

LUCENT TECHNOLOGIES INC.
AUDIT COMMITTEE CHARTER
OF THE AUDIT AND FINANCE COMMITTEE
OF THE BOARD OF DIRECTORS

Purpose

1.1 The Audit and Finance Committee is appointed by the Board of Directors of the Company to assist the Board in fulfilling its oversight responsibilities.

1.2 The Committee's primary audit committee duties and responsibilities are to monitor, review and initiate changes, as the Committee deems appropriate, with respect to:

- The adequacy of the Company's internal controls and financial reporting process and the reliability of the Company's financial reports to the public.
- The qualifications, independence and performance of the Company's internal auditors and the Company's external independent auditor ("Independent Auditor").
- The Company's compliance with legal and regulatory requirements and the adequacy of the Company's compliance program.

1.3 The Committee shall also assist the Board in providing oversight as to the Company's financial and related activities, including capital market transactions and risk management.

Membership

2.1 The Committee shall be comprised of not less than three members of the Board, all of whom must be "independent" in accordance with the requirements of the Securities and Exchange Commission ("SEC") and other applicable laws. Specifically: (i) no Committee member may accept consulting, advisory or compensatory fees from the Company or a subsidiary or affiliate of the Company, other than in his or her capacity as a member of the Board or committee of the Board of the Company; and (ii) no Committee member may be an affiliated person of the Company or subsidiary or affiliate of the Company apart from his or her role as a member of the Board of the Company or subsidiary or affiliate of the Company.

2.2 All members of the Committee shall meet the independence requirements of the New York Stock Exchange as interpreted by the Board in its business judgment.

2.3 Each Committee member shall be financially literate, as required by the New York Stock Exchange and determined by the Board in its business judgment, or shall

become financially literate within a reasonable period of time after appointment to the Committee.

2.4 At least one member of the Committee shall have accounting or related financial management expertise, as required by the New York Stock Exchange and determined by the Board in its business judgment.

2.5 The Board and the Company shall use diligent efforts to have at least one Committee member who meets the criteria of an “audit committee financial expert” as prescribed by SEC rules.

Committee Meetings

3.1 The Committee shall hold meetings at least quarterly each fiscal year, and at any additional times as either the Board or Committee deems necessary.

3.2 The Committee may request that members of management and/or the Independent Auditor be present as needed.

3.3 Quarterly, the Committee shall meet, in separate private sessions, with each of (i) the Company’s chief financial officer, (ii) the Company’s senior internal auditing executive, and (iii) the Independent Auditor to discuss any matters which the Committee or these groups believe should be discussed privately with the Committee.

3.4 Minutes of each meeting will be kept and distributed to the entire Board, other than the private sessions described in Paragraph 3.3.

3.5 The presence of a majority of Committee members at any meeting shall constitute a quorum.

Authority and Responsibilities as to Independent Auditor

4.1 The Committee has the following authority and responsibilities with respect to the Independent Auditor:

- a. The Committee shall be directly responsible for the appointment, compensation and oversight of the Independent Auditor, and the Independent Auditor shall report directly to the Committee.
- b. The Committee shall evaluate the performance of the Independent Auditor and, if so determined by the Committee, replace the Independent Auditor. The Committee has the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the Independent Auditor.
- c. The Committee will pre-approve all auditing services and all permitted non-audit services, or any other relationship with, the Independent Auditor

(including the fees and terms thereof). The Committee may delegate to one or more Committee members the authority to grant pre-approvals for audit and permitted non-audit services to be performed for the Company of its affiliates by the Independent Auditor.

- d. The Committee will establish and promote open and timely communications between the Committee and the Independent Auditor, particularly in situations when the Independent Auditor identifies a significant problem which it believes is not being adequately addressed by management.
- e. The Committee shall attempt to resolve any disagreements between management and the Independent Auditor.

4.2 The Committee shall undertake the following with respect to the Independent Auditor's independence:

- a. Ensure that the Independent Auditor submits annually a formal written statement including the written disclosures required by Independence Standards Board Standard No. 1 delineating all relationships between the Independent Auditor and the Company, including whether any of the Company's senior finance personnel were recently employed by the Independent Auditor.
- b. Actively engage in a dialogue with the Independent Auditor with respect to any relationships or services that may impact the objectivity and independence of the Independent Auditor.
- c. Take appropriate action in response to the Independent Auditor's statement to satisfy itself of the Independent Auditor's independence.
- d. Review and approve, at least annually, management's guidelines for any hiring of employees of the Independent Auditor who were involved in the Company's audit.
- e. Discuss with the Independent Auditor any other matters and take any appropriate action to ensure the independence of the Independent Auditor.
- f. Obtain and review a statement prepared by the Independent Auditor at least annually describing the Independent Auditor's internal quality control procedures, any material issues raised by the most recent internal quality control review or peer review of the Independent Auditor, specifically those reviews performed by the Public Company Accounting Oversight Board, or any inquiry or investigation by government or professional authorities

within the preceding five years related to independent audits performed by the Independent Auditor.

Responsibilities – Audit

5.1 The Committee shall meet to review and discuss the annual audited financial statements and quarterly financial statements with management and the Independent Auditor, including reviewing the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

5.2 The Committee shall discuss with the Independent Auditor the matters the Independent Auditor determines are required to be discussed by Statement on Auditing Standards No. 61, including significant accounting policies and management judgments and accounting estimates.

5.3 The Committee shall discuss with management and the Independent Auditor alternative accounting methods that may be acceptable under GAAP. In addition, the Committee shall also discuss with management and the Independent Auditor the effect of regulatory and accounting initiatives and any off-balance sheet structures.

5.4 The Committee shall discuss with management the Company's and its subsidiary and foreign affiliated entities' compliance with applicable legal requirements and the Company's Code of Conduct including disclosures of insider and related party transactions and the Committee shall ask the Independent Auditor to comment on these matters as appropriate.

5.5 The Committee shall review with management and the Independent Auditor any non-routine correspondence with regulators or governmental agencies and any employee complaints or published reports that raise material issues regarding the Company's financial statements or accounting policies or practices.

5.6 The Committee shall review with the Independent Auditor the scope and approach of the annual audit plan.

5.7 Based on the review and discussions with management and the Independent Auditor referred to in paragraphs 4.2 and 5.1 to 5.6 above, the Committee will advise the Board of Directors whether it recommends that the audited financial statements be included in the Company's annual report on Form 10-K.

5.8 The Committee or the Chairman of the Committee shall discuss with management and the Company's Independent Auditor any matters the Independent Auditor determines are required to be discussed by Statement on Auditing Standards No. 71 regarding the interim quarterly financial statements prior to filing the Form 10-Q with the Securities and Exchange Commission.

5.9 The Committee will review management's assessment of the effectiveness of internal controls as of the most recent fiscal year and the Independent Auditor's report on management's assessment and discuss the assessment and report with management and the Independent Auditor as appropriate.

Responsibilities – Internal Controls

6.1 The Committee shall discuss with management and the Independent Auditor:

- a. The adequacy of the Company's internal controls over financial reporting and the financial reporting process.
- b. The status of internal control recommendations made by the Independent Auditor and internal auditing.
- c. The adequacy of the process employed for the certification by the Company's chief executive officer and chief financial officer of reports or financial statement filed with the SEC.

6.2 The Committee shall discuss with internal auditing the overall scope and plans for their internal audits, the adequacy of staffing and coordination of the scope with the Independent Auditor.

6.3 The Committee shall periodically receive reports from and discuss with the Company's general counsel the adequacy of the policies and practices of the Company related to compliance with key regulatory requirements, conflicts of interest and ethical conduct, including any potential or actual conflicts of interest involving directors or officers of the Company.

Responsibilities – Other Control Matters

7.1 The Committee shall:

- a. Periodically receive reports from and discuss with the Company's general counsel any material government investigations, litigation or legal matters.
- b. Periodically meet with the Company's Chief Compliance Officer and review with the Chief Compliance Officer the adequacy of the Company's compliance program, any material compliance violations and corrective action being taken by the Company to remedy any violations or deficiencies in the Company's compliance program.

7.2 The Committee shall review the appointment and replacement of the Company's senior internal auditing executive.

7.3 The Committee shall establish procedures for:

- a. The receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
- b. The confidential, anonymous submission of concerns by employees regarding questionable accounting or auditing matters.

7.4 The Committee will review and discuss with management the Company's earnings press releases and other financial guidance provided to the public.

7.5 The Committee will discuss with management, including the Company's internal audit executive, and the Independent Auditor the Company's significant risks and assess the actions management has taken to mitigate the potential exposures associated with each risk.

Other Responsibilities and Authority

8.1 The Committee shall:

- a. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
- b. Perform an annual review and self-assessment of the Committee's performance, including a review of the Committee's compliance with this Charter.
- c. Prepare the report required by the rules of the SEC to be included in the Company's annual report or proxy statement.

8.2 The Company shall provide to the Committee appropriate funding, as determined by the Committee, for the payment of:

- a. Fees to the Independent Auditor for preparing and issuing its audit report and performing audit, review or attest services for the Company;
- b. Compensation for advisers engaged by the Committee; and
- c. Administrative expenses of the Committee.

8.3 The Committee shall have the authority, in its discretion, to conduct investigations and engage, at the Company's expense, independent counsel, accounting or other advisers as the Committee determines necessary or appropriate to carry out its duties.