

Inquiries concerning your Avaya account should be directed to: 1-866-22AVAYA

Or write to: Avaya Shareholder Services  
c/o The Bank of New York  
Church Street Station  
P.O. Box 11033  
New York, NY 10286-1033  
E-mail: avshareholders@bankofny.com

Inquiries concerning your Lucent account should be directed to: 1-888-LUCENT6

Or write to: Lucent Shareholder Services  
c/o The Bank of New York  
Church Street Station  
P.O. Box 11009  
New York, NY 10286-1009  
E-mail: lu-shareholders-svcs@email.bony.com

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## CONSULT YOUR TAX ADVISOR

The information in this document represents our understanding of federal income tax laws and regulations, and does not constitute tax advice. It does not purport to be complete or to describe the consequences that may apply to particular categories of shareowners. You should consult your own tax advisor regarding the particular consequences of the stock distribution, including the applicability and effect of any state, local and foreign tax laws.

## TAX INFORMATION FOR SHAREOWNERS OF LUCENT TECHNOLOGIES INC.

Lucent Technologies Inc. distributed its shares of Avaya Inc. common stock to Lucent shareowners on Sept. 30, 2000, as expected. Lucent and Avaya are now two fully independent, publicly owned companies. This document contains information related to the special distribution of the Avaya shares:

- An explanation of the tax implications for Lucent shareowners as the result of the Avaya spin-off.
- A worksheet that will help you complete important tax calculations.

## BACKGROUND INFORMATION

Lucent shareowners of record on Sept. 20, 2000, received a distribution of 1 share of common stock of Avaya for every 12 shares of Lucent stock owned. Full shares of Avaya should have been received on or about Sept. 30. As previously announced, shareowners entitled to a fractional share of Avaya will receive a cash payment instead. The check contained in this package represents this cash payment. The fractional shares of Avaya common stock have been aggregated and sold through an independent agent, with the net proceeds being paid as appropriate to those entitled to a fractional share.

## TAX INFORMATION

Lucent received a ruling from the Internal Revenue Service that the distribution of Avaya common stock qualifies as a tax-free distribution for federal income tax purposes in the United States. This means that, in general, Lucent shareowners will not recognize a gain or loss related to the receipt of Avaya shares, except in connection with cash received in lieu of a fractional share. The taxable gain or loss that must be recognized for income tax purposes will be equal to the difference between the cash received and the shareowner's tax basis in the fractional share (you can determine your tax basis using the worksheet that follows).

## TAX BASIS ALLOCATION

It is necessary to determine your "tax basis" to calculate your net gain or loss on the sale of stock. This tax basis is then compared to the sale price of that stock to determine your net gain or loss. If you bought your shares (and did not acquire them as a gift or in a similar fashion), "tax basis" refers to your *cost of acquiring* your shares of stock. If you did not acquire your shares by purchasing them, consult your tax advisor to determine your tax basis. Because of the spin-off, you must divide – or allocate – the tax basis of your pre-spin-off Lucent shares between your post-spin-off Lucent shares and your newly received Avaya shares. (The worksheet that follows, will help you do this). If you acquired pre-spin-off Lucent shares at different times and costs (including shares received through a dividend reinvestment plan), you will need to calculate a separate tax basis for each group of Lucent shares, as well as the Avaya shares received in connection with these Lucent shares.

## SHAREOWNER STATEMENT

United States Treasury Department regulations require that you sign and attach to your income tax return a statement setting forth certain prescribed information about the Lucent/Avaya stock distribution. Enclosed in this package is a statement you can use for this purpose when you file your 2000 federal income tax return.



HOW TO CALCULATE YOUR TAX BASIS:

You can use the following worksheet to calculate the taxable gain or loss for the cash received in lieu of the fractional share of Avaya. In addition, shareowners who choose to sell either their Lucent or Avaya shares will need to apply the same tax basis allocation to determine taxability on any net gain or loss.

Based on the average high and low prices at which Lucent and Avaya traded on Oct. 2, 2000 – as reported for the New York Stock Exchange transaction – 94.524% of your pre-spin-off tax basis should be allocated to your Lucent shares, and the remaining 5.476% should be allocated to your new Avaya shares (including any fractional share interest).

A hypothetical example is provided along with space to fill in your actual numbers. In order to use this worksheet, you will need to know the original tax basis of your pre-spin-off Lucent shares. If you bought Lucent on more than one occasion, you will need to perform this computation separately for each purchase.

HYPOTHETICAL EXAMPLE

In this example, 100 shares of Lucent were purchased at \$30 per share, resulting in a tax basis of \$3,000. Because the Avaya distribution ratio was .083333 of a share of Avaya for each Lucent share owned, the holder receives 8 whole shares of Avaya, as well as a check for .3333 of a share. The original \$3,000 tax basis must now be allocated to the post-spin-off Lucent shares and to the newly received Avaya shares. 94.524% of the \$3,000 will be allocated to Lucent and 5.476% allocated to Avaya.

LUCENT TAX BASIS CALCULATION

\$3,000 x .94524 = **\$2,835.72**. This is the new total tax basis for Lucent shares. To get the tax basis per share divide \$ 2,835.72 by 100, the total share amount.  
\$2,835.72 divided by 100 = \$ 28.3572 per share.

Example:	\$3,000	x	.94524	=	\$2,835.72	÷	100	=	\$28.3572
	Original total tax basis	x	Allocated ratio	=	New total Lucent tax basis	÷	Total number of shares	=	<u>New Lucent per share tax basis</u>

Calculate your new Lucent per share tax basis here:

		x	.94524	=		÷		=	
	Original total tax basis	x	Allocated ratio	=	New total Lucent tax basis	÷	Total number of shares	=	<u>New Lucent per share tax basis</u>

AVAYA TAX BASIS CALCULATION

\$3,000 x .05476 = \$164.28. This is the total tax basis for Avaya shares. To get the tax basis per share divide \$164.28 by 8.3333, the total share amount.  
\$164.28 divided by 8.3333 = \$19.7137 per share.

Example:	\$3,000	x	.05476	=	\$164.28	÷	8.3333	=	\$19.7137
	Original total tax basis	x	Allocated ratio	=	New total Avaya tax basis	÷	Total number of shares	=	<u>New Avaya per share tax basis</u>

Calculate your new Avaya per share tax basis here:

		x	.05476	=		÷		=	
	Original total tax basis	x	Allocated ratio	=	New total Avaya tax basis	÷	Total number of shares	=	<u>New Avaya per share tax basis</u>

AVAYA FRACTIONAL SHARE TAX BASIS

Example:	\$19.7137	x	.3333	=	\$6.57
	New Avaya per share tax basis	x	Number of fractional shares sold	=	<b>Tax basis for fractional shares sold</b>

Calculate your Avaya fractional share tax basis here:

Example:		x		=	
	New Avaya per share tax basis	x	Number of fractional shares sold	=	<b>Tax basis for fractional shares sold</b>

LOSS OR GAIN FROM SALE OF FRACTIONAL SHARES

Example:	\$16.26*	–	\$6.57	=	\$9.69
	Amount of fractional share check	–	Tax basis for fractional shares sold	=	<b>Loss/gain from fractional share sale</b>

Calculate your loss/gain from fractional shares sale here:

Example:		–		=	
	Amount of fractional share check	–	Tax basis for fractional shares sold	=	<b>Loss/gain from fractional share sale</b>

\* The price shown is solely for the purpose of demonstrating the formula. The actual amount appears on the enclosed check and statement, if any.

**STATEMENT OF SHAREOWNER  
RECEIVING A DISTRIBUTION FROM LUCENT TECHNOLOGIES INC.  
OF STOCK OF AVAYA INC.  
FILED PURSUANT TO TREASURY REGULATION SECTION 1.355-5(b)**

1. The undersigned, a shareowner owning common shares of Lucent Technologies Inc. as of the September 20, 2000 record date, received a distribution as of September 30, 2000, from Lucent Technologies Inc. of shares of common stock of Avaya Inc., a corporation controlled by Lucent Technologies Inc. to which Section 355 of the Internal Revenue Code of 1986, as amended (the "Code"), applies.
2. The names and addresses of the corporations involved are:
  - (a) Lucent Technologies Inc.  
600 Mountain Avenue  
Murray Hill, NJ 07974
  - (b) Avaya Inc.  
211 Mount Airy Rd.  
Basking Ridge, NJ 07920
3. The undersigned surrendered no stock or securities in Lucent Technologies Inc. in connection with the distribution.
4. The undersigned received \_\_\_\_\_ whole shares of common stock of Avaya Inc. in the distribution.
5. Lucent Technologies Inc. has received a private letter ruling from the Internal Revenue Service to the effect that the distribution of shares of Avaya Inc. common stock qualifies as a tax-free distribution under Section 355 of the Code.

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Shareowner Signature

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Shareowner Signature