

# LANS 401(k) Retirement Plan

## Summary Plan Description

*This Summary Plan Description (SPD) is intended to provide a summary of the principal features of the LANS 401(k) Retirement Plan ("Plan") and is not meant to interpret, extend or change the Plan in any way.*

*This SPD will continue to be updated. Please check back on a regular basis for the most recent version and check with the Los Alamos National Laboratory (LANL) Benefits Office for any changes to the Plan that may not have been added to the SPD yet.*

*Nothing in the Plan and/or this SPD shall be construed as giving any member the right to be retained in service with LANS or any affiliated company, or as a guarantee of any rights or benefits under the Plan. LANS, in its sole discretion, reserves the right to amend or terminate at any time the Plan and SPD.*

*The Plan is governed by a federal law (known as ERISA), which provides rights and protections to Plan participants and beneficiaries. Copies of the Plan document are on file with the Plan Administrator. You may obtain and/or read the Plan document at any reasonable time. You may also submit a written request to the Plan Administrator requesting a copy of the Plan document. The Plan document may provide additional details regarding the benefits and operation of the Plan. If there is a conflict between the terms of the SPD and the terms of the Plan document, the Plan document will govern.*

*For questions or to receive a paper copy of this SPD please contact the LANL Benefits Office at (877) 667-1806 or (505) 667-1806 or e-mail [benefits@lanl.gov](mailto:benefits@lanl.gov). SPDs are also available electronically at LANL Benefits Web site for Employees at <http://int.lanl.gov/worklife/benefits/> or LANL Benefits Web site for Retirees: <http://www.lanl.gov/worklife/benefits/retirees/>.*

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## **This Summary Plan Description**

This Summary Plan Description (SPD) summarizes the LANS 401(k) Retirement Plan ("401(k) Retirement Plan" or "Plan"). It has been written, to the extent possible, in non-technical language. If there is any conflict between this summary and the official Plan document, the terms of the Plan document will govern.

The LANS 401(k) Retirement Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Internal Revenue Code of 1986, as amended ("the Code").

Participation in the Plan and/or receipt of this SPD is not a guarantee of employment or of any benefits under the LANS 401(k) Retirement Plan.

**The provisions in this SPD describe the Plan as in effect on February 1, 2012 and replace the December 1, 2009 version of the SPD.**

## Plan Highlights

### Key Features of the Retirement Plan

- In order to participate in the 401(k) Retirement Plan,
  - You must be classified as an employee on the Los Alamos National Security, LLC ("LANS ") payroll system;
  - You must not be a Student Employee of LANS (the "Employer") (as defined below);
  - You must not have elected to participate in Total Compensation Package 1 ("TCP1") when you were first hired by LANS or, if you did make such an election, you must be a "TCP2 Rehire" (as defined below); and
  - You must not be eligible to participate in the LANS 401(k) Savings Plan, or accruing benefit accrual service in the LANS Defined Benefit Pension Plan (TCP 1 defined benefit pension plan).

If you are classified as an independent contractor, independent consultant, non-employee consultant or leased employee of LANS, you are not eligible to participate in the 401(k) Retirement Plan. Employees whose terms of employment are subject to a collective bargaining agreement are not eligible to participate unless participation is specifically provided for in such agreement.

- A "Student Employee" means an Employee who has not completed a bachelor's degree or equivalent at an accredited college or university and who is classified by the Employer as a student employee in the Employer's human resource information system or any of the payroll categories used to designate student status. Employees who are graduate research assistants or are enrolled in a post-bachelor's degree program while performing services for the Employer shall not be considered "Student Employees."
- A "TCP2 Rehire" is an individual who
  - elected TCP1 when first hired by LANS,
  - terminated employment with LANS,
  - was rehired in a position other than a Laboratory Associate or Retired Laboratory Fellow, and
  - if termination was due to an employer-initiated involuntary termination (other than for cause) as a result of which the individual would otherwise be eligible to resume active participation in the TCP1 defined benefit pension plan, the individual's rehire date was more than 3 years after the date of the involuntary termination.
- You may contribute to the Plan on a before-tax or after-tax basis, including a Roth 401(k) after-tax contribution.
- When you contribute to the Plan, LANS matches 100% of the first 6% of your Eligible Compensation that you contribute to the Plan.

- LANS also makes an additional "non-elective" employer contribution to your 401(k) Retirement Plan account; the amount of the contribution depends on your years of service.
- You control how your savings are invested.

## **How the Plan Works**

You may authorize before-tax or after-tax contributions, including Roth 401(k) contributions, to the 401(k) Retirement Plan. The 401(k) Retirement Plan also includes contributions from LANS that match a percentage of your contributions, as well as an additional "non-elective" employer contribution. You also may request that the 401(k) Retirement Plan accept certain rollover contributions from certain types of retirement plans on your behalf.

You control how your Plan account is invested by directing your contributions, including LANS contributions, into funds in the Plan's investment lineup. Keep in mind that participating in the 401(k) Retirement Plan involves investment risk. If the value of your investments increases or decreases, so does the value of your 401(k) Retirement Plan account.

This summary is not intended to provide personal tax or investment advice. Because everyone's financial situation is different, you should consult a qualified tax or financial advisor before making decisions about your 401(k) Retirement Plan benefits. Tax laws are complicated and often change, and it is important that you assess your situation in light of current laws.

## **Eligibility and Participation**

### **Eligibility**

In order to participate in the 401(k) Retirement Plan:

- You must be classified as an employee on the LANS payroll system,
- You must not be a "Student Employee" (as defined above in Plan Highlights),
- You must have provided the Plan Administrator with your Social Security number, and
- You must not have elected to participate in Total Compensation Package 1 ("TCP1") when you were first hired by LANS or, if you did make such an election, you must be a "TCP2 Rehire" (as defined above in the "Plan Highlights").

If you are classified as an independent contractor, independent consultant, non-employee consultant or leased employee of LANS, you are not eligible to participate in the 401(k) Retirement Plan. Employees whose terms of employment are subject to a collective bargaining agreement are not eligible to participate, unless participation is provided for in such agreement. Employees who are eligible to participate in the LANS 401(k) Savings Plan or are accruing benefit accrual service in the LANS Defined Benefit Pension Plan are not eligible to participate.

## Enrolling in the Plan

If you are an eligible employee, you are automatically enrolled in the Plan's non-elective employer contributions feature. If you want to take advantage of the opportunity to make employee contributions – and to receive employer matching contributions, you must contact Fidelity. *In any event, as soon as you become an eligible employee, you should contact Fidelity to name a beneficiary and select your investments.* For contact information, see "For More Information" at the end of this SPD. For beneficiary information, see "If You Die" and for investment information, see "Managing Your Investments."

## When Participation Ends

If you are an eligible Plan participant, your participation in the 401(k) Retirement Plan will continue until you die or until all your Plan benefits have been distributed, whichever occurs first. You will not be able to make contributions to the Plan nor will "non-elective" employer contributions be made on your behalf after you terminate employment with LANS, or during a leave without pay. Special rules apply during certain military leave periods.

## Contributions

This section describes the allowable contributions to your account. All contributions to the 401(k) Retirement Plan are 100% vested at all times.

Contributions to your account may include:

- Your before-tax (401(k)), Roth 401(k), after-tax, and catch-up contributions
- An employer matching contribution
- An additional "non-elective" employer contribution
- Rollover contributions.

All contributions except for your rollover contributions are calculated based on your "Eligible Compensation." (See "Definition of Eligible Compensation" below.)

## Definition of Eligible Compensation

For purposes of the 401(k) Retirement Plan, "Eligible Compensation" means—for each pay period—only your base pay (including pay in lieu of notice at termination), overtime pay and shift differential. If you receive payments for base pay, overtime pay or shift differential after you terminate employment with LANS, that pay will only be Eligible Compensation if you receive it by the end of the year or within 2-1/2 months of termination, if later. Any base pay you receive from LANS while you are on a Military Leave of Absence (see "If You Take a Government Service Approved Leave or Military Leave of Absence" for a description) is also Eligible Compensation. Other compensation, including incentive pay, lump sum vacation payout and severance pay, are not included in Eligible Compensation. Eligible Compensation only includes pay that you receive for work performed under Contract Number DE-AC52-06NA25396 between LANS and the Department of Energy related to the operation of the Los

Alamos National Laboratory. Eligible Compensation is determined before taxes, and before your contributions to the 401(k) Retirement Plan and/or other before-tax contributions to obtain welfare benefits are taken out.

Each year, federal law sets a limit on the amount of your Eligible Compensation that can be taken into account under the 401(k) Retirement Plan. (See "Contribution Limits" for more information.)

## Your Contributions

Your before-tax 401(k), Roth 401(k) and after-tax contributions are deducted from your paycheck each pay period and change automatically when your Eligible Compensation changes. All contributions are subject to legal limits. (See "Contribution Limits" for details.) LANS helps your 401(k) Retirement Plan account grow by making employer contributions to your 401(k) account. (See "Employer Matching Contributions" and "Non-Elective Employer Contributions" for details.)

### **Before-Tax Contributions**

Once you are eligible to participate in the 401(k) Retirement Plan, you may choose to contribute up to 75% of your "Eligible Compensation" on a before-tax basis in 1% increments, subject to legal limits (see "Contribution Limits") and less any amounts contributed as Roth 401(k) and after-tax contributions.

Before-tax contributions are deducted from your Eligible Compensation before federal income taxes, and (in most cases) state and local income taxes are determined. By choosing the before-tax savings option, you pay no income taxes on your contributions or their investment gains while they remain in the 401(k) Retirement Plan. However, your before-tax contributions are included in your gross earnings for purposes of calculating your Social Security and Medicare taxes and benefits.

Before-tax contributions and the associated net investment earnings will be subject to income taxes when distributed from the Plan.

### **Roth 401(k) Contributions**

You may also elect to make Roth 401(k) contributions which are after-tax contributions deducted from your salary after applicable taxes are withheld. If you withdraw the Roth 401(k) contributions at least five tax years after your first Roth 401(k) contribution to the Plan and you are at least age 59 ½, the earnings on the Roth 401(k) contributions are also paid to you tax-free. The Roth 401(k) contributions are subject to the same contribution, withdrawal and distribution rules as apply to before-tax contributions, but all taxes are withheld on Roth 401(k) contributions when deducted from your pay. Roth 401(k) contributions are different from after-tax contributions which do not qualify for tax-free earnings. If you die, your beneficiary may be able to receive a distribution of the earnings on your Roth 401(k) contribution tax-free if you started making Roth 401(k) contributions at least five tax years prior to the distribution. If you become disabled, your earnings on the Roth 401(k) contributions can be withdrawn tax-free if it has been at least five tax years from your first Roth 401(k) contribution.



### **Before-Tax and Roth 401(k) Contribution Limits**

Each calendar year, you can save on a before-tax and/or Roth 401(k) contributions basis up to the annual maximum dollar limit provided in federal law. If you are a "highly compensated" employee, a lower limit may apply due to nondiscrimination testing. (See "Special Limitation for Certain Highly Compensated Employees.") The annual maximum dollar limit is \$17,000 for 2012 and includes all before-tax contributions and Roth 401(k) contributions you make to this Plan and any other 401(k) or 403(b) plan in which you participated in that year. Thereafter, increases in the contribution limit may be linked to cost-of-living increases pursuant to federal law. (See "Contribution Limits" for more information about other limits that may apply to you.)

### **After-Tax Contributions**

After-tax contributions are deducted from your salary after applicable taxes are withheld. You may elect to contribute up to 75% of your compensation in 1% increments on an after-tax basis, less any contributions you elected to make on a before-tax basis or as Roth 401(k) contributions.

The net investment gains on your after-tax contributions are subject to the same tax treatment as your before-tax contributions, employer matching contributions, non-elective employer contributions and investment gains or losses on those contributions. For example, investment gains on after-tax contributions are tax-exempt while they remain in the Plan, and taxed when distributed to you. This differs from Roth 401(k) contributions which may have their earnings distributed tax-free (as described above under "Roth 401(k) Contributions").

### **Catch-Up Contributions**

If you will turn age 50 by the end of any calendar year, you may elect to make additional before-tax contributions—known as "catch-up contributions"—in that year and following years. Catch-up contributions allow you to increase your savings in order to help your retirement savings catch up with your retirement needs. In order for before-tax or Roth 401(k) contributions you make to be designated as catch-up contributions, you must first contribute the maximum amount of before-tax and Roth 401(k) contributions permitted to the Plan, which is the lesser of 75% of your Eligible Compensation or a dollar limit which for 2012 is \$17,000. This dollar limit is linked to cost-of-living increases pursuant to federal law. (See "Contribution Limits" for details.)

Catch-up contributions are deducted from your paycheck on a before-tax or Roth 401(k) basis, the same as your regular before-tax or Roth 401(k) contributions. Catch-up contributions are **in addition to** your regular 401(k) Retirement Plan before-tax or Roth 401(k) contributions, and are deposited into the same before-tax or Roth 401(k) contribution account.

Once you have contributed the maximum regular before-tax and Roth 401(k) contribution allowed for you for that year, catch-up contributions will automatically be deducted from your paycheck until you change your before-tax or Roth 401(k) contribution election or you reach the annual catch-up contribution limit. If a lower limit on your before-tax and Roth 401(k)

contributions applies to you because you are "highly compensated," the lower limit applies, and any additional contributions you make will be treated as catch-up contributions.

### **Annual Catch-Up Limits**

Your catch-up contributions will be made through payroll deductions and cannot exceed the annual limit, which is \$5,500 for calendar year 2012. If you are eligible to make catch-up contributions and are making before-tax or Roth 401(k) contributions under more than one plan, your total before-tax and Roth 401(k) contributions to all plans in a calendar year cannot exceed the annual deferral limit for that year (\$17,000 for 2012) plus the annual catch-up for that year (\$5,500 for 2012). Thus, for 2012 your total before-tax contributions and Roth 401(k) contributions cannot exceed \$22,500 (\$17,000 annual deferral limit plus \$5,500 catch-up limit).

These limits are set by federal law. (See "Contribution Limits" for more information about other limits that may apply to you.)

### **Rollover Contributions**

You may choose to roll over money into the 401(k) Retirement Plan from another eligible retirement plan. (See "Eligibility" for information on eligibility rules.) LANS **does not** match rollover contributions, but they will be deposited into your rollover account, and you may invest them on a tax-favored basis just as you do other contributions.

To make a rollover contribution, you must be entitled to receive a distribution from an eligible retirement plan, such as a traditional IRA (not a Roth IRA) or another employer's plan.

The other employer's plan may be a:

- Tax-qualified section 401(a) plan, including a section 401(k) retirement plan,
- Section 403(a) annuity plan,
- Section 403(b) tax-sheltered annuity plan, or
- Section 457(b) plan maintained by a state or local government.
- You may also roll over amounts that were Roth contributions in another employer's 401(k) or 403(b) retirement plan.

The amount must be payable to you as an employee, alternate payee or surviving spouse, not as a non-spouse beneficiary. (Non-spouse beneficiaries can make rollovers only to IRAs).

The amount rolled over must be in cash rather than in the form of property such as plan investments with one exception. Effective as of October 1, 2008, a rollover may include the amount of a loan that is not in default that is rolled from a qualified plan of a subcontractor of LANS if the participant who is requesting approval of the rollover is employed by LANS on or after October 1, 2008 directly from a LANS subcontractor which has transitioned work to LANS and the participant agrees to repay the loan through LANS payroll deductions. The Plan Administrator must approve the rollover of a loan in accordance with the terms of the Plan.

If your rollover contribution is approved, your rollover contribution may be transferred directly from the trustee of the other plan or IRA to the 401(k) Retirement Plan trustee. Alternatively, if the other plan or IRA makes a distribution payable to you, you may roll over the amount within 60 days of receiving that distribution.

If you make a rollover contribution to the 401(k) Retirement Plan, it will be deposited in your rollover account and tracked separately from your other contributions. You will also need to decide how you want your rollover contributions invested. (For more information, see "Managing Your Investments.") Your rollover account will be distributed to you or your beneficiary according to the terms of the 401(k) Retirement Plan. (See "Receiving a Final Distribution" for details.) Once deposited into the 401(k) Retirement Plan, rollover contributions are eligible for withdrawal or loans while you are actively employed by LANS.

If you are considering making a rollover contribution to the Plan, be sure that you understand how the Plan works. For example, loan, withdrawal and distribution provisions may be different from those of your previous employer's tax-favored retirement plan. If you would like to make a rollover contribution, you should call Fidelity or log on to the Fidelity Web site. For contact information, see "For More Information" at the end of this document.

### **Changing Your Contributions**

You may increase, decrease, stop or resume your before-tax, Roth 401(k) or after-tax contributions at any time by calling Fidelity or logging on to the Fidelity Web site. (See "Contribution Limits" for maximum contribution amounts permitted under the Plan; for contact information, see "For More Information" at the end of this document.)

Your request will be processed as soon as administratively practicable. Generally, the change will take effect the first payroll period following the date Fidelity processes your request. A confirmation statement will be sent to you within seven business days after the date of your request. If you do not receive your confirmation, please contact the Plan Administrator. (For contact information, see "For More Information" at the end of this document.)

### **When Your Contributions Must End**

You will not be able to continue contributing to the Plan while you are on an unpaid leave of absence or if your employment with LANS ends.

### **If You Take a Government Service Approved Leave or Military Leave of Absence**

If you take a "Military Leave of Absence," which is time you are absent from work by reason of your service in the uniformed services that qualifies you for reemployment upon your return under the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) and you return to covered employment, you will receive credit toward "Years of Completed Service" (see "Years of Completed Service" for more detail) for such leave and you will be eligible to make up contributions to the 401(k) Retirement Plan and to receive matching and non-elective employer contributions as if you had actually received your regular Eligible Compensation from LANS during your leave. The deadline for you to make up contributions

begins on the date of your return to employment and extends for a period equal to 3 times the period of your Military Leave of Absence not to exceed 5 years.

If you die while on a "Military Leave of Absence", you will receive "Years of Completed Service" credit and you will be treated as if you were employed for purposes of non-elective employer contributions from the time you left on leave until your death and your beneficiaries will benefit from any changes in the Plan from the time you left on leave until your death.

If you take a "Government Service Approved Leave" (as defined and approved by LANS in accordance with LANL procedure 730-11) of up to three years and return to your LANS position within 90 days of the end of such leave, the period of the leave will be counted as Years of Service for purposes of determining the amount of employer non-elective contributions you receive upon your return to paid status.

For more information about establishing "Years of Completed Service" or other benefits for a "Military Leave of Absence" or "Government Service Approved Leave" and applicable time limits, contact the Plan Administrator. For contact information, see "For More Information" at the end of this document.

## Employer Contributions

### **Employer Matching Contributions**

LANS offers matching contributions to 401(k) Retirement Plan participants. The amount of the matching contribution depends on the amount you are contributing to the 401(k) Retirement Plan.

Employer matching contributions will be deposited into your employer matching contributions account based on your own **before-tax, Roth 401(k) and after-tax contributions** for each pay period. For each \$1.00 of your own contributions—called your "matched contributions" — LANS will provide an Employer matching contribution of 100% of your contribution, up to 6% of your Eligible Compensation. This means that the employer matching contribution could be as much as 6% of your Eligible Compensation for the pay period. (See "Definition of Eligible Compensation.")

Any percent you contribute over 6% of your Eligible Compensation is called your "unmatched contributions." Your unmatched contributions offer the same tax advantages and investment opportunities as your matched contributions. (See "Your Contributions" for information about your before-tax, Roth 401(k) and after-tax contributions.)

You pay no taxes on employer matching contributions at the time they are credited to your account, or on the investment gains on those contributions. Employer matching contributions, adjusted for the associated investment gains, will be subject to taxes when you take a distribution from the 401(k) Retirement Plan.

### **Non-Elective Employer Contributions**

Regardless of your contributions to the 401(k) Retirement Plan, LANS will make a "non-elective" employer contribution each plan year for each eligible employee. The non-elective employer contribution for an eligible employee is calculated as follows:

<b>Years of Completed Service on the last day of the Plan Year</b>	<b>Contribution as a Percentage of Plan Year Considered Compensation</b>
0-9	3.5%
10-19	4.5%
20 or more	5.5%

You do not need to be actively employed on December 31 to receive a non-elective employer contribution for the year. However, if your employment ends during the year, your "Years of Completed Service" (see "Years of Completed Service" below) will be determined as of your termination date. Plan year compensation will be based on the "Eligible Compensation" you received while you were actively employed during the plan year.

### **Years of Completed Service**

"Years of Completed Service" are used to determine the percentage of your compensation that LANS will contribute as a non-elective employer contribution in a given plan year.

"Years of Completed Service" means the total elapsed time in years and complete months that you work for LANS on and after June 1, 2006. A "period of service" begins on your date of hire (or rehire), and ends on the date you terminate employment or begin a period of severance of more than 12 months' duration.

For many participants, "Years of Completed Service" also includes service credit for employment with the University of California (UC) before June 1, 2006 as reported to the plan administrator by UC. However, if you:

- were employed by LANS and were an active member in TCP1, and
- terminated your employment with LANS, then subsequently returned to LANS employment and are eligible for TCP2 (a "TCP2 Rehire"),

your TCP1 service will **not be considered** for this purpose. That is, neither your years of service while employed by LANS nor your service credit in the UCRP will count under the Plan for purposes of non-elective employer contributions.

For employees who transfer directly to employment with LANS from employment with a LANS parent company or an affiliate of a LANS parent company, your "Years of Completed Service" also include service credit with the previous employer as credited and reported by such employer to the Plan Administrator. A "LANS parent company" includes the University of California, Bechtel, BWXT (Babcock & Wilcox Company), or the Washington Group (URS, Washington Division); an Affiliate of a LANS Parent Company includes any company partially or fully owned by the University of California (excluding UC LANL), Bechtel, BWXT, or the Washington Group. "Years of Completed Service" also includes periods during an approved

disability leave, certain Governmental Service Approved Leave and Military Leave as described further in the Plan and as required by law. If you have questions about your years of service credited for the non-elective employer contributions, contact the Plan Administrator using the contact information at the end of this summary.

## Contribution Limits

The IRS imposes several annual limits on contributions to tax-qualified plans, including the following that apply to the LANS 401(k) Retirement Plan:

Feature	LANS 401(k) Retirement Plan
<b>Section 401(a)(17) Compensation Limit on Compensation Considered for Plan Purposes</b>	In 2012, the limit is \$250,000, subject to future indexing.
<b>Section 402(g) Limit</b> Applies to all employee before-tax and Roth 401(k) contributions in all 401(k) and 403(b) plans in which the employee participates.	In 2012, the limit is \$17,000, subject to future indexing.
<b>Section 415 Total Contribution Limits</b> Applies to all employee contributions, including after-tax contributions and all employer contributions.	In 2012, the limit is the lesser of \$50,000 or 100% of compensation. The \$50,000 limit is subject to future indexing. However, the Plan has a contribution limit of 75% of Eligible Compensation.
<b>Age 50 Catch-Up Amounts</b>	In 2012, an additional \$5,500 elective salary deferral is permitted, subject to future indexing.

### **Section 401(a)(17) Compensation Limit**

In 2012, the maximum amount of compensation on which your contributions can be based is \$250,000. This amount may increase in the future based on cost-of-living adjustments.

### **402(g) Limits on Before-Tax Contributions**

In 2012, the maximum before-tax and Roth 401(k) contribution to all plans in which the person participates is \$17,000.

If you determine that your before-tax and Roth 401(k) contributions to the LANS 401(k) Retirement Plan and other plans will exceed this annual limit, you should inform LANS in writing no later than March 1 of the following year. Upon receipt of written notice on or before March 1, the excess contributions (adjusted for investment gains and losses) will be distributed to you (which will result in the forfeiture of any corresponding employer matching contributions). If LANS does not receive written notification by March 1, the excess contributions will be held by the 401(k) Retirement Plan until you are eligible for a withdrawal or distribution. You will owe tax on this amount in the year in which the excess contribution was

made, and you will be taxed again on this same amount at the time it is distributed from the 401(k) Retirement Plan.

If you made before-tax and/or Roth 401(k) contributions to any other plans (such as your former employer's plan) in the same calendar year, you should adjust your before-tax and Roth 401(k) contributions to the LANS 401(k) Retirement Plan so you do not exceed the annual 402(g) limit. Note that you may elect to increase your before-tax and/or Roth 401(k) contributions to the 401(k) Retirement Plan effective the start of the following calendar year, in order to make the maximum annual before-tax and Roth 401(k) contributions that year.

### **Special Limitation for Certain "Highly Compensated" Employees**

In addition, before-tax, Roth 401(k) and after-tax contributions to the 401(k) Retirement Plan must meet certain non-discrimination tests. This limitation does not apply to Catch-up Contributions. Failure to meet such tests may result in the contributions of higher-paid participants (and employer matching contributions) being further limited, reduced or forfeited. An employee is considered "highly compensated" for a plan year if his or her compensation from LANS in the prior plan year exceeded the legal limit and he or she was in the top-paid 20 percent of LANS employees. In 2012, for example, an individual who received at least \$110,000 in total compensation in 2011 and is among the top paid 20 percent of LANS employees would be considered "highly compensated" in 2012. \$115,000 in compensation in 2012 will be used to determine "highly compensated" employees for 2013. The compensation limit may be subject to change annually based on cost-of-living adjustments as announced by the Internal Revenue Service ("IRS").

### **Limits on After-Tax Contributions for Certain "Highly Compensated" Employees**

In addition, after-tax contributions to the 401(k) Retirement Plan must meet certain non-discrimination tests. Failure to meet such tests may result in the contributions of "highly compensated" employee participants (and employer matching contributions) being further limited, reduced or forfeited.

### **Section 415 Total Contribution Limit**

There is also an annual limit on total combined employer and employee contributions that can be made to the 401(k) Retirement Plan and any other defined contribution plan maintained by LANS and its affiliates. This includes before-tax, Roth 401(k) and after-tax contributions, the non-elective employer contribution and employer matching contributions; however it does not include rollover contributions, loan repayments or "catch-up contributions."

Total contributions on your behalf must not exceed the lesser of:

- A stated dollar amount (\$50,000 in 2012), or
- 100% of your total compensation as defined in federal tax laws and the Plan. However, the Plan limits contributions to 75% of your Eligible Compensation.

The limit may be increased in future years if the IRS announces cost-of-living adjustments.

### **Age 50 Catch-Up Limits**

Your catch-up contributions will be made through payroll deductions and cannot exceed \$5,500 for calendar year for 2012. After 2012, the annual limit may be indexed for cost-of-living increases pursuant to federal law.

### **Vesting**

Vesting refers to your ownership of 401(k) Retirement Plan contributions. You are automatically 100% vested in all contributions (adjusted for investment gains and losses) to the 401(k) Retirement Plan.

## **Managing Your Investments**

As a participant in the 401(k) Retirement Plan, you can determine not only how much to save, but also how that money is invested. All contributions made to your account will be credited with investment gains and losses based on the performance of the investment funds you select.

With the 401(k) Retirement Plan, you have the advantage of tax-deferred investment growth on your before-tax contributions (including rollovers), after-tax contributions and any employer contributions. You will pay no taxes on the value of any investment gains posted to your accounts as long as this money remains in your accounts. You may also be able to exempt earnings on your Roth 401(k) contributions from income taxes (not just defer taxes), if you first made a Roth contribution at least five years prior to the distribution or withdrawal, and you are at least age 59½, or the distribution is made to your beneficiary after your death. Otherwise, the earnings on the Roth 401(k) contributions will be taxed at the time of distribution.



## Investment Responsibility

### **Important!**

You are responsible for the results of your own investment decisions. The 401(k) Retirement Plan is intended to meet the requirements of Section 404(c) of the Employee Retirement Income Security Act of 1974 (ERISA) and Title 29 of the Code of Federal Regulation Section 2550.404c-1. This means that the 401(k) Retirement Plan's ERISA fiduciaries may be relieved of liability for any losses that are the direct and necessary result of investment instructions given by you or your beneficiaries about how to invest the money in your 401(k) Retirement Plan account.

## Your Investment Choices

The Plan offers a variety of investment options with different risk characteristics. For a description of the currently available funds, you may log on to the Fidelity Web site. For Fidelity contact information and the Web address, see "For More Information" at the end of this document. In the future, new investment funds may be added and funds currently available may be changed or withdrawn.

A prospectus in the case of a mutual fund option and "fund fact sheets" for other types of investment options (commingled funds and separate accounts) are available on the Fidelity Web site. If you wish, you may also log on to the Web site or call Fidelity and request a paper copy, which will be mailed to you. Before making any investment decision, be sure to review the prospectus, offering statement or fund fact sheet for each fund. You may also speak directly with a representative of any fund option that is a mutual fund. The phone number and service hours for the mutual fund companies can be found in the prospectus or offering statement.

When you enroll in the Plan, you must specify how you wish to invest your contributions. **Even if you choose not to contribute to the Plan, you must specify how you wish to invest the non-elective contributions that LANS makes to your account.** How you split your investments is your choice, as long as the investment elections **total** 100%. You can invest your contributions in one or more available funds, in 1% increments—for example, if you want to invest in two funds, you could invest 66% of your contributions in one fund and 34% in the other. Employer contributions will be invested based on your investment election.

**If you do not make any investment elections, undirected contributions will be automatically deposited into one of the Target Retirement Date Funds based on your age. The Target Retirement Date funds are designed to be "qualified default investment arrangements" under ERISA based on your birth date. You may always move your investment in a qualified default investment arrangement to any other Plan investment option, and also make an election to direct the investment of future contributions. See "Changing Your Investment Elections" below.**

You cannot invest your account balances or contributions in investment options that are not offered as part of the 401(k) Retirement Plan unless you use the open brokerage window which

became available January 2, 2009. Use of "open brokerage" or "brokerage link" is optional and allows a participant to select mutual funds that are not in the Plan's preselected core line up. The funds outside the core line up are not reviewed or monitored by a Plan fiduciary for suitability for Participant accounts. So you should carefully consider the risks before using the open brokerage window. You may also want to get expert advice before taking this step. Remember, it is always your responsibility to ensure the options you select are consistent with your situation, including goals, time horizon and risk tolerance. If you want more information about open brokerage, contact Fidelity and request the necessary forms and information, including the costs associated with this option.

**Important!**

LANS does not recommend any particular investment or investment strategy. No one at LANS is authorized to provide you with investment advice. Successful investment results are not guaranteed by LANS, the U.S. government or anyone else. This means that your accounts may experience a drop in value, which could result in the loss of some or all of your principal investment.

## Changing Your Investment Elections

You may change your investment elections at any time. You can make two types of investment changes:

- **Future contributions.** You can change the way your future contributions are invested, while maintaining Plan account balances in the current investment mix. Your election will apply to your future contributions and any future employer matching and non-elective employer contributions.
- **Existing account balance(s).** You can change the investment mix for your existing account balances in either of two ways:
  - You may transfer some or all of your existing account balances from a specific investment fund into one or more specific replacement funds (this is called a "fund-to-fund transfer") by specifying the dollar amount, percentage or number of shares or units in the particular fund you wish to transfer; or
  - You may rebalance your entire existing fund balances by specifying the new percentage you want in each fund ( i.e., setting a new target allocation).

You may change your investment elections at any time by calling Fidelity or logging on to the Fidelity Web site. Please note that changes may be subject to restrictions by the Plan Administrator or the investment fund provider with respect to the frequency and/or timing of trades. If your change involves a mutual fund, you should also check the prospectus for the particular mutual fund for more information on any restrictions or charges if you transfer money from the fund before a minimum period of time. For contact information, see "For More Information" at the end of this document.

Amounts in the stable value fund may not be transferred to a "competing fund" without being transferred to a non-competing fund and held in any non-competing fund for ninety (90) days. Presently, only the brokerage link is considered a competing fund.

## Balancing Risk and Reward

As you consider your 401(k) investment options, it is important that you carefully evaluate the combination of potential risk and reward that each option represents. There is no guarantee that any of the investment options offered by the 401(k) Retirement Plan will achieve their stated objectives. Keep in mind that the Plan fiduciaries do not endorse any particular investment or investment mix, and no representative of the employer is authorized to give you any investment advice. It is your responsibility to decide how to invest your Plan account.

No one investment or mix of investments is appropriate for everyone. As an investor, you will need to choose an investment mix that fits with your retirement goals. Your preferred investment choices will depend on many personal factors, including:

- Your tolerance for risk,
- The number of years until you retire,
- Your life expectancy,
- Whether you need to provide for a spouse or other dependents while you are alive and after you die, and
- Other assets owned by you and your spouse (if applicable) and how they are invested.

Consider how long you have until you need your Plan distribution — for example, the time you have to weather the ups and downs of the stock market can limit your market risk.

Keep in mind that past investment return is no guarantee of future performance. You may wish to consult a personal investment or financial adviser to help you review the fund choices and make your investment decisions.

## Diversification

To help achieve long-term retirement security, you should give careful consideration to the benefits of a well-balanced and diversified investment portfolio. "Diversifying" your investments means spreading your assets among several different types of investments. Spreading your assets among different types of investments can help you achieve a favorable rate of return while minimizing your overall risk of losing money. This is because market or other economic conditions that cause one category of assets or a particular security to perform well may cause another asset category or security to perform poorly. Although diversification is not a guarantee against loss, it is an effective strategy to help you manage investment risk.

## Valuing Your Accounts

The value of your accounts depends on the number of units you hold and the current value of each unit. The unit value is determined each business day based on changes in prices in the underlying investments. On a typical business day, your accounts are valued as of 4:00 p.m. Eastern time, coinciding with the normal closing time of the New York Stock Exchange on each day the Exchange is open.

## Investment Management Expenses

Investment management fees are taken directly from the investment funds before they credit dividends or investment gains or losses to the 401(k) Retirement Plan.

## Keeping Track of Your Accounts

When you enroll in the 401(k) Retirement Plan, you will have a number of tools to help you keep track of your investments.

### **Account Statements**

You will receive a personalized statement of your account balances at least once each calendar quarter. If you do not receive your quarterly account statement, please contact Fidelity. This statement will show the value of your accounts as of the last day of the previous quarter, together with the activity in your account during the previous quarter, including new contributions, loans, amounts withdrawn, and investment gains and losses.

It is important to review your quarterly account statements carefully. If there are any discrepancies between your records and the 401(k) Retirement Plan's records, immediately contact Fidelity. (For contact information, see "For More Information" at the end of this document.)

### **Automated Account Management Tools**

You can also access the Fidelity Web site at any time to:

- Review and print a current summary of your account activity;
- Get fund information; and
- Perform investment transactions.

You also may request that an up-to-date account statement be mailed to you by calling Fidelity or logging on to the Fidelity Web site. (For contact information and the Web site address, see "For More Information" at the end of this document.)

### **Other Resources**

While you are a 401(k) Retirement Plan participant, you will receive the following types of information about the investment funds, to the extent materials are available:

- An updated prospectus of any of the Plan options that are mutual funds Plan and updated fund fact sheets for the other Plan options that are not mutual funds;
- Financial statements, reports or similar materials relating to the investment funds;
- A description of the annual operating expenses of each investment option, stated as a percentage of net assets and as a dollar amount for each \$1,000 invested;
- The value of the portion of your accounts invested in a particular fund;
- The current and past investment performance of each investment option, and how that compares to the option's benchmark.

To ask for these materials or for other information related to the investment funds, call Fidelity or log on to the Fidelity Web site.

## **Taking a Loan**

Loans are permitted subject to the Plan document terms, loan policies and procedures and tax laws. If you need to access your money while you are still actively employed by LANS, you may be able to take the following loans from your Plan account balance:

- A home loan, or
- A general purpose loan.

An eligible home loan is one that is to be used to acquire your principal residence. A general purpose loan is any loan that is not an eligible home loan.

Here is how the loan feature works:

- You may borrow between \$1,000 and \$50,000 from your Plan account (provided that the total balance of ALL loans must not exceed \$50,000 or 50% of your account balance).
- Loans will be taken from all of your eligible Plan account investments, on a pro-rata basis.
- You repay the loan, plus interest, through after-tax payroll deductions in equal amounts.
- Repayments (principal and interest) are invested in your Plan account investments according to the current investment elections in effect for future contributions.
- You may have no more than one home loan AND one general purpose loan outstanding at any time.
- You may receive only one home loan OR one general purpose loan every 12 months.
- The repayment term depends on the type of loan, but will not exceed five years for a general purpose loan or 15 years for a home loan.

## **How to Apply for a Loan**

To request a loan, contact Fidelity or log on to the Fidelity Web site to determine the amount available, the current interest rate, the repayment amounts and the required documentation. (For contact information and the Web site address, see "For More Information" at the end of this document.)

Once the loan is approved, a loan fund will be set up for you, and the amount used to fund the loan will be transferred from your account to the loan fund. Your loan check is typically sent to you within 7 to 10 business days after receipt of completed documentation, but the timing may vary, depending on the circumstances.

You will receive the Promissory Note and Security Agreement and Truth in Lending Disclosure when you receive your loan check. Once you sign the Promissory Note and Security Agreement for your loan and/or your loan check, you are legally bound by the terms of the Promissory Note. You are also certifying that you have received the Truth in Lending Disclosure.

## How Much You Can Borrow

Your loan is secured by your vested account balances. The minimum loan you may take is \$1,000. The maximum loan you can borrow is \$50,000 (up to a maximum of 50% of your account balance), reduced by the excess, if any, of:

- The highest outstanding loan balance you have from the 401(k) Retirement Plan and any other plans maintained by LANS during the one-year period that ends on the day before the date of the current loan, minus
- The current outstanding loan balance(s) from the 401(k) Retirement Plan and any other plan maintained by LANS on the date of the current loan.

Because of the limits on how much you can borrow from your 401(k) Retirement Plan account, you may take part of the money you need through a loan and part through a hardship withdrawal. (See "Making a Withdrawal" for information.)

## Loan Fees

If you take a loan from your 401(k) account:

- There is a loan set-up fee of \$35.00 withdrawn from your account for each new loan you request.
- There is also a \$3.75 administrative fee that is withdrawn from your account for each quarter your loan is outstanding.
- You must also pay interest on your loan. The interest rate is the prime rate plus 1% as published in the *Wall Street Journal*. The interest rate in effect on the date of the loan will not be adjusted during the repayment period, unless it is required by law.

## Tax Consequences

You do not pay income tax on any loans you take. Loan repayments — principal plus interest — are always made on an after-tax (non-deductible) basis. If you default on your loan, the unpaid balance will be subject to income tax, and an early withdrawal penalty tax may apply. (See "If You Default" for more information.) You may wish to consult a tax advisor before borrowing from your before-tax and Roth 401(k) contribution accounts.

## How to Repay a Loan

When you repay the loan, you repay your account the principal plus interest.

Loan repayments will be deducted from your paycheck monthly on the second paycheck of each month, and deposited into your loan account. Payments are then invested in the same manner as your 401(k) Retirement Plan contributions.

### **Repayment Period**

The minimum repayment period for a general purpose loan is one year and the maximum repayment period is five years. The maximum repayment period for a home loan is 15 years.

## **Prepayment**

You may pre-pay your outstanding loan in full or in part at any time without penalty. To obtain a loan payoff amount and instructions for submitting a loan payoff, call Fidelity. (For contact information, see "For More Information" at the end of this document.)

## **If You Default**

If, during any month, you fail to make a loan payment according to the terms of the loan, you will have 90 days to pay the outstanding amount. If you do not make this payment within 90 days, your loan will be considered in default.

If your loan is in default:

- The unpaid principal balance of your loan will immediately become due and payable.
- Any unpaid principal and any accrued but unpaid interest will be considered to be paid to you and will be offset against any future benefits from the account.

## **Tax Implications of Defaulting on a Loan**

If you default on a loan, you will be taxed on the outstanding amount — the unpaid principal plus any accrued unpaid interest — in the year of default. In addition, if you are under age 59½, you may be subject to a 10% penalty tax for early withdrawal.

- **If you have left LANS at the time of default**, your account balance will be offset by the amount of the outstanding loan balance. This amount will be reported to the IRS, and you will receive a Form 1099 following the end of the year in which your loan defaulted.
- **If you have not left LANS at the time of default**, you will be taxed on the outstanding amount as just described, but your before-tax contribution account balance will not be offset by the amount of the outstanding loan balance until you are entitled to a 401(k) Retirement Plan distribution. However, interest will continue to accrue until you either repay the loan or have your account balance offset by the loan.

## **If Your Employment Ends**

If your employment ends and you have one or more outstanding loans, you may either:

- Pay your loan in full, or
- Continue to make repayments under the procedures established by the Plan Administrator, if you do not take a distribution from your account.

If you do not pay your loan in full or make the agreed-upon payment arrangement, your loan will be placed in default. (For details, see "If You Default.")

## If You Take a Leave of Absence

If loan repayments cannot be made in full through payroll deduction because you are on a leave of absence, you must make your loan payments through electronic fund transfer or any other means approved by the Plan Administrator.

**Your loan will be placed in default if you do not make the loan repayments when due.** (See "If You Default" for more information.)

Special rules apply while you are on a "Military Leave of Absence" (as defined under "If You Take a Government Service Approved Leave or Military Leave of Absence") or any other unpaid leave. (For example, if you are on a "Military Leave of Absence," you may elect to suspend or continue your loan payments during your leave and the interest charged during certain military leaves may not exceed 6% per annum.) For more information, contact Fidelity. (For contact information, see "For More Information" at the end of this document.)

## Making a Withdrawal

Although the 401(k) Retirement Plan is designed to help you save for retirement, you may be eligible to take a withdrawal from the Plan while you are still an active employee. Any withdrawal amount you receive is subject to federal withholding taxes, except for a withdrawal of your after-tax contributions, and Roth 401(k) contributions if you started making Roth 401(k) contributions at least five tax years before the withdrawal. Before withdrawing money from the 401(k) Retirement Plan, be sure to review the tax consequences, as explained in a special notice that you will receive with your distribution packet.

You can obtain a copy of the special tax notice and/or apply for any of the distributions described below by calling Fidelity (for contact information, see "For More Information" at the end of this document).

The following types of withdrawals are available under the 401(k) Retirement Plan:

- Hardship withdrawals,
- Age 59½ withdrawals,
- Withdrawals of after-tax contributions,
- Military leave withdrawals, and
- Rollover withdrawals.

## Hardship Withdrawals

If you have certain financial hardships, you may be eligible to withdraw all or part of your before-tax contributions and Roth 401(k) contributions. You may not, however, withdraw earnings generated by these contributions. The purpose of the withdrawal must be to satisfy an immediate and heavy financial need, and you may not withdraw more than the amount required to satisfy the financial need. This amount may include an amount required to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution.



To be eligible for a distribution, you must show that your need cannot be relieved through any other resources, including:

- Reimbursement of payment from insurance or other sources,
- Reasonable liquidation of assets, provided such liquidation itself would not cause an immediate heavy financial need,
- Canceling elective deferrals, Roth 401(k) or after-tax contributions,
- Taking any available loans, including commercial loans and loans available to you from this 401(k) Retirement Plan or any other retirement plan, or
- Withdrawal of any available funds from this 401(k) Retirement Plan or any other retirement plan.

Hardship withdrawals are available for the following situations:

- Costs (excluding mortgage payments) directly related to the purchase of your principal residence,
- To pay for post-secondary education expenses (tuition, related educational fees, room and board) for the next 12 months for you, your spouse (as defined under federal law), your children, or certain of your dependents (as defined under federal law),
- To prevent eviction from or foreclosure on your principal residence,
- To pay medical expenses for you, your spouse (as defined under federal law), your children, or certain of your dependents (as defined under federal law),
- To pay for burial or funeral expenses for your parent, your spouse, your children, or certain of your dependents (as defined under federal law),
- To pay for the repair of damages to your principal residence for a casualty loss (limits apply), and
- For any other events provided for in IRS guidance.

Your primary Beneficiary will be treated as a dependent for purposes of medical, educational and funeral expenses. You may not rollover a hardship withdrawal.

## Age 59½ Withdrawals

Once you reach age 59½, you may withdraw all or a portion of your account balance for any reason. You should contact Fidelity in order to determine precisely which of your accounts will be affected by your withdrawal.

## Withdrawals of After-Tax Contributions

If you made after-tax contributions to the 401(k) Retirement Plan, you may withdraw all or a portion of these amounts, adjusted for investment gains and losses, at any time.

## Military Leave Withdrawals

While you are on a Military Leave of Absence (see "If You Take a Government Service Approved Leave or Military Leave of Absence" for a description), if you are on active duty for more than 30 days, you may withdraw all or a portion of your before-tax and Roth 401(k) contributions. You will not be permitted to make before-tax, Roth 401(k) or after-tax contributions for six (6) months from the day you take a Military Leave Withdrawal.

## Rollover Withdrawals

If you made one or more rollover contributions to the 401(k) Retirement Plan from an eligible retirement plan or IRA, you may withdraw all or a portion of these amounts, adjusted for investment gains and losses, at any time.

## How to Request a Withdrawal

If you wish to make a withdrawal, call Fidelity to find out the amount available and what documentation you will need to show to qualify. The appropriate Withdrawal Application and instructions will be mailed to you. You should carefully review the Tax Information Notice so that you are aware of the federal income tax consequences of taking a withdrawal from the Plan.

The application form and all required documentation must be submitted to Fidelity. Assuming you submit all required documentation, you will receive a check within approximately 5 to 7 business days. The timing may vary depending on extraordinary circumstances.

For Fidelity's contact information, see "For More Information" at the end of this document.

## Receiving a Final Distribution

### Eligibility to Receive Benefits

When you reach age 59½, retire or otherwise have a "severance from employment" with LANS as determined by the Plan Administrator in accordance with federal tax rules, you are eligible to receive the total value of your 401(k) Retirement Plan accounts, less any outstanding loan(s) that have not been repaid. (See "How to Repay a Loan" for details.)

### How to Request a Distribution

You may apply for a distribution by calling Fidelity. (For contact information, see "For More Information" at the end of this document.) When you request a distribution, you will receive more information about your distribution options and a special notice about the tax implications of 401(k) Retirement Plan payments. If you do not receive this information, please contact the Plan Administrator. (For contact information, see "For More Information" at the end of this document.)

Before you request a distribution, you should consult with your tax advisor to determine the financial impact of your situation.

## Receiving Your Benefit

Your payment options depend on the value of your account balance.

### **If Your Total Plan Account Is Less than \$5,000**

If you have a severance from employment and the value of your 401(k) Retirement Plan account is less than \$5,000, you may receive a single sum payment of your total account. You may choose to receive this benefit in cash, roll it over to another employer's eligible 401(k) retirement plan, or roll it over to an IRA including a Roth IRA, if you are eligible.

You must make this choice within 30 days of the date you are notified that your benefit is available for payment. If you do not make an election, your benefit will be distributed as follows:

- **If the value of your 401(k) Retirement Plan account is \$1,000 or less**, it will be distributed to you in a single sum payment, less the 20% mandatory withholding.
- **If the value of your 401(k) Retirement Plan account is more than \$1,000, but less than \$5,000**, the Plan Administrator will roll this amount into an IRA established in your name. After the amount is rolled over, you are responsible for all fees and expenses on the account.

### **If Your Total Plan Account is \$5,000 or more**

If you have a severance from employment and the total amount of your account balance is \$5,000 or more, you have two decisions to make:

- First, when to take your distribution; and
- Second, how you want to receive your distribution.

## When to Take Your Distribution

You may leave your money in the 401(k) Retirement Plan until your "required beginning date," which is April 1 of the calendar year following the year you reach age 70½ or, if later, the year you have a severance from employment with LANS. If you want to receive a distribution before reaching your "required beginning date," you may request payment at any time after attaining age 59½ or leaving LANS. If you reach your "required beginning date" before requesting a distribution, the total amount of all your vested account balances will be paid to you in a single sum payment.

## Form of Distribution Payment

If your account balance is \$5,000 or more, you may elect from the following distribution options after you have a severance from employment or anytime on or after you attain age 59½:

- Partial distributions;
- Single sum distribution;
- Periodic payments over a specified term; or
- Rollover, full or partial.

If the account balance is less than \$5,000 when a distribution is scheduled, only a lump sum or rollover is available.

## Partial or Single Sum Cash Distribution

If the account balance is \$5,000 or more, you may request a cash distribution of all or a part of your account balance. Any distribution paid directly to you will be subject to a mandatory 20% federal income tax withholding, and applicable state and local income tax withholding on the taxable portion. This withholding is not a penalty but a prepayment of your income taxes and may not cover your entire tax liability. A 10% IRS premature distribution penalty tax also may apply to your taxable distribution if it is made prior to age 59½ or is due to your disability, unless it is rolled into an IRA or another qualified plan. You should contact Fidelity in order to determine precisely which of your accounts will be affected by your distribution request.

Amounts withdrawn from your after-tax account and after-tax rollover account will include a pro-rata portion of taxable investment gains.

## Periodic Payments

If the account balance is \$5,000 or more, you may elect to take periodic withdrawals directly from your account for a specified period or at a fixed dollar amount. Periodic payments may be set up to occur annually, quarterly, semi-annually, or monthly. During the payout period, your remaining account balance will stay invested in the manner you have elected. You should contact Fidelity in order to determine precisely which of your account investment options will be affected by distribution of your periodic payments.

Amounts withdrawn from your after-tax account and after-tax rollover account will include a pro-rata portion of taxable investment gains.

Here is how it works:

- You elect the total number of payments you wish to receive. For example, if you want monthly payments to last 10 years, you would indicate 120 monthly payments. Each payment amount will most likely vary with this method since your payment amount is determined by dividing the current account balance by the number of payments remaining.
- Once you reach age 70½, minimum distribution requirements apply, unless you have not terminated your employment with LANS. (See "Minimum Distribution Requirements" for details.)
- If you are age 70½ or older and have terminated your employment with LANS, the period remaining may not exceed your life expectancy or the joint life expectancy of you and your designated beneficiary.

### **Important!**

**The LANS 401(k) Retirement Plan does not offer an annuity payment option. If you are interested in a third-party annuity, you would need to select an annuity company that will establish an individual retirement annuity account to accept a rollover from the Plan, then request a direct rollover from Fidelity to the annuity company. For more information, consult your tax or financial advisor.**

## Rollover Distribution

Regardless of the amount in your account, you may roll over a portion or all of your full or partial single sum distribution into a traditional Individual Retirement Account (IRA) or another employer's eligible retirement plan provided that plan accepts rollover contributions. Under present tax law, you cannot roll over periodic payments scheduled over a period of more than 10 years, or amounts distributed because you reached your required beginning date.

Rolling over your distribution allows you to continue deferring taxes. (Keep in mind, though, that if you roll over only a portion of your distribution, the amount not rolled over is taxed accordingly.) Generally, you have 60 days to roll your distribution over into another tax-favored plan. Be sure to check with the plan receiving the rollover for specific details in time to meet the 60 day deadline.

Your spouse (as defined under federal law), former spouse or surviving spouse may request a direct rollover if he/she is entitled to receive a distribution, either under the terms of a qualified domestic relations order (QDRO) or because of your death. (See "Assigning Benefits" for details.) Non-spouse beneficiaries are eligible to make direct rollovers to an IRA if a distribution occurs because of your death.

There are two ways you can make a rollover to an IRA (or a Roth IRA if eligible) or another employer's eligible retirement plan:

- To make a direct rollover, call Fidelity or log on to Fidelity's Web site and provide the information on the other plan into which your balance will be rolled over (for contact information or the Web site address, see "For More Information" at the end of this document).
- For other rollovers, you receive your distribution from the 401(k) Retirement Plan and handle the rollover yourself. Bear in mind that you must complete the rollover within 60 days of receiving your distribution or the money from your account is considered a distribution rather than a rollover, and is subject to all applicable taxes, which may include a penalty.

You should review the Tax Information Notice for the federal income tax consequences of electing or not electing a direct rollover distribution.

## When Distributions Begin

Generally, you must request a distribution in order for payments to begin, unless you terminate employment and the value of your account is \$1,000 or less, in which case the account is automatically distributed subject to tax withholding. In the absence of an affirmative election, the plan administrator will consider you to have elected to defer receiving payment of your accounts to your required beginning distribution date. (See "Minimum Distribution Requirements.")

## Minimum Distribution Requirements

You are required by law to receive a distribution from the 401(k) Retirement Plan no later than April 1 of the calendar year following the calendar year that you turn 70½ or have a severance

from employment, whichever is later. If you are a five percent owner of LANS, you must receive your distribution no later than April 1 of the calendar year following the calendar year you turn 70½. Unless you make an election, you will not receive any minimum distributions for 2009.

## Interests Not Transferable

Your 401(k) Retirement Plan benefits cannot be paid to anyone other than you or your beneficiary (unless required by law). For example, these amounts cannot be used as collateral for a commercial loan or payment of debts.

Except as otherwise required by law, your rights and benefits under the Plan are not subject to attachment, garnishment, or execution, or to transfer by operation of law in the event of bankruptcy or insolvency. The Plan Administrator will comply with tax liens and "qualified domestic relations orders." (See "Qualified Domestic Relations Orders" below.)

### **Qualified Domestic Relations Orders**

The 401(k) Retirement Plan will pay benefits according to a valid qualified "domestic relations order" (QDRO) if properly served on the Plan and accepted by the Plan Administrator. A QDRO is a state court order, decree or judgment that directs a plan administrator to pay all or a portion of a participant's 401(k) Retirement Plan benefits to a former spouse or a dependent. The terms of the 401(k) Retirement Plan control all questions of benefit entitlement and calculation. The Plan Administrator (or its delegate) will supply former spouses and dependents with Plan and benefit information and suspend Plan benefit payments when the Plan Administrator is notified that a domestic relations order is being sought. For more information or for a copy of the procedures governing QDROs (provided at no charge), contact the Plan Administrator.

## Duty to Keep Plan Administrator Informed

You or your beneficiary (if you die) must notify the Plan Administrator if you (or your beneficiary) move or change your mailing address.

## How to Obtain More Information

You may want to consult with a professional tax advisor regarding federal, state and local tax issues and your personal financial situation before you take a payment of your benefits from the 401(k) Retirement Plan. Also, you can find more specific information on the tax treatment of payments from qualified employer plans in IRS Publication 575, *Pension and Annuity Income and IRS Publication 590, Individual Retirement Arrangements*. These publications are available from your local IRS office, on the IRS website at [www.irs.gov](http://www.irs.gov) or by calling 1-800-TAX-FORMS.

## **If You Die**

### Designating a Beneficiary

You may designate any living person or persons as your beneficiary. This is who will receive your 401(k) Retirement Plan benefits if you die. You must designate your beneficiary (or

beneficiaries) according to the procedures established by the Plan Administrator and the Plan Administrator must receive your designation before you die.

If you are married, you must designate your spouse as beneficiary unless your spouse consents to the non-spouse beneficiary designation in writing, and the spouse's consent is witnessed by a Plan representative or notary. Your spouse will not be required to consent to a non-spouse beneficiary if you are legally separated and the Plan Administrator has received a copy of a valid court order granting the legal separation.

If you do not name a beneficiary, your Plan benefits will be paid as follows:

- First, to your spouse (within the meaning of federal law), then
- If none, a domestic partner of the participant as identified in a valid registration with the Employer in accordance with its human resource procedures (for deaths occurring on or after July 1, 2008), then
- If none, to your child or children, including adopted child or children, (a child or children of a deceased child shall take the share of such child by representation), then
- If none, to your parent or parents, then
- If none, to your sibling or siblings, then
- If none, to your estate.

Your beneficiary may also designate a beneficiary to receive any amounts remaining in your account if he or she dies. If there is no such valid designation, the priority set forth above shall apply to the beneficiary's interest, by substituting "beneficiary" for the participant.

## Death Benefits

If you die, the designated share of your Plan benefits will be payable to your beneficiary at the time of death. If your beneficiary dies before receiving his or her designated share of your benefits, the beneficiary's share shall be immediately payable to the beneficiary's beneficiary. Payment of death benefits will be subject to procedures established by the Plan Administrator.

Payment to a beneficiary will be made in a single sum distribution. If the beneficiary is your surviving spouse (as defined under federal law), he/she may elect to roll over all or part of the accounts to an eligible retirement plan or IRA. A non-spouse beneficiary may only roll over the distribution to an IRA.

If the beneficiary of a beneficiary does not provide distribution instructions within nine months of his or her death, payment will be made to the beneficiary's beneficiary in a single sum distribution.

### **If You Die Before Benefits Begin**

If you die before benefits begin, your beneficiary is entitled to receive your 401(k) Retirement Plan account balance, minus any outstanding loans. Your beneficiary will receive a single sum

distribution no later than December 31 of the calendar year that is the fifth anniversary of your death.

### **If You Die After Benefits Begin**

If you die on or after beginning a series of periodic payments and you have a designated beneficiary federal law requires that at least a minimum amount will be distributed to your beneficiary for each calendar year.

## **Rules, Regulations and Administrative Information**

### **Your Rights under the Employee Retirement Income Security Act of 1974 (ERISA)**

As a participant in the LANS 401(k) Retirement Plan, you are entitled to certain rights and protections under ERISA. ERISA provides that all 401(k) Retirement Plan participants are entitled to:

#### **▪ Receive Information about Your Plan and Benefits**

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites, all documents governing the 401(k) Retirement Plan, including insurance contracts, if any, and a copy of the latest annual report (Form 5500 Series) filed by the 401(k) Retirement Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the 401(k) Retirement Plan, including insurance contracts, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.
- Receive a summary of the 401(k) Retirement Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.
- Obtain a statement telling you whether you have a right to receive a retirement benefit at normal retirement age (age 59½) and, if so, what your benefits would be at normal retirement age if you stop working under the 401(k) Retirement Plan now. If you do not have a right to a retirement benefit, the statement will tell you how many more years you have to work to get a retirement benefit. This statement must be requested in writing and is not required to be given more than once every 12 months. The 401(k) Retirement Plan must provide the statement free of charge.

#### **▪ Prudent Actions by Plan Fiduciaries**

- In addition to creating rights for 401(k) Retirement Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the 401(k) Retirement Plan. The people who operate your 401(k) Retirement Plan, called "fiduciaries" of the 401(k) Retirement 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 or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a retirement benefit or exercising your rights under ERISA.

▪ **Enforce Your Rights**

- If your claim for a retirement 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 schedules.
- Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of 401(k) Retirement Plan documents or the latest annual report from the 401(k) Retirement 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 administrator's control. If you have a claim for benefits which is denied or ignored, in whole or in part, after exhausting the claims and appeals procedures described in this SPD (see "Claims and Appeals Procedures"), you may file suit in a state or federal court. In addition, if you disagree with the 401(k) Retirement Plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in a federal court within one year after the date the Plan Administrator renders its final decision on appeal. If it should happen that 401(k) Retirement Plan fiduciaries misuse the 401(k) Retirement 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 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.

▪ **Assistance with Your Questions**

- If you have any questions about your 401(k) Retirement Plan, you should contact the Plan Administrator. 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:

**Division of Technical Assistance and Inquiries  
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 Employee Benefits Security Administration.

## Claims and Appeal Procedures

### **Claims Procedure**

A "claim" occurs when a participant or beneficiary either (i) makes an application for a benefit under the Plan, or (ii) disputes a determination by the Plan Administrator (or a person authorized by the Plan Administrator) of the amount of any benefit or the resolution of any matter affecting a benefit under the Plan. A claim or appeal may be filed by an authorized representative of the participant or beneficiary who is the claimant.

Claims for benefits under the Plan should be filed with the Plan Administrator (or its delegate) using, if required by the Plan Administrator, forms provided for that purpose. The Plan Administrator will give you written notice of the disposition of a claim within 90 days after the claim has been filed, unless special circumstances require an extension of time for processing, in which case such notice of disposition shall be given within 180 days after the application has been filed.

If your claim is denied in whole or in part, the Plan Administrator (or its delegate) shall give you a written explanation stating the reasons for the denial. The written notification will include:

- The specific reason for the denial;
- Specific references to the pertinent Plan provisions on which the denial is based;
- A description of any additional material or information that you need to submit with an explanation of why such material or information is necessary;
- An offer to provide you, on request, free of charge, reasonable access to and copies of all documents, records and other information relevant to your claim for benefits; and
- A description of the Plan's appeals and 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.

### **Appeal Procedure**

If you want a review of a denied claim you may submit an appeal in writing in a manner acceptable to the Plan Administrator (or its delegate). Effective as of June 19, 2009, the review of appeals and the final determination shall be made by the Benefit Appeals Committee. The deadline for submitting any such appeal shall be 60 days after you receive the written notification of the denial of the claim, as described above. Within 60 days following the receipt of the notice of appeal, the Plan Administrator, (or its delegate which is the Benefit Appeals Committee effective June 19, 2009) will give you either (i) a written notice of the decision of the reviewer, or (ii) if special circumstances require an extension of time for review, a notice of a 60-day extension of the review period. In the latter case, the notice of the decision of the reviewer shall be delivered to the claimant by the Benefit Appeals Committee within 120 days after the

application has been filed. The Benefit Appeals Committee's review will take into account all comments, documents, records, and other information you submit, without regard to whether that information was submitted or considered in the initial benefit determination.

If your appeal is denied, the notification will:

- Explain the specific reasons and specific Plan provisions on which its decision is based;
- Include a statement describing any voluntary appeal procedures offered by the Plan and the claimant's right to obtain information about these procedures;
- Include a statement regarding your right to bring a civil action under ERISA 502(a); and
- Offer to provide you, on request, free of charge, reasonable access to and copies of all documents, records and other information relevant to your claim for benefits.

The Plan Administrator (or its delegate), and the Benefit Appeals Committee in the case of an appeal has full and complete discretion to:

- Make findings of fact pertaining to a claim or appeal,
- Interpret the Plan as applied to the facts, and
- Decide all aspects of the claim or appeal.

The decision by the Plan Administrator (or its delegate), and the Benefit Appeals Committee as to appeals submitted on or after June 19, 2009, shall be the final and conclusive administrative review proceeding under the Plan. You are required to pursue all administrative appeals under the Plan as a precondition to challenging the denial of your claim in a lawsuit. You may not submit a dispute to a court with respect to a final decision on a denied claim under this Plan more than one year after the date of the final decision upon appeal. You must exhaust the appeals process before filing a lawsuit.

## General Plan Provisions and Plan Administration

### **Benefits Not Insured**

Benefits provided under the 401(k) Plan are not insured or guaranteed by the Pension Benefit Guaranty Corporation under Title IV of the Employee Retirement Income Security Act of 1974, as these ERISA provisions do not apply to this 401(k) profit-sharing plan. You will only be entitled to the vested benefits in your account based upon the provisions of the 401(k) Retirement Plan and the value of your account will fluctuate with investment gains and losses.

### **Controlling Law**

To the extent not superseded by the laws of the United States (in particular the Employee Retirement Income Security Act), the laws of New Mexico (without regard to its choice of law principles) shall be controlling in all matters relating to the Plan.

### **Costs of Administration**

The costs of administration of the Plan are paid from the assets of the Plan (i.e., from Participant accounts) directly by means of a per account charge. More details on plan expenses charged to

your account are provided in a separate disclosure. The amount of the charge each quarter appears on your quarterly statement. Such expenses include, but are not limited to, expenses for professional, legal, accounting, record keeping, communications, education, trustee, custodian and investment services as permitted by law. There will be a quarterly fee charged to each account for recordkeeping and administration each quarter in addition to the investment management fees charged by each investment fund which are based on the amount of assets you have invested in the fund. Information about the investment management fees is provided in a separate disclosure.

### **No Employment Rights**

The Plan does not constitute a contract of employment, and participation in the Plan does not entitle you to a guarantee of employment or to any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan.

### **Plan Revision and Termination**

LANS, by action of the LANS Executive Committee or its delegate, can amend, terminate, or partially terminate the Plan at any time. Any amendment or termination will be made in writing. The terms of the Plan cannot be changed by oral statements of the Plan Administrator, Trustee or any other individual or entity with real or apparent authority with respect to the Plan.

### **"Top Heavy" Considerations**

If the 401(k) Retirement Plan becomes "top heavy"—that is, if the value of benefits for key employees exceeds 60% of the total benefits—LANS will make changes necessary to satisfy the federal tax code rules for top-heavy plans. This may include making minimum contributions to your account in accordance with federal law. It is unlikely the Plan will become "top heavy." You will be notified if any change applies to you.

### **Waiver of Notice**

Any notice required under the Plan may be waived by the person entitled to such notice.

## Plan Details

### **Plan Name**

LANS 401(k) Retirement Plan

### **Plan Type**

The Plan is a profit sharing plan with a 401(k) feature.

### **Plan Identification**

Employer Identification Number: 20-3104541

Plan Number: 001

### **Plan Year**

*Plan year* generally means the 12-month period beginning on January 1 and ending on December 31.

### **Plan Administrator and Plan Administration**

The Benefits and Investment Committee has full discretionary authority to administer and interpret the Plan, including discretionary authority to determine eligibility for participation and for benefits under the Plan, to appoint one or more investment managers and select investment fund options, to correct errors, to make determinations under the Plan's claims and appeal procedures, and to construe ambiguous terms. The Benefits and Investment Committee may delegate its discretionary authority and such duties and responsibilities as it deems appropriate to facilitate the day-to-day administration of the Plan. Unless a delegation provides otherwise, a delegation will carry with it the full discretionary authority to accomplish the delegation. Effective as of June 19, 2009, the review of participant appeals of benefit determinations and the final determination of the appeal have been delegated to the Benefit Appeals Committee. Determinations by the Benefits and Investment Committee or its delegate, and the Benefit Appeals Committee, will be final and conclusive upon all persons.

The Plan Administrator's address and telephone numbers are:

Benefits and Investment Committee  
Los Alamos National Security, LLC  
TA-3 Otowi Building 261  
2nd Floor  
Mail Stop P280  
Los Alamos, NM 87544  
(877) 667-1806 or (505) 667-1806

Effective as of June 19, 2009, the appeal of an initial benefit determination should be sent to the Benefit Appeals Committee at the above address.

Fidelity Workplace Services LLC provides Plan Recordkeeping services.

Fidelity's address is:

Fidelity Workplace Services LLC  
82 Devonshire Street  
Boston, MA 02109

**Plan Sponsor**

Los Alamos National Security, LLC ("LANS")  
Los Alamos Research Park  
4200 West Jemez Road  
Los Alamos, NM 87544  
(505) 663-5340

**Plan Trustee**

State Street Bank and Trust Company

State Street's address is:

State Street Bank and Trust Company  
One Lincoln Street  
Boston, MA 02111

**Agent for Service of Legal Process**

The agent for service of legal process is:

Registered Agent  
Attention: LANS Counsel  
LANS, LLC  
4200 West Jemez Road  
Suite 200B  
Los Alamos, NM 87544

**Source of Funding**

State Street Bank and Trust Company maintains a master trust fund on behalf of the two LANS 401(k) plans, including the Plan. The operation of this trust fund is based on a trust agreement. All contributions will be paid into the trust, and all benefits under the Plan will be paid from the trust.

## For More Information

This SPD describes highlights of the LANS 401(k) Retirement Plan. The official Plan document governs and controls all rights and benefits in case of any conflict with the explanations given in this SPD or in any other oral or written statements made by the Plan Administrator, Trustee or any individual with real or apparent authority in maintaining the Plan. Some terminology in this SPD differs from that in the Plan document. If you would like to examine the Plan documents or ask questions about the Plan, contact your Plan Administrator.

Where to Get Information	
<b>Los Alamos National Security, LLC</b>	
<b>Address</b>	Los Alamos National Security, LLC P.O. Box 1663, MS P280 Los Alamos, NM 87545
<b>Phone</b>	(505) 664-0367
<b>Web site</b>	<i>For active employees:</i> <a href="http://int.lanl.gov/worklife/benefits/">http://int.lanl.gov/worklife/benefits/</a>  <i>For Retirees:</i> <a href="http://www.lanl.gov/worklife/benefits/retirees/">http://www.lanl.gov/worklife/benefits/retirees/</a>
<b>Fidelity</b>	
<b>Address</b>	Fidelity Investments P.O. Box 770002 Cincinnati, Ohio 45277-0090
<b>Phone</b>	(800) 343-0860
<b>Web site</b>	<a href="http://www.netbenefits.com">http://www.netbenefits.com</a> For log-in instructions, see your Fidelity enrollment guide in your enrollment kit.