

Statement of Attorneys' Fees and Costs Sought in the Action

Class Counsel, who have been representing the Named Plaintiffs and the interests of the Settlement Class without any payment since 2005, will apply to the Court for an order awarding attorneys' fees not to exceed one-third (33 $\frac{1}{3}$ %) of the Settlement amount, plus reimbursement of their out-of-pocket expenses in the lawsuit.

What Will the Named Plaintiffs Get?

The Named Plaintiffs will share in the allocation of the settlement money on the same basis and to the same extent as all other members of the Settlement Class, except that, in addition, the Named Plaintiffs through their counsel may apply to the Court for special compensation up to \$7,500 each in consideration of their time, attention and concern in serving as representatives for all Settlement Class members. Special compensation awarded to Named Plaintiffs by the Court will be paid from the Settlement Fund.

Please read this Notice carefully and completely. If you are a member of the Settlement Class, this Settlement will affect your rights. You are not being sued in this matter. You don't have to appear in court or hire an attorney in this case. If you are in favor of the Settlement and you received a copy of this Notice directly by mail from the Settlement Administrator, you don't need to do anything. If you disapprove, you may object to the Settlement by carefully following the procedures described on page 10 below.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT	
<p>YOU MAY DO NOTHING.</p> <p>NO ACTION IS NECESSARY TO RECEIVE A SETTLEMENT PAYMENT IF YOU RECEIVED THIS NOTICE DIRECTLY BY MAIL AND YOU ARE ELIGIBLE FOR A SETTLEMENT PAYMENT.</p>	<p>If the Settlement is approved by the Court, and you are a member of the Settlement Class who received a copy of this Notice directly by mail from the Settlement Administrator, you don't need to do anything to receive a settlement payment if you are eligible to receive one.</p> <p>The payment will be calculated by the Settlement Administrator and will be sent to you directly in a check.</p> <hr/> <p>If you did not receive a copy of this Notice by mail directly from the Settlement Administrator but you believe you are a member of the Settlement Class, it is essential for you to contact the Settlement Administrator at the phone number or email address listed on the bottom of each page. Otherwise, you may not be included in the distribution of the Settlement Fund.</p>
<p>IF YOU WANT TO OBJECT TO ANY PART OF THE SETTLEMENT</p>	<p>If you want to object to any part of the Settlement, including the request by Class Counsel for attorneys' fees and expenses, you may (as more fully explained below) write to the Court and the lawyers for both sides saying why you don't like the settlement.</p>
<p>IF YOU WANT TO GO TO THE COURT HEARING THAT WILL BE HELD ON NOVEMBER 8, 2010</p>	<p>If you have submitted a written objection to the Settlement to both the Court and the lawyers, you may (but you don't have to) attend the Court hearing about the Settlement and present your objections to the Court. You may attend the hearing even if you don't file a written objection, but you will only be allowed to speak at the hearing if you file in advance a written objection and a notice of your intent to appear.</p>

These rights and options – **and the deadlines to exercise them** – are explained in this Notice.

The Court still has to decide whether to approve the Settlement. Payments will be made to eligible Settlement Class members only if the Court approves the Settlement. Please be patient.

WHAT THIS NOTICE CONTAINS

	Page
SUMMARY OF SETTLEMENT AND BASIC INFORMATION	1,4
1. Why did I get this Notice?	4
2. What is this lawsuit about?	4
3. Why is this lawsuit a class action?	6
4. Why is there a settlement?	6
WHO IS IN THE SETTLEMENT	6
5. How do I know if I am part of the settlement?	6
6. Are there exceptions to being included?	7
7. I'm still not sure if I am included	7
THE SETTLEMENT BENEFITS – WHAT YOU MAY GET	7
8. What does the settlement provide?	7
9. How much will my payment be if I am an eligible member of the class?	8
HOW YOU GET PAID IF YOU ARE AN ELIGIBLE CLASS MEMBER	9
10. How can I get a payment?	9
11. When would I get my payment?	9
12. What am I giving up to get a payment?	9
13. Can I get out of the settlement?	9
THE LAWYERS REPRESENTING THE CLASS	10
14. Do I have a lawyer in the case?	10
15. How will the lawyers be paid?	10
OBJECTING TO THE SETTLEMENT OR THE REQUEST FOR ATTORNEY'S FEES	10
16. How do I tell the Court that I don't like the settlement?	10
THE COURT'S FAIRNESS HEARING	11
17. When and where will the Court decide whether to approve the settlement?	11
18. Do I have to come to the hearing?	11
19. May I speak at the hearing?	11
IF YOU DO NOTHING	11
20. What happens if I do nothing at all?	11
GETTING MORE INFORMATION	12
21. Are there more details about the settlement?	12
22. How do I get more information?	12

BASIC INFORMATION

1. Why did I get this Notice?

According to records of the pension, medical and dental plans that covered retired management employees of Lucent and its predecessors, you or someone in your family were or may have been a participant in Lucent's medical and dental plans for retired management employees at some time during the period October 1, 1999 to September 30, 2006 ("Settlement Class Period").

The Court ordered this Notice to be sent to you because, if you fall within the Settlement Class defined on page 6 below, you have a right to know about the proposed Settlement, and about all of your options, before the Court decides whether to approve the Settlement. If the Court approves the Settlement, and after any objections and appeals (if any) are resolved, the net amount of the Settlement Fund will be paid according to a Court-approved Plan of Allocation directly to eligible members of the Settlement Class.

This Notice describes the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of this case is the United States District Court for the District of New Jersey. The people who have sued are called the "Named Plaintiffs," and the people they sued are called the "Defendants."

The Named Plaintiffs are Peter A. Raetsch, Geraldine Raetsch, Curtis C. Shiflett, William Foster, Jr., Joan W. Foster, Stanley C. Thomas, and Larry F. Thompson. Each of the Named Plaintiffs is a Settlement Class member. Each is a management retiree of a unit of AT&T or of Lucent, or a spouse of a retiree, who participated in the Lucent retiree medical and dental plans during the Settlement Class Period.

The Defendants are Alcatel-Lucent USA Inc., formerly known as Lucent Technologies, Inc.; Lucent Technologies, Inc. Employee Benefits Committee; and Lucent Technologies, Inc. Medical Expense Plan for Retired Employees.

The lawsuit that is the subject of this Notice and the Settlement is known as *Raetsch, et al. v. Lucent Technologies, Inc., et al.*, Case No. 2:05-cv-5134 (D.N.J.) (PGS)(ES). The complete formal name of this case is on the first page of this Notice.

2. What is this lawsuit about?

This lawsuit claims and alleges that the Defendants violated the terms of the medical and dental benefit plans that covered management retirees of Lucent Technologies (and retirees of predecessor companies, including certain units of AT&T, Western Electric and Bell Labs) during the period October 1, 1999 to September 30, 2006. The Plaintiffs claim that the Defendants violated the terms of the plans by making changes to the plans in the form of higher co-pays and deductibles and increased monthly contribution amounts during the period 1999-2003, a period of time that the plans contained provisions that legally obligated the Defendants to maintain "substantially the same" benefits that the plans were providing in 1998. The Plaintiffs also claim that the Defendants violated terms of the medical and dental plans because Lucent did not spend the required minimum average cost per person under the plans during 2006. These plan provisions were in force due to Lucent's four transfers of excess pension assets to a welfare benefits account within the pension plan during the period September 1999 to December 2001 to help pay the cost of providing retiree medical benefits. The provision of the U.S. Internal Revenue Code that allowed these transfers, Section 420, required these plan provisions which obligated Lucent to maintain "substantially the same" benefits through September 30, 2003, and then to maintain the average per capita cost from October 1, 2004 to September 30, 2006.

The Defenses in the Action

The Defendants deny that they have liability to the members of the Settlement Class. If the lawsuit were to continue, the Defendants would continue to raise numerous defenses to liability, including the following:

- that under the terms of the medical plan and/or Internal Revenue Code § 420, the correct way to measure whether the Defendants maintained substantially the same benefits is to measure whether the Defendants substantially maintained the employer-provided funding of those benefits. The Defendants say they did this because the funding increased on a total and per-capita amount during the relevant years;
- that under the terms of the medical plan and/or Internal Revenue Code § 420, the proper way to measure whether the Defendants maintained substantially the same benefits is based on the percentage of overall plan costs shifted to the retirees during each year;

- that the shifting of plan costs by Lucent wasn't a substantial change in benefits because the costs shifted never represented more than 10% of the overall costs in any plan year;
- that increases in co-pays and deductibles were caused by medical inflation and can't form a basis for a violation;
- that increases in contribution amounts due to compliance with the "caps" formula in the medical plan weren't changes in benefits but only the result of carrying out the formula, which did not change;
- that Lucent spent the required amount per capita during 2004-2006;
- that medical plan participants who weren't retired at the time of the September 29, 1999 pension asset transfer weren't covered by the maintenance of benefits requirement;
- that medical plan participants who only became eligible for retiree health benefits because of the 2001 window plans weren't covered by the maintenance of benefits requirement; and
- that if the Defendants have any liability, they should receive an offsetting credit due to the retiree medical plan contribution refund of \$14.3 million that Lucent made in 2005, because that refund wasn't legally necessary under the Court's June 2008 ruling in this case.

The Action Has Been Aggressively Pursued by Class Counsel

Class Counsel has conducted an extensive investigation of the allegations in the lawsuit and of the alleged losses suffered by the members of the Settlement Class during the more than four years the lawsuit has been pending. As part of their investigation and through court-supervised discovery of information, Class Counsel obtained and reviewed more than 35,000 pages of documents, including plan governing documents and materials, communications with Plan participants, internal Lucent documents regarding the plans, and work papers of Lucent's own actuarial consultants about the changes to the plans, and other documents. Class Counsel also conducted several depositions to investigate facts that were not fully revealed by these documents. The deposition witnesses included the former Lucent in-house attorney responsible for benefits compliance and Lucent's outside benefits consultants.

Class Counsel also retained expert actuarial consultants at the national benefits consulting firm, The Segal Company, to review and analyze millions of records relating to the claims submitted by the members of the Settlement Class to the medical plan and the plan's treatment and payment of those claims. This review has been conducted on a strictly confidential basis by order of the Court for the limited purpose of measuring financial losses for affected Settlement Class members. No personal medical or identifying information has been disclosed in this process.

During the more than four years the lawsuit has been pending, the Court has decided two important motions. On October 27, 2006 the Court issued a decision granting in part and denying in part the Defendants' motion to dismiss the case. The Court ruled that the Plaintiffs' claims for violation of plan requirements could continue, but that these claims should be heard and decided in the first instance by an appropriate fiduciary body acting on behalf of the medical plan, with this review and decision to be completed on or before December 31, 2006. On December 28, 2006, the Special Committee chosen by Lucent issued its Report concluding that there was no merit to any of the claims that the Defendants had violated the benefit maintenance and cost maintenance requirements at issue in the case.

Between January and June 2007, the parties conducted discovery on the claims, including proceedings on a successful motion filed by Class Counsel to compel the Defendants to turn over documents they were withholding on grounds of attorney-client privilege. On June 28, 2007, Class Counsel filed a Motion for Partial Summary Judgment requesting that the Court enter judgment in favor of the Plaintiffs regarding the appropriate standard of judicial review on the decision by the Special Committee, and entering a partial judgment as to the Defendants' liability for violation of benefit maintenance requirements during the period January 1, 2001 to September 30, 2003. At the same time, the Defendants filed a Motion for Summary Judgment requesting that the Court dismiss all of the claims asserted by the Plaintiffs. These motions were the subject of extensive factual and legal submissions to the Court.

On June 12, 2008, the Court issued a second Opinion and Order (1) denying the Defendants' motion for summary judgment, subject to tentative rulings for the Defendants on the cost maintenance claims, (2) granting part of the Plaintiffs' motion for partial summary judgment about the standard of judicial review of the matters decided by the Special Committee and entering a partial judgment of liability for the Defendants' violation of benefit maintenance requirements during the year 2003. The Court did not decide the Plaintiffs' claims regarding other time periods due to the need for additional factual development.

On June 3, 2010, as part of its consideration of the motion to give preliminary approval to the Settlement and issue this Notice, the Court granted a motion to certify the Settlement Class, which is defined and explained on page 6 below.

Settlement Discussions

This Settlement is the product of extensive negotiations between Class Counsel and the Defendants' counsel. Face to face negotiations began in June 2009, and negotiations continued through January 2010, when an agreement was reached on the basic outlines of the Settlement. The Settlement was reached shortly before the trial of this lawsuit was scheduled to begin.

The settlement negotiations were overseen by the Court through United States Magistrate Judge Esther Salas. These negotiations included a full evaluation of the strengths and weaknesses of the claims and defenses. The final amount of the Settlement was recommended by Magistrate Judge Salas as a fair resolution of the claims and defenses. Throughout the settlement negotiations, the Plaintiffs and the Defendants were advised by actuarial consultants who are experts in issues relating to retiree medical plans.

3. Why is this lawsuit a class action?

In a class action, one or more plaintiffs, called "Named Plaintiffs," sue on behalf of people who have similar claims. All of the individuals on whose behalf the Named Plaintiffs are suing are members of the "Settlement Class." In a class action, one court resolves the issues for all class members. United States District Judge Peter G. Sheridan is presiding over this class action. In its Preliminary Approval Order, dated June 3, 2010, authorizing this Notice and setting the Fairness Hearing, the Court certified the Settlement Class in this lawsuit.

4. Why is there a settlement?

The Court made a pretrial ruling in June 2008 that the changes the Defendants made to the medical plan co-pays and deductibles effective during the year 2003 were significant enough to violate the plan provision requiring Lucent to provide "substantially the same" benefits during that year. But the Court didn't make any rulings about any other year, or any ruling about the amount of the losses during the year 2003. So the Court hasn't reached any final decisions about the Plaintiffs' claims against the Defendants. Instead, the Plaintiffs and the Defendants have agreed to a settlement. In reaching the Settlement, both sides have avoided the risk and uncertainty of further court proceedings.

As with any court case, the Plaintiffs face an uncertain outcome. On the one hand, continuation of the case against the Defendants could result in a judgment that has a dollar value greater than this Settlement. On the other hand, continuation of the case against the Defendants could result in a judgment for less value than the Plaintiffs have obtained in this Settlement, or even no money at all.

Based on these factors, the Named Plaintiffs and Class Counsel believe that the Settlement is in the best interests of all Settlement Class members. Additional information concerning the Settlement and these factors is available in the motion for preliminary approval of the Settlement Agreement, which can be obtained at www.LucentRetireeMedicalSettlement.com or by visiting the office of the Clerk of the U. S. District Court for the District of New Jersey in Newark, New Jersey.

WHO IS IN THE SETTLEMENT

5. How do I know if I am part of the settlement?

If this Settlement receives final approval, the proceeds of the Settlement will be allocated only to eligible members of the Settlement Class, and then only according to a Court-approved Plan of Allocation. You are a member of the Settlement Class if you fall within the "class definition" approved by the Court as follows:

All persons –

(1) who are (or who have been) participants or beneficiaries in both the Lucent Technologies, Inc. Retirement Income Plan and the Lucent Technologies, Inc. Medical Expense Plan for Retired Employees and the Lucent Technologies, Inc. Dental Expense Plan for Retired Employees;

and

(2) who were eligible to receive benefits under these medical and dental plans at any time during the period October 1, 1999 through September 30, 2006.

These persons are referred to as the "Settlement Class". **You must fit both descriptions (1) and (2) to be a member of the Settlement Class.**

The members of the Settlement Class are included in the Settlement. Other retired employees of Lucent who don't fit this description are not included in the Settlement, such as retired employees who didn't participate in the management pension plan, or management retirees who didn't participate in the retiree medical plan during the period October 1, 1999 to September 30, 2006. Also excluded from the Settlement are the defendants and the officers and directors of Lucent Technologies, Inc. who held those positions at any time during the class period stated above, together with the members of their immediate families, and their legal representatives, heirs, successors and assigns.

If you or your spouse have received this copy or another copy of the Notice of Class Action Settlement by mail directly from the Settlement Administrator, then you don't need to send in a claim or take any other action unless you want to comment on or object to the Settlement.

IMPORTANT—If you have not already received this copy or another copy of the Notice of Class Action Settlement by mail directly from the Settlement Administrator (not a copy you got on your own from the settlement website or some other source), but you believe that you fit the above two-part description of the Settlement Class and are a member, then it is essential that you contact the Settlement Administrator at the phone number or email address listed at the bottom of each page to identify yourself as a potential Settlement Class member. Otherwise, you won't be included in the distribution of payments from the Settlement Fund if the Settlement is approved.

If you are a member of the Settlement Class, the amount of money you will receive, if any, will depend on the Court-approved Plan of Allocation, which is described on page 13 below.

6. Are there exceptions to being included?

You are not a member of the Settlement Class if you don't fit the above description of the Settlement Class, such as retired employees who did not participate in the management pension plan, or management retirees who did not participate in the retiree medical plan during the period October 1, 1999 to September 30, 2006.

Also excluded from the Settlement Class and the Settlement are the Defendants and the officers and directors of Lucent Technologies, Inc. who held those positions at any time during the class period stated above, together with the members of their immediate families, and their legal representatives, heirs, successors and assigns.

7. I'm still not sure if I am included

If you still are not sure whether or not you are included in the Settlement Class, you may contact the Settlement Administrator, at the phone number or email address listed at the bottom of each page, to review your information.

THE SETTLEMENT BENEFITS—WHAT YOU MAY GET

Any benefits you receive from the Settlement will depend upon the Court-approved Plan of Allocation. The Proposed Plan of Allocation is described on page 13 below.

8. What does the settlement provide?

A. The Settlement Amount. A Settlement Fund consisting of \$36 million in cash will be paid by the Defendants once the Settlement is approved and becomes final.

The net amount in the Settlement Fund, after payment of, and establishment of reserves for, any taxes and Court-approved costs, administrative expenses for the Settlement, attorneys' fees and expenses, including any Court-approved special compensation to be paid to the Named Plaintiffs, will be available for allocation and payment to eligible Settlement Class members. The payments will be made according to the Plan of Allocation approved by the Court. The payments will be paid by mailing a check directly to each eligible Settlement Class member.

B. End Period of the Settlement. The plan restrictions that are the basis for this lawsuit expired and were no longer effective beginning on October 1, 2006. Accordingly, as explained below, the Settlement is limited to claims that were brought or that could have been brought related to the allegations in the Complaint or the First Amended Complaint.

C. Release of Claims Against Defendants and Related Parties. In exchange for the settlement payment of \$36 million, all Settlement Class members and anyone claiming through them are deemed to fully release the Defendants and affiliated companies and people (the "Releasees") from the "Released Claims."

The Released Claims are any and all claims, demands, rights, liabilities and causes of action, in law or in equity, up to and including January 21, 2010, whether known or unknown, by or on behalf of the Named Plaintiffs and any and every member of the Settlement Class and their respective heirs, beneficiaries, executors, administrators, estates, past and present partners, officers, directors, agents, attorneys, predecessors, successors and assigns, against any and all of the Defendants and Related Parties, that were brought or that could have been brought, arising out of or related to any of the modifications, changes, or “cut-backs” with respect to retiree health benefits as alleged in the Complaint or in the First Amended Complaint. The Released Claims shall include, without limitation, any claims arising under the Employee Retirement Income Security Act (ERISA), and any and all other state or federal statutes or laws, any and all rules and regulations associated therewith or promulgated thereunder, and/or the common law, together with any claims for attorneys’ fees, costs and expenses.

The Settlement Agreement expressly provides that the Released Claims don’t include any matters in connection with, or arising out of, or in any manner relating to, any claim for benefits under Section 502(a)(1)(B) of ERISA, 29 U.S.C. § 1132(a)(1)(B), based on the application of the terms of the retiree medical and dental plans or the pension plan to any claim by a participant or beneficiary. The Released Claims also don’t include any claims under any plan other than the retiree medical and dental plans or the pension plan.

The Released Claims are defined further in Section 5 of the Settlement Agreement, which you can get from the settlement website listed below. If you have any concerns about the specific scope of the Released Claims, you are urged to review the full Settlement Agreement and to contact Class Counsel for more information.

D. Settlement Conditions. The Settlement is conditioned on obtaining approval from an Independent Fiduciary that, to the extent the plans have any claim that is affected by the Settlement, the Settlement also is fair and reasonable to the plans. That approval was obtained on June 24, 2010.

The above description of the operation of the Settlement is only a summary. The governing provisions are set forth in the Settlement Agreement (including its exhibits), which may be obtained at www.LucentRetireeMedicalSettlement.com or from Class Counsel listed on page 10 below.

9. How much will my payment be if I am an eligible member of the class?

Members of the Settlement Class will share in the Settlement if they are determined to be eligible based on the Plan of Allocation that is approved by the Court. You are not responsible for calculating the amount you may be entitled to receive under the Settlement. This calculation will be done as part of the implementation of the Settlement through the Plan of Allocation. In order to make these calculations and settlement payments on your behalf, the Court has authorized the Settlement Administrator and consultants to the Class Counsel to have access to the medical claims data necessary to make these calculations and payments. Pursuant to Court order, the data will be available only to those who have a need to know this information to the minimum extent necessary to perform these tasks, and the confidentiality of this data will be strictly maintained pursuant to Court order.

The Proposed Plan of Allocation must be reviewed and approved by the Court. The Proposed Plan has been formulated by Class Counsel based on their assessment of the claims involved in the lawsuit, the relative strength of the claims, the information available to make individual calculations, and general principles of class action settlement design. The Proposed Plan of Allocation takes into account factors such as the member’s date of retirement, his or her dates of participation in the retiree medical plan during the period October 1, 1999 to September 30, 2006, his or her dates of participation in one of the regular medical plan options or in one of the HMO options during this period, and the claims the member submitted to the retiree medical plan during the period October 1, 1999 to September 30, 2003. These factors will be used to determine recognized loss amounts. The Settlement Fund will be allocated in proportion to these recognized loss amounts, with some types of losses receiving a greater weight than others based on the relative strength of the legal claim relating to each type of loss.

A more detailed explanation of how settlement payments will be calculated if the Proposed Plan of Allocation is approved is in the **Appendix** at the end of this Notice. Please also read this part carefully to understand your rights under the settlement.

Don’t worry if you don’t have records that show your claims to or payments to the retiree medical plan. If you received this Notice by mail from the Settlement Administrator and you are entitled to a Settlement payment under the Plan of Allocation approved by the Court, your payment will be calculated based on the information already available to the Settlement Administrator and Class Counsel, which includes detailed claim records for Settlement Class members who participated in the regular (non-HMO) options of the medical plan during 2001-2003.

If you have questions regarding the Settlement or the Proposed Plan of Allocation, please contact Class Counsel listed on page 10 below.

HOW YOU GET PAID IF YOU ARE AN ELIGIBLE CLASS MEMBER

10. How can I get a payment?

If you received this Notice by mail directly from the Settlement Administrator, you don't need to file a claim because the relevant information is already available to the Settlement Administrator. If you are a member of the Settlement Class who is entitled to a share of the Settlement Fund under the Plan of Allocation, you will receive a check in the mail for your share of the Settlement money. At the time checks are distributed, eligible members will receive a brief memorandum explaining the tax treatment issues and questions associated with the settlement check. It is expected that in the great majority of cases settlement payments will not be taxable. This Notice does not provide any individual tax advice. If you believe you need individual tax advice based on your personal circumstances, you should consult your own tax and/or legal advisor at your own expense.

IMPORTANT—If you did not receive this Notice by mail directly from the Settlement Administrator, then it is likely that you have not yet been identified as a potential member of the Settlement Class. If you believe that you fit the two-part description of the Settlement Class on page 6 above and that you are a member, it is essential that you contact the Settlement Administrator at the phone number or email address listed at the bottom of each page to identify yourself as a potential Settlement Class member. Otherwise, you won't be included in the distribution of payments from the Settlement Fund if the Settlement is approved.

11. When would I get my payment?

Payment from the Settlement is conditioned on several events, including the Court's order giving final approval to the Settlement and this approval becoming final and no longer subject to any appeals to any court. Appeals (if any) of the final approval would take several years to resolve.

The Settlement payment must be made by the Defendants within 10 business days of the date the Settlement becomes final. Interest on the settlement payment will begin to be earned once the payment is made by the Defendants. Interest earned by the Settlement Fund after it is paid will be included in the amounts paid to the members of the Settlement Class in accordance with the Plan of Allocation.

Once the Settlement has become final, the Settlement Administrator will begin the process of calculating and verifying amounts to be distributed under the Plan of Allocation. This payment calculation process, and the distribution of checks to eligible Settlement Class members, is projected to take at least 120 days from the date the Settlement becomes final. Information on the status of this process will be available on the settlement website.

There Will Be No Payments if the Settlement Agreement Is Terminated. The Settlement Agreement may be terminated on several grounds, including if the Independent Fiduciary or the Court doesn't approve the Settlement. Should the Settlement Agreement be terminated, the Settlement will be terminated, the certification of the Settlement Class will be vacated, and the lawsuit will proceed as if the Settlement Agreement hadn't been entered into.

12. What am I giving up to get a payment?

In exchange for a share of the Settlement Fund, all Settlement Class members and anyone claiming through them are required to give up and fully release the Defendants and affiliated companies and people (the "Releasees") from the "Released Claims." These Released Claims are described on page 8 above.

13. Can I get out of the settlement?

YOU DON'T HAVE THE RIGHT TO EXCLUDE YOURSELF FROM THE SETTLEMENT OR THE SETTLEMENT CLASS. The Settlement Class was certified under Federal Rule of Civil Procedure 23(b)(1) and 23(b)(2) as a non "opt-out" class action because the Court determined the requirements of those rules were satisfied. Thus, it is not possible for anyone to exclude himself or herself from the benefits of the Settlement. As a Settlement Class member, you will be bound by any judgments or orders that are entered in the lawsuit.

Although you can't opt-out of the Settlement, you can object to or comment on the Settlement and ask the Court not to approve it. Please refer to the Answer to Question No. 16, on page 10 below.

THE LAWYERS REPRESENTING THE CLASS

14. Do I have a lawyer in the case?

The Court has appointed as Class Counsel Alan M. Sandals and Scott M. Lempert of the law firm Sandals & Associates, P.C., and David S. Preminger of the law firm Keller Rohrback L.L.P. These lawyers have been representing the Named Plaintiffs and the interests of the members of the Settlement Class since the beginning of the lawsuit in 2005. They have been representing the members of the Settlement Class on a contingent fee basis and you won't be charged directly by these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense.

If you need to contact Class Counsel, you may write to them at the following addresses:

Alan M. Sandals
Scott M. Lempert
SANDALS & ASSOCIATES, P.C.
One South Broad Street
Suite 1850
Philadelphia, PA 19107

David S. Preminger
KELLER ROHRBACK, L.L.P.
770 Broadway
Second Floor
New York, NY 10003

Class Counsel and the Settlement Administrator (the Philadelphia class action administration/accounting firm of Heffler, Radetich & Saitta, LLP) have also established a toll-free phone number: (888) 229-4969. You can also contact the Settlement Administrator by e-mail: lucentretirees@heffler.com.

15. How will the lawyers be paid?

Class Counsel will file a motion for an award of attorneys' fees and expenses. This motion will be considered at the Fairness Hearing. Class Counsel have agreed to limit their application for an award of attorneys' fees to not more than one-third (or 33 $\frac{1}{3}$ %) of the Settlement amount, plus reimbursement of their out-of-pocket expenses during the lawsuit.

OBJECTING TO THE SETTLEMENT OR THE REQUEST FOR ATTORNEYS' FEES

You can tell the Court that you don't agree with the Settlement or some part of it, including the request for attorneys' fees and expenses, and for payment of special compensation to the seven Named Plaintiffs, that Class Counsel intend to make.

16. How do I tell the Court that I don't like the settlement?

If you are a Settlement Class member, you can object to the Settlement if you don't like any part of it. You can give reasons why you think the Court should not approve it. To object, you must send a letter or other written statement saying that you object to the Settlement. Be sure to include your name, address, telephone number, signature, and a full explanation of all reasons you object to the Settlement. Keep a copy of everything you submit. **Your written objection must be sent to the following attorneys for both sides and must be postmarked by no later than October 22, 2010:**

Alan M. Sandals
Scott M. Lempert
SANDALS & ASSOCIATES, P.C.
One South Broad Street
Suite 1850
Philadelphia, PA 19107
Class Counsel

Howard Shapiro
Robert W. Rachal
PROSKAUER ROSE LLP
650 Poydras Street
Suite 1800
New Orleans, LA 70130
Counsel for the Defendants

You must also file your written objection with the Clerk of the United States District Court for the District of New Jersey, by mailing a copy to:

Lucent Retiree Medical Settlement
P.O. Box 58983
Philadelphia, PA 19102-8983

Your objection must be postmarked no later than October 22, 2010.

THE COURT'S FAIRNESS HEARING

The Court will hold a hearing to decide whether to approve the Settlement (the "Fairness Hearing"). You may attend the Fairness Hearing in person or through counsel retained at your expense. You don't have to attend the Fairness Hearing in order to receive the benefits of the Settlement if it is approved and you are eligible to receive a payment under the Plan of Allocation.

17. When and where will the Court decide whether to approve the settlement?

The Court will hold a Fairness Hearing at 10:00 a.m. on November 8, 2010, at the United States District Court for the District of New Jersey, Courtroom 7-W, U.S. Courthouse, 402 East State Street, Trenton, New Jersey 08608. At that hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. After the Fairness Hearing, the Court will decide whether to approve the Settlement and the Plan of Allocation. The Court also will rule on the request by Class Counsel for attorneys' fees and expenses and payments of special compensation to the Named Plaintiffs. We don't know how long these decisions will take.

18. Do I have to come to the hearing?

You don't have to attend the Fairness Hearing to receive the benefits of the Settlement if it is approved and you are eligible to receive a payment. Class Counsel will answer any questions the Court might have. While you aren't required to come, you are welcome to come at your own expense.

If you send a written objection on time, you may come to the Fairness Hearing to talk about it, but you don't have to come. As long as you mailed your written objection on time, the Court will consider it. You also may pay for your own lawyer to attend the Fairness Hearing if you want to, but that is not necessary.

19. May I speak at the hearing?

If you are a Settlement Class member, you may ask the Court for permission to speak at the Fairness Hearing. To do so, you must send by the deadline below a written objection or comment and a letter or other paper called a "Notice of Intention to Appear at Fairness Hearing". Please be sure to include your name, address, telephone number, and your signature. Your written objection or comment and Notice of Intention to Appear must be sent to the attorneys listed in the Answer to Question No. 16 on page 10 above, postmarked no later than October 22, 2010, and also must be filed with the Clerk of the Court at the post office box address listed in the Answer to Question No. 16 on page 10 above, also postmarked no later than October 22, 2010.

IF YOU DO NOTHING

20. What happens if I do nothing at all?

If you received a copy of this Notice by mail directly from the Settlement Administrator and you are a Settlement Class member, you will become a participant in the Settlement described in this Notice if the Settlement is approved, even if you do nothing. If you are eligible under the Plan of Allocation for a payment from the Settlement Fund, you will receive that payment automatically and you don't have to take any other steps to receive your payment.

IMPORTANT—If you did not receive a copy of this Notice by mail directly from the Settlement Administrator, then it is likely that you have not yet been identified as a potential member of the Settlement Class. If you believe that you fit the above two-part description of the Settlement Class on page 6 above and that you are a member, it is essential that you contact the Settlement Administrator at the phone number or email address listed at the bottom of each page to identify yourself as a potential Settlement Class member. Otherwise, you won't be included in the distribution of payments from the Settlement Fund if the Settlement is approved.

GETTING MORE INFORMATION

21. Are there more details about the settlement?

This Notice summarizes the proposed Settlement. More details are in the Settlement Agreement and its exhibits. You can get a copy of the Settlement Agreement by writing to the Class Counsel listed on page 10 above. You can also get copies of the Settlement Agreement, as well as the Motion for Preliminary Approval seeking preliminary approval of the Settlement, the Preliminary Approval Order, and the proposed Plan of Allocation, at the settlement website, www.LucentRetireeMedicalSettlement.com. The Settlement Agreement also was filed with the Clerk of the United States District Court for the District of New Jersey and may be obtained from the Clerk's office directly.

22. How do I get more information?

For more information regarding the Settlement, you can go to www.LucentRetireeMedicalSettlement.com or contact the Class Counsel listed on page 10 above.

Please do not contact the Court, or Alcatel-Lucent or the attorneys for the Defendants. Under court rules, they are not permitted to speak with Settlement Class members.

Date this Notice First Distributed by Mail: September 1, 2010

APPENDIX

PROPOSED PLAN OF ALLOCATION FOR SETTLEMENT PROCEEDS

1. Court-Approved Deductions from the Total Settlement Payment

From the total settlement payment of \$36 million, the following amounts as approved by the Court will be deducted: (a) all Awards to Class Counsel for attorneys' fees and reimbursement of expenses and special compensation to the Named Plaintiffs, together with interest earned on those amounts pursuant to the Court's order; (b) all other expenses that are payable from the Settlement Fund to implement or administer the Settlement, including any taxes owed on income earned by the Settlement Fund before its distribution, and fees and costs related to maintaining the Settlement Fund in an escrow account; and (c) any reserve amount to be used to pay additional anticipated administrative expenses and any adjusted payments to eligible members of the Settlement Class. The funds remaining after these Court-approved deductions are the "Net Settlement Fund."

2. Settlement Funds Will Be Allocated to Three Separate Pools Covering Eligible Class Members.

The Net Settlement Fund will be distributed to the eligible members of the Settlement Class from three separate Pools. The amount of money available in each Pool is based on the claims in the lawsuit and the relative dollar values and legal strengths of these claims as evaluated by Class Counsel.

3. Pool One Covers the Claim Relating to Increases in Co-Pays and Deductibles During the Period January 1, 2001 to September 30, 2003

Pool One will provide payments to eligible Settlement Class members related to their losses associated with defendants' alleged failure to maintain the same level of **co-payment amounts and deductibles under regular, non-HMO medical plan options during the period January 1, 2001 to September 30, 2003**. Pool One covers every Settlement Class member who was participating in any regular medical plan option at any time during the period January 1, 2001 to September 30, 2003 without regard to date of retirement or Medicare eligibility. Pool One excludes and does not cover Settlement Class members who were participating in one of the HMO or other third-party managed care options available through the medical plan throughout the entire period January 1, 2001 to September 30, 2003, because those coverage options were not affected by the changes in co-payments and deductibles that defendants made in the regular medical plan options. Members who participated in one of the regular medical plan options for part of this period will be included only for that part of the period.

Pool One will be allocated **66.0%** of the Net Settlement Fund. These funds will be allocated to the Settlement Class members participating in Pool One in proportion to their Pool One Recognized Losses. **Pool One Recognized Losses** will be computed by the actuarial consulting firm, The Segal Company, using the detailed, historic claims data for the Settlement Class that was compiled during this period by one of Lucent's contractors. Pool One Recognized Losses will be computed by comparing the actual co-payments and deductibles charged to or paid by each affected and eligible Settlement Class member during the period January 1, 2001 to September 30, 2003 to the charges that would have applied if the changes had not occurred in these medical plan provisions.

Each Settlement Class member who is eligible to participate in Pool One will receive the portion of his or her Pool One Recognized Losses that is equal to the ratio that the amount of settlement funds available for distribution to Pool One has to the grand total of all Pool One Recognized Losses. In other words, the funds available in Pool One will be pro-rated based on the amount of Pool One Recognized Losses computed for each eligible member.

4. Pool Two Covers the Claim Relating to Increases in Contribution Amounts During the Period October 1, 1999 to September 30, 2003

Pool Two will provide payments to eligible Settlement Class members related to losses associated with defendants' alleged failure to maintain the same level of **premiums and contribution amounts during the period October 1, 1999 to September 30, 2003**. Pool Two covers every Settlement Class member who was participating in any medical plan option (including HMO and managed care options) at any time during the period October 1, 1999 to September 30, 2003 without regard to Medicare eligibility. Pool Two excludes and does not cover Settlement Class members whose medical plan participation is based on a retirement date before March 1, 1990, because those members did not have any obligation to pay premiums or contribution amounts and they were not affected by increases in these amounts.

Pool Two will be allocated **32.0%** of the Net Settlement Fund. These funds will be allocated to the Settlement Class members participating in Pool Two in proportion to their Pool Two Recognized Losses. **Pool Two Recognized Loss Units** will be computed by the actuarial consulting firm, The Segal Company, using the following method. As of March 31 of each of the years 2000, 2001, 2002 and 2003, members will be sorted into two groups based on whether they

were receiving single coverage or family coverage under the medical plan. Based on the historic ratio of contribution amounts during this time period, each single member or family unit will be assigned a number of Loss Units as of March 31 of each of the four relevant years that they were participating in the medical plan, provided that they were participating during March of that year, as follows:

- | | |
|--|-----------|
| i. Single coverage, retiree Medicare-eligible | 1.0 units |
| ii. Single coverage, retiree not Medicare-eligible | 1.4 units |
| iii. Family coverage, retiree Medicare eligible | 4.3 units |
| iv. Family coverage, retiree not Medicare-eligible | 2.1 units |

For Settlement Class members who constitute a single family, only the appropriate number of units will be assigned collectively to all family members and the units will not be assigned to each person. The grand total of the loss units for each person (or for all family members) will be the Pool Two Recognized Loss Units.

Each Settlement Class member who is eligible to participate in Pool Two will receive the sum of money equal to the ratio that his or her Pool Two Recognized Loss Units bear to the total of all such Units, times the amount of settlement funds available for distribution to Pool Two. In other words, the funds available in Pool Two will be pro-rated based on the number of Pool Two Recognized Loss Units computed for each eligible member.

5. Pool Three Covers the Claim Relating to Alleged Violation of the Cost Maintenance Requirement During the Period October 1, 2005 to September 30, 2006

Pool Three will provide payments to eligible Settlement Class members related to losses associated with defendants' alleged failure to maintain the average per capita cost level of medical plan expenditures during the period **October 1, 2005 to September 30, 2006**, which was the only year when a possible cost maintenance violation occurred according to Class Counsel's investigations in the case. Pool Three covers every Settlement Class member who was participating in any medical plan option (including HMO and managed care options) at any time during the period October 1, 2005 to September 30, 2006, provided that the member was then receiving a subsidy for coverage from Lucent. Pool Three excludes and does not cover Settlement Class members who were participating in the medical plan but who were paying the full cost of their coverage during that period (such as members who were excluded from the subsidy based on the final compensation of their retiree spouses), because the obligation to maintain average per capita cost did not apply to these members.

Pool Three will be allocated **2.0%** of the Net Settlement Fund. These funds will be allocated to the Settlement Class members participating in Pool Three on a per person basis, so that the amount of the payment is equal to the amount of the funds allocated, divided by the number of eligible members covered by Pool Three. The amount of the payment from Pool Three will be the same for each eligible member covered by Pool Three.

6. Eligible Members Receive Total of Payments from Pool One, Two and Three

Each Settlement Class member who is eligible for a payment from Pool One, Pool Two, and/or Pool Three will receive a settlement payment which is the total of the amounts, if any, due to him/her under each applicable pool.

[THIS PAGE INTENTIONALLY LEFT BLANK]

Claims Administrator
Lucent Retiree Medical Settlement
P.O. Box 58983
Philadelphia, PA 19102-8983

FORWARD AND ADDRESS CORRECTION REQUESTED

FIRST CLASS MAIL
U.S. POSTAGE
PAID
PERMIT NO. 2323
PHILADELPHIA, PA

FIRST CLASS MAIL

FORWARD AND ADDRESS CORRECTION REQUESTED—IMPORTANT LEGAL NOTICE