

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

SANDRA BALABAN, On Behalf of
Herself And All Others Similarly
Situated,

Plaintiff,

v.

HENRY B. SCHACHT, RICHARD A.
MCGINN, DEBORAH C. HOPKINS,
PAUL A. ALLAIRE, BETSY S. ATKINS,
CARLA A. HILLS, FRANKLIN A.
THOMAS, JOHN A. YOUNG, and
LUCENT TECHNOLOGIES, INC.,

Defendants.

Civil Action No. 02-4852

Hon. Joel A. Pisano

**NOTICE OF PENDENCY OF CLASS ACTION,
SETTLEMENT, AND HEARING THEREON**

TO: ALL PERSONS AND ENTITIES WHO HELD CERTAIN NOTES AND REDEEMABLE CONVERTIBLE PREFERRED STOCK OF LUCENT TECHNOLOGIES, INC. AT ANY TIME BETWEEN APRIL 13, 1999 AND SEPTEMBER 13, 2002 (THE "CLASS PERIOD"), EXCLUDING THE DEFENDANTS, MEMBERS OF THE IMMEDIATE FAMILIES OF THE INDIVIDUAL DEFENDANTS, AND THEIR HEIRS, ASSIGNS, AND THOSE IN PRIVITY WITH THEM, AND SUBSIDIARIES AND AFFILIATES OF LUCENT TECHNOLOGIES, INC. (THE "CLASS").

PLEASE READ THIS NOTICE CAREFULLY.

THIS NOTICE RELATES TO THE PENDENCY AND PROPOSED SETTLEMENT OF A CLASS ACTION AND CONTAINS IMPORTANT INFORMATION ABOUT YOUR RIGHTS.

YOU ARE HEREBY NOTIFIED, pursuant to an Order of the United States District Court for the District of New Jersey (the "Court"), that a proposed settlement (the "Settlement") has been reached between the plaintiff in the above-captioned class action (the "Action"), and defendants Henry B. Schacht, Richard A. McGinn, Deborah C. Hopkins, Paul A. Allaire, Betsy S. Atkins, Carla A. Hills, Franklin A. Thomas, John A. Young, and Lucent Technologies, Inc. ("Lucent"). This Action is brought against Lucent and the other defendants – certain of its current and former officers and directors – for breaches of their fiduciary duties. The Action asserts causes of action on behalf of holders of the following securities of Lucent at any time between April 13, 1999 and September 13,

2002 (the "Class Period"): (a) 7.7% Notes Due May 19, 2010; (b) 8% Notes Due May 18, 2015; (c) 8% Redeemable Convertible Preferred Stock; and (d) 7.75% Redeemable Convertible Preferred Stock (collectively the "Securities").

The parties have determined that it will be in the best interests of the Class to resolve the Action based on the terms described herein. If finally approved by the Court, the Settlement will result in the dismissal, with prejudice, of the Action.

A hearing (the "Settlement Hearing") will be held by the United States District Court for the District of New Jersey, U.S. District Court and Post Office Building, One Federal Square, Newark, New Jersey, 07101, at 9:30 a.m. on December 12, 2003 before the Honorable Joel A. Pisano, to determine whether: (1) the Settlement is fair, reasonable, and adequate; (2) judgment should be entered giving final approval to the Settlement and dismissing the Action with prejudice; and (3) plaintiff's application for an award of attorneys' fees and reimbursement of expenses in connection with the Action should be granted.

BACKGROUND

On October 7, 2002, plaintiff commenced the Action, by filing a complaint (the "Complaint") asserting causes of action under common law arising from defendants' breaches of fiduciary duties in connection with the dissemination to the public of materially misleading statements about the status of Lucent's revenues and earnings. The Complaint alleges that these public statements were materially misleading and inaccurate because defendants knew, but concealed the fact, that the Company was experiencing significant problems that materially undermined Lucent's reported financial health and ability to compete. The Complaint further alleges that defendants' material misrepresentations and omissions caused the Securities to trade at prices higher than they would have if defendants had disclosed the truth regarding Lucent's business and financial condition, and caused the Class to suffer damages when Lucent's problems were finally disclosed and the Securities fell in price.

The parties to this litigation agreed it would be in all of their best interests to resolve the Action.

THE SETTLEMENT

Counsel for plaintiff conducted factual and legal investigation before and during the Action and has concluded that, because further proceedings will be protracted and expensive and because the outcome is uncertain, it is in the best interests of the Class to settle all of the claims against the defendants in the manner and upon the terms and conditions set forth in the Stipulation. The Settlement is not an admission or concession by plaintiff of any infirmity in the claims asserted in the Action. However, Plaintiff's Counsel recognize and acknowledge the uncertainty of prevailing on their claims were the Action to continue.

Defendants deny any wrongdoing whatsoever, and this Settlement shall not be construed as, or deemed to be, an admission or concession on the part of any of the defendants and shall not be offered or received in evidence in any action or proceeding in any court or other tribunal or offered,

used, or deemed in any way as an admission, concession, or evidence of any liability, fault, wrongdoing, or misconduct of any nature, or weakness or lack of merit of any claim or defense, by any of the parties. Nonetheless, defendants have concluded that further defense of the Action would be protracted and expensive, and that it is desirable that the Action be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation.

TERMS OF THE SETTLEMENT

The full terms and conditions of the Settlement are set forth in the Stipulation of Settlement, dated as of September 21, 2003 (the “Stipulation”), which is on file with the Court. The following is a summary thereof:

Defendants shall pay or cause to be paid to the members of the Class the aggregate sum of \$4.6 million in cash to be paid to Class members based on their losses and the amount of claims submitted.

If the proposed Settlement becomes effective, Class members will be entitled to share in the distribution of the proceeds of the Settlement amount, after payment of taxes, attorneys’ fees, expenses, and expenses of the Settlement administration, to the extent allowed by the Court.

Payments and distributions from the net Settlement fund on claims submitted by Class members shall be made in accordance with a plan of allocation (the “Plan of Allocation”) approved by the Court.

PROPOSED PLAN OF ALLOCATION

The Settlement fund, net of the costs of the notice and administration of the Settlement, taxes, and attorneys’ fees and expenses as may be awarded by the Court, shall be distributed to Class members who timely submit valid Proof of Claim forms.

The net Settlement fund will be allocated among all authorized claimants proportionately according to their recognized claims compared to the aggregate claims of all authorized claimants. For purposes of determining the amount an authorized claimant may recover under the Plan of Allocation, Plaintiff’s Counsel has consulted with their damages expert, and Plaintiff’s Counsel has determined that the Plan of Allocation reflects an assessment of the damages that Plaintiff’s Counsel believes could have been recovered if plaintiff had been entirely successful in establishing liability against defendants.

Because Class members were damaged by different amounts, depending on which of the Securities they held during the Class Period and when they purchased and/or acquired their Securities, Plaintiff’s Counsel has determined that the allowed claims vary depending on the security held and its date of purchase.

Pursuant to this analysis, the recognized loss of each claim will be calculated as follows:

7.7% Notes due 5/19/2010:

- A. For purchases between May 19, 2000 and September 13, 2002, and:
1. sold prior to the close of business on July 31, 2003 — the greater of the purchase price minus the sales price or \$0.00; or
 2. held as of the close of business July 31, 2003 — the greater of the purchase price minus \$918 or \$0.00.

8% Notes due 5/18/2015:

- B. For purchases between May 18, 2000 and September 13, 2002, and:
1. sold prior to the close of business on July 31, 2003 — the greater of the purchase price minus the sales price or \$0.00; or
 2. held as of the close of business July 31, 2003 — the greater of the purchase price minus \$905 or \$0.00.

7.75% Cumulative Trust Preferred Securities:

- C. For purchases between March 17, 2002 and September 13, 2002, and:
1. sold prior to the close of business on July 31, 2003 — the greater of the purchase price minus the sales price or \$0.00; or
 2. held as of July 31, 2003 — the greater of the purchase price minus \$719 or \$0.00.

8% Redeemable Convertible Preferred:

- D. For purchases between August 6, 2001 and September 13, 2002, and:
1. sold prior to the close of business on July 31, 2003 — the greater of the purchase price minus the sales price or \$0.00; or
 2. held as of July 31, 2003 — the greater of the purchase price minus \$1,003 or \$0.00.

GENERAL PROVISIONS

The distribution to each member of the Class may be rounded to the nearest dollar. Only claims that result in payments of \$10 or more will be paid. The Plan of Allocation may be modified upon further order of the Court and may be so modified without further notice to members of the Class.

The date of acquisition or purchase is the “contract” or “trade” date as distinguished from the “settlement” date.

Class members who do not file acceptable Proofs of Claim will not share in the Settlement proceeds. Class members who do not either file a request for exclusion or file acceptable Proofs of Claim will nevertheless be bound by the Judgment (defined below) and the Settlement.

The Settlement of this Action is part of a global settlement of several class actions (the “Global Settlement”). The Settlement will become effective, if approved by the Court, after the judgment entered by the Court becomes final, in this and the related actions described below:

Lucent Common Stock Class Action on behalf of persons who purchased Lucent common stock at any time between October 26, 1999 and December 20, 2000, which is being settled for: a minimum of \$113.4 million in cash; \$246.75 million in Lucent common stock and/or cash; \$24.0 million in common stock of Avaya, Inc.; warrants for the purchase of 200 million shares of Lucent common stock; and up to \$5 million to pay costs of notice and administration. For further information, contact: David J. Bershad, Esq., Milberg Weiss Bershad Hynes & Lerach LLP, One Pennsylvania Plaza, New York, New York 10119, Telephone (212) 594-5300, or Daniel L. Berger, Esq., Bernstein Litowitz Berger & Grossmann LLP, 1285 Avenue of the Americas, New York, New York 10019, Telephone (212) 554-1400.

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, which is being settled for \$3.75 million in cash. For further information, contact: Olimpio Lee Squitieri, Esq., Squitieri & Fearon, LLP, 420 Fifth Avenue, 18th Floor, 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 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. For further information, contact: Todd S. Collins, Esq., Berger & Montague, P.C., 1622 Locust Street, Philadelphia, PA 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, which is being partially settled for \$12 million in cash. Counsel to contact for further information is: James P. Bonner, Esq., Shalov Stone & Bonner LLP, 485 Seventh Avenue, Suite 1000, New York, New York 10018, Telephone (212) 239-4340.

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).

Additionally, 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. Settlement of the Derivative Action will impact Lucent’s ability to pursue

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.

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, MD 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.

Finally, a private action brought on behalf of an institutional investor is being settled for \$10 million in cash.

This Notice is not intended to be a complete description of the Stipulation. The Stipulation contains the full and complete terms of the Settlement, and is available as set forth below.

Plaintiff intends to apply to the Court, at the Settlement Hearing described below, for an award of attorney's fees not to exceed 33% of the Settlement Fund and reimbursement of expenses, plus interest on such expenses at the same net interest rate as is earned in the escrow accounts. Defendants have agreed not to oppose such an application.

THE HEARING

The Settlement Hearing will be held on December 12, 2003 at 9:30 a.m. before the Honorable Joel A. Pisano, the United States District Courthouse and Post Office Building, One Federal Square, Newark, New Jersey, 07101 for the purpose of determining, among other things, whether: (1) the Settlement should be approved by the Court as fair, just, reasonable, and adequate; (2) the Action should be dismissed with prejudice; and (3) plaintiff's application for an award of attorneys' fees and reimbursement of expenses should be granted.

You may request to be excluded from the Class by filing a written request for exclusion with the Clerk of the United States District Court, District of New Jersey, 50 Walnut Street, Newark, New Jersey 07101 and mail a copy of such exclusion to: Claims Administrator, Lucent Note/Preferred Class Litigation, c/o Berdon LLP, P.O. Box 9014, Jericho, New York 11753-8914 in an envelope **post-marked not later than November 25, 2003**. Any requests for exclusion must indicate on the envelope "Request for Exclusion and must provide: (1) your name, address, and telephone number; (2) the number and type of Lucent Securities held during the Class Period; (3) documents evidencing such ownership; and (4) the reason why you are requesting exclusion. Persons who request exclusion will not be entitled to share in the benefits of the Settlement and will not be bound by any judgment entered in the Action.

If you are a Class member, you may, but are not required to, enter an appearance through counsel of your choice at your own expense. If you do not do so, you will be represented by Plaintiff's Counsel: Robert I. Harwood, Esq., Wechsler Harwood LLP, 488 Madison Avenue, New York, NY 10022.

Any Class member who has not requested exclusion may appear at the Settlement Hearing and be heard as to whether: (1) the Settlement should be approved and the Action dismissed with prej-

udice; and/or (2) the application by Plaintiff's Counsel for an award of attorneys' fees and reimbursement of expenses should be granted. *However*, no such person shall be heard unless, on or before November 25, 2003, his, her or its objection or opposition is made in writing and is filed with the Court, together with copies of any supporting papers and briefs upon which he, she or it intends to rely and a sworn statement attesting to the date of purchase, and date of sale, if applicable, by such person of his, her or its Securities. In addition, such person shall serve and show due proof of service, on or before the aforesaid date, of copies of such objection or opposition, supporting papers and briefs, and sworn statement of purchase, ownership, and sale upon each of the following counsel:

Robert I. Harwood, Esq.
Samuel K. Rosen, Esq.
Wechsler Harwood LLP
488 Madison Avenue
New York, NY 10022
Attorneys for Plaintiff

Paul C. Saunders, Esq.
Cravath, Swaine & Moore LLP
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019
Attorneys for Defendants

Any Class member who does not make his or her objection or opposition in the manner provided herein shall be deemed to have waived any and all objections and opposition, and shall be forever foreclosed from making any objection or opposition to the fairness, reasonableness, and adequacy of the Settlement, and the request for an award of attorneys' fees and reimbursement of expenses.

DISMISSAL AND RELEASE OF CLAIMS

If the Settlement is approved, 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 Lucent Note/Preferred Class Members or any of them against any of the Released Parties 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 or that could have been asserted relating to the purchase, transfer, acquisition, holding or ownership of the Lucent Note/Preferred Securities during the Lucent Note/Preferred Class Period ("Settled Claims"), except claims relating to the enforcement of the settlement of the Action shall be dismissed with prejudice on the terms and conditions set forth in the Stipulation.

SPECIAL NOTICE TO BROKERS, BANKS, AND OTHER NOMINEES

If you, as nominee, purchased and/or held any of the Securities on behalf of any Class member during the Class Period, you have been directed by Order of the Court dated September 23, 2003 to immediately upon receipt of this Notice and Proof of Claim form (the "Notice") either: (1) provide

to the Claims Administrator the name and last known address of each such Class member, **preferably on computer-generated mailing labels, or electronically in MS Word or WordPerfect files (label size Avery # 5162), or in an MS Excel data table setting forth (a) title/registration, (b) street address, (c) city/state/zip;** or (2) send copies of the Notice to all beneficial owners by first-class mail and provide the Claims Administrator with written confirmation of having done so. Additional copies of the Notice may be requested by contacting:

Lucent Note/Preferred Class Litigation
c/o Berdon Claims Administration LLC
P.O. Box 9014
Jericho, NY 11753-8914
Telephone: (800) 766-3330
Fax: (516) 931-0810
Website: www.berdonllp.com/claims

Upon submission to the Claims Administrator of a written request, together with appropriate supporting documentation, you are entitled to the reimbursement of any *reasonable* expenses actually incurred in connection with the research of records and: (1) the generating of labels or electronic media; or (2) the mailing of this Notice.

EXAMINATION OF PAPERS AND INQUIRIES

For a more detailed statement of the matters involved in the Action, reference is made to the pleadings, to the Stipulation, and to other papers filed in the Actions, which may be inspected at the United States District Court for the District of New Jersey, 50 Walnut Street, Newark, New Jersey 07101 during business hours on each business day. Any inquiries concerning the Action should be addressed in writing to Plaintiff's Counsel:

Robert I. Harwood, Esq.
Samuel K. Rosen, Esq.
Wechsler Harwood LLP
488 Madison Avenue
New York, NY 10022

PLEASE DO NOT ADDRESS INQUIRIES TO THE COURT.

Dated: October 7, 2003
Newark, New Jersey

BY ORDER OF THE
UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY