

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY**

IN RE LUCENT TECHNOLOGIES INC. :
SECURITIES LITIGATION :

X

Case No. 00-CV-621 (JAP)

**NOTICE OF PENDENCY OF CLASS ACTION, HEARING ON PROPOSED SETTLEMENT
AND ATTORNEYS' FEE PETITION AND RIGHT TO SHARE IN SETTLEMENT FUND**

TO: ALL PERSONS OR ENTITIES WHO PURCHASED LUCENT TECHNOLOGIES INC. ("LUCENT") COMMON STOCK DURING THE PERIOD OCTOBER 26, 1999 THROUGH AND INCLUDING DECEMBER 20, 2000 (THE "CLASS PERIOD") AND WHO WERE DAMAGED THEREBY.

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. IT RELATES TO A PROPOSED SETTLEMENT OF THIS CLASS ACTION AND, IF YOU ARE A CLASS MEMBER, CONTAINS IMPORTANT INFORMATION AS TO YOUR RIGHTS.

I. SUMMARY OF SETTLEMENT

1. **Statement of Plaintiff Recovery:** Lead Plaintiffs, individually and as representatives of the Class, have entered into a proposed settlement (the "Settlement") of this action (the "Action" or the "Lucent Common Stock Class Action") with Defendants, that will resolve all claims of plaintiffs and the Class against Defendants. The Settlement will create a settlement fund consisting of \$113,400,000 in cash; \$246,750,000 worth of additional cash or shares of Lucent common stock; \$24,000,000 worth of shares of Avaya, Inc. ("Avaya") common stock; and Warrants to purchase 200 million shares of Lucent common stock at a price of \$2.75 per share, which, according to Lucent, were worth \$128,000,000 at the end of its second quarter (the "Gross Settlement Fund"). Additionally, Lucent will pay up to \$5 million to cover the costs of providing notice to the Class and administering the Settlement. The Settlement is currently valued at approximately \$517 million. (Please note, the value of the securities issued as part of the settlement consideration will fluctuate depending upon, among other things, the trading prices of Lucent and Avaya common stock.) The average recovery per damaged share will depend on a number of variables, including when and for what price Class Members purchased and/or sold their shares of Lucent common stock, the number of shares of Lucent common stock for which acceptable Proofs of Claim are filed, as well as the value of the securities (common stock and Warrants) being issued and delivered pursuant to the Settlement at the time of their distribution. Plaintiffs' damages expert estimates that approximately 3.352 billion shares of Lucent common stock were traded during the Class Period which may have been damaged as a result of the conduct complained of. Assuming that all affected shares elected to participate in the Settlement, and assuming that the value of the stock and Warrants remains the same as the current estimated value, the average recovery per damaged share of Lucent common stock is estimated by Lead Plaintiffs' damages expert at approximately \$0.15 per share before deduction of any Court-awarded attorneys' fees and expenses. Depending on the number of claims submitted, when during the Class Period a Class Member purchased his/her or its shares of Lucent common stock, and whether those shares were held at the end of the Class Period or sold during the Class Period, and if sold, when and for how much they were sold, an individual Class Member will receive more or less than this average amount, as more fully described in the proposed Plan of Allocation set forth below at paragraphs 25 to 35.

2. **Statement of Potential Outcome of Case:** Lead Plaintiffs and Defendants do not agree on the average amount of damages per share that would be recoverable if plaintiffs were to have prevailed on each claim alleged. Plaintiffs' damages expert contended that if plaintiffs established liability, the damages would be in the tens of billions of dollars, far in excess of the net resources available to Defendants. Defendants deny all liability and dispute the maximum amount of damages recoverable if plaintiffs prevailed on each of their claims.

3. **Statement of Attorneys' Fees and Costs Sought:** Plaintiffs' counsel have not received any payment for their services in conducting this litigation, nor have they been reimbursed for their out-of-pocket

expenditures. In this type of litigation it is customary for counsel to be awarded a percentage of the common fund recovered, frequently one-third, as their attorneys' fees and for their expenses to be reimbursed from the fund. Plaintiffs' Co-Lead Counsel intend to apply, on behalf of all plaintiffs' counsel, for an award of attorneys' fees in an amount up to 19% of the Gross Settlement Fund, or up to approximately \$0.03 per damaged share. Plaintiffs' counsel will receive any fees awarded in cash, stock and Warrants in the same proportion as they comprise the Gross Settlement Fund. Plaintiffs' Co-Lead Counsel also intend to apply, on behalf of all plaintiffs' counsel, for reimbursement of expenses incurred in connection with the prosecution of this Action in an amount not to exceed \$3,500,000 or approximately 0.1¢ per damaged share. Plaintiffs' Co-Lead Counsel will ask that the amount awarded as reimbursement of expenses be payable entirely in cash.

4. **Reasons for Settlement:** Lead Plaintiffs believe that the proposed Settlement is fair, reasonable and adequate, and in the best interests of the Class considering the amount of the Settlement and the immediacy of recovery to the Class. Lead Plaintiffs took into consideration the expense and length of continued proceedings that would be necessary to prosecute the Action through trial and appeals. Lead Plaintiffs have also considered the uncertain outcome and the risk of any further litigation, especially in complex actions such as the Action, as well as the difficulties and delays inherent in any such litigation. Another consideration that strongly supports the proposed Settlement is the limited financial resources available to Defendants to satisfy any large judgment that otherwise might be obtained if plaintiffs were successful at trial. As discussed more fully below, Lead Plaintiffs recognized that Defendants would never be able to satisfy a judgment in the full amount of damages plaintiffs claimed to have been caused by the allegedly fraudulent conduct. The Settlement was achieved after Court-ordered mediation and was negotiated based on Lucent's ability to pay. Thus, even if plaintiffs prevailed as to liability and established a greater amount of damages, there was no assurance of being able to recover significantly more than achieved in the Settlement. Indeed, with the passage of the considerable amount of time it would take to litigate the Action through trial and the appeal that would surely follow if plaintiffs prevailed, there was a real possibility that Lucent's ability to satisfy a judgment would be further diminished and the ultimate recovery could have been significantly less than the proposed Settlement.

5. **Identification of Attorneys' Representatives:** Any questions regarding the Settlement should be directed to Plaintiffs' Co-Lead Counsel: David J. Bershad, Esq., Milberg Weiss Bershad Hynes & Lerach LLP, One Pennsylvania Plaza, New York, New York 10119-0165, Telephone (212) 594-5300, www.milberg.com; or Daniel L. Berger, Esq., Bernstein Litowitz Berger & Grossmann LLP, 1285 Avenue of the Americas, New York, New York 10019, Telephone (212) 554-1400, www.blbglaw.com.

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II. **NOTICE OF SETTLEMENT FAIRNESS HEARING**

6. This Notice is given pursuant to Rule 23 of the Federal Rules of Civil Procedure and the Preliminary Order In Connection With Settlement Proceedings, of the United States District Court for the District of New Jersey (the "Court") dated September 23, 2003 (the "Preliminary Approval Order"). The purpose of this Notice is to inform you of the proposed Settlement that has been reached in the Action and that a hearing (the "Settlement Fairness Hearing") will be held on December 12, 2003 at 9:30 a.m. before the Honorable Joel A. Pisano, at the United States Courthouse and Post Office Building, One Federal Square, Newark, New Jersey 07101, for the purpose of determining: (a) whether the proposed Settlement of the claims in the Action pursuant to a Stipulation and Agreement of Settlement dated as of September 22, 2003 (the "Stipulation") for consideration worth approximately \$517,000,000 should be approved by the Court as fair, reasonable and adequate; (b) whether the Class Securities to be issued pursuant to the Settlement are exempt from registration with the Securities and Exchange Commission pursuant to Section 3(a)(10) of the Securities Act of 1933, 15 U.S.C. § 77c(a)(10) and may be distributed to Class Members as freely tradeable securities; (c) whether the Action should be dismissed with prejudice as set forth in the Stipulation; (d) whether the proposed Plan of Allocation is fair and reasonable and should be approved; and (e) whether the application by Plaintiffs' Co-Lead Counsel for an award of attorneys' fees and reimbursement of costs and expenses incurred should be approved.

7. Pursuant to the Preliminary Approval Order, the Court certified, for purposes of this Settlement, the following “Class”: all persons or entities who purchased Lucent common stock during the period beginning on October 26, 1999 through and including December 20, 2000 (the “Class Period”) and who were damaged thereby. Excluded from the Class are: (a) Defendants (i.e., Lucent, Richard A. McGinn, Donald K. Peterson, and Deborah C. Hopkins); (b) members of the immediate family of each individual defendant; (c) any entity in which any Defendant has a controlling interest; (d) any person who was an officer or director of Lucent (or any Lucent subsidiary or affiliate) during the Class Period; and (e) the legal representatives, heirs, successors or assigns of any such excluded party. Also excluded from the Class are any putative Class Members who exclude themselves by filing a request for exclusion in accordance with the requirements set forth in this Notice (see paragraphs 44-45 below).

THE COURT HAS NOT DETERMINED THE MERITS OF PLAINTIFFS’ CLAIMS OR THE DEFENSES THERETO. THIS NOTICE DOES NOT IMPLY THAT THERE HAS BEEN OR WOULD BE ANY FINDING OF VIOLATION OF THE LAW OR THAT RECOVERY COULD BE HAD IN ANY AMOUNT IF THE ACTION WERE NOT SETTLED.

III. DESCRIPTION OF THE ACTION

8. Beginning on or about January 7, 2000, numerous class action complaints alleging violations of the federal securities laws on behalf of purchasers of Lucent common stock were commenced against Lucent and certain other defendants in the United States District Court for the District of New Jersey. These actions were consolidated pursuant to Orders of the Court. The Court appointed Teamsters Locals 175 & 505 D&P Pension Trust Fund, The Parnassus Fund and The Parnassus Income Trust/Equity Income Fund as Lead Plaintiffs for the consolidated action and the law firms of Milberg Weiss Bershad Hynes & Lerach LLP and Bernstein Litowitz Berger & Grossmann LLP as Co-Lead Counsel for plaintiffs and the Class.

9. Lead Plaintiffs filed the Fifth Consolidated and Amended Class Action Complaint on July 10, 2001 (the “Complaint”). The Complaint asserts claims for relief against Defendants under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The Complaint alleges that, during the Class Period, Defendants made a series of materially false and misleading statements regarding customer demand for Lucent’s key optical networking products, Lucent’s ability to provide services to its customers, and Lucent’s publicly reported financial statements. The Complaint alleges that as a result of Defendants’ dissemination of the allegedly false and misleading statements during the Class Period, the market price of Lucent’s common stock was artificially inflated, thereby causing damage to Class Members.

10. Defendants deny all wrongdoing as alleged by plaintiffs. The Settlement may not be construed or deemed to be evidence of, or an admission or a concession on the part of any of the Defendants of any fault or liability whatsoever on the part of any of them or infirmity in any defenses they have asserted or intended to assert. Defendants, while affirmatively denying wrongdoing, consider it desirable and in their best interests that this Action be dismissed under the terms of the proposed Settlement in order to avoid further expense, uncertainty and distraction of protracted litigation.

11. Prior to entering into the Stipulation, Plaintiffs’ Co-Lead Counsel conducted an investigation relating to the claims and the underlying events alleged in the Complaint. They analyzed the claims and researched the applicable law with respect to the claims asserted and Defendants’ potential defenses thereto. Plaintiffs’ counsel conducted interviews with more than 100 witnesses and reviewed and analyzed more than three million pages of documents produced by Lucent and more than thirty third parties. Plaintiffs’ counsel also consulted with technology, damages and accounting experts. The parties participated in a Court-ordered mediation. At the time the mediation began, plaintiffs’ counsel fully understood the strengths and weaknesses of their case.

12. While Plaintiffs’ Co-Lead Counsel believe that the claims asserted have merit, they also appreciated the practical reality that it would be impossible for Defendants to satisfy a judgment if plaintiffs prevailed and, therefore, Plaintiffs’ Co-Lead Counsel’s focus in resolving the Action was based on Defendants’ ability to pay.

IV. BACKGROUND TO THE SETTLEMENT

13. Recognizing that Lucent could not survive a plaintiffs' judgment in the Action because Lucent's ability to pay was dwarfed by the damages in the case which, by any plaintiffs' measure, numbered in the tens of billions of dollars, in September 2002, Judge Pisano commenced a mediation proceeding to facilitate a settlement of the Action. Defendants agreed to enter negotiations only if the resulting settlement, in addition to resolving this Action, also resolved all the other related actions then pending against Lucent. Plaintiffs' Co-Lead Counsel secured the agreement of plaintiffs' counsel in each of the other actions to participate in the mediation and to allow Plaintiffs' Co-Lead Counsel to negotiate on their behalf. In the first stage of this mediation, with the assistance of expert consultants, Plaintiffs' Co-Lead Counsel evaluated Lucent's "ability to pay", that is the most that Lucent could realistically pay to settle the litigations pending against it. After several months of arduous negotiations and mediation sessions under the auspices of Judge Pisano, Plaintiffs' Co-Lead Counsel and Defendants' Counsel reached an agreement to settle all the then pending related litigation against Lucent (the "Global Settlement"). Thereafter, with the assistance of the Court, Plaintiffs' Co-Lead Counsel negotiated allocations of the Global Settlement consideration among each of the cases included in the Global Settlement. In conducting the allocation negotiations, Plaintiffs' Co-Lead Counsel evaluated the strength of each case's claims relative to this Action by considering the following factors: (1) the posture of the litigation and the likelihood of success on the merits; (2) the relative damages in the action; (3) the availability of collateral recovery; and (4) the comparative value of the claim relative to the other settling actions.

14. The terms and conditions of the Global Settlement are set forth in the Agreement re: Global Settlement of Lucent Litigations dated as of September 19, 2003 (the "Cover Agreement"), the terms of which are incorporated in and are part of the Stipulation.

15. The other actions being settled as part of the Global Settlement and the amounts allocated to each of those actions from the Global Settlement consideration are as follows:

Other Class Actions:

- "Lucent Debt Securities Class Action," on behalf of persons who, between December 21, 2000 and March 27, 2001, purchased certain debt securities issued by Lucent. This action is being settled for \$3.75 million in cash. For further information contact: Olimpio Lee Squitieri, Esq., Squitieri & Fearon, LLP, 420 Fifth Avenue, 18th Fl., New York, New York 10018, Telephone (212) 575-2092.
- "ERISA Class Actions," on behalf of participants and beneficiaries of the Lucent Savings Plan (the "LSP") and the Lucent Technologies, Inc. Long Term Savings and Security Plan (the "LTSSP") (collectively the "ERISA Plans")¹ at any time between December 31, 1999 through March 27, 2003 who made or maintained investments in the Lucent Stock Fund. This action is being settled for \$69 million, consisting of \$68.25 million worth of Lucent common stock and \$750,000 cash. For further information contact: Todd S. Collins, Esq., Berger & Montague, P.C., 1622 Locust Street, Philadelphia, Pennsylvania 19103, Telephone (215) 875-3000.
- "Winstar Class Action," on behalf of persons and entities who were damaged as a result of purchases between March 10, 2000 and April 2, 2001 of Winstar Communications common stock or certain debt securities issued by Winstar. This action is being partially settled for \$12 million in cash. For further information contact: James P. Bonner, Esq., Shalov Stone & Bonner LLP, 485 Seventh Avenue, Suite 1000, New York, New York 10018, Telephone (212) 239-4340.
- "Lucent Note/Preferred Class Action," on behalf of persons who held certain notes and redeemable convertible preferred stock of Lucent at any time between April 13, 1999 and September 13, 2002. This action is being settled for \$4.6 million in cash. For further information contact: Robert I. Harwood, Esq., Wechsler Harwood LLP, 488 Madison Avenue, New York, New York 10022, Telephone (212) 935-7400.

¹ The Lucent Technologies, Inc. Long Term Savings Plan for Management Employees and the Lucent Technologies, Inc. Retirement Savings and Profit Sharing Plan were merged into the LSP in 2000.

PLEASE NOTE:

(a) If you fall within the definition of any of the classes in these other settled actions, your rights will be affected by the settlement(s) of that (those) action(s). If you believe you may be a member of the class in any of those actions and, if you have not as yet received notice of the proposed settlement(s) of that (those) action(s), you should immediately contact plaintiffs' counsel for that (those) action(s).

(b) Participants and beneficiaries in the ERISA Plans should not include any information regarding their Lucent stock acquired through the Plans in any claim form they may submit in this Action. Claims in this Action relating to the ERISA Plans' acquisition of Lucent common stock may be made by the Plans' trustees. If you are a participant or beneficiary in the ERISA Plans but purchased Lucent common stock during the Class Period OTHER THAN through the ERISA Plans, you may submit a claim in this Action as to those shares, i.e., non-ERISA Plan shares.

Other Actions:

16. The Global Settlement will also resolve a Derivative Action, an action brought in the name of Lucent against certain officers and directors of Lucent, which is being settled for \$14 million in cash. As part of that settlement, Lucent will also implement certain changes to its corporate governance policies. Plaintiffs' counsel in the Derivative Action will be applying for an award of attorneys' fees and expenses in an amount not to exceed \$3.5 million of the settlement amount in that action. Any portion of the \$14 million allocated to the Derivative Action that is not awarded to plaintiffs' counsel in that action for fees and expenses will be added to the Gross Settlement Amount in the Lucent Common Stock Class Action. Settlement of the Derivative Action will impact Lucent's ability to pursue claims against its officers and directors and others. If you are a current stockholder of Lucent and wish additional information about this action, please write to: Richard D. Greenfield, Esq., Greenfield & Goodman, LLC, 24570 Deep Neck Road, Royal Oak, Maryland 21662, or contact him by email at whitehatrdg@earthlink.net. In addition, the notice describing the Derivative Action and the terms of its settlement, as well as other documents relating to that action are available on Lucent's website at www.Lucent.com.

17. Finally, a private action brought against Lucent on behalf of institutional investors who acquired Winstar common stock is being settled for \$10 million in cash.

V. TERMS OF THE PROPOSED SETTLEMENT OF THE LUCENT COMMON STOCK CLASS ACTION

18. As more fully described in the Stipulation, in full and complete settlement of the Action, Defendants shall pay, or cause to be paid, \$113,400,000 in cash; \$246,750,000 worth of Lucent common stock or cash, at Lucent's option; \$24,000,000 worth of Avaya common stock; Warrants, which shall be exercisable for a period of three years, to purchase 200 million shares of Lucent common stock at \$2.75 per share; and up to \$5 million to cover the costs of Notice and administration of the Settlement.

19. The consideration to Defendants for the payment of the Gross Settlement Fund is: (a) the entry by the Court of an Order and Final Judgment which will (i) dismiss the Action against Defendants with prejudice, (ii) bar and permanently enjoin Plaintiffs and each Class Member from prosecuting the Settled Claims, as defined below, and (iii) provide that any Class Member by operation of that order shall have fully, finally and forever released, relinquished and discharged any and all such Settled Claims; and (b) the entry of orders of final dismissal in each of the other actions being settled pursuant to the Global Settlement.

20. As used herein, "Settled Claims" means any and all claims, rights or causes of action or liabilities whatsoever, whether based on federal, state, local, statutory or common law or any other law, rule or regulation (whether foreign or domestic), including both known claims and unknown claims, accrued claims and not accrued claims, foreseen claims and unforeseen claims, matured claims and not matured claims, that have been or could have been asserted from the beginning of time to the end of time in any forum by the Class Members or any of them against any of the Released Parties (i.e., any and all of the Defendants, Avaya Inc., Agere Inc., or any of their current or former respective agents, servants, attorneys, auditors, investment

advisors, underwriters, officers, directors and employees, partners, subsidiaries, affiliates, insurers, stockholders, heirs, executors, representatives, successors and assigns) which arise out of or relate in any way to the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, referred to in this Action or that could have been asserted relating to the purchase, transfer, or acquisition of shares of the common stock of Lucent during the Class Period, except claims relating to the enforcement of the settlement of the Action. With respect to above, it is the intention of plaintiffs to expressly waive and relinquish, to the fullest extent permitted by law: (a) the provisions, rights, and benefits of Section 1542 of the California Civil Code, which provides that: "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor"; and (b) the provisions, right and benefits of any similar statute or common law of any other jurisdiction that may be, or may be asserted to be, applicable.

21. If the Settlement is approved by the Court, all Settled Claims will be dismissed on the merits and with prejudice as to all Class Members and all Class Members shall be forever barred from prosecuting any action raising any Settled Claims against any Released Party.

22. The Gross Settlement Fund shall be reduced by such attorneys' fees and expenses as may be awarded by the Court, taxes and tax-related expenses, and administration fees and expenses (to the extent, if any, that such fees and expenses exceed the \$5 million Lucent has agreed to pay). The balance after such deductions (the "Net Settlement Fund"), shall be distributed to Class Members who submit valid, timely Proofs of Claim ("Authorized Claimants") in accordance with the proposed Plan of Allocation set forth below, or such other Plan of Allocation as may be approved by the Court.

23. Distribution of the Net Settlement Fund cannot occur unless and until all the conditions to the Settlement are met, including obtaining approval of this Settlement by the Court, and approval by the relevant Courts and entry of orders of dismissal of each of the other actions being settled under the Global Settlement.

24. Approval of the Settlement is independent from approval of the proposed Plan of Allocation. Any determination with respect to the proposed Plan of Allocation will not affect the Settlement with the Defendants, if approved.

VI. PLAN OF ALLOCATION OF NET SETTLEMENT FUND

25. To receive any distribution from the cash, stock and Warrants in the Net Settlement Fund, all persons or entities must complete a Proof of Claim form and mail it and all required documentation to the Claims Administrator on or before March 31, 2004.

26. **Calculation of Recognized Claims:** The Claims Administrator shall determine each Authorized Claimant's pro rata share of the cash, stock and Warrants in Net Settlement Fund based upon each Authorized Claimant's "Recognized Claim." The Recognized Claim formula is not intended to be an estimate of the amount that a Class Member might have been able to recover after a trial; nor is it an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement. The Recognized Claim formula is the basis upon which the Net Settlement Fund will be proportionately allocated to Authorized Claimants. Plaintiffs' damages expert analyzed the market price reaction to the disclosures made by Lucent during and at the end of the Class Period. Recognized Claims are based on the price declines associated with the corrective disclosures of previously allegedly misrepresented information set forth in the Complaint. For certain periods, the Recognized Claim is \$0. No claim amount is recognized when both the purchase and sale occur without intervening public disclosure of adverse information.

27. Recognized Claim Per Lucent Share Purchased During The Class Period:

(a) For shares of Lucent common stock that were purchased from October 26, 1999 through and including January 6, 2000, and:

(i) sold on or before January 6, 2000, the Recognized Claim is \$0;

(ii) sold during the period January 7, 2000 through and including July 19, 2000, the Recognized Claim is the lesser of: a) the purchase price per share minus the sales price per share, or b) \$19.88 per share;

(iii) sold during the period July 20, 2000 through and including October 10, 2000, the Recognized Claim is the lesser of: a) the purchase price per share minus the sales price per share, or b) \$29.72 per share;

(iv) sold during the period October 11, 2000 through and including November 20, 2000, the Recognized Claim is the lesser of: a) the purchase price per share minus the sales price per share, or b) \$37.25 per share;

(v) sold during the period November 21, 2000 through and including December 20, 2000, the Recognized Claim is the lesser of: a) the purchase price per share minus the sales price per share, or b) \$39.64 per share;

(vi) retained at the close of trading on December 20, 2000, the Recognized Claim is the lesser of: a) the purchase price per share minus \$13.625 per share, or b) \$42.51 per share.

(b) For shares of Lucent common stock that were purchased from January 7, 2000 through and including July 19, 2000, and:

(i) sold on or before July 19, 2000, the Recognized Claim is \$0;

(ii) sold during the period July 20, 2000 through and including October 10, 2000, the Recognized Claim is the lesser of: a) the purchase price per share minus the sales price per share, or b) \$9.84 per share;

(iii) sold during the period October 11, 2000 through and including November 20, 2000, the Recognized Claim is the lesser of: a) the purchase price per share minus the sales price per share, or b) \$17.37 per share;

(iv) sold during the period November 21, 2000 through and including December 20, 2000, the Recognized Claim is the lesser of: a) the purchase price per share minus the sales price per share, or b) \$19.76 per share;

(v) retained at the close of trading on December 20, 2000, the Recognized Claim is the lesser of: a) the purchase price per share minus \$13.625 per share, or b) \$22.63 per share.

(c) For shares of Lucent common stock that were purchased from July 20, 2000 through and including October 10, 2000, and:

(i) sold on or before October 10, 2000, the Recognized Claim is \$0;

(ii) sold during the period October 11, 2000 through and including November 20, 2000, the Recognized Claim is the lesser of: a) the purchase price per share minus the sales price per share, or b) \$7.53 per share;

(iii) sold during the period November 21, 2000 through and including December 20, 2000, the Recognized Claim is the lesser of: a) the purchase price per share minus the sales price per share, or b) \$9.92 per share;

(iv) retained at the close of trading on December 20, 2000, the Recognized Claim is the lesser of: a) the purchase price per share minus \$13.625 per share, or b) \$12.79 per share.

(d) For shares of Lucent common stock that were purchased from October 11, 2000 through and including November 20, 2000, and:

(i) sold on or before November 20, 2000, the Recognized Claim is \$0;

(ii) sold during the period November 21, 2000 through and including December 20, 2000, the Recognized Claim is the lesser of: a) the purchase price per share minus the sales price per share, or b) \$2.39 per share;

(iii) retained at the close of trading on December 20, 2000, the Recognized Claim is the lesser of: a) the purchase price per share minus \$13.625 per share, or b) \$5.26 per share.

(e) For shares of Lucent common stock that were purchased from November 21, 2000 through and including December 20, 2000, and:

(i) sold on or before December 20, 2000, the Recognized Claim is \$0;

(ii) retained at the close of trading on December 20, 2000, the Recognized Claim is the lesser of: a) the purchase price per share minus \$13.625 per share, or b) \$2.87 per share.

General Provisions:

28. Each Authorized Claimant shall be allocated a pro rata share of the cash, common stock and Warrants in the Net Settlement Fund based on his, her or its Recognized Claim as compared to the total Recognized Claims of all Authorized Claimants ("Distribution Amount"). However, Plaintiffs' Co-Lead Counsel shall have the discretion to make adjustments to the composition of a distribution, as set forth below. **PLEASE NOTE: IN ORDER TO RECEIVE ANY OF THE WARRANTS ALLOCATED AS PART OF THE DISTRIBUTION AMOUNT, AUTHORIZED CLAIMANTS MUST PROVIDE A BROKERAGE ACCOUNT NUMBER INTO WHICH THE WARRANTS CAN BE ELECTRONICALLY TRANSFERRED.** If an Authorized Claimant does not have an account and requires assistance in opening one, the Claims Administrator will be able to provide assistance in locating a broker where an account can be opened and maintained free of charge.

29. The minimum Distribution Amount shall be \$5.00. To the extent an Authorized Claimant's calculated Distribution Amount is less than \$5.00, that claimant will receive a distribution of \$5.00 in cash. No fractional shares or fractional Warrants shall be issued. If a Distribution Amount includes a de minimus number of shares or Warrants, Plaintiff's Co-Lead Counsel shall have the discretion to direct that, instead of issuing those shares or Warrants as part of the Distribution Amount, the entire Distribution Amount shall be paid in cash.

30. If a claim is submitted by the trustee of an ERISA Plan on behalf of the Plan, the Distribution Amount on that claim will be reduced dollar for dollar by the amount credited to the Plan with respect to shares purchased during the period beginning on December 31, 1999 up through and including December 20, 2000 pursuant to the settlement in the ERISA Class Actions.

31. Class Members who do not submit acceptable Proofs of Claim will not share in the settlement proceeds. Class Members who do not either submit a request for exclusion or submit an acceptable Proof of Claim will nevertheless be bound by the Settlement and the Order and Final Judgment of the Court dismissing this Action.

32. **PLEASE NOTE:** To the extent a Claimant had a gain from his, her or its overall transactions in Lucent common stock during the Class Period, the value of the Recognized Claim will be zero. To the extent that a Claimant suffered an overall loss on his, her or its overall transactions in Lucent common stock during the Class Period, but that loss was less than the Recognized Claim calculated pursuant to the provisions of paragraph 27 above, then the Recognized Claim shall be limited to the amount of the actual loss.

33. For purposes of determining whether a Claimant had a gain from his, her or its overall transactions in Lucent common stock during the Class Period or suffered a loss, the Claims Administrator shall: (i) total the amount paid for all Lucent common stock purchased during the Class Period by the claimant (the "Total Purchase Amount"); (ii) match any sales of Lucent common stock during the Class Period first against the Claimant's opening position in the stock (the proceeds of those sales will not be considered for purposes of calculating gains or losses); (iii) total the amount received for sales of the remaining shares of Lucent common stock sold during the Class Period (the "Sales Proceeds"); (iv) ascribe a holding value equal to the closing price of Lucent common stock on the day following the last day of the Class Period (i.e., \$13.625) times the number of shares of Lucent common stock purchased during the Class Period and still held at the end of the Class Period ("Holding Value"). The difference between (i) the Total Purchase Amount and (ii) the sum of the Sales Proceeds and Holding Value, will be deemed a Claimant's gain or loss on his, her or its overall transactions in Lucent common stock during the Class Period.

34. Shares of Lucent common stock acquired during the Class Period by means of a gift, inheritance or operation of law, do not qualify as purchases on the dates of such acquisitions. If, however, such stock was purchased during the Class Period by the donor, decedent or transferor, then, unless the donor, estate or transferor submits a Proof of Claim with respect to the shares, the recipient's Proof of Claim will be computed by using the price of such stock on the original date of purchase and not the date of transfer.

35. Distribution to Authorized Claimants from the Net Settlement Fund will be made after all claims have been processed and after the Settlement has become Effective. If any funds remain in the Net Settlement Fund by reason of un-cashed checks or otherwise, then, after the Claims Administrator has made reasonable and diligent efforts to have Class Members who are entitled to participate in the distribution of the Net Settlement Fund cash their distribution checks, any cash balance remaining in the Net Settlement Fund one (1) year after the initial distribution of such funds shall be re-distributed after payment from this balance of any unpaid costs or fees incurred in administering the Net Settlement Fund for such re-distribution to Class Members who have cashed their checks and who would receive at least \$10.00 from such re-distribution. If after six months after such re-distribution any funds shall remain in the Net Settlement Fund, then such balance shall be contributed to non-sectarian, not-for-profit, 501(c)(3) organization(s) designated by Plaintiffs' Co-Lead Counsel.

VII. THE RIGHTS OF CLASS MEMBERS

36. The Court has certified this Action to proceed as a class action. If you purchased Lucent common stock during the Class Period, i.e., the period beginning on October 26, 1999 through and including December 20, 2000 and were damaged thereby and you are not excluded by the definition of the Class and do not elect to exclude yourself, then you are a Class Member and you will be bound by the proposed Settlement provided for in the Stipulation, in the event it is approved by the Court, and by any judgment or determination of the Court affecting the Class.

37. If you wish to remain a member of the Class, you may be eligible to share in the proceeds of the Settlement, provided that you submit an acceptable Proof of Claim. As a Class Member you will be represented by Lead Plaintiffs and their counsel, unless you enter an appearance through counsel of your own choice at your own expense. You are not required to retain your own counsel, but if you choose to do so, such counsel must file an appearance on your behalf and must serve copies of such appearance on the attorneys listed in paragraph 46 below.

38. If you do not wish to remain a member of the Class, you may exclude yourself from the Class by following the instructions in paragraph 44 below. Persons who exclude themselves from the Class will **NOT** be eligible to receive any share of the Settlement proceeds and will not be bound by the Settlement.

39. If you object to the Settlement or any of its terms, the proposed Plan of Allocation, or to plaintiffs' counsel's application for fees and expenses, and if you do not exclude yourself from the Class, you may present your objections by following the instructions in paragraph 46 below.

VIII. SUBMISSION AND PROCESSING OF PROOFS OF CLAIM

40. Only those Class Members who purchased Lucent common stock during the Class Period will be eligible to share in the distribution of the Net Settlement Fund. As a condition to recovering any payment, each Class Member shall be required to submit a Proof of Claim no later than March 31, 2004 to the address set forth in the attached Proof of Claim form. Unless otherwise ordered by the Court, any Class Member who fails to submit a Proof of Claim by March 31, 2004 shall be forever barred from receiving any payments pursuant to the Settlement, but will in all other respects be subject to the provisions of the Stipulation, including the terms of any judgment entered and the releases given.

41. The Proof of Claim must be supported by such documents as specified in the Proof of Claim. The Proof of Claim is enclosed herewith. Extra copies can be obtained from the Claims Administrator at the address shown in paragraph 53 below.

42. The Court has reserved jurisdiction to allow, disallow or adjust the Claim of any Class Member on equitable grounds. The Court also reserves the right to modify the Plan of Allocation without further notice to the Class. Payment pursuant to the Plan of Allocation finally approved by the Court shall be conclusive against all Authorized Claimants. No person shall have any claim against Plaintiffs' Co-Lead Counsel or the Claims Administrator or any agent designated by Plaintiffs' Co-Lead Counsel based on the distributions made substantially in accordance with the Stipulation and the Settlement contained therein, the Plan of Allocation as finally approved by the Court, or further orders of the Court.

43. Each Claimant shall be deemed to have submitted to the jurisdiction of the United States District Court for the District of New Jersey with respect to his, her or its Proof of Claim.

IX. REQUESTS FOR EXCLUSION FROM THE CLASS

44. Each Member of the Class shall be bound by all determinations and judgments in this Action concerning the Settlement, whether favorable or unfavorable, unless such person shall mail, by first class mail, a written request for exclusion from the Class, postmarked no later than November 25, 2003, addressed to:

In re Lucent Technologies, Inc. Securities Litigation EXCLUSIONS
c/o The Garden City Group, Inc.
Claims Administrator
P.O. Box 9000 #6142
Merrick, NY 11566-9000

No person may exclude himself from the Class after that date. In order to be valid, each such request for exclusion must set forth the name and address of the person or entity requesting exclusion, must state that such person or entity "requests exclusion from the Class in the In re Lucent Technologies, Inc. Securities Litigation, Case No. 00-CV-621 (JAP)" and must be signed by such person or entity, and should also provide the following information: their telephone number, the date(s), price(s), and number(s) of shares of all purchases and sales of Lucent common stock during the Class Period. Requests for exclusion shall not be effective unless the request includes the required information and is made within the time stated above, or the exclusion is otherwise accepted by the Court.

45. If a member of the Class requests to be excluded, that Class Member will not receive any benefit provided for in the Stipulation.

X. SETTLEMENT FAIRNESS HEARING

46. As set forth in paragraph 6 above, the Court will hold a Settlement Fairness Hearing on December 12, 2003 at 9:30 a.m., to consider the proposed Settlement, the proposed Plan of Allocation and the application for an award of attorneys' fees and reimbursement of expenses. Any Class Member who does not request exclusion by November 25, 2003, may appear at the Settlement Fairness Hearing and be heard on any of the matters to be considered at the hearing; provided, however, that no such person shall be heard,

unless his, her or its objection or opposition is made in writing and is filed, together with copies of all other papers and briefs to be submitted to the Court at the Settlement Fairness Hearing, by him, her or it (including proof of all purchases of Lucent common stock during the Class Period) with the Court in the Clerk's Office at the address set forth in paragraph 52 below no later than November 25, 2003, and is served by hand or by overnight delivery upon the following:

Plaintiffs' Co-Lead Counsel:

David J. Bershad, Esq.
MILBERG WEISS BERSHAD
HYNES & LERACH LLP
One Pennsylvania Plaza
New York, New York 10119-0165
(212) 594-5300

Daniel L. Berger, Esq.
BERNSTEIN LITOWITZ BERGER &
GROSSMANN LLP
1285 Avenue of the Americas
New York, New York 10019
(212) 554-1400

and upon Defendants' Counsel:

Paul C. Saunders, Esq.
CRAVATH, SWAINE & MOORE
Worldwide Plaza
825 Eighth Avenue
New York, New York 10019
(212) 474-1000

John H. Schmidt, Jr., Esq.
LINDABURY, McCORMICK
& ESTABROOK, P.A.
53 Cardinal Drive
P.O. Box 2369
Westfield, New Jersey 07091
(908) 233-6800

47. Attendance at the hearing is not necessary; however, persons wishing to be heard orally in opposition to the approval of the Settlement, the proposed Plan of Allocation, and/or the request for attorneys' fees are required to indicate in their written objections their intention to appear at the hearing. Persons who intend to object to the Settlement, the proposed Plan of Allocation, and/or counsel's application for an award of attorneys' fees and expenses and desire to present evidence at the Settlement Fairness Hearing must include in their written objections the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the Settlement Fairness Hearing. Unless otherwise ordered by the Court, any Class Member who does not make his, her or its objection or opposition in the manner provided shall be deemed to have waived all objections to the foregoing matters. Class Members do not need to appear at the hearing or take any other action to indicate their approval.

48. The Settlement Fairness Hearing may be adjourned from time to time by the Court without further written notice to the Class. If you intend to attend the Settlement Fairness Hearing, you should confirm the date and time with Plaintiffs' Co-Lead Counsel.

XI. ATTORNEYS' FEES, COSTS AND EXPENSES OF PLAINTIFFS' ATTORNEYS

49. At the Settlement Fairness Hearing, or at such other time as the Court may direct, Plaintiffs' Co-Lead Counsel intend to apply to the Court for a collective award of attorneys' fees of up to 19% of the Gross Settlement Fund and for reimbursement of their expenses in an amount not to exceed \$3,500,000, which were incurred in connection with the litigation. Plaintiffs' counsel will receive any fees awarded in cash, stock and Warrants in the same proportion as they comprise the Gross Settlement Fund; however, they will ask that reimbursement of expenses advanced be entirely in cash. Plaintiffs' counsel, without further notice to the Class, may subsequently apply to the Court for fees and expenses incurred in connection with administering and distributing the Settlement proceeds to members of the Class and any proceedings subsequent to the Settlement Fairness Hearing.

50. To date, plaintiffs' counsel have not received any payment for their services in conducting this Action on behalf of plaintiffs and the Class, nor have they been reimbursed for their out-of-pocket expenses. The fee requested by Plaintiffs' Co-Lead Counsel would compensate plaintiffs' counsel for their efforts in

achieving the Gross Settlement Fund for the benefit of the Class, and for their risk in undertaking this representation on a contingency basis.

XII. SPECIAL NOTICE TO BROKERS AND OTHER NOMINEES

51. If you purchased Lucent common stock during the period beginning on October 26, 1999 through and including December 20, 2000 for the beneficial interest of a person or organization other than yourself, the Court has directed that, WITHIN SEVEN (7) DAYS OF YOUR RECEIPT OF THIS NOTICE, you either (a) provide to the Claims Administrator the name and last known address of each person or organization for whom or which you purchased such stock during such time period or (b) request additional copies of this Notice and the Proof of Claim form, which will be provided to you free of charge, and within seven (7) days of receipt mail the Notice and Proof of Claim form directly to the beneficial owners of the securities referred to herein. If you choose to follow alternative procedure (b), the Court has directed that, upon such mailing, you send a statement to the Claims Administrator confirming that the mailing was made as directed. You are entitled to reimbursement from the Gross Settlement Fund of your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage expense and the cost of ascertaining the names and addresses of beneficial owners. Those expenses will be paid upon request and submission of appropriate supporting documentation. All communications concerning the foregoing should be addressed to the Claims Administrator at the address shown in paragraph 53 below.

XIII. EXAMINATION OF PAPERS AND INQUIRIES

52. This Notice contains only a summary of the terms of the proposed Settlement. For a more detailed statement of the matters involved in this Action, reference is made to the: pleadings; Stipulation; the Cover Agreement; Orders entered by the Court, and to the other papers filed in the Action, which may be inspected at the Office of the Clerk of the United States District Court for the District of New Jersey, United States Courthouse, Martin Luther King, Jr. Federal Building & Courthouse, 50 Walnut Street, Newark, New Jersey 07101, during regular business hours. Copies of the Stipulation and the Cover Agreement may also be viewed at www.lucentsecuritieslitigation.com.

53. All inquiries concerning this notice or the proof of claim form by Class Members should be addressed as follows:

**In re Lucent Technologies, Inc. Securities Litigation
c/o The Garden City Group, Inc.
Claims Administrator
P.O. Box 9000 #6142
Merrick, NY 11566-9000
1 (866) 345-0365
www.lucentsecuritieslitigation.com**

PLEASE DO NOT CONTACT THE COURT REGARDING THIS NOTICE.

Dated: Newark, New Jersey
September 23, 2003

By Order of the Court
CLERK OF THE COURT