Lucent Technologies
Bell Labs Innovations

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Mr. Ken Raschke
President
Lucent Retirees Organization
231 Pinetuck Lane
Winston-Salem, NC 27104

Dear Ken:

Attached are responses to the questions you submitted on July 28, 2006. We have tried to provide answers within the legal constraints on us that exist as a result of the proxy solicitation period related to the proposed merger. In addition, as I mentioned in my last letter, we will need to file these responses with the SEC. The filing will be available on our external website and through the SEC website.

I hope this information will be useful to your members.

Sincerely,

Pat

1. **Ms. Russo in her letter of April 25 stated in part ...."the 34 billion in pension assets are held in trust funds exclusively for Lucent retirees". Lucent's CFO made a similar statement to analysts which was reported on an 8K filed by Lucent. Since the Management Pension Plan is underfunded by approximately $1 billion and the Non-management plan overfunded by more than $2 billion, wouldn't separate disclosure of both amounts be a fairer disclosure?**

In our 10-K, we report the aggregate benefit obligations and fair value of plan assets, as well as the specific benefit obligations and fair value of assets for both the U.S. management and U.S. occupational plans, all on a GAAP basis. This information can be found on page F-61 of the 10-K for fiscal year 2005.

While our U.S. management plan is underfunded on a GAAP basis, on an ERISA basis, we were not required to make contributions to either plan. We continue to conduct required thorough measures of our funding levels at the end of each fiscal year, to ensure we are in line with both GAAP and ERISA guidelines.

On our third fiscal quarter earnings call, Lucent CFO John Kritzmacher said that, globally, based on preliminary estimates for certain asset classes, the fair market value of defined benefit plan assets on a GAAP basis was approximately $34 billion as of June 30, 2006.

In our most recent Form 5500 filing for calendar year 2004, which we filed with the Department of Labor in October 2005, we stated that as of January 2003, the represented pension plan was funded at approximately $13.4 billion (accrued liability: $10.4 billion) and the management plan was funded at approximately $14.6 billion (accrued liability: $14.4 billion).

2. **Does Lucent have any plans to provide the additional funding for the Management Plan before the acquisition is completed?**

We are required by ERISA to have independent actuaries review our qualified pension plans each year to see if we need to contribute funds to them. We haven't had to make contributions to these qualified plans since their inception in 1996, and we currently do not expect to make contributions through fiscal 2007, based on current law. The pending merger transaction with Alcatel does not impact our contribution requirements.

3. **Although we recognize that the Death Benefit which Lucent eliminated in 2003 is currently the subject of litigation in a class action suit, wouldn't this be an appropriate time for Lucent to consider restoring the benefit or search for some way to reach agreement with the "class"?**

As is our policy, we do not comment on matters in litigation.

4. **The Lucent Retirees Organization has long felt that the fiduciaries appointed by Lucent to oversee its Pension and other plans are not truly independent, although we recognize that using employees of Lucent as fiduciaries is not illegal. Rather than suggesting major changes, we would like to propose a small modification to the number of fiduciaries. We would**

propose to ask that you add two "ex-officio" individuals to the fiduciary body, one from management retirees and one from non-management retirees. These individuals would have access to all of the information available to the other fiduciaries and participate in discussions but would not have a vote. We believe this is a reasonable compromise.

We appreciate your suggestion, but believe we have the appropriate expertise and a best-in-class approach for managing and protecting the security of our pension assets and therefore we believe the current structure is appropriate.

The fiduciaries who manage Lucent's pension assets are investment professionals who have joined Lucent from a variety of highly regarded investment institutions. They manage a well-diversified portfolio, which is structured to meet our current and future pension obligations. And they are subject to a high standard of responsibility to plan participants and beneficiaries.

The returns on our pension assets have generally outpaced the assumptions we have made regarding the returns on those assets (most recently, Lucent has assumed an 8.5 percent return). As reported in Lucent's 10-K filing, the actual 10-year rates of return on pension plan assets were 10.6%, 11%, and 9.9% during fiscal 2005, 2004 and 2003, respectively.

In addition, the identity of the institutions selected, as well as the investment strategy applied, have considerable competitive value, are highly confidential, and need to be managed as such.

5. **At the time of the acquisition by Alcatel, will a Trust be established and fully funded to pay supplemental pensions (those paid currently from operating funds)?**

We do not plan to establish this kind of trust. However, you may be aware of an obligation to fund supplemental pension and deferred compensation that Lucent inherited in 1996, at the time of our spin-off from AT&T, pursuant to the terms of an irrevocable trust we were required to establish back then. Under the original terms of the trust, our obligation to fund it was irrevocable upon the announcement of a potential change in control such as the planned merger with Alcatel. As stated in our definitive proxy statement for the special meeting, the primary beneficiaries of this trust are our current and former executive officers. Assets of the trust are subject to the claims of Lucent's creditors.

6. **Are the assets currently in the Life Insurance Trust sufficient to pay all future claims from beneficiaries of those currently covered by this benefit?**

Our intention has been, and continues to be, to provide the life insurance benefit to our eligible retirees, and to ensure there are adequate resources to do so. There are no current plans to eliminate or modify this benefit.

As you'll remember, some of the assets of the life insurance trust were used to help manage our retiree healthcare obligation. But the trust is funded in an amount that will be sufficient to provide for a number of years of future claims.

7. **Health care benefits are important to a large number of retirees, especially those under 65. Can you provide any additional information as to any changes in benefits that might be made this year or next?**

The details about 2007 benefits will be part of the materials you will receive in October as part of the upcoming open enrollment period.

As has always been the challenge, we need to balance what we can afford and what we can offer to our retirees. Simply put, we need to manage our costs. Lucent is not alone in facing rising inflation and healthcare costs, and we're doing our best to balance these costs with the need to continue investing in the business to maintain our competitiveness.

8. **Will the companies fund a VEBA trust to pay for the added health care costs created by the transfer of Alcatel U.S. employees to the new Lucent U.S subsidiary?**

Please note that Alcatel provides only access to healthcare for their retirees, but does not provide a subsidy. Alcatel's retirees are responsible for all of their healthcare costs.

Therefore, we do not anticipate any impact from Alcatel's U.S. employees or retirees on these plans.

9. **The combination of the potential for lower asset values (lower market values) and the potential for increased pension liabilities should Alcatel U.S. employees participate in the LRIP, combined with the effect of new ERISA funding rules may drive the LRIP funding level down from its 108% level, as last reported. Will Alcatel and Lucent assure funding of the plan back to the 108% level?**

No decisions on U.S. employee benefit plans of the combined company have been made. Once the pending merger transaction has closed, these decisions will be made. It would be premature to speculate at this point.

10. **Lucent's recent 10K stated that "legislative actions could impact U.S. pension plans, if adopted. The proposed pension reform legislation could significantly increase the funding requirements for our U.S. pension plans." If the legislation is adopted in its present form will Lucent share with the LRO your current estimate of the new ERISA funding levels, separately for the management and the non-management pension plans?**

The Pension Protection Act was passed by the House on July 28 and by the Senate on August 3. This legislation marks the largest set of changes to the pension and 401(k) plan area since ERISA was passed in 1974.

We are in the process of reviewing the final version approved by the Senate, which was more than 900 pages. We are working to determine the implications of the new legislation on our pension plans and on the section 420 provisions that govern the use of excess pension assets to fund retiree healthcare.

Given the securities law restrictions on selective disclosure of information, which are even more rigorous during our pending merger transaction, we will continue to disclose material information in our public filings, including the definitive proxy statement, 10-K, 10-Q, 8-K, etc.

11. Can you assure management retirees that the new Lucent will not use management pension plan assets to pay for corporate restructuring inducements to retire, namely layoff allowance and / or severance pay not offered to other vested participants?

There are no current plans to use management pension assets to fund restructuring actions.

12. In your April 25, 2006 letter to Lucent Alumni, you said "The way the deal is structured, Lucent will become a subsidiary of a larger parent company after the merger, and will remain the plan sponsor of the Lucent pension plans." This U.S. subsidiary is described more fully in the Alcatel F-4 at page 46 and elsewhere. Will you please confirm that the parent company, to be based in France, remains unconditionally responsible to meet the pension and benefit obligations of the subsidiary, if for any reason the subsidiary cannot meet those obligations or is dissolved? If so, can you provide that part of the merger agreement that references this obligation of the parent company?

Post closing, Lucent will remain the sponsor of each plan and will continue to meet the pension and benefit obligations, consistent with federal requirements. From a legal and fiduciary perspective, the obligation to our pensioners remains the same.

And as has always been the case, we will continue to evaluate retiree healthcare and balance our retirees' needs with what we can afford and remain a viable player in a very competitive market.

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