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AOR 1996-42

September 20, 1996

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RECEIVED
FEDERAL ELECTION
COMMISSION
MAIL ROOM

Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20006

Re: Advisory Opinion Request of Lucent Technologies Inc.

Dear Madame/Sir:

On behalf of our client, Lucent Technologies Inc. (or the "Company") we request an advisory opinion responding to the following questions:

- (1) Will Lucent Technologies PAC be disaffiliated from AT&T PAC after the completion of the transactions described below?
- (2) Are Lucent Technologies PAC and AT&T PAC affiliated at the present time and are the contribution limits applied on an aggregate basis to all activity prior to their disaffiliation?
- (3) After disaffiliation, may Lucent Technologies PAC continue the payroll deduction election of its employees if it sends each employee a letter while it is affiliated with AT&T PAC informing them of their right to withdraw their consent to continue payroll deductions?

I. Statement of Facts

On September 20, 1995, AT&T Corp. announced its intention to create a separate company composed of the AT&T businesses that now comprise Lucent Technologies Inc. This announcement was part of a broader announcement in which AT&T Corp. expressed its intention to separate into three publicly held global companies. AT&T Corp. stated that it would continue to operate as a communications and information services company. NCR Corporation would be spun-off as a separate company concentrating on transaction intensive computing, and Lucent

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Technologies Inc. would become a separate company concentrating on the manufacture and installation of various kinds of telecommunications systems and software and the manufacture and sale of other telecommunications products. NCR Corporation is not part of this advisory opinion request.

AT&T Corp. incorporated Lucent Technologies Inc. in Delaware as a wholly-owned subsidiary, and beginning on February 1, 1996, AT&T began transferring to Lucent Technologies Inc. the assets and liabilities related to its businesses. On April 3, 1996, AT&T offered to the public in an initial public offering ("IPO") 112,037,037 shares of common stock of Lucent Technologies Inc. After this offering, AT&T Corp. owned approximately 82.4 percent of the Company's common stock, which it plans to distribute on or before September 30, 1996 to AT&T shareholders of record as of September 17, 1996 (the "Distribution"). This distribution would complete the separation of the two companies.

The transactions resulting in the separation of the two companies are described in Lucent's Initial Public Offering Prospectus dated April 3, 1996 (the "Prospectus") and the Information Statement dated July 24, 1996 of Lucent Technologies Inc. (the "Information Statement"). The latter document is included with a letter to AT&T shareholders from Robert E. Allen, AT&T's Chairman of the Board dated July 24, 1996. These documents are attached.

For many years, employees who now work for Lucent Technologies Inc. have been active participants in AT&T PAC, which has represented their interest along with other AT&T executive and administrative employees. Several thousand of these employees have authorized AT&T Corp. to deduct contributions to AT&T PAC on a regular basis from their payroll. When it became clear that Lucent Technologies Inc. would become a separate company, its management began planning a new political action committee to represent its employees. On August 2, 1996, Lucent Technologies Inc. filed a Statement of Organization, which shows AT&T PAC as affiliated to Lucent Technologies PAC because at the present time the Company has not yet been spun-off and thus remains a subsidiary of AT&T Corp. While it is affiliated with AT&T PAC, Lucent Technologies PAC may receive transfers of funds contributed to AT&T PAC by Lucent Technologies Inc. employees. After the Distribution, Lucent Technologies PAC will solicit the Company's employees directly and contributions will be deposited directly into the Lucent Technologies PAC. In addition, subject to the Commission's approval, the Company wishes to continue without new solicitation the payroll deductions of its employees who have authorized AT&T to make payroll deductions. Therefore, as explained below, the Company has followed procedures approved by the Commission in past advisory opinions and has informed its employees of the transfer

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of their contributions to Lucent Technologies PAC and of their right to terminate their authorization of payroll deductions if they wish.

Lucent Technologies Inc. is one of the world's leading designers, developers and manufacturers of telecommunications systems, software and products. The Company is a global market leader in the sale of public telecommunications systems, and is a supplier of systems or software to 23 of the world's 25 largest network operators. The Company also is a global market leader in the sale of business communications systems and in the sale of microelectronic components for communications applications to manufacturers of communications systems and computers. Further, the Company is a leading supplier in the United States of telecommunications products for consumers. In addition, the Company has provided engineering, installation, maintenance or operations support services to over 250 network operators in 75 countries, over 1.4 million business locations in the United States, and approximately 100,000 business locations in over 90 other countries. The Company's research and development activities are conducted through Bell Laboratories, which consists of approximately three-quarters of the total resources of AT&T Corp.'s former Bell Laboratories division, one of the world's foremost industrial research and development organizations. On December 31, 1995 Lucent Technologies Inc. had 131,000 employees.

The Company's revenues of \$21.4 billion for the year ended December 31, 1995, were generated from the sale of systems for network operators (54% of total revenues), business communications systems (24%), microelectronic products (9%), consumer products (8%), and other systems and products, including integrated systems for the United States government (5%). In 1995, approximately 77% of the Company's revenue was generated from sales in the United States and approximately 23% internationally (including exports).

II. The Application Of The Commission's Affiliation Rules To Lucent Technologies PAC After The Distribution

The Federal Election Campaign Act ("FECA") and the Commission's regulations provide that all PACs that are established, financed, maintained or controlled by the same corporation, person, or group of persons (including any parent, subsidiary, branch, or division) are affiliated. Contributions made to or by affiliated PACs are considered to have been made to or by a single political committee for purposes of FECA's contribution limits. 2 U.S.C. § 441a(a)(5); 11 C.F.R. §§ 100.5(g)(2), 110.3(a)(1)(ii). PACs established by a single corporation and its subsidiaries are affiliated per se. 11 C.F.R.

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§ 110.3(a)(2)(i); A.O. 1990-10, CCH Fed. Elec. Camp. Fin. Guide, ¶ 5995 (1990).

Under these rules, it appears that the AT&T PAC and the Lucent Technologies PAC are currently affiliated because Lucent Technologies Inc. is a subsidiary of AT&T Corp. The first question in this advisory opinion request is whether these PACs will be disaffiliated after the Distribution. Commission regulations provide for an examination of ten factors of control in the context of the overall relationship to determine whether one company is an affiliate of another and, hence, whether their respective PACs are affiliated. 11 C.F.R. §§ 100.5(g)(4)(i) and (ii)(A)-(J), and 110.3(a)(3)(i) and (ii)(A)-(J). For the reasons set forth below, Lucent believes that the PACs will cease to be affiliated as of Distribution and asks the Commission to confirm this conclusion.

The factors relevant to this transaction are as follows: (A) the ownership by one sponsoring organization of a controlling interest in the voting stock or securities of another sponsoring organization; (B) the authority or ability of one sponsoring organization to participate in the governance of another sponsoring organization through provisions of constitutions, by-laws, contracts or other rules, or through formal or informal practices or procedures; (C) the authority or ability of one sponsoring organization to hire, demote or otherwise control the decisionmakers of another sponsoring organization; (D) common or overlapping officers or employees, indicating a formal or ongoing relationship with the sponsoring organization; (E) members, officers, or employees of one sponsoring organization who were members, officers, or employees of another organization which indicates a formal or ongoing relationship with the sponsoring organization or the creation of a successor entity; (F) (G) and (H) the provision of funds or goods in a significant amount or on a continuing basis from a sponsoring organization to a new organization or from one organization's PAC to the other organization's PAC; and (I) an active or significant role by one sponsoring organization in the formation of another organization. 11 C.F.R. § 110.3(a)(3)(ii)(A)-(J). As discussed below, these factors suggest that Lucent Technologies PAC and AT&T PAC will be disaffiliated after the Distribution.

AT&T Corp. intends to effect a complete separation between itself and Lucent Technologies Inc. Prospectus at 5. The Distribution is now scheduled to occur on or before September 30, 1996 to AT&T record shareholders as of September 17, 1996. Information Statement at 1. AT&T's shares are widely held and traded. In order to assist the Commission's analysis of this request, this letter will describe the information contained in the Prospectus and Information Statement relevant to each factor in the Commission's regulations and advisory opinions.

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A. Ownership Of Lucent Technologies Inc. By AT&T Corp.

Currently, AT&T Corp. owns approximately 82.4 percent or 524,624,894 shares of the common stock of Lucent Technologies Inc. On or before September 30, 1996, after the distribution of AT&T's remaining shares to AT&T shareholders, AT&T Corp. will have no ownership interest in Lucent Technologies Inc.

B. The Authority Of AT&T Corp. To Participate In The Governance Of Lucent Technologies Inc.

According to the Prospectus, Lucent Technologies Inc. "historically has operated as a part of AT&T. The Separation will establish the Company as a stand-alone entity with objectives separate from those of AT&T." Prospectus at 17. After the distribution of AT&T Corp.'s remaining Lucent Technologies Inc. common stock, AT&T Corp. will no longer be able to participate in the governance of Lucent Technologies Inc. It will have no power to elect the Board of Directors which is responsible for the governance of the Company. As explained below after the Distribution there will be no overlap between the management and directors of both companies.

The Prospectus describes a series of contractual agreements between AT&T Corp. and Lucent Technologies Inc. intended to effect the complete separation of the two companies and governing the continuing business relationship between the companies. Prospectus at 73-88. The Separation and Distribution Agreement sets forth the terms under which assets, liabilities, business opportunities and other matters are divided between the two companies. Prospectus at 73-79. The Agreement restricts Lucent Technologies Inc., as well as AT&T Corp., from taking any action which could prevent the Distribution from qualifying as a tax-free distribution within the meaning of section 355 of the Internal Revenue Code. The Commission found that a similar agreement in the recent ITT spin-off advisory opinion (A.O. 1996-23) was immaterial to the affiliation issue because none of the companies in that transaction anticipated that this limitation would inhibit their separate activities. Lucent Technologies Inc. represents that the same is true of this transaction. In A.O. 1993-23, CCH Fed. Elec. Camp. Fin. Guide, ¶ 6104 n.7 (1994), the Commission concluded that the continuity of interest implied by section 355 is outweighed by the disaffiliation factors identified in that opinion.

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The Separation and Distribution Agreement does not exclude one company from engaging in the same or similar business activities as the other company or from doing business with any potential vendor or customer. Prospectus at 77. However, certain intellectual property rights granted under the Separation and Distribution Agreement to the Company will be terminable if the Company provides telecommunications services of the type provided by AT&T Corp. between now and February 1, 2001. Prospectus at 78. Lucent Technologies Inc. does not anticipate entering these businesses because it would cause the Company to compete with most of its major customers, including AT&T Corp.

AT&T Corp. and the Company have entered into an Interim Services and Systems Replication Agreement which governs the provision of data processing, telecommunications and other corporate support services. With limited exceptions these interim services are not to extend beyond January 1, 1998, and many are expected to terminate at or prior to the Distribution. Prospectus at 79-80. The two companies also have entered into certain agreements under which AT&T Corp. has committed to purchase at least \$3 billion annually for calendar years 1996, 1997 and 1998 of products, licensed materials and services from Lucent Technologies Inc. Prospectus at 80. This represents a small percentage of the Company's 1995 revenues and is expected to decline as the Company's revenues increase during this period. In addition, Lucent Technologies Inc. is expected to continue to diversify its customer base.

The parties also have entered into a series of other agreements covering employee benefits, intellectual property, tax matters, real estate and other matters. Prospectus at 81-85. These agreements are intended to apportion the responsibilities and rights of the parties based upon the division of the businesses as previously outlined. None of these agreements permits one company to control the other company in a way that is inconsistent with the objective of making AT&T Corp. and Lucent Technologies Inc. separate stand-alone companies. Accordingly, nothing about these agreements should lead the Commission to view the PACs as affiliated once the Distribution occurs.

C. The Authority To Hire, Demote Or Otherwise Control The Officers And Directors Of Lucent Technologies Inc.

At the Distribution, AT&T Corp. will have no authority to hire, demote, or otherwise control the officers and directors of Lucent Technologies Inc. As explained below in section E, at the Distribution there will be no overlap in the officers and directors of the two companies. In addition, because AT&T Corp.

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will own none of the common stock of Lucent Technologies Inc., it will not be able to vote for or elect any of the Company's directors. Therefore, no control is expected to result after current employment relationships with AT&T Corp. are severed.

D. Whether Two Sponsoring Organizations Or Committees Have Common Or Overlapping Membership

This provision does not apply to this transaction.

E. Whether AT&T Corp. And Lucent Technologies Inc. Have Overlapping Officers, Directors, or Employees

At the time of the Distribution the two companies will have no overlapping officers or directors. The Prospectus details the current and former employment of the Company's senior officers and Board of Directors. Prospectus at 54-57. Most are former AT&T employees or directors who have resigned to join the Company. Seven directors of the Company are currently employed by AT&T Corp. and do not plan to leave that company. Therefore, these directors have agreed to resign from the Lucent Technologies Inc. Board of Directors prior to the Distribution. Prospectus at 57.

Although all 13 of the Lucent Technologies Inc. directors were appointed by AT&T Corp., the Company will promptly replace the seven resigning directors with individuals not chosen by AT&T Corp. Also, Lucent Technologies Inc. will have its annual shareholders meeting in February 1997. At that meeting, four of the directors -- three non-employee directors and one of the newly appointed directors who will replace an AT&T employee -- will be submitted for election by the shareholders of the Company. In summary, as of the Distribution there will be no overlapping officers and directors of AT&T Corp. and Lucent Technologies Inc.

The Prospectus describes certain antitakeover provisions in the certificate of incorporation and by-laws of Lucent Technologies Inc. Prospectus at 90-94. The purpose of these provisions is to make it more difficult for an acquiring person to gain control of the Company without the approval of the Company's Board of Directors. These provisions are irrelevant to the affiliation issue because, as explained below, there will be no overlap between the management and boards of directors of AT&T Corp. and Lucent Technologies Inc. In the spin-off of PacTel by Pacific Telesis Group ("PTG") -- a transaction very similar to this transaction -- the Commission discounted the importance of

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antitakeover provisions in the PacTel by-laws because, although PacTel's directors were appointed by PTG, there was no overlap between the boards of the two companies. A.O. 1993-23, CCH Fed. Elec. Camp. Fin. Guide, ¶ 6104 at 11931-32 (1994). On this basis, the Commission distinguished the PacTel advisory opinion from A.O. 1986-42, CCH Fed. Elec. Camp. Fin. Guide, ¶ 5884 (1987) and one other similar opinion in which there was an overlap between management and the directors of the spun-off company and its parent. In those advisory opinions, the antitakeover provisions buttressed the parent's control resulting from the overlap. That was not the case in PacTel, and it is not the case here.

F. Officers And Employees Of One Organization Were Officers And Employees Of The Other Organization

Most officers and employees of Lucent Technologies Inc. were officers or employees of AT&T Corp. This does not, however, imply continuing control of Lucent Technologies Inc. by AT&T Corp. The history of the telecommunications industry demonstrates that, despite former employment relationships with AT&T Corp., divestiture creates new economic realities that quickly dominate former allegiances. After the 1984 separation of the Regional Bell Operating Companies from AT&T Corp., the new RBOCs began to compete with AT&T Corp. and adopted political and policy agendas that conflicted with AT&T Corp. The customer/supplier relationship between these companies neither blunted nor aligned the political interests of the companies. Shortly after divestiture, virtually all of the RBOC employees were former Bell System employees who had spent their professional lives within the AT&T organization. The competition between AT&T Corp. and the RBOCs from 1984 to the present demonstrates that past associations mean little in the telecommunications industry when economic incentives cause the financial and political interests of former colleagues to diverge.

The Prospectus makes clear that a principal reason for the separation of the Company from AT&T Corp. is the competition between AT&T Corp. and many large present and future customers of Lucent Technologies Inc. in the telecommunications service business such as the RBOCs:

Changes in customer needs and demands, public policy and technology are creating a new industry structure in which many of the actual and potential customers of the Company are or will be competitors of AT&T's communications services business. As a result, the obstacles currently faced by the Company in

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marketing its products to competitors and potential competitors of AT&T's communications services business have become severe and are expected to continue to intensify. For these reasons, AT&T has announced that subject to certain conditions, it intends to effect the Distribution.

Prospectus at 43. Thus, it is likely that business realities will dominate over former professional ties and keep Lucent Technologies Inc. independent of AT&T Corp.

(G) And (H) AT&T Corp. Will Not Provide Funds Or Resources To Lucent Technologies Inc. And AT&T PAC Will Not Benefit The Lucent Technologies PAC

We have already described the business relationship between Lucent Technologies Inc. and AT&T Corp. after the Distribution. AT&T Corp. will continue as a customer of Lucent Technologies' network system products and services. In addition, the Separation and Distribution Agreement and other agreements described in the Prospectus set forth the continuing steps that the two companies will take to separate their businesses. The objective of these agreements is to make the two companies stand-alone separate organizations after the Distribution.

None of these business relationships between the two companies will benefit their PACs in any way. The two PACs will be separately supported by each connected organization and its executive and administrative employees. On August 2, 1996, Lucent Technologies Inc. organized a political action committee to accept contributions from its executive and administrative employees. The Lucent Technologies PAC expects to receive transfers from the AT&T PAC prior to the Distribution to reflect contributions made by Lucent Technologies Inc. employees to the AT&T PAC. After the Distribution there will be no further transfers of funds because Lucent Technologies PAC expects to rely on contributions from its employees.

Several thousand Lucent Technologies Inc. employees have participated in the AT&T PAC through AT&T's payroll deduction plan. Those contributions to the AT&T PAC will end at or prior to the spin-off and Lucent Technologies Inc. will provide these employees the opportunity to continue their payroll deduction for the benefit of the Lucent Technologies PAC.

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AT&T PAC and Lucent Technologies PAC are now managed by separate organizations. The Lucent Technologies PAC is governed exclusively by Lucent Technologies Inc. employees. If the Commission agrees that the two PACs are separate, unaffiliated committees, the two PACs will not coordinate their contributions.

(I) An Active Role By One Sponsoring Organization In The Formation Of The New Organization

As explained above, the fact that AT&T Corp. has played an active role in forming Lucent Technologies Inc. does not indicate that AT&T Corp. will control Lucent Technologies Inc. in the future. The economic realities described in the Prospectus and summarized above will result in an arms length business relationship between the two organizations, and the companies have taken numerous steps to ensure that they will operate separately.

(J) Whether The AT&T PAC And Lucent Technologies PAC Have Similar Patterns Of Contributions Or Contributors

After the Distribution, AT&T PAC and Lucent Technologies PAC will have different contributors. Because the Lucent Technologies PAC is newly formed, it has not made any contributions as yet.

III. Recent FEC Advisory Opinions Support The Conclusion That AT&T Corp. And The Company Will Not Be Affiliated After The Distribution

In two recent advisory opinions the Commission concluded that the separated companies were unaffiliated after the transaction. Many of the same factors discussed above in connection with the AT&T Corp. separation of Lucent Technologies Inc. were present in these two transactions and persuaded the Commission that the separated companies were no longer affiliated. The Commission should be similarly persuaded in this situation.

In A.O. 1993-23, CCH Fed. Elec. Camp. Fin. Guide, ¶ 6104 (1994) the Commission found that the spin-off of PacTel by PTG resulted in unaffiliated entities and, as a result, the PACs of each organization also were unaffiliated. As in the AT&T Corp./Lucent Technologies Inc. transaction, the separation of

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PacTel and PTG was begun with an IPO of PacTel stock, in that case 12-14 percent, followed by a distribution to PTG shareholders of the remainder of PacTel's shares. As in the AT&T Corp./Lucent Technologies Inc. transaction, PTG appointed the PacTel Board of Directors, reached certain agreements for separating the businesses, and incorporated certain antitakeover provisions in the PacTel articles of incorporation and by-laws.

The Commission concluded that PacTel and PTG would not be affiliated after the two companies were separated. It considered significant the fact that "none of either company's directors will continue as directors of the other." The same will be true after the Distribution in this case. The Commission also found that despite the fact that most of PacTel's stock would be owned by PTG shareholders after the separation, the "common" identity of the shareholders [of PacTel and PTG] will be broken by the IPO." The same will be true after the Distribution here. Indeed, the Lucent Technologies Inc. IPO distributed 17.6 percent of its common stock in the public markets, a larger percentage than the IPO of PacTel common stock. Also, there are no restrictions on the sale of most Lucent Technologies Inc. common stock after the Distribution, and the Prospectus explains that "[s]ubstantially all of such shares would be eligible for immediate resale in the public market." Prospectus at 9.

The Commission also concluded that no affiliation existed after the spin-off of ITT's businesses into three organizations. A.O. 1996-23 (July 12, 1996). The Commission noted that after the proposed disaffiliation of the ITT companies "none of the companies owns any stock in either of the other companies." The same is true of AT&T Corp. and Lucent Technologies Inc. Although an IPO was not utilized and the shareholders were identical after the ITT transaction, the Commission relied on public trading to discount this factor as a basis for continued control. In the Lucent Technologies Inc. transaction the IPO and public trading will also cause distinctly different ownership of the two companies' common stock after the Distribution.

The Commission noted that after the ITT spin-off there would be no joint management, control, or operation of the three companies. Furthermore, based on the proxy statement, it concluded that the separation agreements between the three new companies were "aimed at sorting out liabilities and obligations ... and do not appear to be aimed at continuing one company's control over another." The Lucent Technologies Inc. Prospectus makes the same points. Indeed, as previously explained, there are persuasive business reasons to make AT&T Corp. and Lucent Technologies Inc. separate companies pursuing distinct business opportunities.

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The Commission found that the ITT PACs had engaged in transfers of funds before the spin-off, but there were no transfers after the spin-off and "no indication that one PAC will solicit contributions to be made to another PAC." The same is true for AT&T PAC and Lucent Technologies PAC. The only transfers, if any, will take place prior to the Distribution and would be intended to transfer the contributions of Lucent Technologies Inc. employees received by the AT&T PAC through AT&T Corp.'s payroll deduction plan to the Lucent Technologies PAC. Transfers will not be necessary after the Lucent Technologies PAC begins receiving contributions directly from its employees.

In short, the Commission's analysis in A.O. 1993-23 and A.O. 1996-23 supports the conclusion that AT&T Corp. and Lucent Technologies Inc. and their PACs will not be affiliated after the Distribution.

IV. Are AT&T PAC And Lucent Technologies PAC Affiliated At The Present Time?

At the present time, Lucent Technologies Inc. is not 100 percent owned by AT&T Corp. Although it is not 100 percent owned by AT&T Corp., that company owns sufficient Lucent Technologies Inc. common stock to elect its Board of Directors and controls the Company. For this reason, it appears to us that prior to the Distribution the AT&T PAC and the Lucent Technologies PAC are affiliated and the transfer of funds between the PACs may freely take place. 11 C.F.R. § 102.6(a). Thus, AT&T PAC may transfer contributions collected from Lucent Technologies Inc. employees to the Lucent Technologies PAC.

It also appears to us that after the Distribution, and assuming the two PACs are no longer affiliated, Lucent Technologies Inc. must take account of contributions received by AT&T PAC from Lucent Technologies Inc. employees before the Distribution for purposes of calculating its contributors' compliance with the contribution limitations. Additionally, Lucent Technologies Inc. must take account of AT&T PAC's contributions prior to the Distribution to candidates' authorized committees and other political committees for purposes of calculating the contribution limits available to the Lucent Technologies PAC. 11 C.F.R. § 110.3(a). We respectfully request the Commission's confirmation of these conclusions.

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V. May Lucent Technologies Inc. Continue The Payroll Deductions By Lucent Technologies Inc. Employees Without Obtaining A New Authorization?

Several thousand Lucent Technologies Inc. employees have authorized AT&T PAC to deduct PAC contributions from their salaries. In two recent advisory opinions in which a company merged with an acquiring company and planned to merge its PACs into the acquiring company's PAC, the Commission approved a plan in which the merging corporation notified in writing its employees of the PAC merger plan and their right to cancel their payroll deduction authorization. If the employees of the merged company did not cancel their payroll deductions, such deductions would be automatically contributed to the surviving PAC, and resolicitation by the surviving PAC of payroll deduction authority was not required. A.O. 1994-23, CCH Fed. Elec. Camp. Fin. Guide, ¶ 6123 (1994); 1991-19, CCH Fed. Elec. Camp. Fin. Guide, ¶ 6024 (1991). In each case, the Commission did not require the merging employees to sign a new authorization for a payroll deduction to the surviving PAC.

By contrast, in A.O. 1989-16, CCH Fed. Elec. Camp. Fin. Guide, ¶ 5967 (1989), the Commission found that after two companies had separated, the new company, which established a PAC after the separation, could not rely on the payroll deduction authorization granted prior to the separation to the PAC of the parent company. The new PAC was required to seek payroll deduction authorizations "[b]ecause the employees in question are no longer employees of M Corp. subsidiaries."

In reliance on these opinions, Lucent Technologies Inc. formed the Lucent Technologies PAC while the Company was still affiliated with AT&T Corp. Also, the Company has sent the attached letter to its employees who have authorized a payroll deduction to the AT&T PAC. The letter informs the employees that they have the right to terminate their payroll deduction. However, if they do not do so, Lucent Technologies Inc. will continue to deduct a contribution from their salary and place these funds in the Lucent Technologies PAC. Because Lucent Technologies Inc. is currently a subsidiary of AT&T Corp., the advisory opinion to M Corp. does not appear to apply. The PAC of the spin-off of M Corp. was created after the separation was completed. Therefore, it was never affiliated with the PAC of the parent. In this case the Lucent Technologies PAC is currently affiliated with AT&T PAC and Lucent Technologies Inc. employees are being given a choice to terminate the payroll deduction while the two PACs are affiliated.

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The Commission, however, has never issued an advisory opinion approving the procedure being followed by Lucent Technologies PAC. Lucent Technologies Inc. will suspend payroll deductions, seek new authorizations, and return any funds as required if the Commission does not approve this procedure. We urge the Commission to extend the procedure allowed in A.O. 1991-19 and A.O. 1994-23 to the Lucent Technologies Inc. employees. There is no reason to expect these employees, who have authorized payroll deductions by AT&T PAC, to terminate payroll deduction by Lucent Technologies PAC, in part because they were previously advised that their payroll deductions would be transferred to the Lucent Technologies PAC and given an opportunity to terminate these deductions. Moreover, the procedure proposed by the Company will avoid very substantial costs of resolicitation and allow the switch of payroll deduction at the same time that Lucent Technologies Inc. payroll system is replacing the AT&T Corp. payroll system.

In A.O. 1994-23 and A.O. 1991-19 the merging employees could not be sure that the surviving PAC would represent their interests because they were joining another organization. Nevertheless, the Commission concluded that the payroll deduction could continue unless the merging employees decided to withdraw. In this transaction the Lucent Technologies PAC will clearly represent the interests of its employees. Therefore, the letter procedure should be sufficient to permit them to withdraw.

If you require any additional information, please contact the undersigned.

Sincerely,



Michael A. Nemeroff

Attachments



Martina L. Bradford
Vice President

1900 19th Street, N.W.
Suite 700
Washington, DC 20006
202-530-7000
FAX 202-530-7005

September 18, 1996

Dear Lucent Management Employee:

You have previously agreed to allow AT&T to deduct a regular amount each month from your salary and contribute that amount to the AT&T Political Action Committee (PAC).

On August 2, 1996, Lucent Technologies established the Lucent Technologies Political Action Committee. The purpose of the PAC is to solicit contributions from eligible management employees in order to make contributions to candidates for Federal elected office.

Lucent Technologies PAC is making arrangements to transfer your AT&T PAC payroll deduction to the Lucent Technologies PAC. You have the right to terminate your PAC payroll deduction for any reason if you so desire without reprisal. If you wish to terminate your payroll deduction, you should complete the enclosed form and mail it to Joe Priester, Manager, Lucent Technologies Public Affairs.

If you wish to continue payroll deductions to the Lucent Technologies PAC, there is nothing you need to do. We hope that you will continue to support the Lucent Technologies PAC just as you have supported the AT&T PAC. All of our business is affected by decisions made by legislative, regulatory and other governmental bodies. Therefore, it is essential that we have the ability to compete in the political process just as our competitors and customers do.

Your continued participation is necessary if we are to have a strong PAC. Thank you in advance for your consideration.

Sincerely,

Martina L. Bradford

Enclosure



Execute Only to Terminate Payroll Deductions

**Joe Priester
Manager-Public Affairs
Lucent Technologies Inc.
1900 19th Street, N.W.
Suite 700
Washington, D.C. 20006**

Dear Mr. Priester:

**Please be advised that I, _____,
(Print or type your name)**

do not authorize payroll deductions for the Lucent Technologies Political Action Committee. Therefore, please notify the Corporate Payroll Office to stop payroll deductions that I have authorized to AT&T PAC. I do not want to continue to contribute the Lucent Technologies Political Action Committee after the official spin-off on or before September 30, 1996.

Sincerely,

Signature

Date: _____