

LUCENT TECHNOLOGIES INC

Form DEF 14A

January 03, 2006

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

LUCENT TECHNOLOGIES

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
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 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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LUCENT TECHNOLOGIES INC.

**600 Mountain Avenue
Murray Hill, New Jersey 07974**

NOTICE OF 2006 ANNUAL MEETING OF SHAREOWNERS

DATE	Wednesday, February 15, 2006
TIME	9:00 a.m. EST
PLACE	The DuPont Theatre 10 th and Market Streets Wilmington, Delaware 19801
ITEMS OF BUSINESS	(1) To elect 10 members of the Board of Directors for terms expiring at the annual meeting of shareowners in 2007. (2) To ratify the appointment of PricewaterhouseCoopers LLP as our independent public accountants. (3) To approve an amendment to the Restated Certificate of Incorporation to effect a reverse stock split at the discretion of the Board of Directors. (4) To transact such other business, including consideration of shareowner proposals, as may properly come before the meeting and any adjournment thereof.
RECORD DATE	Holders of Lucent common stock of record at the close of business on December 19, 2005 are entitled to vote at the meeting.
ANNUAL REPORT	The company's 2005 annual report, which is not a part of the proxy soliciting materials, is included as part of this document.
PROXY VOTING	It is important that your shares be represented and voted at the meeting. You may vote your shares by completing and returning the proxy card sent to you. Most shareowners may also vote their shares over the Internet or by telephone. You may revoke a proxy at any time prior to its exercise at the meeting by following the instructions in the accompanying proxy statement.

January 3, 2006

WILLIAM R. CARAPEZZI, JR.
Senior Vice President,
General Counsel and Secretary

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Lucent Technologies Inc.
600 Mountain Avenue
Murray Hill, New Jersey 07974

PROXY STATEMENT

GENERAL INFORMATION

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Lucent Technologies Inc. of proxies to be voted at our 2006 Annual Meeting of Shareowners, and at any postponement or adjournment of the meeting. In this proxy statement, Lucent Technologies Inc. is referred to as Lucent, we, us, our the company, unless the context indicates otherwise.

Lucent's fiscal year begins on October 1 and ends on September 30. References in this proxy statement to the year 2005 or fiscal 2005 refer to the 12-month period from October 1, 2004 through September 30, 2005.

We are first mailing this proxy statement and accompanying form of proxy and voting instructions on January 3, 2006 to holders of our common stock on December 19, 2005, the record date for our annual meeting.

Attending the Meeting

You are cordially invited to attend our annual meeting on February 15, 2006, beginning at 9 a.m. EST. Our annual meeting will be held at the DuPont Theatre located at 10th and Market Streets, Wilmington, Delaware 19801. Shareowners will be admitted beginning at 8 a.m. EST. The location is accessible to handicapped persons and, upon request, we will provide wireless headsets for hearing amplification. A map and directions to our annual meeting are on the admission ticket and at the back of this document.

You will need your admission ticket as well as a form of personal identification to enter our annual meeting. If you are a shareowner of record, you will find an admission ticket attached to the proxy card sent to you. If you plan to attend our annual meeting, please retain the admission ticket. If you arrive at the annual meeting without an admission ticket, we will admit you if we are able to verify that you are a Lucent shareowner.

If your shares are held in the name of a bank, broker or other nominee and you plan to attend our annual meeting, you can obtain an admission ticket in advance by sending a written request, along with proof of ownership, such as a recent bank or brokerage account statement, to our transfer agent, The Bank of New York, Church Street Station, P.O. Box 11009, New York, New York 10286.

You may listen to a live audio webcast of our annual meeting through the link on our website at **www.lucent.com/investor**. Information on the audio webcast, other than our proxy statement and form of proxy, is not part of the proxy solicitation materials.

Shareowners Entitled to Vote

Shareowners of our common stock at the close of business on the record date of December 19, 2005 are entitled to notice of, and to vote at, our annual meeting. Each common share is entitled to one vote on each matter properly brought before the meeting. On November 30, 2005, we had 4,457,956,354 shares of common stock outstanding.

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Proxies and Voting Procedures

Your vote is important. Many shareowners cannot attend our annual meeting in person. Therefore, a large number of shareowners need to be represented by proxy. As an alternative to voting in person at the meeting, most shareowners have a choice of voting over the Internet, using a toll-free telephone number or by mail as described below. Please refer to your proxy card or the information forwarded by your bank, broker or other nominee to see which options are available to you.

Voting over the Internet: You may vote by proxy over the Internet by going to the website listed on your proxy card. Once at the website, follow the instructions to vote your proxy. If you vote over the Internet, you can also request electronic delivery of future proxy materials.

Voting by Telephone: You may vote by proxy using the toll-free number listed on your proxy card. Easy-to-follow voice prompts will help you and confirm that your voting instructions have been followed.

Voting by Mail: You may vote by proxy by signing, dating and returning your proxy card in the pre-addressed postage-paid envelope provided.

The Internet and telephone voting procedures are designed to authenticate shareowners and to allow you to confirm that your instructions have been properly recorded. The Internet and telephone voting facilities for eligible shareowners will close at 11:59 p.m. EST on February 14, 2006.

The method by which you vote by proxy will in no way limit your right to vote at our annual meeting if you later decide to attend the meeting in person. If your shares are held in the name of a bank, broker or other nominee, you must obtain a proxy, executed in your favor, from the holder of record, to be able to vote at our annual meeting. If you are a participant in the BuyDIRECTsm stock purchase plan, shares held in your BuyDIRECT account may be voted using the proxy card sent to you or, if you receive electronic delivery, in accordance with instructions you receive by e-mail. The plan's administrator is the shareowner of record of your plan shares and will not vote those shares unless you provide it with instructions, which you may do over the Internet, by telephone or by mail using the proxy card sent to you.

If you are a participant in the Lucent Technologies Savings Plan, Lucent Technologies Long Term Savings and Security Plan, Lucent Technologies Long Term Savings and Security Employee Stock Ownership Trust, Lucent Technologies Employee Stock Purchase Plan or the Lucent Technologies Long-Term Incentive Plan, you will receive either (1) one proxy card for all shares you own through these plans or (2) an e-mail with instructions on how to vote. If you receive a proxy card, it will serve as a voting instruction card for the trustee or administrator of these plans for all accounts that are registered in the same name. To allow sufficient time for the respective trustee or administrator to vote your shares, the trustee or administrator must receive your voting instructions by February 9, 2006. If the trustee does not receive your instructions by that date, the trustee will vote the unvoted plan shares in the same proportion as shares for which instructions were received under each plan. If the administrator for the Lucent Technologies Employee Stock Purchase Plan or the Lucent Technologies Long-Term Incentive Plan does not receive your instructions by that date, the administrator will vote shares held in a such accounts in accordance with normal brokerage industry practices.

If you hold Lucent common stock through any other stock purchase or savings plan, you will receive voting instructions from that plan's administrator. Please follow and complete those instructions promptly to assure that your shares are represented at the meeting.

All shares entitled to vote and represented by properly completed proxies received prior to our annual meeting, and not revoked, will be voted at our annual meeting as instructed on the proxies. **If you do**

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not indicate how your shares should be voted on a matter, the shares represented by your properly completed proxy will be voted as the Board of Directors recommends.

Revoking a Proxy

You may revoke your proxy at any time before it is exercised by timely delivering a properly executed, later-dated proxy (including over the Internet or telephone) or by voting by ballot at the annual meeting.

Tabulation of the Votes

We have appointed IVS Associates, Inc. to serve as the Inspector of Election for the meeting. IVS Associates, Inc. will independently tabulate affirmative and negative votes, abstentions and broker non-votes.

Quorum

The presence, in person or by proxy, of the holders of a majority of the shares entitled to vote is necessary to constitute a quorum at the meeting for the election of directors and for the other proposals. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining whether a quorum exists. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner. If the shareowners present or represented by proxy at the meeting constitute holders of less than a majority of the shares entitled to vote, our meeting may be adjourned to a subsequent date for the purpose of obtaining a quorum.

Conduct of the Meeting

To ensure that our annual meeting is conducted in an orderly fashion and that shareowners wishing to speak at the meeting have a fair opportunity to do so, we will have certain guidelines and rules for the conduct of the meeting, which we will communicate to those attending the meeting.

Electronic Access for Documents Filed with the SEC

This document is available on our website at www.lucent.com/investor. Most shareowners may elect to view certain shareowner communications filed with the Securities and Exchange Commission (the SEC) over the Internet at www.sec.gov instead of receiving paper copies in the mail. If you are a shareowner of record, you may choose this option and save the company the cost of producing and mailing these documents. You may select this option by (a) marking the appropriate box on your proxy card or (b) following the instructions provided if you vote over the Internet. If you vote over the Internet, simply follow the prompts for enrolling in the electronic proxy delivery service. You also may enroll in the electronic proxy delivery service at any time in the future by going to www.lucent.com/investor and following the instructions. If you choose to view future proxy materials and our annual report over the Internet, you will receive an e-mail next year with instructions containing the Internet address of those materials. Your choice will remain in effect until you tell us otherwise, so you will not have to elect Internet access each year.

If you hold your Lucent stock through a bank, broker or other nominee, please refer to the information provided by that entity for instructions on how to elect to view future proxy statements and annual reports over the Internet. Shareowners who hold their Lucent stock through a bank, broker or other nominee and who elect electronic access will receive an e-mail message next year containing the Internet address to access our proxy statement and annual report.

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Multiple Shareowners Sharing the Same Address

We have adopted a procedure approved by the SEC called householding, which reduces our printing costs and postage fees. Under this procedure, shareowners of record who have the same address and last name and do not participate in electronic delivery of proxy materials will receive only one copy of our annual report and proxy statement unless one or more of these shareowners notifies us that he or she wishes to continue receiving individual copies. Shareowners who participate in householding will continue to receive separate proxy cards.

If you are an eligible shareowner of record receiving multiple copies of our annual report and proxy statement, you can request householding by contacting our transfer agent at 1 888 LUCENT 6 or writing to The Bank of New York, Church Street Station, P.O. Box 11009, New York, New York 10286. If you are a shareowner of record residing at an address that participates in householding and you wish to receive a separate annual report and proxy statement in the future, you may contact us in the same manner. If you own your shares through a bank, broker or other nominee, you can request householding by contacting the nominee.

Cost of Proxy Solicitation

Lucent will pay the cost of soliciting proxies. Directors, officers and employees of the company may solicit proxies on behalf of the company in person or by telephone, facsimile or other means. We have engaged the firm of Morrow & Co., Inc. to assist us in the distribution and solicitation of proxies. We have agreed to pay Morrow & Co., Inc. a fee of \$20,000 plus expenses for these services.

In accordance with the regulations of the SEC and the New York Stock Exchange, Inc. (the NYSE), we also will reimburse brokerage firms and other custodians, nominees and fiduciaries for their expenses incurred in sending proxies and proxy materials to beneficial owners of our common stock.

GOVERNANCE OF THE COMPANY

Our Board of Directors believes that the purpose of corporate governance is to ensure that we maximize shareowner value over a sustained period of time in a manner consistent with legal requirements and the highest standards of integrity. The Board has adopted and adheres to corporate governance guidelines and practices that the Board and senior management believe promote this purpose, are sound, and represent best practices. We continually review these governance practices and update them, as appropriate, based upon Delaware law (the state in which we are incorporated), NYSE rules and listing standards, SEC regulations, as well as best practices suggested by recognized governance authorities.

In 2005, we performed an extensive review of our corporate governance practices. This review included a comparison of our current practices to those suggested by various groups or authorities active in corporate governance and to those of other public companies. We previously performed such a review in 2002. Based on this review, the Board adopted revised corporate governance guidelines to incorporate additional or revised practices. The revised corporate governance guidelines are attached as Exhibit A.

The Board of Directors adopted changes we believe are best practices for the company. One such practice is evident in this proxy statement as we are, for the first time, seeking shareowner ratification of the appointment of the independent auditors. The Board also adopted a policy that any nominee for director who receives more Withheld votes than For votes in the election of directors will promptly tender his or her resignation for consideration by the Corporate Governance and Nominating Committee.

Our corporate governance guidelines, our code of conduct, which we refer to as our Business Guideposts, our code of ethics for our Chief Executive Officer and financial officers and executives, charters for the committees of our Board and other corporate governance information that may be of interest to

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investors are available on our website at www.lucent.com/investor/governance.html. Shareowners may also obtain printed copies of the key corporate governance documents by writing to us at Lucent Technologies, Corporate Secretary, 600 Mountain Avenue, Room 3C-536, Murray Hill, NJ 07974.

Meeting Attendance of Directors

During fiscal 2005, the Board of Directors held five meetings and the standing committees held a total of 19 meetings. The average attendance at the Board of Directors and committee meetings was 99%. The Board and committees held executive or private sessions without company management present as a regular practice. The lead director presides over executive sessions of the Board. The chairmen of the respective committees preside over the executive sessions of the committees.

All of our directors are expected to attend our annual meeting of shareowners. Eight of our nine directors standing for re-election attended our 2005 annual meeting of shareowners.

Director Independence

Our Board of Directors has adopted Director Independence Standards, which can be viewed on our website at www.lucent.com/investor/governance.html and are included in our corporate governance guidelines attached as Exhibit A. These Director Independence Standards incorporate all of the director independence standards of the NYSE and, in some respects, are more stringent. For example, a former CEO of the company will never be considered independent, and the cooling-off period for former employees is five years. In summary, these standards require that a director be considered independent only if the director does not have, and generally has not had in the most recent three years (or longer in some cases), any material relationships with the company, including any affiliation with our independent auditors. The Board has reviewed each of the directors' relationships with the company in conjunction with the Director Independence Standards and has affirmatively determined that all of our directors, other than Patricia Russo and Henry Schacht, are independent under the Board's Director Independence Standards and are independent directors under the NYSE corporate governance rules.

In making this determination, the Board and the Corporate Governance and Nominating Committee took into account that:

No independent director (or immediate family member of any independent director) has a direct business relationship with the company or any of its subsidiaries, other than service as a director, nor does any independent director (or immediate family member of any independent director) provide any advisory or consulting services to the company or its subsidiaries.

Neither the company nor any of its executive officers has made any contributions or donations to any not-for-profit organizations for which any of our independent directors (or immediate family member of any independent director) is an executive officer.

Aetna, where Ronald A. Williams is President, is the only company to transact business with Lucent over the past three years in which any of our independent directors (or any of their immediate family members) has served as an executive officer or is a partner, principal or greater than a 10% shareowner. In the case of Aetna, the combined annual payments from Lucent to Aetna and from Aetna to Lucent have been less than 0.2% of Aetna's annual consolidated revenues and less than 0.4% of Lucent's annual consolidated revenues for each of the past three years. These amounts are substantially under the 2% limit in our Director Independence Standards and the NYSE independence standards.

Lead Director

In February 2005, the Board of Directors re-appointed Franklin Thomas as lead director, a position Mr. Thomas has held since October 2000. In this capacity, Mr. Thomas has frequent contact with Ms. Russo and other members of management on a broad range of matters and has additional corporate governance responsibilities for the Board. As lead director, Mr. Thomas also presides over

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executive sessions of the Board. The Board of Directors has determined that Mr. Thomas meets our Director Independence Standards and the NYSE standards for independence.

Committees of the Board of Directors

Our Board has three standing committees: (1) the Audit and Finance Committee, (2) the Corporate Governance and Nominating Committee, and (3) the Leadership Development and Compensation Committee. Each of these committees operates pursuant to a written charter, which sets forth its functions. The charter for the Audit and Finance Committee is attached as Exhibit B, and all committee charters can be viewed on our website at

www.lucent.com/investor/governance.html. All members of these committees are independent directors under our Director Independence Standards and the NYSE corporate governance rules. In addition, all members of our Audit and Finance Committee are independent directors under the SEC rules for audit committees.

Our three standing committees are described below and the members of these committees are identified in the following table. Our Board also has a Litigation Committee consisting of Robert Denham and Daniel Goldin, which meets only as required, to discuss resolution of litigation.

Director	Audit and Finance Committee	Corporate Governance and Nominating Committee	Leadership Development and Compensation Committee
Robert E. Denham	X (Chairman)	X	
Daniel S. Goldin			X
Edward E. Hagenlocker		X	X (Chairman)
Carla A. Hills		X	X
Karl J. Krapek	X		
Richard C. Levin	X		
Franklin A. Thomas		X	X
Ronald A. Williams	X	X (Chairman)	
Number of Meetings in Fiscal 2005	9	5	5

We recently changed the chairman of our Leadership Development and Compensation Committee, with Edward Hagenlocker assuming the duties from Franklin Thomas. In addition, Ronald Williams succeeded Carla Hills as chairman of the Corporate Governance and Nominating Committee. These changes were made in anticipation of Franklin Thomas' retirement from our Board at the 2007 annual meeting and Carla Hills' retirement at the conclusion of the 2006 annual meeting. Linnet Deily was added to the Board of Directors in November 2005, and we anticipate that she will be added to the Leadership Development and Compensation Committee before the 2006 annual meeting.

Audit and Finance Committee

The Audit and Finance Committee is responsible for matters relating to financial reporting, internal controls, risk management and compliance. These responsibilities include appointing, overseeing, evaluating and approving the fees of our independent auditors, reviewing financial information that is provided to our shareowners and others, reviewing

with management our system of internal controls and financial reporting process and monitoring our compliance program and system.

The Board of Directors has determined that each committee member meets the NYSE financial literacy test. In addition, the Board of Directors has determined that at least one member of the Audit and

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Finance Committee meets the NYSE standard of having accounting or related financial management expertise. The Board of Directors has also determined that Robert Denham, the committee's chairman, meets the SEC criteria for an audit committee financial expert. Mr. Denham's extensive background and experience includes serving as the Chairman and Chief Executive Officer of Salomon Inc where Mr. Denham actively supervised the Salomon Chief Financial Officer and participated extensively in accounting, auditing, internal control and risk management issues. Since January 1, 2004, Mr. Denham has been the Chairman and President of the Financial Accounting Foundation, which has oversight, funding and appointment responsibilities for the Financial Accounting Standards Board and the Governmental Accounting Standards Board and their advisory councils.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee is responsible for providing oversight on a broad range of issues regarding our corporate governance practices and policies, the composition and operation of the Board and Lucent's corporate social responsibilities. The committee's responsibilities include reviewing potential candidates for membership on the Board, reviewing Board committee assignments and recommending to the Board nominees for election as directors of the company.

Leadership Development and Compensation Committee

The Leadership Development and Compensation Committee is responsible for matters relating to the development, attraction and retention of the company's management leadership and for matters relating to the company's compensation and benefit programs. As part of its responsibilities, this committee evaluates the performance and determines the compensation of the company's Chief Executive Officer and approves the compensation of our senior officers.

Compensation of Non-Employee Directors*2005 Compensation*

The following chart sets forth the compensation we paid to non-employee directors for 2005. Each director was required to take at least \$75,000 of the annual retainer and 50% of all other fees in Lucent stock. Any amounts not paid in Lucent stock were paid in cash.

Name	Annual Retainer	Committee Chairman Fee	Lead Director Fee	Audit Committee Fee
Robert E. Denham	\$ 125,000	\$ 25,000		
Daniel S. Goldin	\$ 125,000			
Edward E. Hagenlocker(a)	\$ 125,000	\$ 5,833		
Carla A. Hills	\$ 125,000	\$ 10,000		
Karl J. Krapek	\$ 125,000			\$ 5,000
Richard C. Levin	\$ 125,000			\$ 5,000
Henry B. Schacht	\$ 125,000			
Franklin A. Thomas	\$ 125,000	\$ 10,000	\$ 50,000	
Ronald A. Williams(b)	\$ 125,000	\$ 5,833		\$ 5,000

(a) Committee Chairman Fee is a pro rata fee for assuming the role of Chairman of the Leadership Development and Compensation Committee in July 2005.

(b) Committee Chairman Fee is a pro rata fee for assuming the role of Chairman of the Corporate Governance and Nominating Committee in July 2005.

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2006 Compensation

For fiscal 2006, each non-employee director's annual retainer will be \$165,000. The Chairman of the Audit and Finance Committee will receive an additional retainer of \$25,000, and the Chairman of each of the Corporate Governance and Nominating Committee and the Leadership Development and Compensation Committee will receive an additional retainer of \$15,000. Each of the other members of the Audit and Finance Committee will receive an additional annual retainer of \$5,000. In fiscal 2006, the lead director will receive an additional \$50,000. At least 50% of all retainers and fees must be taken in common stock, and amounts not paid in common stock will be paid in cash. The increase in our non-employee directors' annual retainer and committee chairman fees is designed to help us attract and retain highly qualified individuals to serve on our Board of Directors and to compensate them for the time commitments and personal risks associated with their Board service. The levels of retainers are based on benchmarking studies prepared on behalf of the Leadership Development and Compensation Committee in respect of director fees paid by other large public companies. The annual retainer had been substantially unchanged since 1998 except that a portion previously paid in stock options was changed to a stock award in 2004.

Other Benefits

We have a Deferred Compensation Plan in which non-employee directors are able to defer all or a portion of their stock compensation to a deferred compensation account. The value of the account fluctuates based on changes in the price of Lucent common stock. All distributions from an account will be made in Lucent common stock. In the event of a Potential Change in Control, as defined in the Deferred Compensation Plan, the Deferred Compensation Plan will be supported by a benefits protection grantor trust, the assets of which will be subject to the claims of the company's creditors.

We maintain a general insurance policy that provides non-employee directors with travel accident insurance when traveling on company business. In addition, the company pays the premiums for term life insurance owned by the directors who became non-employee directors before 1999.

Compensation Committee Interlocks and Insider Participation

In fiscal 2005, only independent directors served on the Leadership Development and Compensation Committee. Franklin Thomas was the chairman of the committee through July 20, 2005, at which time he was succeeded by Edward Hagenlocker as the chairman of the committee for the remainder of the year. The other committee members during all or part of the year were Daniel Goldin, Carla Hills and John Young. Mr. Young retired from the Board in February 2005. No inside director serves on this committee. No member of the committee had any relationship with us requiring disclosure under Item 404 of SEC Regulation S-K. No executive officer of Lucent served on any board of directors or compensation committee of any other company for which any of our directors served as an executive officer at any time during fiscal 2005.

Nomination of Directors

The Corporate Governance and Nominating Committee is responsible for identifying individuals qualified to become Board members and for recommending nominees to the Board for election at the annual meeting of shareowners. To facilitate this process, the committee and the Board adopted a Director Nominating Process and Policy and Director Qualification Criteria. Both of these can be viewed on our website at www.lucent.com/investor/governance.html and are included in our corporate governance guidelines attached as Exhibit A.

The Director Nominating Process and Policy and the Director Qualification Criteria articulate a process and qualifications that are clear, specific and prudent to help the Corporate Governance and Nominating Committee and the Board identify and select the most qualified directors to meet our needs and provide a well-functioning Board.

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In accordance with the policy, the Corporate Governance and Nominating Committee will take into account the Board's current and anticipated strengths and needs, based upon the Board's current profile and the company's current and anticipated needs. The committee will also seek an appropriate balance of experience or expertise in accounting, finance, technology, management, international business, compensation, corporate governance, strategy, industry knowledge and general business matters, as well as diversity within the Board.

As set forth in the Director Qualification Criteria, the Board seeks candidates for director who possess: (1) the highest level of integrity and ethical character, (2) strong personal and professional reputations, (3) sound judgment, (4) financial literacy, (5) independence, (6) significant experience and proven superior performance in professional endeavors, (7) an appreciation for board and team performance, (8) the commitment to devote the time necessary for service on our Board, (9) skills in areas that will benefit the Board and (10) the ability to make a long-term commitment to serve on the Board. The Corporate Governance and Nominating Committee will also seek to have at least one independent director who meets the definition of an audit committee financial expert under the SEC rules. The Corporate Governance and Nominating Committee will consider director nominations made by a shareowner or other sources (including self-nominees) if these individuals meet our Director Qualification Criteria. If a candidate proposed by a shareowner or other source meets the criteria, the individual will be considered on the same basis as other candidates. For consideration by the Corporate Governance and Nominating Committee, the submission of a candidate must be sent to the attention of the Corporate Secretary, 600 Mountain Avenue, Room 3C-536, Murray Hill, New Jersey 07974. The submission should be received by August 31, 2006 in order to receive adequate consideration for the 2007 annual meeting and must include sufficient details to demonstrate that the potential candidate meets the Director Qualification Criteria.

The Corporate Governance and Nominating Committee may rely on various sources to identify potential director nominees. These include input from directors, management, others the committee feels are reliable, and professional search firms. During fiscal 2005, we paid a professional search firm to help the committee identify and evaluate potential director nominees. Linnet F. Deily was one of the candidates identified by the professional search firm. In addition, our by-laws permit shareowners to nominate directors at a shareowners meeting. To make a director nomination at a shareowners meeting, the shareowner must provide a notice along with additional information and materials required by our by-laws to our Corporate Secretary not less than 45 days nor more than 75 days prior to the first anniversary of the record date for the preceding year's annual meeting. We did not receive any such nominations for directors for the 2006 annual shareowners meeting. For our annual meeting in 2007, we must receive this notice on or after October 5, 2006, and on or before November 4, 2006. The nomination must be delivered to our Corporate Secretary, at 600 Mountain Avenue, Room 3C-536, Murray Hill, New Jersey 07974. You can obtain a copy of the full text of the by-law provisions by writing to the Corporate Secretary, 600 Mountain Avenue, Murray Hill, New Jersey 07974. A copy of our by-laws was filed with the SEC as an exhibit to our report on Form 10-Q, filed May 6, 2004, and can also be viewed on our website at www.lucent.com/investor/governance.html.

Shareowner Communications with the Board of Directors

Shareowners may communicate directly with our Board, any Board committee or any director through our Corporate Secretary by writing to the following address: Board of Directors, c/o Corporate Secretary, 600 Mountain Avenue, Room 3C-536, Murray Hill, New Jersey 07974. Our Corporate Secretary will discuss with our lead director or the chairman of our Audit and Finance Committee, as appropriate, all correspondence alleging misconduct or fiscal improprieties, raising issues about internal controls or other accounting or audit matters, or raising concerns about other significant matters. Shareowner communications requesting information that can be shared publicly may be responded to directly by our Corporate Secretary. With respect to any other shareowner communications, the Corporate Secretary will determine if a response is appropriate and, in that case, the company may respond directly on

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behalf of the Board. The Corporate Secretary will periodically provide the lead director with information about the number and types of shareowner communications received, the number of responses sent, and the disposition, if applicable. Our policy on shareowner communications with the Board can be viewed on our website at www.lucent.com/investor/governance.html and is included in our corporate governance guidelines attached as Exhibit A.

Employee Code of Conduct and Code of Ethics

Since our inception in 1996, we have had a code of conduct, which we refer to as our Business Guideposts. We require all directors and employees to adhere to the Business Guideposts in addressing legal and ethical issues encountered in conducting their work. The Business Guideposts require that our directors and employees avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner, and otherwise act with integrity and in the company's best interest. All directors and employees are required to certify annually that they have reviewed and are aware of their responsibilities under the Business Guideposts. We also have a Code of Ethics for the Chief Executive Officer and senior financial officers, which covers our CFO, Controller and all other financial officers and executives. This Code of Ethics supplements our Business Guideposts and is intended to promote honest and ethical conduct, full and accurate reporting, and compliance with laws as well as other matters. Copies of the Business Guideposts and the Code of Ethics can be viewed on our website at www.lucent.com/investor/governance.html. We have also filed a copy of the Code of Ethics with the SEC as an exhibit to our annual report on Form 10-K for our fiscal year ended September 30, 2003.

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**ITEM 1
ELECTION OF DIRECTORS**

Nine of the 10 members of the Board of Directors elected at the 2005 annual meeting are standing for re-election for a one-year term expiring at the 2007 annual meeting of shareowners or until their successors have been elected and qualified, or until their death, resignation or retirement. In addition, Linnet F. Deily, who was added to the Board in November 2005, is standing for election for the first time.

Our Board currently has 11 directors. Carla A. Hills will be 72 at the 2006 annual meeting and, consistent with our age 72 retirement policy for directors, will be retiring from the Board upon the conclusion of the annual meeting. Ambassador Hills has been a director of the company since 1996 and we are grateful for her counsel, insight, advice and service over the years.

Pursuant to its authority in the company's restated certificate of incorporation and by-laws, the Board has set the number of directors at 10, effective with the conclusion of the 2006 annual meeting. Accordingly, 10 nominees for election to the Board are being recommended by the Board. These nominees are:

Linnet F. Deily	Richard C. Levin
Robert E. Denham	Patricia F. Russo
Daniel S. Goldin	Henry B. Schacht
Edward E. Hagenlocker	Franklin A. Thomas
Karl J. Krapek	Ronald A. Williams

The principal occupation and other information about the nominees are set forth on the following pages. Information about the share ownership of the nominees can be found on page 15.

We believe that each nominee for election as a director will be able to serve if elected. If any nominee is not able to serve, proxies will be voted in favor of the remainder of those nominated and may be voted for substitute nominees, unless the Board of Directors chooses to reduce the number of directors serving on the Board.

Vote Required and Recommendation of Board of Directors. The 10 nominees receiving the greatest number of votes duly cast for their election as directors will be elected.

A policy adopted by the Lucent Board of Directors in July 2005 provides that if a director nominee receives a greater number of votes "Withheld" from his or her election than votes "For" that director's election, the director nominee shall promptly tender his or her resignation for consideration by the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee will then evaluate the best interests of the company and our shareowners and recommend to the Board of Directors the action to be taken with respect to such resignation. If this situation does occur, we would promptly disclose the action taken by our Board of Directors with respect to the director's resignation.

Your Board of Directors recommends a vote FOR the election of the above-named nominees as directors.

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NOMINEES FOR DIRECTOR

Linnet F. Deily, Director of Lucent since November 2005.

Former Deputy U.S. Trade Representative (2001-June 2005). Vice Chairman, Office of the President and Vice Chairman & President, Schwab Retail Group; and President, Schwab Services for Investment Managers (SMI) Group, Charles Schwab & Company, Inc. (1996-2001). Various senior positions, First Interstate Bancorp and its subsidiaries, including Chairman, President and CEO of First Interstate Bank of Texas (1981-1996).

Age: 60

Robert E. Denham, Director of Lucent since 2002.

Committees: Audit and Finance Committee (Chairman), Corporate Governance and Nominating Committee and Litigation Committee.

Partner, Munger, Tolles & Olson LLP since 1998 and from 1973-1991. Chairman and Chief Executive Officer of Salomon Inc (1992-1997); General Counsel of Salomon Inc and its subsidiary, Salomon Brothers (1991-1992). Chairman and President of the Financial Accounting Foundation. Director of Chevron Corporation; Fomento Economico de Mexico, S.A.; and Wesco Financial Corporation.

Age: 60

Daniel S. Goldin, Director of Lucent since 2002.

Committees: Leadership Development and Compensation Committee and Litigation Committee.

Chairman and CEO, The Intellisys Corp.; President, The Intellisys Group (since 2004). Former NASA Administrator (1992-2001). Distinguished Fellow, the Council on Competitiveness. Member of the National Academy of Engineers. Fellow of the American Institute of Aeronautics and Astronautics. Director of CDW Corporation.

Age: 65

Edward E. Hagenlocker, Director of Lucent since 2003.

Committees: Leadership Development and Compensation Committee (Chairman) and Corporate Governance and Nominating Committee.

Retired Vice-Chairman, Ford Motor Company (1996-1999). Chairman, Visteon Automotive Systems (1997-1999). Director of Air Products and Chemicals, Inc.; American Standard Companies Inc.; AmerisourceBergen Corporation; and OfficeMax Inc.

Age: 66

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NOMINEES FOR DIRECTOR

Karl J. Krapek, Director of Lucent since 2003.

Committees: Audit and Finance Committee.

Retired President and COO (1982-2002), and Director (1997-2002) of United Technologies Corporation. Director of The Connecticut Bank and Trust Company; Delta Airlines; Prudential Financial, Inc.; and Visteon Corporation.

Age: 57

Richard C. Levin, Director of Lucent since 2003.

Committees: Audit and Finance Committee.

President, Yale University since 1993. Member of the Board of Sciences, Technology and Economic Policy at the National Academy of Arts and Sciences. Trustee of the William and Flora Hewlett Foundation.

Age: 58

Patricia F. Russo, Director of Lucent since 2002.

Chairman and Chief Executive Officer (February 2003-present) and President and Chief Executive Officer (January 2002-February 2003) of Lucent. Chairman, Avaya Inc. (December 2000-January 2002). President and Chief Operating Officer of Eastman Kodak Company (April 2001-January 2002). Executive Vice President and Chief Executive Officer, Service Provider Networks Group (1999-2000) and Executive Vice President, Corporate Operations (1996-1999) of Lucent. Director of Schering-Plough Corporation.

Age: 53

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NOMINEES FOR DIRECTOR

Henry B. Schacht, Director of Lucent since 1996.

Managing director and senior advisor of Warburg Pincus LLC (since 2004; 1999-2000; and 1995). Chairman (October 2000-February 2003; 1996-1998) and Chief Executive Officer (October 2000 January 2002; 1996-1997) of Lucent. Senior Advisor to Lucent (February 2003 October 2003; 1998-1999). Chairman (1977-1995) and Chief Executive Officer (1973-1994) of Cummins Engine Company, Inc. Director of Alcoa Inc. and The New York Times Co.

Age: 71

Franklin A. Thomas, Director of Lucent since 1996 and Lead Director since October 2000.

Committees: Leadership Development and Compensation Committee and Corporate Governance and Nominating Committee.

Consultant to the TFF Study Group since 1996 (a non-profit initiative assisting development in southern Africa). Retired President of The Ford Foundation (1979-1996). Chairman of the oversight board of the September 11 Fund (2001-2005). Advisor, United Nations Fund for International Partnerships. Director of Alcoa Inc.; Citigroup N.A.; and PepsiCo, Inc.

Age: 71

Ronald A. Williams, Director of Lucent since 2003.

Committees: Corporate Governance and Nominating Committee (Chairman) and Audit and Finance Committee.

President and Director of Aetna, Inc. since 2002. Executive Vice President and Chief of Health Operations, Aetna Inc. (March 2001 May 2002). President, Blue Cross of California (1995 2001). Group President, Large Group Division, WellPoint Health Networks Inc., Blue Cross of California (1999 2001). Member of the Board of Trustees of The Conference Board. Member of Dean s Advisory Council and the Corporate Visiting Committee at the Massachusetts Institute of Technology.

Age: 56

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SHARE OWNERSHIP OF MANAGEMENT AND DIRECTORS