

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2010 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information		
For calendar plan year 2010 or fiscal plan year beginning <u>01/01/2007</u> and ending <u>03/01/2007</u>			
A This return/report is for:	☐ a multiemployer plan;	☐ a multiple-employer plan; or	
	☒ a single-employer plan;	☐ a DFE (specify) ____	
B This return/report is:	☐ the first return/report;	☒ the final return/report;	
	☒ an amended return/report;	☒ a short plan year return/report (less than 12 months).	
C If the plan is a collectively-bargained plan, check here.	☐		
D Check box if filing under:	☐ Form 5558;	☐ automatic extension;	☐ the DFVC program;
	☐ special extension (enter description)		

Part II	Basic Plan Information —enter all requested information		
1a Name of plan <u>ALCATEL USA, INC. CONSOLIDATED RETIREMENT PLAN</u>	1b Three-digit plan number (PN) ▶	<u>004</u>	
2a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.) <u>ALCATEL USA, INC.</u> <u>3400 W PLANO PKWY</u> <u>M/S BENF1</u> <u>PLANO, TX 75075-8011</u>		1c Effective date of plan <u>08/28/1991</u>	
2b Employer Identification Number (EIN) <u>54-1025763</u>		2c Sponsor's telephone number <u>972-477-3167</u>	
2d Business code (see instructions) <u>334200</u>			

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	<u>05/06/2011</u>	<u>CASSANDRA LAMMERS</u>
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature.	<u>05/06/2011</u>	<u>CASSANDRA LAMMERS</u>
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE	Signature of DFE	Date	Enter name of individual signing as DFE
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Form 5500 (2010)
v.092307.1

3a Plan administrator's name and address (if same as plan sponsor, enter "Same") ALCATEL USA, INC. 3400 W PLANO PKWY M/S BENF1 PLANO, TX 75075-8011	3b Administrator's EIN 54-1025763 3c Administrator's telephone number 972-477-3167
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4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name	4b EIN 4c PN
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5 Total number of participants at the beginning of the plan year	5	8231
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6 Number of participants as of the end of the plan year (welfare plans complete only lines 6a , 6b , 6c , and 6d).		
a Active participants.....	6a	
b Retired or separated participants receiving benefits.....	6b	
c Other retired or separated participants entitled to future benefits.....	6c	
d Subtotal. Add lines 6a , 6b , and 6c	6d	0
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e	
f Total. Add lines 6d and 6e	6f	0
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	6g	
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6h	

7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7	
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8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:

1A 1G 1I 3H

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
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10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

- (1) ☐ **R** (Retirement Plan Information)
(2) ☐ **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
(3) ☐ **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

- (1) ☒ **H** (Financial Information)
(2) ☐ **I** (Financial Information – Small Plan)
(3) ☐ **A** (Insurance Information)
(4) ☐ **C** (Service Provider Information)
(5) ☒ **D** (DFE/Participating Plan Information)
(6) ☐ **G** (Financial Transaction Schedules)

SCHEDULE D (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration		DFE/Participating Plan Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.		OMB No. 1210-0110 2010 This Form is Open to Public Inspection.	
For calendar plan year 2010 or fiscal plan year beginning 01/01/2007 and ending 03/01/2007					
A Name of plan ALCATEL USA, INC. CONSOLIDATED RETIREMENT PLAN				B Three-digit plan number (PN) ▶ 004	
C Plan or DFE sponsor's name as shown on line 2a of Form 5500 ALCATEL USA, INC.				D Employer Identification Number (EIN) 54-1025763	
Part I Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs) (Complete as many entries as needed to report all interests in DFEs)					
a Name of MTIA, CCT, PSA, or 103-12 IE: ALCATEL RETIREMENT PLAN MASTER TRST					
b Name of sponsor of entity listed in (a): ALCATEL USA, INC.					
c EIN-PN 13-3638651-050		d Entity code M		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 0	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
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c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
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c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-	

a Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
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plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2010 This Form is Open to Public Inspection
For calendar plan year 2010 or fiscal plan year beginning <u>01/01/2007</u> and ending <u>03/01/2007</u>		
A Name of plan <u>ALCATEL USA, INC. CONSOLIDATED RETIREMENT PLAN</u>	B Three-digit plan number (PN) ►	<u>004</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>ALCATEL USA, INC.</u>	D Employer Identification Number (EIN) <u>54-1025763</u>	

Part I	Asset and Liability Statement		(a) Beginning of Year	(b) End of Year
1	Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.			
	Assets			
a	Total noninterest-bearing cash	1a		
b	Receivables (less allowance for doubtful accounts):			
	(1) Employer contributions	1b(1)	4878683	6924525
	(2) Participant contributions	1b(2)		
	(3) Other	1b(3)		
c	General investments:			
	(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)		
	(2) U.S. Government securities	1c(2)		
	(3) Corporate debt instruments (other than employer securities):			
	(A) Preferred	1c(3)(A)		
	(B) All other	1c(3)(B)		
	(4) Corporate stocks (other than employer securities):			
	(A) Preferred	1c(4)(A)		
	(B) Common	1c(4)(B)		
	(5) Partnership/joint venture interests	1c(5)		
	(6) Real estate (other than employer real property)	1c(6)		
	(7) Loans (other than to participants)	1c(7)		
	(8) Participant loans	1c(8)		
	(9) Value of interest in common/collective trusts	1c(9)		
	(10) Value of interest in pooled separate accounts	1c(10)		
	(11) Value of interest in master trust investment accounts	1c(11)	213542422	0
	(12) Value of interest in 103-12 investment entities	1c(12)		
	(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)		
	(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)		
	(15) Other	1c(15)		

1d Employer-related investments:		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	218421105	6924525

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h	95968	6924525
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	95968	6924525

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	218325137	0
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income

		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	2045842	
(B) Participants	2a(1)(B)		
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		2045842
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		0
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		0
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		0
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		1640867
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		3686709

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	1639480	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		1639480
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees	2i(1)	30605	
(2) Contract administrator fees	2i(2)	90598	
(3) Investment advisory and management fees	2i(3)	4896	
(4) Other	2i(4)	255609	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		381708
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		2021188

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		1665521
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan	2l(2)		219990658

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☒ Yes ☐ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: DELOITTE & TOUCHE LLP

(2) EIN: 13-3891517

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

- 4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....		X	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.).....		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....		X	
e Was this plan covered by a fidelity bond?.....	X		500000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....		X	
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.).....		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....	X		
l Has the plan failed to provide any benefit when due under the plan?		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....			
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			

- 5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
If yes, enter the amount of any plan assets that reverted to the employer this year ☐ Yes ☒ No Amount:

- 5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)
LUCENT RETIREMENT INCOME PLAN	22-3408857	001

Alcatel USA, Inc.
Consolidated Retirement
Plan

Financial Statements

***As of March 1, 2007 (Date of Merger) and
December 31, 2006, and for the Period From
January 1, 2007 to March 1, 2007 (Date of Merger) and
the Year Ended December 31, 2006 and Independent
Auditors' Report***

ALCATEL USA, INC. CONSOLIDATED RETIREMENT PLAN

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NOTE: The accompanying financial statements have been prepared for the purpose of filing with the Department of Labor's Form 5500. Supplemental schedules required by 29 CFR 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 are omitted because of the absence of the conditions under which they are required.



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INDEPENDENT AUDITORS' REPORT

To the Plan Administrator and Participants of the
Alcatel USA, Inc. Consolidated Retirement Plan:

We were engaged to audit the statements of net assets available for benefits and changes in net assets available for benefits as of March 1, 2007 (Date of Merger) and December 31, 2006, and for the period from January 1, 2007 to March 1, 2007 (Date of Merger) and for the year ended December 31, 2006, of the Alcatel USA, Inc. Consolidated Retirement Plan (the "Plan") and the statements of accumulated plan benefits and changes in accumulated plan benefits as of January 1, 2007 and January 1, 2006 and for the years ended. These financial statements are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Notes 3 and 5, which was certified by JP Morgan Chase Bank, the trustee of the Plan, except for comparing the information with the related information included in the financial statements. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained certifications from the trustee that the information as of and for the period from January 1, 2007 to March 1, 2007 (Date of Merger) and year ended December 31, 2006, provided to the plan administrator by the trustee, is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to express, and do not express, an opinion on the accompanying financial statements. The form and content of the information included in the financial statements, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

As discussed in Note 1 to the financial statements, the Plan was merged into the Lucent Retirement Income Plan effective March 1, 2007.

Deloitte & Touche LLP

December 17, 2007

ALCATEL USA, INC. CONSOLIDATED RETIREMENT PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS MARCH 1, 2007 (DATE OF MERGER) AND DECEMBER 31, 2006

	2007	2006
ASSETS		
INVESTMENT IN MASTER TRUST, AT FAIR VALUE (Notes 3 and 5)	\$ -	\$ 213,542,422
EMPLOYER CONTRIBUTIONS RECEIVABLE	<u>6,924,525</u>	<u>3,076,321</u>
Total assets	<u>6,924,525</u>	<u>216,618,743</u>
LIABILITIES		
ACCRUED ADMINISTRATIVE EXPENSES	87,037	95,968
DUE TO LUCENT RETIREMENT INCOME PLAN	<u>6,837,488</u>	<u>-</u>
Total liabilities	<u>6,924,525</u>	<u>95,968</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ -</u>	<u>\$ 216,522,775</u>

See notes to financial statements.

ALCATEL USA, INC. CONSOLIDATED RETIREMENT PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS PERIOD FROM JANUARY 1, 2007 TO MARCH 1, 2007 (DATE OF MERGER) AND THE YEAR ENDED DECEMBER 31, 2006

	2007	2006
ADDITIONS:		
Employer contributions	\$ 3,848,204	\$ 30,402,744
Plan's interest in Master Trust investment income (Notes 3 and 5)	<u>1,640,867</u>	<u>23,655,074</u>
Total additions	<u>5,489,071</u>	<u>54,057,818</u>
DEDUCTIONS:		
Benefit payments	1,639,480	18,564,440
Administrative expenses	<u>381,708</u>	<u>1,527,451</u>
Total deductions	<u>2,021,188</u>	<u>20,091,891</u>
NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	3,467,883	33,965,927
TRANSFER TO ALCATEL DATA NETWORKS, INC. RETIREMENT PENSION PLAN	-	(119)
TRANSFER TO LUCENT RETIREMENT INCOME PLAN (NOTE 1)	(219,990,658)	-
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	<u>216,522,775</u>	<u>182,556,967</u>
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	<u>\$ -</u>	<u>\$ 216,522,775</u>

See notes to financial statements.

ALCATEL USA, INC. CONSOLIDATED RETIREMENT PLAN

STATEMENTS OF ACCUMULATED PLAN BENEFITS JANUARY 1, 2007 AND 2006

	2007	2006
ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS:		
Vested benefits:		
Active	\$ 70,113,347	\$ 72,708,805
Terminated and deferred disabled	49,242,995	51,071,787
Retirees and disabled participants in pay status	<u>81,623,563</u>	<u>80,968,481</u>
Total vested benefits	200,979,905	204,749,073
Nonvested benefits	<u>14,384,919</u>	<u>14,675,096</u>
TOTAL ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS	<u>\$ 215,364,824</u>	<u>\$ 219,424,169</u>

See notes to financial statements.

ALCATEL USA, INC. CONSOLIDATED RETIREMENT PLAN

STATEMENTS OF CHANGES IN ACCUMULATED PLAN BENEFITS YEARS ENDED JANUARY 1, 2007 AND 2006

	2007	2006
ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS:		
Beginning of year total accumulated plan benefits	\$ 219,424,169	\$ 224,442,721
INCREASE (DECREASE) DURING THE YEAR ATTRIBUTABLE TO:		
Benefits accumulated net actuarial losses	2,584,629	72,919
Interest due to decrease in discount period	14,710,538	14,869,465
Benefits paid	(18,564,440)	(23,965,715)
Change in actuarial assumptions	<u>(2,790,072)</u>	<u>4,004,779</u>
Net decrease	<u>(4,059,345)</u>	<u>(5,018,552)</u>
ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS, END OF YEAR	<u>\$ 215,364,824</u>	<u>\$ 219,424,169</u>

See notes to financial statements.

ALCATEL USA, INC. CONSOLIDATED RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1, 2007 TO MARCH 1, 2007 (DATE OF MERGER) AND THE YEAR ENDED DECEMBER 31, 2006

1. DESCRIPTION OF THE PLAN

The following brief description of the Alcatel USA, Inc. Consolidated Retirement Plan (the "Plan") provides only general information. Participants should refer to the plan document for a more complete description.

Plan Merger - On April 2, 2006, Alcatel USA, Inc. (the "Company") and Lucent entered into a definitive merger agreement. Completion of the merger occurred on November 30, 2006, and Lucent became a wholly owned subsidiary of the Company. In addition, Alcatel, the parent company, changed its name to Alcatel-Lucent. As a result of this transaction, effective March 1, 2007, the Plan was merged into the Lucent Retirement Income Plan ("Lucent Plan"). Plan assets and obligations were transferred to the Lucent Plan.

General - The Plan, previously the Alcatel Network Systems, Inc. Consolidated Salaried Retirement Plan, was formed when the Company, previously Alcatel Network Systems, Inc., acquired the net assets of the Network Transmission Systems Division of Rockwell International Corporation. The Plan became effective on August 28, 1991. The Plan was a defined benefit pension plan covering all salaried employees. Effective September 1998, the Company's parent purchased DSC Communications Corporation ("DSC"), which merged with the Company on December 31, 1998. As a result, effective March 27, 1999, the Plan was amended to include former DSC salaried and hourly employees. Effective December 31, 1999, assets of the Alcatel USA, Inc. Consolidated Hourly Retirement Plan were merged with the Plan.

Effective January 1, 2001, participation in the Plan was frozen. Employees receiving offer letters in the fourth quarter of 2000 and beginning employment prior to February 1, 2001, were eligible for participation in the Plan. All other employees starting employment with the Company beginning January 1, 2001, were not eligible to participate in the Plan.

Effective December 31, 2001, the Alcatel USA, Inc. Retirement Plan for Production Employees ("Production Employees Plan") was merged into the Plan.

Effective December 31, 2002, the Company elected to freeze pensionable earnings and credited service for all participants in the Plan. All other provisions of the Plan were not affected.

Effective December 31, 2004, the Alcatel NA Cable Systems, Inc. Salaried Pension Plan, the Alcatel NA Cable Systems, Inc. Hourly Pension Plan, and the Radio Frequency Systems, Inc. Non Union Hourly Pension Plan were merged into the Plan. Effective December 31, 2004, these plans' prior sponsor, Radio Frequency Systems, Inc. ("RFS"), elected to freeze participation and benefits in conjunction with the plans' merger into the Plan and became a participating employer within the Plan. Commensurate with these plan mergers, total related accumulated plan benefit obligations of \$42,080,626 were transferred into the Plan.

Alcatel USA, Inc. was the Plan's sponsor. The trustee of the Plan was JPMorgan Chase Bank (the "Trustee"). The Plan was subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

Eligibility - Eligibility for benefits was determined by length of service. Vesting service was used to determine a participant's right to receive a benefit. Credited service was used to determine the amount of the benefit payable to the participant. Credited service was earned while a participant was actively employed as an employee covered by this Plan. Both services were measured in years and fractions of years (one month equals 1/12 of a year). Participation in the Plan was frozen.

Vesting - Participant vesting occurred upon completion of five years of vesting service, at which point participants were 100% vested.

Contributions - The Company generally contributed the actuarially determined amounts necessary to provide the Plan with sufficient assets to meet the benefits payable to the Plan participants at normal retirement. The Company made contributions to the Plan to meet the minimum funding requirements under ERISA for the 2007 and 2006 plan years, as determined by the Plan's actuaries. Included in the minimum funding amount was a provision to reduce the deficit between the net assets available for benefits and accumulated plan benefits. The Company believed this provision was sufficient to reduce the deficit. No participant contributions were required or permitted.

Pension Benefits - As defined in the Plan Agreement, the Plan was a single plan within the meaning of section 414(l) of the Internal Revenue Code, which included nine plan documents.

Benefits accrued by participants were derived from their respective plan formula, depending upon whether the participant either belonged to a plan previously merged into the Plan or began participation in the Plan as an employee of the Company. Benefits were accrued within the Plan under the following plans:

- The Alcatel USA, Inc. Cash Balance Plan
- The Alcatel Network Systems Retirement Plan
- The Alcatel Network Systems, Inc. Salaried Retirement Plan
- The Alcatel NA, Inc. Retirement Plan for Salaried Employees
- The Alcatel USA, Inc. Consolidated Hourly Retirement Plan
- The Alcatel USA, Inc. Retirement Plan for Production Workers
- The Alcatel NA Cable Systems, Inc. Hourly Pension Plan
- The Alcatel NA Cable Systems, Inc. Salaried Pension Plan
- The Radio Frequency Systems, Inc. Non-Union Hourly Pension Plan

Effective June 1, 1997, The Alcatel USA, Inc. Cash Balance Plan ("Cash Balance Plan") was added as an effort to increase employee awareness and appreciation of the value of their retirement benefits. Salaried and hourly employees hired on and after June 1, 1997 and April 1, 1999, respectively, had their retirement benefits calculated under the new Cash Balance Plan formula only. To ensure maximum benefits for employees hired prior to June 1, 1997, retirement benefits were calculated using the greater of their existing formula or the new Cash Balance Plan formula.

The Cash Balance Plan formula credited the amount equal to 4% of pensionable pay each month. The account was then credited monthly with interest, based on the 24-month average of 10-year Treasury rates as of the previous October. Upon retiring or leaving, vested participants were eligible for a calculated benefit.

Benefit Payments - Upon termination of service, the participant could select either: (1) single life annuity, or (2) joint and survivor annuity. A participant's marital status at his or her benefit commencement date determined which payment method was applicable. A lump-sum payment was paid for vested participant account balances less than \$5,000. All vested participants who terminated on or after January 1, 1996, with account balances greater than \$5,000, had the option to receive a lump-sum payment.

Administrative Expenses -Substantially all administrative expenses were paid by the Plan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Plan are presented on an accrual basis of accounting.

Investment Valuation and Income Recognition - Investments in the Master Trust (see Note 5) are stated at fair value based on quoted market prices, if available. Shares of mutual funds are recorded based on the net asset value of the mutual fund at the Plan's year end. Units of common collective trusts are valued at estimated fair value which has been determined by the issuer, based on the market value of the underlying securities. Net appreciation (depreciation) in the fair value of investments held at year-end and gains or losses during the year are determined using the fair value at the beginning of the year or purchase price for investments acquired during the year.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is accrued when earned.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan administrator to make estimates and assumptions that affect the reported amounts included in these financial statements. Actual results could differ from those estimates.

Risks and Uncertainties - The Plan utilized various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Plan's financial statements.

Payment of Benefits - Benefits are recorded when paid.

3. INFORMATION CERTIFIED BY THE TRUSTEE (UNAUDITED)

The following unaudited information regarding the Plan as of March 1, 2007 (Date of Merger) and December 31, 2006 and for the period from January 1, 2007 to March 1, 2007 (Date of Merger) and for the year ended December 31, 2006, included in the Plan's financial statements, was prepared by the Trustee and furnished to the plan administrator. The plan administrator has obtained certifications from the Trustee that the following information is complete and accurate:

	2007	2006
Investment in Master Trust, at fair value	\$ -	\$ 213,542,422
Plan's interest in Master Trust investment income	\$ 1,640,867	\$ 23,655,074

4. ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS

Accumulated plan benefits represent the actuarial present value of estimated future periodic payments, including lump-sum distributions, under the Plan's provisions that are attributable to services rendered by the participants through December 31, 2002. Accumulated plan benefits include benefits expected to be paid to the following: (a) retired or terminated participants or their beneficiaries, (b) beneficiaries of participants who have died, and (c) present participants or their beneficiaries. Benefits payable under all circumstances - retirement, death, full and permanent disability, and termination of employment are included to the extent that they are deemed attributable to employee service rendered to the valuation date.

Liabilities and contributions shown in the actuarial report are computed using the projected unit credit method of funding. The objective under this method is to fund each participant's benefits under the Plan as they accrue, taking into consideration future salary increases.

The actuarial present value of accumulated plan benefits is determined by the Plan's actuary and is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as death, full and permanent disability, withdrawal, or retirement) between the valuation date and the expected date of payment. Significant assumptions underlying the actuarial computations for the 2007 and 2006 plan years, utilizing a beginning of plan year valuation date, are as follows:

	2007	2006
Form of Payment		
Alcatel USA, Inc. original participants	Lump Sum	Lump Sum
Participants of merged plans	Life Annuity	Life Annuity
Interest rates:		
Pre lump sum	7.00 %	7.00 %
Post lump sum	4.85%	4.47%
Withdrawal and retirement rates	Varying based on age	Varying based on age
Mortality rates	The 1994 Group Annuity Reserve Tables for Males and Females	The 1994 Group Annuity Reserve Tables for Males and Females

The actuarial valuation is performed at the beginning of the plan year. These actuarial assumptions are based on the presumption that the Plan will continue. If the Plan terminated, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

As discussed in Note 1 to the financial statements, the Plan was merged into the Lucent Retirement Income Plan effective March 1, 2007. The estimated actuarial present value of accumulated plan benefits as of March 1, 2007 (Date of Merger) of \$216,228,370 was transferred to the Lucent Plan. The changes in the actuarial present value of accumulated plan benefits from January 1, 2007 to March 1, 2007 (Date of Merger) were primarily a decrease of approximately \$ 1,640,000 due to benefit payments and an increase of approximately \$2,523,000 due to interest due to the decrease in the discount period.

5. MASTER TRUST INFORMATION (UNAUDITED)

The assets of the Plan are combined with the assets of one other benefit plan, Alcatel Data Networks, Inc. Retirement Pension Plan ("A D N Plan"), sponsored by Alcatel, USA into a master trust, the Alcatel Master Trust Retirement Plan Trust (the "Master Trust"). The combination of the plans' assets is for investment purposes only, and each plan continues to be operated under its current plan agreement.

Investment income and realized or unrealized gains and losses are allocated to participating plans in the Master Trust monthly based on the market value of plan assets on the last day of the prior month in proportion to the Trust's total value on the last day of the prior month.

Effective March 1, 2007, the A D N Plan became a participating plan in the Lucent Technologies Inc. Master Pension Trust (the "MPT") and invested in certain sleeves within the MPT in accordance with the established asset allocation of the A D N plan. The Master Trust became a sub-trust of the MPT on March 1, 2007 (Date of Merger).

The following unaudited information regarding the Master Trust, was prepared by the Trustee and furnished to the plan administrator. The funds of the Master Trust are invested in funds maintained by the Trustee, a party-in-interest. The plan administrator has obtained certifications from the Trustee that the following information is complete and accurate.

The following are the net assets of the Master Trust as of March 1, 2007 (Date of Merger) and December 31, 2006, and changes in net assets for the period from January 1, 2007 to March 1, 2007 (Date of Merger) and for the year ended December 31, 2006:

	2007	2006
Cash	\$ -	\$ 10
Investments, at fair value:		
Cash and cash equivalents	-	8,464
Mutual funds	-	171,724,276
Interest in common collective trusts	-	45,464,839
Total investments, at fair value	-	217,197,589
Receivables for securities sold	-	821,041
Trust's net assets	\$ -	\$ 218,018,630
Plan's investment in Master Trust, at fair value	\$ -	\$ 213,542,422
Plan's percent interest	0.0 %	97.9 %
	2007	2006
Changes in net assets:		
Master Trust net assets, beginning of year	\$ 218,018,630	\$ 180,333,010
Contributions	-	34,312,067
Investment income.- cash and cash equivalents	557	21,206
Net appreciation in fair value of investments	1,674,798	24,108,903
Benefit payments	(1,641,947)	(19,028,952)
Expenses	(393,038)	(1,727,604)
Transfer to Lucent Master Pension Trust	(217,659,000)	-
Master Trust net assets, end of period	\$ -	\$ 218,018,630

The net unrealized and realized appreciation in the fair value of the Master Trust's investments totaled \$1,674,798 and \$24,108,903 for the period from January 1, 2007 to March 1, 2007 (Date of Merger) and for the year ended December 31, 2006, respectively, as follows:

	2007	2006
Mutual funds	\$ 1,312,618	\$ 15,741,414
Interest in common collective trust	362,180	8,367,489
Net appreciation in fair value of investments	<u>1,674,798</u>	<u>24,108,903</u>
Investment income	<u>557</u>	<u>21,206</u>
Total Master Trust investment income	\$ 1,675,355	\$ 24,130,109
Plan's interest in Master Trust investment income	<u>\$ 1,640,867</u>	<u>\$ 23,655,074</u>

Investments in the Master Trust which represented 5% or more of net assets transferred on March 1, 2007 (Date of Merger) or available for benefits as of December 31, 2006 are as follows:

	2007	2006
NTGI-QM Collective Daily Aggregate Bond Index Fund	\$ 86,288,578	\$ 89,941,557
Pyramid Equity Index Fund	73,342,614	76,158,698
Morgan Stanley Pooled International Equity Mutual Fund	45,716,625	45,418,505

6. EXEMPT PARTY-IN-INTEREST TRANSACTIONS

Certain Master Trust investments are shares of mutual funds and common collective trusts managed by JPMorgan Chase Bank. JP Morgan Chase Bank was the trustee of the Plan and, therefore, these transactions qualify as party-in-interest transactions. Fees paid by the Plan for the investment management services are included as a reduction of the return on each fund.

7. TAX STATUS

The Plan received a determination letter from the Internal Revenue Service ("IRS") dated February 21, 1996, in which they stated that the Plan, as amended through December 20, 1994, was in compliance with the applicable requirements of the Internal Revenue Code ("IRC"). The Plan has been amended and restated to comply with changes in the law since that time; however, plan management believes that through the date of the merger the Plan was designed and being operated in compliance with the applicable requirements of the IRC. A request for a new determination letter was submitted to the IRS on December 28, 2001; however, due to the IRS' policy regarding cash balance plans, the issuance of a favorable determination letter will be delayed until the Plan has been reviewed by the National Office of the IRS.

8. PLAN TERMINATION

Until the Plan's merger, the event of the Plan's termination, or partial termination, each participant or beneficiary would have been fully vested in the funded accrued benefits then held by the trustee. Had there been any assets remaining after allocating assets for each participant's accrued benefits, the excess would have first been used to pay the expenses of the plan termination and the balance, if any, would have reverted to the Company. If the assets had been insufficient to provide for each participant's accrued benefits, the distribution of the Plan's assets would have been based on the priorities of allocation prescribed by ERISA and its related regulations.

Certain benefits under the Plan are insured by the Pension Benefit Guaranty Corporation ("PBGC") if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits and certain disability and survivor pensions. However, the PBGC does not guarantee all types of benefits under the Plan and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination. However, there is a statutory ceiling on the amount of a participant's monthly benefit that the PBGC guarantees.

Whether all participants receive their benefits had the Plan terminated would depend on the sufficiency, at the time, of the Plan's net assets to provide for accumulated benefit obligations and would also depend on the financial condition of the Company and the level of benefits guaranteed by the PBGC.

* * * * *

**SCHEDULE C
(Form 5500)**

Department of the Treasury
Internal Revenue Service
Department of Labor
Employee Benefits Security Administration
Pension Benefit Guaranty Corporation

Service Provider Information

This schedule is required to be filed under section 104 of the
Employee Retirement Income Security Act of 1974.

► **File as an attachment to Form 5500.**

Official Use Only

OMB No. 1210-0110

2006

**This Form is Open to
Public Inspection.**

For calendar plan year 2006 or fiscal plan year beginning 01/01/2007 , and ending 03/01/2007 ,

A Name of plan ALCATEL USA, INC. CONSOLIDATED RETIREMENT PLAN	B Three-digit plan number ► 004
C Plan sponsor's name as shown on line 2a of Form 5500 ALCATEL USA, INC.	D Employer Identification Number 54-1025763

Part I Service Provider Information (see instructions)

1 Enter the total dollar amount of compensation paid by the plan to all persons, other than those listed below, who received compensation during the plan year: **1** 4896

2 On the first item below list the contract administrator, if any, as defined in the instructions. On the other items, list service providers in descending order of the compensation they received for the services rendered during the plan year. List only the top 40. 103-12 IEs should enter N/A in (c) and (d).

(a) Name	(b) Employer identification number (see instructions)	(c) Official plan position
		Contract administrator
(d) Relationship to employer, employee organization, or person known to be a party-in-interest	(e) Gross salary or allowances paid by plan	(f) Fees and commissions paid by plan
		(g) Nature of service code(s) (see instructions)
		12

(a) Name	(b) Employer identification number (see instructions)	(c) Official plan position
MORGAN STANLEY	25-1875689	INVESTMENT MANAGEMENT
(d) Relationship to employer, employee organization, or person known to be a party-in-interest	(e) Gross salary or allowances paid by plan	(f) Fees and commissions paid by plan
		(g) Nature of service code(s) (see instructions)
NONE		62745
		21

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500. v9.0 Schedule C (Form 5500) 2006



(a) Name	(b) Employer identification number (see instructions)	(c) Official plan position	
JP MORGAN CHASE	13-5123346	INVESTMENT MANAGEMENT	
(d) Relationship to employer, employee organization, or person known to be a party-in-interest	(e) Gross salary or allowances paid by plan	(f) Fees and commissions paid by plan	(g) Nature of service code(s) (see instructions)
NONE		17672	21
(a) Name	(b) Employer identification number (see instructions)	(c) Official plan position	
WATSON WYATT & CO.	53-0181291	ACTUARY	
(d) Relationship to employer, employee organization, or person known to be a party-in-interest	(e) Gross salary or allowances paid by plan	(f) Fees and commissions paid by plan	(g) Nature of service code(s) (see instructions)
NONE		16288	11
(a) Name	(b) Employer identification number (see instructions)	(c) Official plan position	
MERCER HR CONSULTING	13-2834414	ACTUARY	
(d) Relationship to employer, employee organization, or person known to be a party-in-interest	(e) Gross salary or allowances paid by plan	(f) Fees and commissions paid by plan	(g) Nature of service code(s) (see instructions)
NONE		14317	11

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(a) Name	(b) Employer identification number (see instructions)	(c) Official plan position	
NORTHERN TRUST	36-1561860	INVESTMENT ADVISORY	
(d) Relationship to employer, employee organization, or person known to be a party-in-interest	(e) Gross salary or allowances paid by plan	(f) Fees and commissions paid by plan	(g) Nature of service code(s) (see instructions)
NONE		10181	20
(a) Name	(b) Employer identification number (see instructions)	(c) Official plan position	
(d) Relationship to employer, employee organization, or person known to be a party-in-interest	(e) Gross salary or allowances paid by plan	(f) Fees and commissions paid by plan	(g) Nature of service code(s) (see instructions)
(a) Name	(b) Employer identification number (see instructions)	(c) Official plan position	
(d) Relationship to employer, employee organization, or person known to be a party-in-interest	(e) Gross salary or allowances paid by plan	(f) Fees and commissions paid by plan	(g) Nature of service code(s) (see instructions)

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Part II Termination Information on Accountants and Enrolled Actuaries (see instructions)

(a) Name _____ (b) EIN _____

(c) Position _____

(d) Address _____

(e) Telephone No. _____

Explanation: _____

(a) Name _____ (b) EIN _____

(c) Position _____

(d) Address _____

(e) Telephone No. _____

Explanation: _____

(a) Name _____ (b) EIN _____

(c) Position _____

(d) Address _____

(e) Telephone No. _____

Explanation: _____

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**SCHEDULE R
(Form 5500)**Department of the Treasury
Internal Revenue ServiceDepartment of Labor
Employee Benefits Security
Administration

Pension Benefit Guaranty Corporation

Retirement Plan InformationThis schedule is required to be filed under sections 104 and 4065 of the
Employee Retirement Security Act of 1974 (ERISA) and section 6058(a) of the
Internal Revenue Code (the Code).► **File as an Attachment to Form 5500.**

Official Use Only

OMB No. 1210-0110

2006**This Form is Open to
Public Inspection.**

For calendar year 2006 or fiscal plan year beginning 01/01/2007 , and ending 03/01/2007 ,

A Name of plan ALCATEL USA, INC. CONSOLIDATED RETIREMENT PLAN	B Three-digit plan number 004
C Plan sponsor's name as shown on line 2a of Form 5500 ALCATEL USA, INC.	D Employer Identification Number 54-1025763

Part I Distributions

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.	1 \$ 0
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits). 13-3795042	
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.	
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year	3 9

Part II Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)

4 Is the plan administrator making an election under Code section 412(c)(8) or ERISA section 302(c)(8)? ☐ Yes ☐ No ☒ N/A

If the plan is a defined benefit plan, go to line 7.

5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions, and enter the date of the ruling letter granting the waiver ☐ Month ☐ Day ☐ Year

If you completed line 5, complete lines 3, 9, and 10 of Schedule B and do not complete the remainder of this schedule.

6a Enter the minimum required contribution for this plan year	6a \$
b Enter the amount contributed by the employer to the plan for this plan year	6b \$
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount)	6c \$

If you completed line 6c, skip lines 7 and 8 and complete line 9.

7 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ☐ Yes ☐ No ☒ N/A

Part III Amendments

8 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box(es). If no, check the "No" box. (See instructions.) ☐ Increase ☐ Decrease ☐ No

Part IV Coverage (See instructions.)

9 Check the box for the test this plan used to satisfy the coverage requirements ☐ the ratio percentage test ☐ average benefit test

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500. v9.0 Schedule R (Form 5500) 2006



Plan Name: Alcatel USA, Inc. Consolidated Retirement Plan
 EIN/PN: 54-1025763/004
 2007 Form 5500 – Schedule H
 Reconciliation to Audited Financial Statements

The 2004, 2005, 2006, and 2007 Schedules B and Schedules H for the Alcatel USA, Inc. Consolidated Retirement Plan were amended to reflect the following contribution reclassifications:

- The following contributions were reclassified from the 2005 plan year to the 2004 plan year:
 - o \$2,248,279 contribution made on 4/15/2005
 - o \$2,248,279 contribution made on 7/15/2005
- The following contributions were reclassified from the 2006 plan year to the 2005 plan year:
 - o \$2,231,362 contribution made on 4/14/2006
 - o \$9,259,918 contribution made on 7/14/2006
- The following contribution was reclassified from the 2007 plan year to the 2006 plan year:
 - o \$1,802,362 contribution made on 4/13/2007

These contribution reclassifications did not impact the financial condition of the Plan. Their cumulative impact on the assets in the plan at the time the reclassifications were executed and going forward was a net change of \$0. The exhibits below reconcile the Statements of Net Assets Available for Benefits and the Statements of Changes in Net Assets Available for Benefits shown in the audited financial statements to the amended Schedule H for illustrative purposes.

Statements of Net Assets Available for Benefits
 March 1, 2007

	2007 – audited financial statements		Contributions reclassified from 2008 to 2007		2007 – amended Schedule H
Assets					
INVESTMENT IN MASTER TRUST, AT FAIR VALUE (Notes 3 and 5)	\$0			=	\$0
EMPLOYER CONTRIBUTIONS RECEIVABLE	6,924,525	+	0	=	6,924,525
Total Assets	6,924,525	+	0	=	6,924,525
Liabilities					
ACCRUED ADMINISTRATIVE EXPENSES	87,037			=	87,037
DUE TO LUCENT RETIREMENT INCOME PLAN	6,837,488			=	6,837,488
Total Liabilities	6,924,525			=	6,924,525
NET ASSETS AVAILABLE FOR BENEFITS	\$0	+	\$0	=	\$0

Statements of Net Assets Available for Benefits
December 31, 2006

	2007 – audited financial statements		Contributions reclassified from 2007 to 2006		2007 – amended Schedule H
Assets					
INVESTMENT IN MASTER TRUST, AT FAIR VALUE (Notes 3 and 5)	\$213,542,422			=	\$213,542,422
EMPLOYER CONTRIBUTIONS RECEIVABLE	3,076,321	+	1,802,362	=	4,878,683
Total Assets	216,618,743	+	1,802,362	=	218,421,105
Liabilities					
ACCRUED ADMINISTRATIVE EXPENSES	95,968			=	95,968
DUE TO LUCENT RETIREMENT INCOME PLAN	0			=	0
Total Liabilities	95,968			=	95,968
NET ASSETS AVAILABLE FOR BENEFITS	\$216,522,775	+	\$1,802,362	=	\$218,325,137

Statements of Changes in Net Assets Available for Benefits
March 1, 2007

	2007 – audited financial statements		Contributions reclassified from 2007 to 2006		Contributions reclassified from 2008 to 2007		2007 – amended Schedule H
ADDITIONS							
Employer Contributions	\$3,848,204	-	\$1,802,362	+	\$0	=	\$2,045,842
Plan's interest in Master Trust investment income (Notes 3 and 5)	1,640,867					=	1,640,867
Total Additions	5,489,071	-	1,802,362	+	0	=	3,686,709
DEDUCTIONS							
Benefit payments	1,639,480					=	1,639,480
Administrative expenses	381,708					=	381,708
Total deductions	2,021,188					=	2,021,188
NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	3,467,883	-	1,802,362	+	0	=	1,665,521
TRANSFER TO ALCATEL DATA NETWORKS, INC. RETIREMENT PENSION PLAN	0					=	0
TRANSFER TO LUCENT RETIREMENT INCOME PLAN (Note 1)	(219,990,658)					=	(219,990,658)
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	216,522,775	+	1,802,362			=	218,325,137
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	\$0			+	\$0	=	\$0

Statements of Changes in Net Assets Available for Benefits
December 31, 2006

	2007 – audited financial statements		Contributions reclassified from 2006 to 2005		Contributions reclassified from 2007 to 2006		2006 – amended Schedule H
ADDITIONS							
Employer Contributions	\$30,402,744	-	\$11,491,280	+	\$1,802,362	=	\$20,713,826
Plan's interest in Master Trust investment income (Notes 3 and 5)	23,655,074					=	23,655,074
Total Additions	54,057,818	-	11,491,280	+	1,802,362	=	44,368,900
DEDUCTIONS							
Benefit payments	18,564,440					=	18,564,440
Administrative expenses	1,527,451					=	1,527,451
Total deductions	20,091,891					=	20,091,891
NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	33,965,927	-	11,491,280	+	1,802,362	=	24,277,009
TRANSFER TO ALCATEL DATA NETWORKS, INC. RETIREMENT PENSION PLAN	(119)					=	(119)
TRANSFER TO LUCENT RETIREMENT INCOME PLAN (Note 1)	0					=	0
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	182,556,967	+	11,491,280			=	194,048,247
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	\$216,522,775			+	\$1,802,362	=	\$218,325,137

**SCHEDULE B
(Form 5500)**

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security
Administration

Pension Benefit Guaranty Corporation

Actuarial Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974, referred to as ERISA, except when attached to Form 5500-EZ and, in all cases, under section 6059(a) of the Internal Revenue Code, referred to as the Code.

▶ **Attach to Form 5500 or 5500-EZ if applicable.**

▶ **See separate instructions.**

Official Use Only

OMB No. 1210-0110

2007

**This Form is Open to Public
Inspection (except when
attached to Form 5500-EZ).**

For calendar plan year 2007 or fiscal plan year beginning 01/01/2007 and ending 03/01/2007

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan ALCATEL USA, INC. CONSOLIDATED RETIREMENT PLAN		B Three-digit plan number ... ▶ 004
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-EZ ALCATEL USA, INC.		D Employer Identification Number 54-1025763
E Type of plan: (1) ☐ Multiemployer (2) ☒ Single-employer (3) ☐ Multiple-employer	F 100 or fewer participants in prior plan year ☐	

Part I Basic Information (To be completed by all plans)

1a Enter the actuarial valuation date: Month 01 Day 01 Year 2007

b Assets:

(1) Current value of assets	b(1)	218435799
(2) Actuarial value of assets for funding standard account	b(2)	210878770
c (1) Accrued liability for plans using immediate gain methods	c(1)	215364824
(2) Information for plans using spread gain methods:		
(a) Unfunded liability for methods with bases	c(2)(a)	
(b) Accrued liability under entry age normal method	c(2)(b)	
(c) Normal cost under entry age normal method	c(2)(c)	

Statement by Enrolled Actuary (see instructions before signing):

To the best of my knowledge, the information supplied in this schedule and on the accompanying schedules, statements, and attachments, if any, is complete and accurate, and in my opinion each assumption, used in combination, represents my best estimate of anticipated experience under the plan. Furthermore, in the case of a plan other than a multiemployer plan, each assumption used (a) is reasonable (taking into account the experience of the plan and reasonable expectations) or (b) would, in the aggregate, result in a total contribution equivalent to that which would be determined if each such assumption were reasonable; in the case of a multiemployer plan, the assumptions used, in the aggregate, are reasonable (taking into account the experience of the plan and reasonable expectations).

**SIGN
HERE**

F. Pierce Noble

Signature of actuary

F. PIERCE NOBLE

Type or print name of actuary

MERCER

Firm name

1717 MAIN STREET, SUITE 4400

DALLAS

TX

75201-2744

Address of the firm

Date

G 11-00142

Most recent enrollment number

214-220-3500

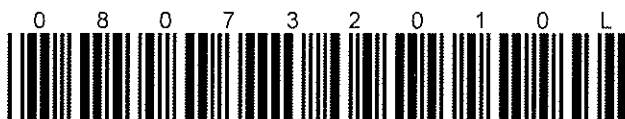
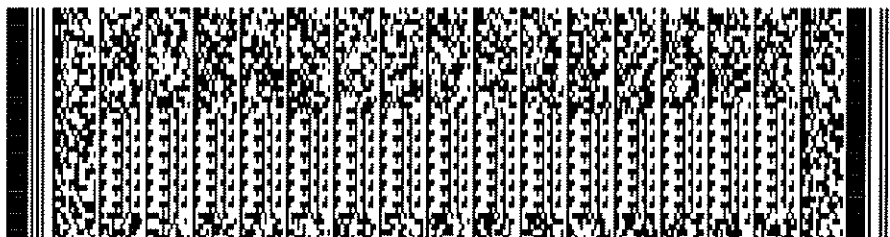
Telephone number (including area code)

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions. ☐

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-EZ.

v10.1

Schedule B (Form 5500) 2007



1d Information on current liabilities of the plan:

(1) Amount excluded from current liability attributable to pre-participation service (see instructions) . . .	d(1)	0
(2) "RPA '94" information:		
(a) Current liability	d(2)(a)	242114902
(b) Expected increase in current liability due to benefits accruing during the plan year	d(2)(b)	158588
(c) Current liability computed at highest allowable interest rate (see instructions)	d(2)(c)	242114902
(d) Expected release from "RPA '94" current liability for the plan year	d(2)(d)	3341556
(3) Expected plan disbursements for the plan year	d(3)	3474893

2 Operational information as of beginning of this plan year:

a Current value of the assets (see instructions)		2a	218325137
b "RPA '94" current liability:			
	(1) No. of Persons	(2) Vested Benefits	(3) Total Benefits
(1) For retired participants and beneficiaries receiving payments	2037	89170960	89170960
(2) For terminated vested participants	4020	64452529	64452529
(3) For active participants	2196	73993867	88491413
(4) Total	8253	227617356	242114902
c If the percentage resulting from dividing line 2a by line 2b(4), column (3), is less than 70%, enter such percentage.		2c	%

3 Contributions made to the plan for the plan year by employer(s) and employees:

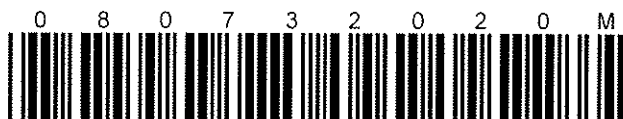
(a) Month-Day-Year	(b) Amount paid by employer	(c) Amount paid by employees	(a) Month-Day-Year	(b) Amount paid by employer	(c) Amount paid by employees
04/13/2007	1697638				
11/14/2007	348204				
3 Totals ▶ (b)				2045842	(c) 0

4 Quarterly contributions and liquidity shortfall(s):

a Plans other than multiemployer plans, enter funded current liability percentage for preceding year (see instructions).	4a	82.9 %
---	-----------	--------

b If line 4a is less than 100%, see instructions, and complete the following table as applicable:

Liquidity shortfall as of end of Quarter of this plan year			
(1) 1st	(2) 2nd	(3) 3rd	(4) 4th
0	0	0	0



5 Actuarial cost method used as the basis for this plan year's funding standard account computation:**a** ☐ Attained age normal **b** ☐ Entry age normal **c** ☒ Accrued benefit (unit credit)**d** ☐ Aggregate **e** ☐ Frozen initial liability **f** ☐ Individual level premium**g** ☐ Individual aggregate **h** ☐ Other (specify) _____**i** Has a change been made in funding method for this plan year? ☐ Yes ☒ No**j** If line i is "Yes," was the change made pursuant to Revenue Procedure 2000-40? ☐ Yes ☐ No**k** If line i is "Yes," and line j is "No" enter the date of the ruling letter (individual or class) approving the change in funding method _____ Month _____ Day _____ Year _____**6** Checklist of certain actuarial assumptions:**a** Interest rate for "RPA '94" current liability. **6a** 5.78 % ☐ N/A**b** Weighted average retirement age **6b** 59 ☐ N/A**c** Rates specified in insurance or annuity contracts ☐ N/A **6c**

Pre-retirement		Post-retirement	
Yes	No	Yes	No
☒	☐	☒	☐

☐ N/A**d** Mortality table code for valuation purposes:(1) Males **d(1)** 9 ☐ N/A
(2) Females **d(2)** 9 ☐ N/A**e** Valuation liability interest rate ☐ N/A **6e** 7.00 % ☐ N/A**f** Expense loading ☐ N/A **6f** 4.3 % ☐ N/A**g** Annual withdrawal rates:(1) Age 25 **g(1)**

Rate Code	Male	Female
U	9.90 %	9.90 %
U	2.80 %	2.80 %
U	0.00 %	0.00 %

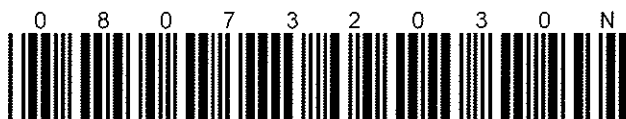
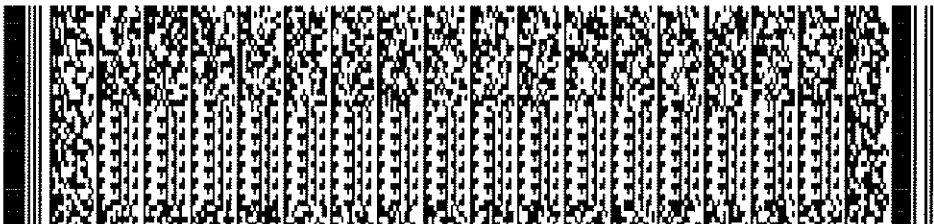
☐ N/A
(2) Age 40 **g(2)** ☐ N/A
(3) Age 55 **g(3)** ☐ N/A**h** Salary scale ☒ N/A **6h** % ☒ N/A**i** Estimated investment return on actuarial value of assets for year ending on the valuation date **6i** 6.0 % ☐ N/A**j** Estimated investment return on current value of assets for year ending on the valuation date **6j** 11.7 % ☐ N/A**7** New amortization bases established in the current plan year:

(1) Type of Base

(2) Initial Balance

(3) Amortization Charge/Credit

1	2504320	97839
4	-2807300	-64026

8 Miscellaneous information:**a** If a waiver of a funding deficiency or an extension of an amortization period has been approved for this plan year, enter the date of the ruling letter granting the approval _____ Month _____ Day _____ Year _____

8b If one or more alternative methods or rules (as listed in the instructions) were used for this plan year, enter the appropriate code in accordance with the instructions ▶ _____

c Is the plan required to provide a Schedule of Active Participant Data? (see instructions) If "Yes," attach schedule ☒ Yes ☐ No

9 Funding standard account statement for this plan year:

Charges to funding standard account:

a Prior year funding deficiency, if any.....	9a	0
b Employer's normal cost for plan year as of valuation date.....	9b	158588
c Amortization charges as of valuation date:		
(1) All bases except funding waivers..... ▶ (\$ 121720271)	c(1)	4799877
(2) Funding waivers..... ▶ (\$ 0)	c(2)	0
d Interest as applicable on lines 9a, 9b, and 9c.....	9d	56241
e Additional interest charge due to late quarterly contributions, if applicable.....	9e	0
f Adjusted additional funding charge from Part II, line 12q, if applicable..... ☐ N/A	9f	0
g Total charges. Add lines 9a through 9f.....	9g	5014706

Credits to funding standard account:

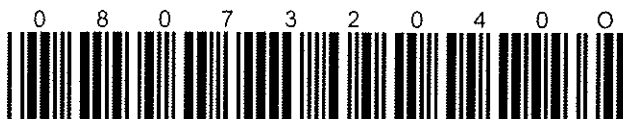
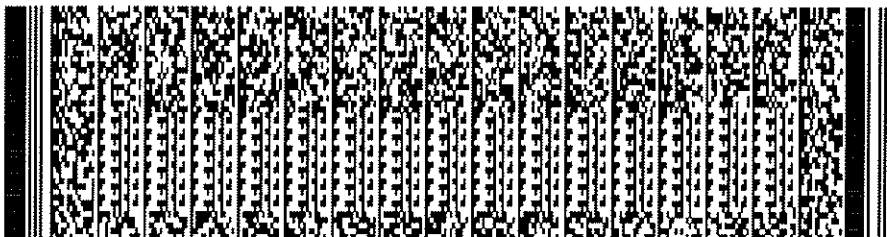
h Prior year credit balance, if any.....	9h	2336909
i Employer contributions. Total from column (b) of line 3.....	9i	2045842
j Amortization credits as of valuation date..... ▶ (\$ 37930998)	9j	1148976
k Interest as applicable to end of plan year on lines 9h, 9i, and 9j.....	9k	39539
l Full funding limitation (FFL) and credits:		
(1) ERISA FFL (accrued liability FFL).....	l(1)	6946210
(2) "RPA '94" override (90% current liability FFL).....	l(2)	9159871
(3) FFL credit.....	l(3)	0
m (1) Waived funding deficiency.....	m(1)	0
(2) Other credits.....	m(2)	0
n Total credits. Add lines 9h through 9k, 9l(3), 9m(1), and 9m(2).....	9n	5571266
o Credit balance: If line 9n is greater than line 9g, enter the difference.....	9o	556560
p Funding deficiency: If line 9g is greater than line 9n, enter the difference.....	9p	0

Reconciliation account:

q Current year's accumulated reconciliation account:		
(1) Due to additional funding charges as of the beginning of the plan year.....	q(1)	76958680
(2) Due to additional interest charges as of the beginning of the plan year.....	q(2)	7630
(3) Due to waived funding deficiencies:		
(a) Reconciliation outstanding balance as of valuation date.....	q(3)(a)	0
(b) Reconciliation amount. Line 9c(2) balance minus line 9q(3)(a).....	q(3)(b)	0
(4) Total as of valuation date..... ▶	q(4)	76966310

10 Contribution necessary to avoid an accumulated funding deficiency. Enter the amount in line 9p or the amount required under the alternative funding standard account if applicable..... **10** 0

11 Has a change been made in the actuarial assumptions for the current plan year? If "Yes," see instructions ☒ Yes ☐ No



Part II Additional Information for Certain Plans Other Than Multiemployer PlansPlease see **Who Must File** in the Schedule B instructions to determine if you must complete Part II.**12** Additional required funding charge (see instructions):

- a**
- Enter "Gateway %." Divide line 1b(2) by line 1d(2)(c) and multiply by 100.

If line 12a is at least 90%, go to line 12q and enter -0-.

If line 12a is less than 80%, go to line 12b.

If line 12a is at least 80% (but less than 90%), see instructions and, if applicable, go to line 12q

and enter -0-. Otherwise, go to line 12b.

- b**
- "RPA '94" current liability. Enter line 1d(2)(a)

- c**
- Adjusted value of assets (see instructions)

- d**
- Funded current liability percentage. Divide line 12c by 12b and multiply by 100

- e**
- Unfunded current liability. Subtract line 12c from line 12b.

- f**
- Liability attributable to any unpredictable contingent event benefit

- g**
- Outstanding balance of unfunded old liability

- h**
- Unfunded new liability. Subtract the total of lines 12f and 12g from line 12e. Enter -0- if negative

- i**
- Unfunded new liability amount (
- 19.55
- % of line 12h)

- j**
- Unfunded old liability amount

- k**
- Deficit reduction contribution. Add lines 12i, 12j, and 1d(2)(b).

- l**
- Net charges in funding standard account used to offset the deficit reduction contribution. Enter a negative number if less than zero.

m Unpredictable contingent event amount:

- (1) Benefits paid during year attributable to unpredictable contingent event

- (2) Unfunded current liability percentage. Subtract the percentage

on line 12d from 100%.

- (3) Enter the product of lines 12m(1) and 12m(2)

- (4) Amortization of all unpredictable contingent event liabilities

- (5) "RPA '94" additional amount (see instructions)

- (6) Enter the greatest of lines 12m(3), 12m(4), or 12m(5).

- n**
- Preliminary additional funding charge: Enter the excess of line 12k over line 12l (if any), plus line 12m(6),

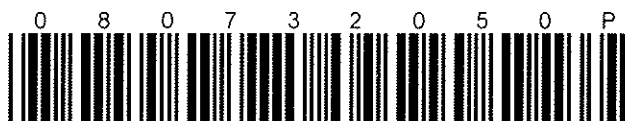
adjusted to end of year with interest

- o**
- Contributions needed to increase current liability percentage to 100% (see instructions)

- p**
- Additional funding charge prior to adjustment: Enter the lesser of line 12n or 12o

- q**
- Adjusted additional funding charge. (
- 100.0
- % of line 12p)

12a	87.1 %
12b	242114902
12c	208541861
12d	86.13 %
12e	33573041
12f	0
12g	7623925
12h	25949116
12i	845509
12j	165316
12k	1169413
12l	3809489
m(1)	0
m(2)	13.87 %
m(3)	0
m(4)	0
m(5)	0
m(6)	0
12n	0
12o	29820861
12p	0
12q	0



ATTACHMENTS TO SCHEDULE B (FORM 5500)**ACTUARIAL INFORMATION**

Plan: Alcatel Consolidated Plan
EIN/PIN: 54-1025763/004

We used and relied upon financial data submitted by the trustee without further audit. We have also used and relied on participant data supplied by the data administrator. These data would customarily not be verified by a plan's actuary. We have reviewed the participant data for internal consistency and reasonableness and have no reason to doubt its substantial accuracy. The plan sponsor is solely responsible for the validity and completeness of this information.

The following separate exhibits are attached:

1. Schedule B, Line 6 – Summary of Plan Provisions
2. Schedule B, Line 6 – Statement of Actuarial Assumptions/Methods
3. Schedule B, Line 6b – Description of Weighted Average Retirement Age
4. Schedule B, Line 8c – Schedule of Active Participant Data
5. Schedule B, Lines 9c and 9j – Schedule of Funding Standard Account Bases
6. Schedule B, Line 11 – Justification for Changes in Actuarial Assumptions

Please note that this 2007 Schedule B filing for this plan is for the short plan year January 1, 2007 through February 28, 2007.

Schedule B, Line 6 – Summary of Plan Provisions**AUSA Consolidated**

Following is a summary of the major plan provisions used to determine the plan's financial position. It should not be used in determining plan benefits.

<i>Effective date</i>	January 1, 2002
	The Alcatel USA, Inc. Consolidated Retirement Plan ("Consolidated Plan") consists of six separate plan documents:
	▪ The Alcatel USA, Inc. Cash Balance Plan, ("Cash Balance Plan") originally effective June 1, 1997; ▪ The Alcatel Network Systems Retirement Plan ("ANS Salaried Plan"), originally effective April 1, 1993; ▪ The Alcatel Network Systems, Inc. Salaried Retirement Plan ("Rockwell Plan"), originally effective August 28, 1991; ▪ The Alcatel NA, Inc. Retirement Plan for Salaried Employees ("ITT Mirror Plan"), originally effective January 1, 1987; ▪ The Alcatel USA, Inc. Consolidated Hourly Retirement Plan ("Consolidated Hourly Plan"); and ▪ The Alcatel USA, Inc. Retirement Plan for Production Workers ("Bargaining Unit Plan"), originally effective August 28, 1991.
<i>Plan year</i>	January 1 to March 1
<i>Most recent amendment</i>	January 1, 2002
<i>Sponsoring employer</i>	Alcatel USA, Inc.

Schedule B, Line 6 – Summary of Plan Provisions**AUSA Consolidated**

Participating employees

- Cash Balance: Certain former participants in the ANS Salaried, Rockwell, ITT Mirror, or Consolidated Hourly plans, and new participants on and after June 1, 1997 and prior to January 1, 2001.

Participation was generally frozen effective January 1, 2001. Benefit accruals ceased effective December 31, 2002 and participation was frozen for all employees effective January 1, 2003.

- ANS Salaried: Certain participants, including former Celwave Plan participants, on June 1, 1997, including those who elected to remain under the plan, but no new participants covered.
- Rockwell: Certain participants, including former Celwave Plan participants, on April 1, 1993, including those who elected to remain under the plan, but no new participants covered.
- ITT Mirror: Certain participants, including former Celwave Plan participants, on April 1, 1993, including those who elected to remain under the plan, but no new participants covered.
- Consolidated Hourly: Certain participants on December 31, 1995, but no new participants covered. Benefit accruals ceased at that time.
- Bargaining Unit: Certain participants on August 24, 2001, but no new participants covered. On that date, all active participants terminated employment with the employer in connection with the sale of the Richardson, TX facility.

Vesting service

The elapsed time method is used to determine vesting service.

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<i>Accrued benefit</i>	For Cash Balance participants on or after June 1, 1997, the actuarial equivalent single life annuity of the cash balance account as of December 31, 2002, adjusted for interest credits until the annuity starting date. Interest credit rates are determined each January and are based on the 24-month average of the 10-year Treasury rates as of the previous October. Additional accruals or guaranteed minimums may apply to participants under a prior plan, Consolidated Hourly Plan or the Bargaining Unit Plan. Prior plan participants, certain former AESCI or Alcanet participants, and Bargaining Unit Plan participants, receive the greater of the actuarial equivalent single life annuity value of the cash balance account at normal retirement or the vested single life annuity under the prior plan, the ANS Salaried Plan, or the Bargaining Unit Plan, as applicable. Consolidated Hour Plan participants receive the greater of the actuarial equivalent single life annuity value of the cash balance account (including the lump sum value of the Hourly Plan accrued benefit prior to 1996) or the accrued single life annuity under the Consolidated Hourly Plan. All accruals cease effective December 31, 2002. Accrued benefits payable to Cash Balance Plan participants are guaranteed a minimum benefit equal to the greater of the cash balance account adjusted for interest credits or the actuarial equivalent single life annuity value of the account balance as of December 31, 2002 based on the factors in effect at that time.
<i>Normal retirement age</i>	Attained age 65, or date of hire if later. For participants on June 1, 1997, the normal retirement age under the prior plan, if earlier.
<i>Normal retirement</i>	The accrued benefit, commencing the first day of the month coincident or next following the attainment of normal retirement age.
<i>Early retirement age</i>	Termination of employment after attainment of age 55 and the completion of five or more years of vesting service.

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<i>Early retirement</i>	The accrued benefit as of the early retirement date. If the accrued benefit equals the accrued benefit under the prior plans, Consolidated Hourly Plan or Bargaining Unit Plan, early retirement reductions will apply, where applicable: ▪ ANS Salaried: 3% per year prior to normal retirement. If Rule of 85 applies (service credits continue after 12/31/2002 for eligibility purposes), the accrued benefit is unreduced and a temporary benefit is payable to normal retirement date equal to $.0025 \times \text{average compensation} \times \text{credited service}$. ▪ Rockwell: Actuarial equivalent for commencement prior to normal retirement. A supplemental allowance of \$325 per month is payable from the earlier of age 60 and 15 years of service or age 55 and 30 years of service until age 62. Special benefits apply if Rule of 85 eligibility is met. ▪ ITT Mirror: 3% per year prior to normal retirement. If age 55 with 15 years of service or at least age 50 and the sum of age and service equals 80 or more, the reduction is 5% per year prior to age 60. ▪ Consolidated Hourly: (i) 5% per year prior to normal retirement for Raleigh participants; (ii) 6.67% for first 5 years and 3.33% for next 5 years prior to normal retirement for Vann participants; or (iii) 6% per year prior to normal retirement for Hourly participants. ▪ Bargaining Unit: Actuarial equivalent for commencement prior to age 62.
<i>Deferred retirement</i>	The accrued benefit as of the late retirement date, but not less than the actuarial equivalent value of the normal retirement benefit
<i>Deferred vested benefit</i>	The accrued benefit is 100% vested after completion of 5 years of vesting service or the attainment of normal retirement age. The participant may request immediate distribution upon termination; otherwise, commencement is deferred until age 55.
<i>Disability benefit</i>	The accrued benefit is payable after termination of employment and eligibility for long term disability benefits or Social Security disability benefits. Benefits ordinarily commence at the later of Normal Retirement Date or when LTD benefits cease; however, the participant may elect earlier commencement.

Schedule B, Line 6 – Summary of Plan Provisions**AUSA Consolidated**

Pre-retirement death benefit

For married participants, the greater of the qualified joint and survivor annuity, or the actuarial equivalent value of the participant's vested accrued benefit payable as a qualified survivor annuity. The spouse may elect to receive the benefit as an actuarial equivalent lump sum, or defer payment until the participant's earliest retirement age.

For single participants, the lump sum present value of the participant's vested accrued benefit, payable immediately.

Lump sum death benefit

Former Rockwell Plan participants are eligible for a lump sum death benefit equal to 25% of average compensation, but not less than \$2,500 or more than \$10,000.

Optional forms of retirement benefits

Normal Form: Married – 50% joint & survivor annuity; Single – Life annuity

Optional Forms: 75% or 100% qualified joint & survivor annuity; 50%, 75% or 100% contingent survivor annuity; lump sum.

Schedule B, Line 6 – Summary of Plan Provisions**AUSA Consolidated (Formerly Cable Salaried)**

This valuation reflects the provisions of the plan as of January 1, 2007. The plan is effective since August 1, 1983. Following is a summary of the major plan provisions used to determine the plan's financial position. It should not be used in determining plan benefits.

<i>Effective date and plan year</i>	August 1, 1983, as last amended effective December 31, 2004
<i>Plan Year</i>	January 1 through March 1
<i>Eligibility</i>	Salaried employees who were participants in the Retirement Plan of Chester Cable Corporation, Cablewave Systems, Inc. Amended and Restated Benefit Plan, or the CelWave Systems, Inc. Plan for Salaried Employees prior to January 1, 1985 shall continue to be participants. Salaried employees hired on or after January 1, 1985 shall become participants on the first day of the month after completing 12 months of service.
<i>Normal Retirement</i>	
<i>Eligibility</i>	Last day of the month coincident with or next following attainment of age 65 and 5 years of service
<i>Regular pension</i>	1.6% of Final 5 year Average Salary times service less 0.55% of the minimum of Covered Compensation and Final 3 year average salary times service limited to 35 years. All benefits were frozen as of December 31, 2004.
<i>Early Retirement</i>	
<i>Eligibility</i>	Attained age 55 with at least 10 years of vesting service, or age 50 plus service equals or exceeds 80.
<i>Regular pension</i>	The benefit as determined under normal retirement benefit using service to early retirement date. If payments commence prior to normal retirement date, the benefit is reduced by 5/12% for each complete month by which commencement date precedes normal retirement date.
<i>Disability Retirement</i>	
<i>Eligibility</i>	An employee shall be deemed disabled if he is eligible for benefits under the company's long-term disability plan.
<i>Regular pension</i>	The benefit as determined under normal retirement benefit, projected to normal retirement date assuming pay remains constant and benefit service is credited for period of disability. Payments commence at normal retirement date.

Schedule B, Line 6 – Summary of Plan Provisions**AUSA Consolidated (Formerly Cable Salaried)**

<i>Late Retirement</i>	
<i>Eligibility</i>	An employee may work beyond age 65.
<i>Regular pension</i>	The same as the benefit at the normal retirement date but based on service and pay as of the late retirement date.
<i>Vesting</i>	
<i>Eligibility</i>	Completion of 5 years of vesting service.
<i>Regular pension</i>	An employee who terminates employment with the company after 5 or more years of vesting service will be entitled to the accrued benefit at any date after he attains early retirement eligibility with appropriate reduction for retirement before age 65.
<i>Pre-retirement Spouse's Benefit</i>	
<i>Eligibility</i>	Completion of 5 years of vesting service
<i>Benefit</i>	An annuity payable for the spouse's life equal to 50% of the benefit accrued to date of death, as determined under normal retirement benefits, reduced for the election of the 50% joint and survivor annuity, and for the commencement of payments prior to the employee's normal retirement age. If the employee dies prior to the attainment of early retirement age, benefit commencement is deferred until the date he would have reached his early retirement age.
<i>Form of Benefit</i>	
<i>Normal</i>	Life annuity if not married at retirement. 50% joint and survivor annuity which is the actuarial equivalent of benefit described above if employee is married at retirement.
<i>Optional</i>	Single life annuity

Schedule B, Line 6 – Summary of Plan Provisions**AUSA Consolidated (Formerly Cable Salaried)**

Former Mirror Plan

<i>Effective Date</i>	January 1, 1987, as last amended effective December 31, 2004
<i>Eligibility</i>	Employees enter plan as of first day of month following completion of 12 months of service.
<i>Credited Service</i>	Service from date of hire or January 1, 1987, if later.
<i>Vesting</i>	100% after five years of service
<i>Normal Retirement</i>	
<i>Eligibility</i>	Age 65
<i>Regular benefit</i>	2% of final average salary during the 5 years of service in last 10 years giving the highest average, multiplied by service up to 25 years, plus 1-1/2% of such final average salary multiplied by service between 25 and 40 years; reduced by 1-1/4% of the Social Security benefit multiplied by service up to 40 years. All benefits were frozen as of December 31, 2004.
<i>Standard Early Retirement</i>	
<i>Eligibility</i>	Age 55 and 10 years of service
<i>Regular pension</i>	Accrued pension reduced by 1/4% of 1% for each month that payments commence prior to age 65. Social Security reduction is not applied before age 62.
<i>Special Early Retirement</i>	
<i>Eligibility</i>	Age 55 and 15 years of service or age 55 and age plus service equals or exceeds 80.
<i>Regular pension</i>	Accrued pension reduced 5/12 of 1% for each month that payments commence prior to age 60. Unreduced accrued pension payable for retirement after age 60. Social Security reduction is not applied before age 62.

Schedule B, Line 6 – Summary of Plan Provisions**AUSA Consolidated (Formerly Cable Salaried)**

Death Benefits	
<i>Pre-retirement</i>	Spouses of active and inactive members who die with a vested benefit receive a life survivor annuity commencing when the participant would have attained earliest retirement age eligibility providing 50% of the pension the member would have received had he retired early on the day before his death with a statutory joint and survivor annuity. Benefits commencing before the participant would have been 65 are reduced by the appropriate early retirement factors. A supplemental survivor's benefit may be elected by members who have attained age 65 or age 55 with 10 years of service. The benefit payable to the beneficiary is 25% of the accrued pension to which the member is entitled, adjusted if the beneficiary is more than 5 years younger. Coverage for this benefit results in reduced pension at retirement.
<i>Post-retirement</i>	Depends on type of payment selected.
Disability Benefits	Benefit service is credited during the period of absence as a result of a total and permanent disability during which the participant becomes entitled to Social Security disability payments.
Form of Payment	
<i>Normal</i>	If married, actuarially reduced 50% joint and survivor annuity. If not married, life annuity
<i>Optional</i>	Life annuity Joint and survivor (100%, 50%) Spouse's contingent annuity option: (not available for vested benefits) 1. 90% (adjusted for difference in ages of more than 5 years) of benefit with 50% of the unreduced payable to spouse after retired members' death. 2. 80% (adjusted for difference in ages of more than 5 years) of benefit with the reduced benefit payable to spouse after retired member's death.

Schedule B, Line 6 – Summary of Plan Provisions**AUSA Consolidated (Formerly Cable Salaried)**

Following is a summary of the major plan provisions used to determine the plan's financial position. It should not be used in determining plan benefits.

CLAREMONT LOCATION

<i>Effective date</i>	Amended and restated effective as of January 1, 1997. The most recent amendment date is December 31, 2004.
<i>Plan year</i>	January 1 through March 1
<i>Eligibility</i>	One year of service.
<i>Normal Retirement</i>	
<i>Eligibility</i>	Last day of the month coincident with or next following attainment of age 65 and 5 years of participation.
<i>Regular pension</i>	The monthly normal retirement benefit increased from \$20.00 to \$22.00 per month per year of benefit service effective 1/1/2000. Benefit service begins on employment date and is restricted to a maximum of 35 years. All benefits were frozen as of December 31, 2004.
<i>Early Retirement</i>	
<i>Eligibility</i>	Attained age 55 with at least 10 years of continuous service.
<i>Regular pension</i>	Accrued pension deferred to age 65, or immediate pension equal to accrued pension reduced by 1/240 for each month by which commencement precedes normal retirement date.
<i>Disability Retirement</i>	
<i>Eligibility</i>	Permanent disability after 15 years of continuous service.
<i>Regular pension</i>	Accrued benefit at date of disability paid for life. Disability benefit is reduced for any worker's compensation benefits paid.
<i>Late Retirement</i>	
<i>Eligibility</i>	An employee may work beyond age 65.
<i>Regular pension</i>	The benefit accrued to late retirement date as determined under normal retirement benefit.

Schedule B, Line 6 – Summary of Plan Provisions**AUSA Consolidated (Formerly Cable Salaried)**

<i>Vesting</i>	
<i>Eligibility</i>	On completion of 5 years of vesting service.
<i>Regular pension</i>	The benefit accrued to termination date as determined under normal retirement benefit is fully vested and payable without reduction starting at age 65. A former participant with a fully vested benefit who has completed at least 5 years of vesting service may elect to have his benefit payments commence on the first day of any month coincident with or following attainment of age 55, reduced 1/240 per month such benefit commencement date precedes age 65.
<i>Pre-retirement spouse benefit</i>	
<i>Eligibility</i>	Completion of 5 years of vesting service.
<i>Benefit</i>	Annuity payable for life equal to 50% of the benefit accrued to date of death, as determined under normal retirement benefit, reduced for the election of the joint and 50% spouse's benefit, and for the commencement of payments prior to the employee's normal retirement age. If the employee dies prior to the attainment of earliest retirement age, benefit commencement is deferred until the date he would have reached his earliest retirement age.
<i>Form of benefit</i>	
<i>Normal</i>	Life annuity if not married at retirement. 50% joint and survivor annuity which is the actuarial equivalent of benefit described above if employee is married at retirement.
<i>Optional</i>	Single life annuity. Alternate joint and survivor annuity.

Schedule B, Line 6 – Summary of Plan Provisions**AUSA Consolidated (Formerly Cable Salaried)**

PHOENIX LOCATION

<i>Effective Date:</i>	August 1, 1983, restated effective December 31, 1994, and last amended effective December 31, 2004.
<i>Plan Year:</i>	January 1 through March 1
<i>Eligibility:</i>	All full-time non-union employees are eligible on the later of date of employment and August 1, 1983.
<i>Normal Retirement</i>	
<i>Eligibility</i>	Last day of the month coincident with or next following attainment of age 65.
<i>Regular Pension</i>	The monthly normal retirement benefit is equal to \$15.50 per month per year of benefit service, increased to \$15.75 per month per year effective 10/1/94, \$16.00 effective 10/1/95, \$16.25 effective 10/1/96, and \$16.50 effective 10/1/97. The Plan was amended effective 1/1/1998 thereby making the monthly normal retirement benefit equal to \$17.50 per month per year of benefit service effective 9/26/1998 and increased to \$18.00 per month per year effective 9/26/2001. Benefit service begins on the later of employment date or August 1, 1983 and is restricted to a maximum of 40 years. All benefits frozen as of December 31, 2004.
<i>Early retirement</i>	
<i>Eligibility</i>	Attained age 55 with at least 10 years of vesting service.
<i>Regular pension</i>	Accrued pension deferred to age 65, or immediate pension equal to accrued pension reduced by 1/3% for each month by which commencement precedes normal retirement date. There is no reduction for early commencement for a participant who has completed 30 years of benefit service on his early retirement date.
<i>Disability retirement</i>	
<i>Eligibility</i>	Permanent disability after attaining age 40 and 10 years of continuous service.
<i>Regular pension</i>	\$80 per month payable immediately. Regular pension commences at normal retirement date.

Schedule B, Line 6 – Summary of Plan Provisions**AUSA Consolidated (Formerly Cable Salaried)**

<i>Late Retirement</i>	
<i>Eligibility</i>	An employee may work beyond age 65.
<i>Regular pension</i>	The benefit accrued to late retirement date as determined under normal retirement benefit.
<i>Vesting</i>	
<i>Eligibility</i>	On completion of 5 years of vesting service.
<i>Regular Pension</i>	The benefit accrued to termination date as determined under normal retirement benefits is fully vested and payable without reduction starting at age 65. A former participant with a fully vested benefit who has completed at least 15 years of vesting service may elect to have his benefit payments commence on the first day of any month coincident with or following attainment of age 60, reduced 1/3% per month such benefit commencement date precedes age 65.
<i>Pre-retirement Spouse Benefit</i>	
<i>Eligibility</i>	Completion of 5 years of vesting service.
<i>Benefit</i>	Annuity payable for life equal to 50% of the benefit accrued to date of death, as determined under normal retirement benefits, reduced for the election of the joint and 50% spouse's benefit, and for the commencement of payments prior to the employee's normal retirement age. If the employee dies prior to the attainment of normal or early retirement age, benefit commencement is deferred until the date he would have reached his normal or early retirement age.
<i>Form of Benefit</i>	
<i>Normal</i>	Life annuity if not married at retirement. 50% joint and survivor annuity which is the actuarial equivalent of benefit described above if employee is married at retirement.
<i>Optional</i>	Single life annuity.

Schedule B, Line 6 – Summary of Plan Provisions**AUSA Consolidated (Formerly RFS Plan)**

Following is a summary of the major plan provisions used to determine the plan's financial position. It should not be used in determining plan benefits.

Non-Union Hourly

<i>Effective date</i>	March 27, 1973, as last amended effective December 31, 2002
<i>Plan year</i>	January 1 through March 1
<i>Eligibility</i>	The Plan covers all employees who are classified as non-union hourly employees. Employees who were participants in the Cablewave Systems, Inc. Amended and Restated Defined Benefit Pension Plan ("prior plan") prior to January 1, 1985 shall continue to be participants. Employees hired on or after January 1, 1985 become participants on the first day of the month in which they have both attained age 18 and completed on year of service.
<i>Normal Retirement</i>	
<i>Eligibility</i>	First day of the month coincident with or next following attainment of age 65 and 5 years of service.
<i>Benefit</i>	1.6% of final 5 year average salary multiplied by all service less 0.55% of the minimum of covered compensation or final 3 year average salary times benefit service limited to 35 years. Benefits are limited as prescribed in the Internal Revenue Code Section 415. All benefits were frozen on December 31, 2004.
<i>Early Retirement</i>	
<i>Eligibility</i>	Attained age 55 with at least 10 years of vesting service, or age 50 with age plus service greater or equal to 80
<i>Early Retirement (continued)</i>	
<i>Benefit</i>	The benefit as determined under Normal Retirement projected to normal retirement date assuming pay remains constant, multiplied by a ratio of service at date of termination to projected service at normal retirement date. If payments commence prior to normal retirement date the benefit is reduced by 5/12% for each complete month by which commencement date precedes normal retirement date.
<i>Disability Retirement</i>	
<i>Eligibility</i>	An employee shall be deemed disabled if he is eligible for benefits under the company's long-term disability plan.
<i>Benefit</i>	Benefits continue to accrue during period of disability based on current pay.

Schedule B, Line 6 – Summary of Plan Provisions**AUSA Consolidated (Formerly RFS Plan)**

<i>Late Retirement</i>	
<i>Eligibility</i>	An employee may work beyond age 65.
<i>Benefit</i>	The larger of (1) the benefit accrued to the date of retirement or (2) the actuarial equivalent of the amount the employee would have received had he retired on his normal retirement date. Benefits commence on actual retirement date.
<i>Vesting</i>	
<i>Eligibility</i>	On completion of 5 years of vesting service
<i>Benefit</i>	Accrued benefit as described under early retirement, at any date after he attains early retirement eligibility, with reduction for retirement before age 65.
<i>Pre-retirement Spouse's Benefit</i>	
<i>Eligibility</i>	Completion of 5 years of vesting service
<i>Benefit</i>	Annuity payable for life equal to 50% of the benefit accrued to date of death, as determined under normal retirement, reduced for the election of the joint and 50% spouse's benefit, and for the commencement of payments prior to the employee's normal retirement age. If the employee dies prior to the attainment of earliest retirement age, benefit commencement is deferred until the date he would have reached his earliest retirement age.
<i>Form of Benefit</i>	
<i>Normal</i>	Life annuity if not married at retirement, 50% joint and survivor annuity which is the actuarial equivalent of benefit described above if employee is married at retirement.
<i>Optional</i>	Single life annuity Alternate joint and survivor annuity

Schedule B, Line 6 – Summary of Plan Provisions**AUSA Consolidated (Formerly RFS Plan)**

Marlboro

<i>Effective date</i>	August 1, 1983, as last amended effective December 31, 2002.
<i>Plan year</i>	January 1 through March 1
<i>Eligibility</i>	All full-time union employees are eligible on the later of date of employment or August 1, 1983.
Normal Retirement	
<i>Eligibility</i>	First day of the month coincident with or next following attainment of age 65 and 5 years of service.
<i>Benefit</i>	The monthly normal retirement benefit is equal to \$15.50 per month per year of benefit service, increased to \$15.75 per month per year effective 10/1/1994, \$16.00 effective 10/1/1995, \$16.25 effective 10/1/1996, and \$16.50 effective 10/1/1997. The plan was amended effective 1/1/1998, thereby making the monthly normal retirement benefit equal to \$17.50 per month per year of benefit service effective 9/26/1998 and increased to \$18.00 per month per year effective 9/26/2001. Benefit service begins on the later of employment date or August 1, 1983 and is restricted to a maximum of 40 years. All benefits were frozen on December 31, 2004.
Early Retirement	
<i>Eligibility</i>	Attained age 60 with at least 15 years of continuous service.
<i>Benefit</i>	The benefit accrued to early retirement date as determined under normal retirement benefits is payable either starting immediately with a reduction of 1/3% per month that the early retirement date precedes normal retirement date, or deferred to normal retirement date without reduction. There is no reduction for early commencement for a participant who has completed 30 years of benefit service on his early retirement date.
Disability Retirement	
<i>Eligibility</i>	Permanent disability after attaining age 40 and 10 years of continuous service.
<i>Benefit</i>	\$80 per month payable immediately. Regular pension commences at retirement date.
Late Retirement	
<i>Eligibility</i>	An employee may work beyond age 65.
<i>Benefit</i>	The benefit accrued to the late retirement date.

Schedule B, Line 6 – Summary of Plan Provisions**AUSA Consolidated (Formerly RFS Plan)**

<i>Vesting</i>	
<i>Eligibility</i>	On completion of 5 years of vesting service.
<i>Benefit</i>	The benefit accrued to termination date as determined under Normal Retirement Benefits is fully vested and payable without reduction starting at age 65. A former participant with a fully vested benefit who has completed at least 15 years of vesting service may elect to have his benefit payments commence in the form of an early retirement benefit, as described above.
<i>Pre-retirement Spouse Benefit</i>	
<i>Eligibility</i>	Completion of 5 years of vesting service.
<i>Benefit</i>	Annuity payable for life equal to 50% of the benefit accrued to date of death, as determined under normal retirement benefits, reduced for the election of the joint and 50% spouse's benefit, and for the commencement of payments prior to the employee's normal retirement age. If the employee dies prior to the attainment of early retirement age, benefit commencement is deferred until the date he would have reached his early retirement age.
<i>Form of Benefit</i>	
<i>Normal</i>	Life annuity if not married at retirement. 50% joint and survivor annuity, which is the actuarial equivalent of benefit described above if employee is married at retirement.
<i>Optional</i>	Single life annuity Alternate joint and survivor annuity

Schedule B, Line 6 – Statement of Actuarial Assumptions/Methods

Actuarial cost method: Liabilities and contributions shown in this report are computed using the projected unit credit method of funding.

Changes in actuarial cost method since prior valuation: The following changes were made since the last actuarial valuation as of January 1, 2006.

Current liability: The current liability is a present value of accrued benefits determined in accordance with IRC Section 412(l). The accrued benefits, including benefits accruing during the year, are valued under two different measures:

- The RPA '94 current liability is computed using an interest rate between 90% and 100% of the weighted four-year average corporate bond rate. The required mortality tables are separate for the period before benefits are assumed to begin (nonannuitant table) and after benefits are assumed to – or actually – begin (annuitant table) and for male and female participants. The annuitant mortality tables are based on the RP-2000 Annuitant Mortality Tables for males and females, projected with Scale AA seven years beyond the valuation year (i.e., to 2014 for the 2007 valuation). The nonannuitant mortality tables are based on the RP-2000 Employee Mortality Tables for males and females, projected with Scale AA 15 years beyond the valuation year (i.e., to 2022 for the 2007 valuation). All plans can optionally elect to use a combined table for the 2007 plan year. For disabled participants, different IRS mandated tables may be used, as specified in Revenue Ruling 96-7.
- The gateway current liability is computed using an interest rate equal to the highest interest rate allowed in the RPA '94 permissible range and the same mortality tables as the RPA '94 current liability.

Financial and census data: We used financial data submitted by the trustee as of January 1, 2007 without further audit and participant data as supplied by the plan sponsor. Customarily, this information would not be verified by a plan's actuary. We have reviewed the information for internal consistency and we have no reason to doubt its substantial accuracy.

IRC Section 415(b): The limitations of Internal Revenue Code Section 415(b) have been incorporated into our calculations.

Participants included: The plan sponsor provides us with data on all employees as of the valuation date, but only those employees who have completed the plan's eligibility requirements are included in the valuation of liabilities. No actuarial liability is included for participants who terminated nonvested prior to the valuation date.

Transferred participants: The liabilities for employees who have transferred into another plan of the plan sponsor have been included with the liabilities for terminated vested participants.

Disabled participants: The liabilities for participants on long-term disability have been included with the liabilities for terminated vested participants.

Schedule B, Line 6 – Statement of Actuarial Assumptions/Methods**Asset Valuation Method**

The actuarial asset value is a calculated value determined by starting with market value of assets at January 1, 1998. For subsequent years, the calculated value is determined by adjusting the market value of assets to reflect the investment gains and losses (the difference between the actual investment return and the expected investment return) during each of the last five years, or, if fewer, the completed years since January 1, 1998, at the rate of 20% per year. The actuarial value is subject to a restriction that it not be less than 80% or more than 120% of market value.

Changes Since Prior Valuation

There were no changes since the last actuarial valuation as of January 1, 2006.

Short Plan Year Valuation

The plan has a short plan year as a result of merging into the Lucent Management Plan effective March 2, 2007.

Schedule B, Line 6 – Statement of Actuarial Assumptions/Methods

The following economic assumptions were used in valuing the liabilities and benefits under the plan.

<i>Census date</i>	January 1, 2007
<i>Investment return</i>	▪ 7.00% compounded annually for funding purposes ▪ 5.78% compounded annually for gateway current liability ▪ 5.78% compounded annually for RPA '94 current liability ▪ 7.00% compounded annually for the present value of accumulated plan benefits (PVAB)
<i>Compensation increases</i>	N/A
<i>Social Security Taxable Wage Base increases</i>	N/A
<i>Future Increases in Maximum Benefits and Plan Compensation Limits</i>	N/A
<i>Other assumptions</i>	
<i>Healthy mortality</i>	1994 Group Annuity Mortality Table for males and females. See table for sample rates. Combined Mortality Table is used for Gateway and RPA '94 current liability.
<i>Disability</i>	AUSA Consolidated: Wyatt 1985 Disability Study Class 1 male and female rates. See table for sample rates. Formerly Cable Salaried and formerly RFS Plan: Incidence of disability assumes 1978 Society of Actuaries study. See table for sample rates.
<i>Disability mortality</i>	AUSA Consolidated: 1994 Group Annuity Mortality table for males and females. See table for sample rates. Formerly Cable Hourly, formerly Cable Salaried, and formerly RFS Plan: Pension Benefit Guaranty Corporation 1974 rates. See table for sample rates.
<i>Withdrawal</i>	See table of sample rates.
<i>Retirement age</i>	See table for sample rates.
<i>Percentage married</i>	65%
<i>Age difference</i>	A male is assumed to be three years older than his spouse.

Schedule B, Line 6 – Statement of Actuarial Assumptions/Methods

<i>Form of payment</i>	AUSA Consolidated: 100% of active participants are assumed to elect a lump-sum payment upon termination or retirement. 100% of current terminated vested participants are assumed to elect the normal form. Formerly Cable Hourly, formerly Cable Salaried, and formerly RFS Plan: All participants are assumed to elect payment in the form of a single life annuity.
<i>Changes since prior valuation</i>	The interest rate used to determine current liability was changed from 5.77% to 5.78% for RPA '94 and Gateway current liability. These rates fall within the required range for 2007. The lump sum conversion rate was changed to 4.85%. The cash balance interest crediting rate was changed to 4.28%.

Schedule B, Line 6 – Statement of Actuarial Assumptions/Methods

Tables of Sample Rates

Healthy Mortality

Attained Age	Percentage	
	GAM 94	
	Male	Female
20	.05%	.03%
25	.07	.03
30	.08	.04
35	.09	.05
40	.11	.07
45	.16	.10
50	.26	.14
55	.44	.23
60	.80	.44
65	1.45	.86
70	2.37	1.37

Disability

Attained Age	Percentage			
	Formerly Cable Salaried and RFS Plan		AUSA Consolidated	
	Male	Female	Male	Female
20	.070%	.070%	.029%	.030%
25	.072	.074	.038	.047
30	.079	.089	.048	.080
35	.089	.145	.069	.136
40	.119	.275	.117	.211
45	.252	.357	.202	.323
50	.478	.490	.358	.533
55	.860	.740	.722	.952
60	1.330	1.085	1.256	1.159

Schedule B, Line 6 – Statement of Actuarial Assumptions/Methods*Disabled Mortality*

Attained Age	Percentage			
	Formerly Cable Hourly, Cable Salaried, RFS Plan		AUSA Consolidated	
	Male	Female	Male	Female
20	5.10%	4.26%	.05%	.03%
25	5.10	4.26	.07	.03
30	4.95	4.32	.08	.04
35	4.70	4.05	.09	.05
40	4.76	3.96	.11	.07
45	5.14	3.92	.16	.10
50	5.80	4.01	.26	.14
55	6.62	4.17	.44	.23
60	7.46	4.42	.80	.44
65	8.22	4.84	1.45	.86
70	8.73	5.36	2.37	1.37

Withdrawal

Attained Age	Formerly Cable Salaried and RFS Plan	AUSA Consolidated
20	7.369%	14.9%
25	4.887	9.9
30	3.389	6.9
35	2.360	4.9
40	1.288	2.8
45	0.659	1.7
50	0.001	0.4
55	0.001	0.0
60	0.001	0.0

Schedule B, Line 6 – Statement of Actuarial Assumptions/Methods*Retirement*

Attained Age	Formerly Cable Salaried and RFS Plan	AUSA Consolidated
50-54	3.0%	0.0%
55-59	3.0	15.0
60	5.0	15.0
61	5.0	15.0
62	10.0	25.0
63	5.0	15.0
64	5.0	15.0
65 and over	100.0	100.0

Schedule B, Line 6b – Description of Weighted Average Retirement Age

Age	Number of Employees at Age	Number of Employees Retiring at Age	Weighted Retirement Age
55	100	15	825
56	85	13	714
57	72	11	618
58	61	9	534
59	52	8	462
60	44	6	399
61	38	6	345
62	32	8	497
63	24	4	227
64	20	3	196
65	17	17	1,129
Total		100	5,947
Average Retirement Age			59¹

¹ The weighted average retirement age including participants with different retirement assumptions results in the same weighted average retirement age shown above.

Schedule B, Line 8c – Schedule of Active Participant Data**Distribution of Active Participants**

Age	Years of Service as of January 1, 2007										Total
	< 1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
< 25	2	1									3
25-29		38	1								39
30-34	1	169	40								210
35-39	3	221	57	13	3						297
40-44	3	250	83	27	21	5					389
45-49	5	319	51	33	41	29	6				484
50-54	4	220	36	24	42	19	22	2			369
55-59		142	22	13	23	7	17	5	2		231
60-64	1	71	23	10	7	9	9	5	1		136
65-69		18	5	1	1		2		1	1	29
70+		5	2	1			1				9
Total	19	1,454	320	122	138	69	57	12	4	1	2,196

Average age: 46.1

Average pensionable service: 6.1

Schedule B, Lines 9c and 9j – Schedule of Funding Standard Account Bases

Charge	Amortization Period			Balances		Beginning-of-Year Payment
	Date Created	Initial Years	Years Left	Initial	Outstanding	
Plan Amendment	01/01/1983	30	6	\$ 346,292	\$ 140,696	\$ 4,728
Plan Amendment	01/01/1984	30	7	125,641	57,508	1,709
Initial Base	01/01/1984	30	7	7,462	3,465	103
Plan Amendment	01/01/1985	30	8	21,419	10,823	290
Plan Amendment	01/01/1986	30	9	157,443	86,441	2,125
Initial Base	01/01/1986	30	9	23,124	12,846	316
Change Assumptions	01/01/1987	30	10	574,253	338,488	7,720
Plan Amendment	01/01/1988	30	11	409,331	256,799	5,486
Plan Amendment	01/01/1989	30	12	5,488	3,656	74
Plan Amendment	01/01/1990	30	13	396,107	284,179	5,447
Plan Amendment	01/01/1990	30	13	6,423	4,494	86
Plan Amendment	01/01/1991	30	14	18,273	13,528	248
Plan Amendment	01/01/1993	30	16	164,418	128,421	2,178
Plan Amendment	01/01/1991	30	14	45,177	32,762	600
Full Funding Adjustment	01/01/1991	20	4	945,429	128,535	6,079
Full Funding Adjustment	01/01/1993	20	6	264,961	72,924	2,451
Plan Amendment	01/01/1992	30	15	5,897	4,437	78
Full Funding Adjustment	01/01/1992	20	5	600,145	119,244	4,659
Change Method	03/04/1992	24	8.93	4,654,635	2,732,416	67,563
Plan Amendment	09/01/1993	30	16.67	22,918	18,245	303
Plan Amendment	01/01/1994	30	17	981,501	788,135	12,931
Plan Amendment	01/01/1994	30	17	62,079,194	49,848,859	817,880
Change Method	01/01/1994	19	6	306,786	150,145	5,046
Plan Amendment	01/01/1998	30	21	83,913	74,081	1,095
Change Assumptions	01/01/1998	10	1	67,226	9,145	1,567
Plan Amendment	01/01/2000	30	23	782,403	714,449	10,153
Plan Amendment	01/01/2001	30	24	295,876	274,171	3,829
Legislated Changes	01/01/2002	30	25	2,323,472	2,182,020	29,993
Change Assumptions	01/01/2002	10	5	44,483,132	25,968,178	1,014,529

Schedule B, Lines 9c and 9j – Schedule of Funding Standard Account Bases

Charge	Amortization Period			Balances		Beginning-of-Year Payment
	Date Created	Initial Years	Years Left	Initial	Outstanding	
Actuarial Loss	01/01/2003	5	1	38,731,386	8,828,248	1,513,164
Legislated Changes	01/01/2003	30	26	1,099,050	1,047,392	14,188
Plan Amendment	04/01/1993	30	16.25	3,449,363	2,710,340	45,568
Actuarial Loss-Cable Hourly	01/01/2003	5	1	2,036,378	468,081	80,229
Plan Amendment-Cable Hourly	01/01/2003	30	26	223,820	214,074	2,900
Actuarial Loss-Cable Hourly	01/01/2004	5	2	261,210	115,663	10,248
Plan Amendment-Cable Salaried	01/01/2002	30	25	790,698	746,694	10,264
Actuarial Loss-Cable Salaried	01/01/2003	5	1	2,971,867	683,114	117,086
Plan Amendment-Cable Salaried	01/01/2003	30	26	386,460	369,634	5,007
Plan Amendment-Cable Salaried	01/01/2004	30	27	815,717	789,356	10,549
Actuarial Loss	01/01/2005	5	3	12,029,408	7,699,378	469,967
Assumption Changes-CH	01/01/2005	10	8	779,162	662,426	17,770
Actuarial Loss-RFS	01/01/2005	5	3	67,000	42,882	2,617
Assumption Changes-RFS	01/01/2005	10	8	15,798	13,432	360
Assumption Changes-CS	01/01/2005	10	8	978,597	831,983	22,319
Actuarial Loss	01/01/2006	5	4	7,285,851	6,018,909	284,645
New Assumptions	01/01/2006	10	9	3,765,984	3,493,412	85,891
Actuarial Loss	01/01/2007	5	5	2,390,568	2,390,568	93,395
Total				\$ 121,584,676	\$ 4,795,433	

Schedule B, Lines 9c and 9j – Schedule of Funding Standard Account Bases

Credit	Amortization Period			Balances		Beginning-of-Year Payment
	Date Created	Initial Years	Years Left	Initial	Outstanding	
Change Assumptions	01/01/1985	30	8	\$ 167,151	\$ 84,462	\$ 2,266
Change Method	01/01/1990	30	13	159,872	114,687	2,198
Change Method	01/01/1990	30	13	313,493	217,865	4,176
Plan Amendment	01/02/1990	30	13	231,275	165,939	3,180
Change Method	01/01/1992	30	15	33,590	25,330	445
Plan Amendment	04/02/1993	30	16.25	14,665,590	11,524,079	193,750
Plan Amendment	01/02/1994	30	17	1,541,563	1,237,910	20,311
Change Assumptions	01/01/1998	10	1	421,721	57,387	9,836
Change Method	01/01/1998	10	1	8,364,506	1,138,186	195,085
Change Method	01/01/1998	10	1	445,550	60,626	10,391
Plan Amendment	01/01/2000	30	23	729,290	722,557	10,268
Change Assumptions	01/01/2000	10	3	1,374,172	519,050	31,683
Plan Amendment	01/01/2002	30	25	1,123,550	1,055,153	14,504
Plan Amendment	01/01/2003	30	26	13,440,848	12,809,089	173,507
Actuarial Gain	01/01/2004	5	2	5,320,309	2,346,037	207,855
Actuarial Gain-Cable Salaried	01/01/2004	5	2	4,096,894	1,814,071	160,723
Change Assumptions- Cable Salaried	01/01/2004	10	7	583,255	449,154	13,350
Actuarial Gain-CH	01/01/2005	5	3	245,629	157,213	9,596
Asset Method Change-CH	01/01/2005	10	8	313,228	266,299	7,144
Plan Change-RFS	01/01/2005	30	28	50,154	49,055	647
Asset Method Change-RFS	01/01/2005	10	8	7,078	6,018	161
Actuarial Gain-CS	01/01/2005	5	3	261,736	167,522	10,225
Asset Method Change-CS	01/01/2005	10	8	159,977	136,009	3,649
New assumption	01/01/2007	10	10	2,807,300	2,807,300	64,026
Total					\$ 37,930,998	\$ 1,148,976

Schedule B, Lines 9c and 9j – Schedule of Funding Standard Account Bases**Equation of Balance**

1. Net amount of amortization bases outstanding on January 1, 2007	\$	83,653,678
2. Credit balance in funding standard account on January 1, 2007		0
3. Reconciliation account balance on January 1, 2007		76,966,310
4. Unfunded actuarial accrued liability on January 1, 2007 <i>(1. – 2. – 3., not less than \$0)</i>	\$	6,687,368

Schedule B, Lines 9c and 9j – Schedule of Funding Standard Account Bases

The 2004, 2005, 2006, and 2007 Schedules B and Schedules H for the Alcatel USA, Inc. Consolidated Retirement Plan were amended to reflect the following contribution reclassifications:

- The following contributions were reclassified from the 2005 plan year to the 2004 plan year:
 - o \$2,248,279 contribution made on 4/15/2005
 - o \$2,248,279 contribution made on 7/15/2005
- The following contributions were reclassified from the 2006 plan year to the 2005 plan year:
 - o \$2,231,362 contribution made on 4/14/2006
 - o \$9,259,918 contribution made on 7/14/2006
- The following contribution was reclassified from the 2007 plan year to the 2006 plan year:
 - o \$1,802,362 contribution made on 4/13/2007

The exhibit below reconciles the total funding standard account charges and credits as well as the equation of balance reported on the 2007 Schedule B before and after the contribution reclassifications.

	Before	After
Funding Standard Account Charges		
Total Outstanding Balance	\$ 121,584,676	\$ 121,720,271
Total Beginning-of-Year Payment	4,795,433	4,799,877
Funding Standard Account Credits		
Total Outstanding Balance	37,930,998	37,930,998
Total Beginning-of-Year Payment	1,148,976	1,148,976
Equation of Balance		
1. Net amount of amortization bases outstanding on January 1, 2007	83,653,678	83,789,273
2. Credit balance in funding standard account on January 1, 2007	0	2,336,909
3. Reconciliation account balance on January 1, 2007	76,966,310	76,966,310
4. Unfunded actuarial accrued liability on January 1, 2007 (1. – 2. – 3., not less than \$0)	\$ 6,687,368	\$ 4,486,054

Schedule B, Line 11 – Justification for Changes in Actuarial Assumptions

The interest rate used to determine current liability was changed from 5.77% to 5.78% for RPA '94 and Gateway current liability. These rates fall within the required range for 2007. The lump sum conversion rate was changed to 4.85%. The cash balance interest crediting rate was changed to 4.28%.

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