

When you return from your leave, the contribution rate in effect at the time the leave commenced resumes automatically. Your contribution percentage and mix between pretax and after-tax will be the same as before the leave of absence. 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.

#### **44. How Does Sickness Affect My Plan Benefits?**

If you are receiving benefits under Sandia's Sickness Absence Plan, your contributions will continue unless you elect otherwise. You may always stop your contributions by contacting Fidelity.

#### **45. What is the Plan Funding Arrangement and Administration?**

All assets of the Plan are held in trust. Your contributions, Sandia Company Matching Contributions and Enhanced Program Contributions are deposited into the Trust, and all Plan benefits are paid from the Trust. The Trustee is Fidelity Management Trust Company (82 Devonshire Street, Boston, MA 02109).

Fidelity Institutional Retirement Services Company (82 Devonshire Street, Boston, MA 02109) provides recordkeeping services for the Plan.

#### **46. What Happens if I Take a Military Leave?**

If you timely return to Sandia employment from a qualifying military leave of absence under the Uniformed Service Employment and Reemployment Rights Act of 1994 (USERRA), you are eligible to make up contributions to the Plan for the period of the leave (subject to the limits that would have been in place if you had been employed by Sandia during your period of covered military service). You may also receive Company Matching Contributions and Enhanced Program Contributions for the period of the qualifying leave based on the plan provisions in effect for the applicable plan year. You have a limited period of time after you return from your qualifying military leave to make up contributions and receive Company Matching Contributions.

#### **47. How Does the Plan Define "Spouse"?**

A Participant's Spouse (or "surviving Spouse") is the person who is recognized as an individual's spouse in accordance with the laws of a state, the District of Columbia, a U.S. territory or a foreign jurisdiction where the marriage took place. The term "spouse" does not include a domestic partner or a party to a civil union.

## **48. Can My Plan Benefits be Reduced?**

There are certain circumstances under which your benefits may be reduced. These include the following:

- Investment losses may reduce the value of your Accounts.
- If the Company is not allowed a current deduction under the Internal Revenue Code for a contribution made to the Plan, or the Company makes a contribution under a mistake of fact, the Company may demand repayment of the contribution.
- The Company has the right to recover excess payments or benefits that were not paid in accordance with the terms of the Plan.
- The Company has the right to use any amounts that are improperly contributed to the Plan, and any amounts forfeited under the Plan, to reduce subsequent Company contributions and/or to pay authorized Plan expenses.
- A Qualified Domestic Relations Order may require the Plan to set aside all or a portion of your benefit for payment to your former Spouse, children, or other dependents. See, Question 49 for more information.
- The Plan will honor properly executed Federal tax levies and executions on Federal tax judgments against your Plan Accounts.
- The Plan permits an offset of a Participant's benefit against amounts owed to the Plan as a result of the Participant's breach of fiduciary duty to the Plan or the conviction of a crime involving the Plan.
- Benefits can be delayed or forfeited if you or your Beneficiary cannot be found. It is very important to keep your records up-to-date (including your address after you leave the Company).

## **49. Can I Assign My Plan Benefits?**

Your Plan benefits are intended for you or your Beneficiary. Therefore, your Plan benefits cannot be transferred to anyone else. However, benefits may be subject to Federal tax liens or become payable to Spouses, former Spouses, children or other dependents under qualified court orders ("Qualified Domestic Relations Orders") made under state domestic relations laws. If the Qualified Domestic Relations Order so requires, all or part of your benefits may be payable directly to another individual, whether or not you would be eligible to receive a similar distribution from the Plan at that time.

Participants and Beneficiaries may obtain, without charge, a copy of the Plan's procedures governing determinations as to whether an order is a Qualified Domestic Relations Order that allows your Plan benefits to be paid to someone other than you or your Beneficiary. When a domestic relations order is being sought, the Plan Administrator may communicate with you, your Spouse, and/or attorneys for you and your Spouse. To obtain a copy of the Plan's QDRO procedures, contact the Plan's QDRO

processor: AonHewitt, 400 Atrium Drive, 5th Floor South, Somerset, NJ 08873-4162, Attn: Sandia QDRO Department.

If Plan benefits are payable to a minor or a person who is incompetent, the Plan may pay those benefits to the legal guardian, parent, or other responsible adult with whom the person resides or to the custodian for the person under a Uniform Gift to Minors Act, or Gift to Minors Act.

The Plan will not honor waivers or disclaimers of Plan benefits. The Plan will, however, distribute your Accounts as though a Beneficiary died before you if the Plan receives from that Beneficiary, no earlier than the day after your death and no later than nine (9) months after your death, a disclaimer that purports to satisfy the disclaimer requirements of Internal Revenue Code Section 2518.

## **50. Can the Plan be Changed?**

The Company may suspend, discontinue contributions to, or terminate the Plan, in whole or in part, at any time, with respect to its own Employees. If the Plan is terminated, all Plan benefits will be distributed as determined at the time of termination.

## **51. What Happens if the Plan Becomes Top-Heavy?**

If the Plan becomes “top-heavy”—that is, if more than 60 percent of Plan assets are in the Accounts of officers and certain other highly compensated employees, the Company must make a minimum contribution on behalf of certain Eligible Employees. It is unlikely the Plan ever will become top-heavy.

## **52. Does the Plan Give Employment Rights?**

No. This Plan does not provide anyone with any right to continue employment with any employer or affect the right of any employer to terminate anyone’s services at any time with or without cause.

## **53. Is the Plan Covered by Termination Insurance?**

No. Benefits under this Plan are not insured by the Pension Benefit Guaranty Corporation because that insurance program does not apply to this type of plan. If the Plan is terminated, you will be entitled to the entire balance in your Accounts.

## **54. How Can I Appeal a Decision About My Plan Benefits?**

If you think an error has been made in determining your benefits, then you (or a duly authorized

representative) may make a written request for any Plan benefits to which you believe you are entitled. The Plan's Claims and Appeal Procedure is attached as Appendix B to this Summary Plan Description.

## **55. What are My ERISA Rights?**

The Employee Retirement Income Security Act of 1974 (ERISA) provides that you, as a Plan participant, shall be entitled to certain rights and protections, including the following:

- Examining, without charge, at the Plan Administrator's office and at other specified locations such as worksites, all documents governing the plan, and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtaining, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan administrator may charge a reasonable dollar amount for the copies.
- Receiving a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.
- Obtaining a statement telling you whether you have a right to receive a benefit at normal retirement age (the later of age 65, or the date you are credited with 5 years of service).
- If you do not have a right to a benefit, the statement will tell you how many more years you have to work to get a right to a benefit.

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for operating 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 Sandia or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

If your claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time periods.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report 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 the materials were not sent because of reasons beyond the control of the Administrator.

If you have a claim for benefits that is denied or ignored, in whole or in part, you may file suit in a state or federal court after exhausting the "Benefits Claim and Appeal Procedures" outlined in

Appendix B of this document. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in Federal court after exhausting the "Benefits Claim and Appeal Procedures" outlined in Appendix B of this SPD.

If it should happen that Plan fiduciaries misuse funds, 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 are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees (for example, if it finds your claim is frivolous).

If you have any questions about this Plan, contact HBE Customer Service at (505)-844-4237. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory, or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline for the Employee Benefits Security Administration.

## **Other Important Information**

### **Plan Sponsor**

Sandia Corporation is the Plan Sponsor. Inquiries should be directed to:

Sandia Corporation  
P.O. Box 5800, MS 1022  
Albuquerque, NM 87185-1022  
(505) 844-4238

### **Plan Administrator**

The Employee Benefits Committee is the Plan Administrator. Inquiries should be directed to the following address:

Employee Benefits Committee  
P.O. Box 5800, MS 1022  
Albuquerque, NM 87185-1022  
(505) 284-1800

The Employee Benefits Committee has full discretionary authority to administer and interpret the Plan, including full discretionary authority to determine eligibility for participation and for benefits under the Plan, to correct errors (to the extent practicable), and to construe ambiguous terms. Determination by the Employee Benefits Committee (or its authorized delegate) will be final and conclusive upon all persons. Notwithstanding the foregoing, the Employee Benefits Committee Review of Claims Committee has the sole, full discretionary authority to determine appeals of denied claims.

## **Agent for Service of Legal Process**

Sandia Corporation and the Employee Benefits Committee (EBC) has a registered agent, Corporation Service Company (CSC). The registered agent acts as the corporation's representative and receives service of legal process for the Plan. The addressee is:

Corporation Service Company  
Employee Benefits Committee  
Sandia Corporation

The addresses are as follows:

### **Main:**

2711 Centerville Road, Suite 400  
Wilmington, DE 19808  
800-927-9800

### **Local:**

123 East Marcy Street, Suite 101  
Santa Fe, NM 87501

2730 Gateway Oaks Dr. #100  
Sacramento, CA 95833

## **Identification Numbers**

The Employer Identification Number assigned to Sandia by the IRS is 85-0097942. The Plan Identification Number assigned by Sandia for the Savings and Income Plan is 008.

## **Plan Type**

The Savings and Income Plan is a defined contribution plan with a 401(k) feature.

## **Plan Year**

The Plan year is a calendar year, beginning each January 1 and ending December 31.

## **IRS 402(f) Notice**

The IRS 402(f) special tax notices are available on the web by following these steps:

- Log onto NetBenefits at [www.401k.com](http://www.401k.com)
- From "Your Portfolio" click on "Sandia Income Plan"
- Click on the "Withdraw/Borrow" tab
- Click "Participant Distribution and Tax Notice(s)" PDF at the right side of the page.

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

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## **Appendix A: Definitions**

<b>Account</b>	<p>The value of all Accounts maintained on behalf of a Participant or Beneficiary. An Account may include the following:</p> <ul style="list-style-type: none"><li>• Pretax Contribution Account,</li><li>• Catch-Up Contribution Account,</li><li>• Matching Contribution Account,</li><li>• Pretax Rollover Account,</li><li>• After-Tax Rollover Account,</li><li>• After-Tax Contribution Account,</li><li>• LMCSSP Transfer Account,</li><li>• Roth Account,</li><li>• Roth Catch-up Account,</li><li>• Roth Rollover Account (From Another Qualified Plan),</li><li>• Enhanced Program Contribution Account,</li><li>• Qualified Non-elective Contribution (“QNEC”) Account and,</li><li>• In-Plan Roth Conversion Account or Accounts.</li></ul> <p>Effective on the Merger Date, the above referenced Accounts shall include the Accounts transferred to this Plan from the SSP due to the Merger.</p>
<b>Affiliated Employer</b>	<p>Sandia, and pursuant to Internal Revenue Code Section 414, any corporation within the same controlled group of corporations as Sandia, any Company under common control with Sandia, any employer that is a member of an affiliated service group with Sandia, and any employer required to be aggregated with Sandia.</p>
<b>Basic Contribution</b>	<p>The first 6% of your Compensation that you authorize to be withheld from your pay and directed to the Plan. You can elect pretax contributions, after-tax contributions, Roth contributions, or a combination of the three types of contributions.</p>
<b>Beneficiary</b>	<p>The person(s) or legal entity designated to receive the value of your account if you die while a participant in the Plan.</p>
<b>Company</b>	<p>Sandia Corporation, a Delaware corporation, and any successor to all or a major portion of the assets or business of Sandia Corporation that, by appropriate action, adopts the Plan.</p>
<b>Company Matching Contributions</b>	<p>Sandia matching contributions (Sandia adds an additional 66-2/3% of your Basic Contribution to your account).</p>
<b>Employee</b>	<p>A common law employee of the Company and, to the extent required by Code Section 414(n), any Leased Employee. An Employee does not include (and has not at any time included) any individual during any period he or she is not classified as a common-law</p>

employee of an Affiliated Employer, without regard to whether such an individual is subsequently determined to have been a common-law employee of an Affiliated Employer during such period.

<b>Enhanced Program Contribution</b>	An Employer contribution (as described in Section 4.15 of the Plan) that is available only to Enhanced Program Employees.
<b>Enhanced Program Employee</b>	An Eligible Employee who is classified as a “New Hire” or a “Rehire” within the meaning of the Sandia Corporation Retirement Income Plan.
<b>Highly Compensated Employee</b>	Means either (1) for 2015, employees earning over \$120,000 per year, or (2) an employee in the top-paid 20% of Lockheed Martin Corporation’s control group.
<b>Hour of Service</b>	Each hour for which you are paid or are entitled to payment as an employee of Sandia or an Affiliated Employer, including paid absences such as vacation, holiday, illness, disability, layoff, military duty, or jury duty.
<b>Leased Employee</b>	Any person (other than an Employee) who pursuant to an agreement between an Affiliated Employer and a leasing organization has performed services for the Company or an Affiliated Employer on a substantially full-time basis for a period of at least one year, and such services are performed under the primary direction or control of the Company or an Affiliated Employer.
<b>Marriage</b>	Marriage shall mean, effective for amounts entering pay status on or after September 16, 2013, a valid legal marriage in accordance with the laws of any state, the District of Columbia, a U.S. territory or a foreign jurisdiction where the marriage took place. The term “marriage” does not include a domestic partnerships or a civil union.
<b>Net Unrealized Appreciation</b>	The increase in the value of Lockheed Martin Company stock distributed over the cost of the shares.
<b>New Hire</b>	An individual who first becomes a common-law Employee of the Company as follows: (i) for non-represented Employees, on or after January 1, 2009; (ii) for Employees of an OPEIU represented position, on and after July 1, 2009; and (iii) for Employees in an MTC or SPA represented position, on an after July 1, 2010.
<b>Parent Organization</b>	A Company which directly or indirectly owns at least 80% of the Sandia stock, and any member of that Company’s controlled group other than Sandia.
<b>Plan</b>	Sandia Corporation Savings and Income Plan.
<b>Plan Administrator</b>	Sandia Corporation Employee Benefits Committee (the “EBC”).
<b>Plan Service</b>	A measure of your service as defined in Section 2.37 of the Plan document.
<b>Plan Year</b>	A calendar year beginning each January 1 and ending December 31.
<b>Regular Employee</b>	An individual employed directly by Sandia Corporation for an unspecified period working a full-time or part-time schedule. Limited term employees, post-doctoral appointees, recurrent employees, and student interns are <i>not</i> regular Employees.

<b>Rehire</b>	<p>An individual as defined in Section 2.44 of the Plan document. It should be noted that “Rehire” does not include the following:</p> <p>Temporary U.S. Government Employment. An individual who would otherwise be treated as a “Rehire” due to his or her return from temporary employment with the U.S. Government; provided the individual returns to employment with the Company at the conclusion of such temporary U.S. Government employment and that, upon his or her return, the individual otherwise satisfies all other requirements to be an Eligible Employee and; provided further, that immediately prior to such temporary U.S. Government employment the individual (i) was an Eligible Employee, (ii) otherwise would have qualified for a Company-approved Special Leave of Absence or for an Intergovernmental Personnel Assignment, and (iii) was required to terminate employment with the Company as a condition to taking temporary employment with the U.S. Government.</p> <p>LOA or IPA. An individual who would otherwise be treated as a “Rehire” due to his or her return from Leave of Absence (“LOA”) or Intergovernmental Personnel Assignment (“IPA”); provided the individual returns to employment with the Company at the conclusion of such LOA or IPA, and that, upon his or her return, the individual otherwise satisfies all other requirements to be an Eligible Employee and; provided further, that immediately prior to such LOA or IPA, the individual was an Eligible Employee.</p> <p>Conversion. A non-regular employee who, before the Applicable Closure Date was not eligible for participation in the Plan (e.g., a student), who is converted to status as an Eligible Employee on or after the Applicable Closure Date, and within the time frame set forth in the applicable Sandia policy for recognition of prior service.</p> <p>Qualified Military Service. An individual who would otherwise be treated as a “Rehire” due to his or her return from qualified military service (within the meaning of Code Section 414(u)); provided that, he or she returns to employment with the Company within the time frame set forth in applicable law and, upon his or her return, the individual otherwise satisfies all other requirements to be an Eligible Employee and; provided further, that immediately prior to his or her qualified military service, the individual was an Eligible Employee.</p> <p>Transfers. An individual who transfers to this Plan pursuant to the provisions of Appendix K (Transferred Service) will not be treated as a “Rehire,” provided that assets actually are transferred to this Plan on behalf of that Participant.</p>
<b>Spouse</b>	<p>Spouse (and derivation terms such as “surviving Spouse”) shall mean, effective for amounts entering pay status on or after September 16, 2013, the person who is recognized as an individual’s spouse in accordance with the laws of a state, the District of Columbia, a U.S. territory or a foreign jurisdiction where the marriage took place. The term “spouse” does not include a domestic partner or a party to a civil union.</p>
<b>Supplemental Contributions</b>	<p>Your contributions greater than 6% of your Compensation. These contributions are not matched by Sandia.</p>
<b>Vesting</b>	<p>An event that causes your account to become nonforfeitable.</p>
<b>Year of Service</b>	<p>A year of employment with Sandia or an Affiliated Employer in which you are credited with at least 1,000 hours of service.</p>

## **Appendix B: Claims and Appeal Procedure For The Sandia Corporation Savings and Income Plan**

A Participant Beneficiary who has questions or concerns about his or her Plan benefits is encouraged to communicate with the Employee Benefits Committee (EBC) regarding those questions or concerns. If the Participant or Beneficiary (“Claimant”) is not satisfied with this communication, the Claimant may make a formal claim for benefits in accordance with the procedures outlined below. **A Claimant may not make a formal claim more than three hundred sixty-five (365) days after the date the Claimant has knowledge of all material facts that are the subject of the claim.**

A formal claim must be filed, in writing, with the EBC, P.O. Box 5800, MS 1022, Albuquerque, NM 87185-1022. Within 90 days following receipt of the claim, the EBC will give the Claimant either a written notice of its decision or, if special circumstances require an extension of time for review, a notice of a 90-day extension of the review period.

If a claim is denied in whole or in part, the EBC will give the Claimant written notification that will include:

- (a) The specific reason for the denial;
- (b) Specific references to pertinent Plan provisions on which the denial is based;
- (c) A description of any additional material or information that needs to be submitted with an explanation of why the material or information is necessary;
- (d) An offer to provide the Claimant, on request, free of charge, reasonable access to and copies of all documents, records and other information relevant to the claim (including a statement of policy or guidance concerning a Disability claim); and
- (e) A description of the Plan’s review procedures and the time limits applicable to the Claimant’s right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review.

If the Claimant wants to appeal a denied claim, the Claimant must submit an appeal in writing to the EBC at P.O. Box 5800, MS 1022, Albuquerque, NM 87185-1022. The deadline for submitting any such appeal will be 60 days after the Claimant receives written notification of the denial of the claim, as described above. Within 60 days following receipt of the appeal, the EBC will give the Claimant either a written notice of its decision or, if special circumstances require an extension of time for review, a notice of a 60-day extension of the review period. The review of the EBC will take into account all comments, documents, records, and other information the Claimant submits, without regard to whether that information was submitted or considered in the initial benefit determination. If the appeal is denied, the notification will:

- (a) Explain the specific reasons and specific Plan provisions on which the decision is based;
- (b) Include a statement describing any voluntary appeal procedures offered by the Plan and the Claimant’s right to obtain information about these procedures;

- (c) Include a statement regarding the Claimant's right to bring a civil action under ERISA 502(a), and
- (d) Offer to provide the Claimant, on request, free of charge, reasonable access to and copies of all documents, records and other information relevant to his or her claim for benefits.

A claim or appeal may be filed by an authorized representative on behalf of a Claimant. The Sandia Corporation Employee Benefits Claim Review Committee (EBCRC) has the exclusive, full and final authority to hear and determine appeals of claims denied by the EBC. The decision of the EBCRC will be the final and conclusive administrative review proceeding under the Plan.

A Claimant is required to pursue all administrative and appeals procedures described above as a precondition to challenging the denial of a claim in a lawsuit. Such exhaustion of administrative procedures applies equally to claims for (i) recovery of Plan benefits; (ii) enforcement of rights under the terms of the Plan; and (iii) clarification of rights to future benefits under the terms of the Plan.

**The Claimant may not submit a dispute to a court with respect to a denied claim under this Plan more than three hundred sixty-five (365) days after the date the Plan Administrator renders its final decision upon appeal.**

When determining whether to approve or deny a claim, the Plan Administrator is operating pursuant to its full discretionary authority to administer and interpret the Plan and to determine eligibility for participation and for benefits under the terms of the Plan.