Lucent Retirees Organization

Advocating Retirees' Rights

CONTENTS

December 2004

LRO Sets The Record Straight On Lucent's "Facts" Mailing

All 50,000 management retirees received a mailing from Lucent in November 2004 (click here). There were two enclosures; (1) a letter from Lucent Chairman & CEO Patricia Russo and (2) a 6-page "Facts About Lucent Retiree Healthcare and Pension Plans." The letter from Ms. Russo was clearly thoughtful. She described her effort to listen to retirees and expressed concern over the financial difficulties of retirees. There even was a small sense of hope for the future. But the "Facts" sheet was a very different document.

The LRO wants Lucent to communicate important information to its retirees. However, to the LRO the "Facts" sheet reads as a calculated effort to discredit and neutralize the LRO's efforts to protect retirees' pensions and prevent the further erosion of health care benefits. After careful consideration of both documents, the LRO Officers have concluded the mailing was filled with generalities that did not provide concrete evidence to support Lucent's contentions that:

- the pension plan is secure,
- health care costs are prohibitive,
- executives' compensation is justified, and
- the mission of the LRO is contrary to the interests of retirees.

LRO Remains Deeply Concerned About Pension Fund Security

Lucent believes, "The numbers are what they are." What retirees worry about is how they got that way, and whether their pension checks will be there for them in the future. Here are the facts, from public records and acknowledged experts, many of which have been sent to Lucent and have gone unanswered.

Big losses in the pension funds led to benefit cutbacks:

- In 2001, the pension funds reported a loss in plan assets of $6.8 billion, over 19% of the plan value. In the same period, for example, Verizon's pension fund reported losses of 6%.
- In 2002, the pension funds lost another $2.5 billion. The LRO believes that this one-two punch led to the Lucent Board's decision in December 2002 to cancel the death benefit effective February 1, 2003. And the first of the sharp cutbacks in health care was announced in September 2003.
- Lucent claimed that its pension fund has out-performed its benchmarks. What Lucent didn't say is that those benchmarks were established by Lucent and definitely were not "best-in-class" benchmarks.

A troubling record of the fiduciaries of the pension fund:

- In June 2003, a lead fiduciary of the pension fund, the Chairman of the Audit and Finance Committee, agreed to be disbarred from that position to settle charges of fraud and auditor manipulation at another company. There is no record that the other lead fiduciaries took steps to insure that he had no adverse impact on pension decisions.
- In May 2004, Lucent announced that its fiduciary insurance company settled claims that Lucent, itself, made for fiduciary misconduct by Lucent employees in the settlement of a suit claiming ERISA violations. Since the names of those that Lucent identified have not been made public, retirees have no way of knowing whether these fiduciaries had or still have a role in managing pension assets.

Unanswered questions on fund and trust transactions

- In April 2003, following losses in the Lucent pension funds because of investments in "Private Equity Ventures," the LRO asked for assurances that these were impartial. Lucent chose not to certify that these investments met the "prohibited transaction" requirements of ERISA.

Outside experts continue to raise troubling questions

- In mid 2003, The American Institute of Certified Public Accountants copyrighted a training course entitled “Lucent Technologies: A Study in Fraud and Earnings Management.” The course had “Aggressive Pension Accounting” as one of its topics.
- In May 2004, a noted investment firm issued its annual 184-page pension update. Of the 500 companies in the S&P 500, Lucent was ranked #1 in pension “false income” and ranked #4 in pension “false assets.”

LRO believes ERISA needs stronger standards

The LRO believes if Lucent was truly concerned about its retirees it would be more forthcoming in providing information instead of just saying that the pension fund is secure because its funding is based on the Employee Retirement Income Security Act of 1974 (ERISA) . There is a growing realization by many retiree organizations and lawmakers that mere conformance to ERISA <u>does not</u> guarantee the sustainability of a pension plan.

The New York Times reported in a November 6, 2004 article that *“Nearly every company that has defaulted on its pension made the contributions the [ERISA] law required, even as the trust funds sickened and died.”*

<u>PWC audits have potential for conflict of interest</u>

Lucent wants retirees to be placated by its assurance that the pension trusts are audited by PricewaterhouseCoopers (PwC) against Generally Accepted Accounting Principles (GAAP). The LRO does not consider the audits by PwC to be adequate because ERISA standards are inadequate to ensure the soundness of a pension plan. In addition, the LRO believes that PwC’s audits of both the Lucent corporate books and the pension and benefit trusts presents the potential for a conflict of interest. And we’ve said so to both Lucent and PwC.

Remember too that the Securities and Exchange Commission (SEC) charged Lucent with GAAP violations due to “fraudulent and reckless actions.” Lucent agreed to pay a $25 million penalty to the SEC to settle the case without admitting or denying the allegations.

<u>LRO believes “trust but verify”</u>

If retirees are to trust Lucent, shouldn’t we be provided the opportunity to verify its data? The facts are that the pension fund losses, the actions of the fiduciaries, key unanswered questions and expert outside opinions are deeply troubling and unaddressed in Lucent’s “fact sheet” mailing. The sole authority for deciding on whether to have a comprehensive second, outside audit, and its scope, are the Independent Directors on the Audit Committee, not Lucent executives. The LRO will take every possible step to petition the Independent Directors and to persuade them that the facts require them to take action to protect the interests of retirees (and shareholders).

In addition, the LRO will redouble its efforts, which Lucent has successfully blocked to date, to have truly independent, “best-in-class” fiduciaries appointed to oversee the assets held in trust for pension-vested employees and for retirees.

LRO Considers Lucent’s Cost of Healthcare Statements Misleading

Lucent repeatedly stated in its “Facts” mailing that the company cannot afford to spend nearly $800 million a year for retiree healthcare. Since the mailing was only sent to management retirees, what Lucent did not make clear is that it expects the funding requirements for management retirees’ healthcare in fiscal 2005 will be approximately $200 million. This figure was stated in a December 3, 2004 filing with the SEC. In the SEC document—filed only a week after its mailing—Lucent stated, “Although it is difficult to estimate these expected future payments, our current view is that the annual funding requirement will remain at approximately $200 million for management retirees for fiscal 2006.”

Lucent went on to state in the filing: “With respect to represented retirees, we do not expect to have to make cash payments until fiscal 2006 because assets are currently held in a separate trust to fund these payments. Our tentative labor agreement with the CWA and IBEW caps the amount the Company will pay for retiree health care for formerly represented retirees that retired on or after March 1, 1990. This tentative agreement also requires us to fund $400 million to a new trust by September 30, 2012. The exact amounts and timing of annual contributions will be determined by the Company, but the minimum amount of each annual contribution, beginning in 2005, is $25 million.

Lucent really is spending $200 million of its cash, not $800 million

When given all the facts, we recognize that Lucent is spending about $200 million of its own cash for healthcare for management retirees. Moreover, this is not voluntary – it is mandated by statute because of the large losses in the pension funds. The healthcare expenses of represented retirees are currently funded from a trust fund transferred from AT&T to Lucent when it was spun off in 1996. The healthcare trust fund for management retirees transferred from AT&T to Lucent was depleted in 2003 by a $600 million loan that Lucent has stated would be "complex" to fully explain.

It should be noted that Lucent has never contributed any of its own cash to the healthcare trust funds for management or represented retirees even when it could have afforded to do so during the boom days of the business when Lucent made large profits.

Why does Lucent publicize $800 million for health care costs?

Since Lucent has constantly publicized the $800 million as its cost for retiree healthcare, we have to question whether Lucent's intentions are directed toward misleading retirees, the public and government officials. We have asked Lucent to stop using the misleading $800 million figure. That request has been ignored.

Did Lucent co-mingle management & represented trust funds?

The LRO believes that Lucent co-mingled the auditing of the funds provided by AT&T for both represented and management employees and has asked to meet with the auditors. Lucent has declined this request. In May 2004, after analysis by an LRO consultant, the LRO asked for the details of a $600 million loan in the management health care trust that depleted the assets and that were not explained by the independent auditor. Lucent executives declined to provide an explanation or permit a meeting with the auditor.

We have asked Lucent to clarify and explain why management funds ran out while funds for represented employees will continue to support their healthcare for two more years. Lucent has not answered this question.

Lucent Defends Executives' Compensation

Although the LRO believes that Lucent's executives contributed heavily to the company's problems, we are pleased that beginning in the fourth fiscal quarter of 2003, Lucent has posted at least a modest profit for five consecutive quarters. We know from reading analysts reports that Lucent has close to $5 billion in cash and has a positive cash flow of $100 million per quarter. Certainly, Lucent's executives have made some significant improvements in operations. But do those improvements merit record high compensation when retirees are seeing the erosion of their economic livelihood due to Lucent's cuts in benefits? And the executives will not even consider restoring at least some of the benefits as Lucent's profitability grows.

Forbes' ranking of Lucent CEO's pay

Forbes reports that Lucent's revenues rank 695 out of 2000 companies while on the basis of profitability it ranks at 1816. However, the pay for Lucent's CEO is ranked at 190. Compare this to Cisco's CEO whose pay is ranked at 494 while Cisco's revenues are ranked at 89.

As Lucent likes to say—"The numbers are what they are."

LRO Committed To Success Of Retirees And Lucent

The Lucent "fact sheet" disparages the LRO's mission statement that states our intent to "preserve and urge the enhancement of pension, healthcare and other benefits…" Lucent chose to omit the very next mission statement, "Strengthen Lucent. To the extent consistent with Retirees' interests, help strengthen Lucent to the best of its ability." There isn't a single "fact" presented to support Lucent's contention that the LRO is acting contrary to the interests of retirees. Is Lucent attempting to neutralize the LRO's credibility with its members and prospective members by being so selective in its reference to our mission?

Lucent would have retirees believe that the company has been responsive to the LRO's questions and there have been regular meetings with the LRO. Many of the responses to the LRO's questions have been incomplete or evasive. The last meeting with a Lucent official was on November 3, 2003. On May 10, 2004, the LRO requested a face-to-face meeting with Lucent executives and proposed agenda items on pension and healthcare trust issues. Lucent turned down the request, instead providing inadequate written responses to the proposed agenda items. Again on September 26 and October 13, 2004, the LRO requested in emails to Lucent that a meeting be held to discuss issues important to retirees. Lucent did not respond to the request for a meeting.

LRO will continue efforts to have meeting with Lucent

The LRO will continue its efforts to gain an audience with Lucent officials consistent with its belief that a conference table is where the important issues of pensions and benefits should be discussed. Lucent's unilateral mailing without discussion simply utilizes the company's advantages of staffing and financial resources to seek to sway management retirees to their viewpoint.

Lucent controls mailing list to retirees

The mailing was done by Lucent with full awareness that it controls the list with retiree's names and addresses. Therefore, we ask our members to share the LRO's response to the mailing with their former co-workers who do not receive LRO emails or access the LRO website (http://www.lucentretirees.com) . When you share this information with them, please encourage them to become an LRO member and to send a check for $25 dollars to the LRO for annual dues to help in our collective efforts on behalf of retirees.

Retirees making their views known

A number of retirees have written or sent emails to Patricia Russo (pfrusso@lucent.com) to give their views on the Lucent mailing. We hope many retirees will share their opinions with Lucent on the issues contained in the company's mailing and the LRO's response. Any retiree who writes a letter to Lucent and would like a copy of his/her letter posted on the LRO website should send a copy to lro_message@lucentretirees.com .

Retirees need strong voice to advocate their rights

With the attack on the LRO by Lucent, it is clear retirees need a strong voice to advocate their rights. It is through your dedication and financial support that we'll be able to accomplish our mission to preserve and urge the enhancement of pension, healthcare and other benefits earned by retirees. And, to the extent consistent with retirees' interests, we will help strengthen Lucent to the best of our ability.

Lucent Technologies
Bell Labs Innovations

600 Mountain Avenue
Murray Hill, NJ 07974 USA

November 2004

Dear Management Retiree:

The purpose of this letter is to communicate directly to you a perspective on the state of our industry, an update on the company's current situation and more specifically, information about pension and retiree healthcare benefits, which I know are of concern to you.

First, as those of you who follow our industry know, we have been through unprecedented and dramatic change over the last few years. These changes were not predicted and have had a permanent impact on the telecom industry. The shakeout after the telecom boom has left an industry that is smaller and more competitive than ever before, with a customer base that is also quite different than you would remember. The effect this has had on our company, our customers and our competitors is unlike any of the changes we have all experienced over the years, even the impact of the 1984 divestiture and the 1996 trivestiture.

The reason I share this perspective is that it provides a backdrop to the many difficult decisions we have had to make to align our cost and expense structure with the realities of a very different industry and our significantly reduced size. One of the areas where we have had to make some difficult decisions is determining how much we can afford to subsidize retiree healthcare coverage. As you may know, we have already significantly increased the amount our active management employees pay for healthcare coverage, and we do not provide retiree healthcare subsidies for management employees who had less than 15 years of service as of June 30, 2001...and there are limited subsidies for those with more than 15 years of service. So we already made a number of difficult decisions to reduce costs in this area before reluctantly concluding that we had no choice but to reduce retiree health costs. These decisions have been critical and necessary in order to assure the long-term success and financial health of the company.

During the AT&T years and even eight years ago when Lucent was formed, no one could have predicted that healthcare costs would increase so dramatically, or that our market would decline so significantly. We now have approximately 20,000 U.S. employees supporting the healthcare benefits of about 225,000 eligible U.S. retirees and their dependents at a cost of nearly $800 million a year. That represents about 9 percent of revenue. No company, especially one of our size, can subsidize healthcare costs (and the cash necessary to pay for it) at these levels and remain a viable, competitive enterprise. While the cost of healthcare is a national issue, it is particularly acute for Lucent given the realities I just reviewed.

We realized at the time that we made these very difficult decisions that they would cause hardships for some. But without making these decisions we could potentially have put the company at risk, which could have meant no subsidy at all and jeopardized access to group healthcare rates. We examined every option available to us before taking these actions. The size of the problem ruled out other alternative decisions. Our aim became limiting the hardships by making the company as successful as possible, thereby protecting as much of a subsidy as possible over the longer term. To do this, we have to maintain a competitive level of investment in R&D, marketing, information technology and the people who are driving the progress of the company. That means we must also pay competitively at all levels to attract and retain key employees.

Since we began communicating these changes, inaccurate and misleading statements have appeared in the press, on Web sites and in letters about Lucent's retiree healthcare policies, the management and security of our pension plans, the company's performance and executive compensation. Some of the statements made also call into question our motivation and integrity.

In discussions I have had with some of our retirees, I have been asked if these statements are true, and many have suggested that we be more aggressive in setting the record straight. That is why I am writing this letter today – to provide you with a set of facts about the issues that come up most frequently. The enclosed Fact Sheet is designed to address those issues, point by point. I have heard from many of you; and I have listened to what you have said. Please know that I recognize this is a very difficult and emotional issue. I wish our circumstances were different, but they are not. We must take the actions necessary to assure the company is successful and financially viable over the long term. I share this information, not with the expectation or even the hope that the feelings and emotions you have will change. I share it because you need to know the facts about these issues; they are accurate statements and reflect the situation as it currently stands.

Finally, some have expressed a feeling that management doesn't care, isn't sympathetic, and doesn't understand the hardship created. That is just not true. We spent a lot of time evaluating numerous options before concluding we had no alternative but to find ways to reduce the costs to the company to an affordable level. If any well-meaning individuals or organizations try to tell you that retaining benefits at the level they are (at nearly $800 million per year) is a viable option, they are wrong. This company will not be competitive and will not survive over time unless we address this issue. And, most importantly, the best way to keep the subsidy as high as possible is for the company to be as successful as possible.

Sincerely,

Patricia F. Russo

Patricia F. Russo
Chairman & CEO

Lucent Technologies
Bell Labs Innovations

Facts About Lucent Retiree Healthcare and Pension Plans

Lucent has had to make a number of painful, difficult decisions about retiree healthcare to help ensure its competitiveness and thereby retain as much support of retiree healthcare as is affordable. These decisions have generated a number of questions from retirees to which we have responded in numerous ways and forums. We are concerned that some of these responses have been unfairly characterized and clouded. Unfortunately, some articles in the media (*The Wall Street Journal* on pensions; Forbes.com on compensation, e.g.) have misinterpreted the facts. In the interest of clear communications, we have identified some of the more frequently asked questions surrounding this topic and provided the relevant facts for your review. We hope you find these facts helpful.

What is Lucent's obligation to subsidize retiree healthcare?

The facts:

- Over the years, various plan documents, and the Summary Plan Descriptions (SPDs) covering the retiree healthcare plan, reserved the right of the company to change the provisions of the plan at any time, including the right to reduce or terminate healthcare benefits. This was put in the documents to allow adjustments to occur in case the unforeseen happened. Lucent and its predecessors historically made changes to retiree healthcare plans over the years.

- Unfortunately, the unforeseen has happened. The dramatic change in the industry we serve, and the company's required downsizing in response, has left Lucent a much smaller company. There is no way a company of Lucent's size can continue to subsidize retiree healthcare costs at current levels.

- The company has been brought back to health by the current management, but with the industry growing in the mid-single digits, even continued good performance cannot solve the problem, given its size.

- The size of the current healthcare subsidy (nearly $800 million) is so great in relation to the size of the company that there is no way to grow out of the problem.

- Our goal is to make the company as successful as possible so that the company can remain competitive. Only by remaining a financially viable and competitive company can we be in a position to provide retirees with access to quality healthcare at a level of subsidy the company can afford.

- We will continue to provide access to healthcare coverage at group rates for those affected.

What is the cost of retiree healthcare?

The facts:

- The cost of retiree healthcare is nearly $800 million for 2004. This amount is net of the amount retirees contribute – which means the actual cost for healthcare claims and fees are higher, but are reduced by the monthly contributions that the retirees make.

- The funds for retiree healthcare that AT&T provided at Lucent's creation covered only part of the future projected costs. These funds ran out for management retirees last year. That is why we must deal with the issue of retiree healthcare now. The fact is, a company our size cannot afford to spend nearly $800 million a year for retiree healthcare and remain a sustainable, competitive company.

- For 2006, we will be preserving **the same average healthcare subsidy per eligible management participant.**

What is the financial state of the pension fund for management retirees?

The facts:

- Pensions are a legal obligation of the company, required to be funded in advance, and are tightly regulated by the Employee Retirement Income Security Act of 1974 (ERISA).

- The management pension fund is slightly over-funded on an ERISA basis, which means that the plan had more assets than liabilities as of 1/1/2004.

- Accounting rules are specified by Generally Accepted Accounting Principles (GAAP) and must be followed.

- The company must have its pension trusts audited annually. Lucent's pension trusts are audited by PricewaterhouseCoopers (PwC), an independent big four accounting firm, and its audit is submitted to the Department of Labor and to the IRS.

- These and other reports are required by the Department of Labor and the IRS. Reports filed are a matter of public record, and we have confirmed with the Department of Labor that we are in full compliance with these reporting requirements, including the choice of an accounting firm.

Is the pension fund accounted for properly?

The facts:

- Yes, absolutely. The pension fund is accounted for according to Generally Accepted Accounting Principles.

- An article in *The Wall Street Journal* seemed to imply that Lucent was doing something it shouldn't with pension accounting. This is simply not true. The accounting is dictated by the accounting rules and we follow them scrupulously. The accounting rules have a complicated asset-smoothing rule that was adopted in 1986 when the current pension accounting standard became effective, which we have consistently followed. The rule produces additions to earnings and subtractions from earnings depending on results.

- Although the stock market has been down, we still are reporting gains from prior years under the smoothing rule. We have no choice.

- Given that the pension fund is slightly over-funded, there is no need to add funds to the pension assets at this time. If contributions are required we will make them.

3

Several additional observations:

- All this information is fully disclosed in all our filings and reports. The impact is well known in the financial community.

- This accounting "pension credit" produces no cash.

- The Lucent bonuses for all management employees are based on actual performance vs. plan; the pension credit is in the plan and this does not affect an individual's bonus. (The same comment applies on healthcare subsidy reductions.) Thus, the pension's performance and benefit cuts do not impact executive bonuses.

Is a separate, additional audit of the pension fund warranted?

The facts:

- No, it is not warranted or a good use of pension funds.

- The Lucent Retirees Organization (LRO) has asked for a second accounting firm to audit the pension fund. This is not necessary since it is already audited by PwC in accordance with Department of Labor regulations. The numbers are what they are.

- The LRO has raised some questions about asset allocation and performance of each asset class. An "audit" won't answer these questions.

- Asset allocation (how much of the pension fund is put in stocks, bonds, private equity, real estate, etc.) is set by the Lucent Board of Directors in accordance with ERISA.

- Once the asset allocation is set, the fund is managed by a team of independent professionals. The combination of the success they have had, and actions taken by the company, have resulted in the management pension plan being slightly over funded; less than in previous times – mostly due to the market behavior, but still fully funded. The performance of the fund is what the LRO is really questioning. The fund has out-performed its benchmark and other funds of similar size over 1-, 5- and 10-year periods. In fact, the performance has been very good compared with the standard benchmarks available in the investment industry.

How has the company performed in the last year?

The facts:

- Beginning with our fourth fiscal quarter of 2003 (7/1/2003 - 9/30/2003), Lucent has posted at least a modest profit for five consecutive quarters.

- Overall market capitalization shrunk in the telecom equipment sector, not just Lucent's, due to the sharp decline in telecom spending during 2002 and 2003.

(Continued from page 4)

- During fiscal year 2003, Lucent's stock rose nearly 200 percent to $2.16 from $0.76. Moreover, since Sept. 30, 2003, Lucent's stock has increased over 45 percent to $3.17 on Sept. 30, 2004.

Is Lucent's executive compensation excessive?

The facts:

- Executive compensation is set by the Leadership Development and Compensation Committee of the Board of Directors; the Committee is composed of independent outside Directors. They have their own independent outside advisor. Their goal is competitive pay and the process/rationale is extensively discussed in the proxy.

- Our executive compensation is comparable with the pay levels and programs provided by other companies against whom we compete for talent; it is, therefore, competitive, as is compensation for other management levels.

- According to *The New York Times* and *The Wall Street Journal* reports on CEO compensation, Lucent's CEO compensation in 2003 was comparable to that of other CEOs. In addition, Lucent's CEO ranked 190 in *Forbes*' listing of top paid 500 CEOs in its May 10, 2004, issue.

- We use compensation information provided by outside firms to benchmark our pay across all management levels, up to and including CEO compensation. We benchmark companies both inside and outside our industry with whom we compete for talent.

- We need talented people to run the company and have to pay competitively to attract and retain our leaders. If not, these talented people will work elsewhere, which the company cannot afford to let happen, and would only require us to go out and hire replacements at competitive compensation levels.

- Retiree healthcare cost savings and pension credits are not factored into the calculation of executive bonuses. The company today effectively excludes pension credits and retiree benefit cuts from consideration when calculating executive bonuses, and has committed to continuing this practice in the future as a matter of policy.

- The major portion of the compensation for Lucent's senior executives is in the form of short-term and long-term incentives tied to company performance, and, therefore, is not guaranteed.

- Some have suggested cutting executive compensation as a way to solve the retiree healthcare problem. The key to retaining as much of a subsidy as possible for healthcare coverage is for the company to be as successful as possible. An important part of this is to have the people we need, paid competitively, at all levels.

(Continued from page 5)

- Some have suggested that token cuts should be taken by the senior people as a gesture; others have pointed to executives who take $1-a-year in compensation.

  - Token cuts may be viewed positively by some as offering psychological benefits but if maintained over time, they result in pay becoming non-competitive with all the risk that this entails.

  - Executives who have chosen to take only $1-a-year in pay have generally done so in instances where a temporary crisis exists. This level of compensation is held for a short period and competitive compensation is restored as the temporary crisis passes.

- Lucent's situation is much different. Our retiree healthcare subsidy is structural; it cannot be sustained at its current levels. Neither business growth nor the passage of time will fix this, as this is not a temporary issue. The ultimate level of any subsidy the company may be able to afford can only be determined by the ultimate success of the company.

Has Lucent been responsive to the Lucent Retirees Organization?

The facts:

- Henry Schacht and Lucent's senior management have met face-to-face several times with representatives from the Lucent Retirees Organization (LRO) both at our headquarters in Murray Hill (which included Pat Russo) and in North Carolina, to discuss their concerns. In addition, we have provided timely answers to virtually every question the LRO has asked.

- The LRO continues to suggest that we have not been forthcoming. Despite all of the company's efforts, and the detailed information we have provided in hundreds of pages of e-mails and documents, the LRO continues to have as part of its stated bylaws to "preserve and urge the enhancement of pension, healthcare and other benefits..." As we have pointed out to the LRO many times, we believe that, if achieved, this could put the company at risk over time – and this could mean no healthcare subsidy for retirees and a possible reduction in the pension benefits for m..ny.

- This is why we believe the currently stated bylaws of the LRO and its actions designed to achieve this are contrary to the interests of our retirees.

There is no easy way out of this very difficult and unpleasant situation. No one likes where we are; only Lucent's success will preserve the continued possibility for subsidizing retiree healthcare coverage.