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LUCENT TECHNOLOGIES INC
Form S-3/A
November 16, 2001

As filed with the United States Securities and Exchange Commission on November
16, 2001 Registration No. 333-72282

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

LUCENT TECHNOLOGIES INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

22-3408857
(I.R.S. Employer
Identification No.)

600 MOUNTAIN AVENUE, MURRAY HILL, NEW JERSEY 07974
(908) 582-8500
(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

RICHARD J. RAWSON, ESQ.
SENIOR VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY
LUCENT TECHNOLOGIES INC.
600 MOUNTAIN AVENUE
MURRAY HILL, NEW JERSEY 07974,
(908) 582-8500
(Name and address, including zip code, and telephone number,
including area code, of agent for service)

COPY TO:
STEPHEN L. BURNS, ESQ.
CRAVATH, SWAINE & MOORE
825 EIGHTH AVENUE
NEW YORK, NEW YORK 10019
(212) 474-1000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: From time
to time after the effective date of this registration statement, as the selling

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securityholders determine.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. []

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [] -----

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [] -----

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT (1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE
8.00% Redeemable Convertible Preferred Stock, \$1.00 par value per share and initial liquidation preference \$1,000.00 per share.....	1,885,000 shares	\$ 1,350 (3)	\$2,544,750,000 (
8.00% Convertible Subordinated Debentures.....	\$1,885,000,000 (4)	(4)	(
Common Stock, \$.01 par value per share and related preferred stock purchase rights(5).....	252,005,273 shares (6)	(6)	(
Common Stock, \$.01 par value per share			

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and related preferred stock purchase rights(5).....	39,580,053 shares(7)	7.62(8)	301,600,004(
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- (1) Exclusive of accrued interest and distributions, if any.
- (2) Registration fees of \$614,982 were paid for the first filing of this registration statement on October 26, 2001. The remaining balance of \$96,606 is being paid with the filing of this Amendment No. 1.
- (3) Estimated solely for purposes of calculating the amount of the registration fee, pursuant to Rule 457(c), based upon the average of the bid and asked prices of the preferred stock on the PORTAL Market on November 14, 2001.
- (4) Represents the aggregate principal amount of convertible subordinated debentures originally issuable in exchange for the preferred stock, together with an indeterminate aggregate principal amount as may become issuable in exchange for the preferred stock as a result of increases in the liquidation preference of the preferred stock to reflect the accretion of unpaid dividends. Pursuant to Rule 457(i), no additional registration fee is required for the convertible subordinated debentures issuable in exchange for the preferred stock because no additional consideration will be received in connection with the exchange.
- (5) This registration statement also relates to rights to purchase shares of the registrant's junior preferred stock, par value \$1.00 per share, which are attached to all shares of common stock. Until the occurrence of certain prescribed events, the rights are not exercisable, are evidenced by the certificates representing the common stock and are transferred with and only with the common stock. The value attributable to the rights, if any, is reflected in the value of the common stock and no separate consideration has been received for the rights.
- (6) Represents the underlying shares of common stock originally issuable upon exercise of the conversion privilege attached to the preferred stock or the convertible subordinated debentures, together with an indeterminate number of additional shares as may become issuable upon exercise of the conversion privilege attached to preferred stock or convertible subordinated debentures as a result of antidilution adjustments and, in the case of conversion of the preferred stock, increases in the liquidation preference of the preferred stock to reflect the accretion of unpaid dividends. Pursuant to Rule 457(i), no additional registration fee is required for the common stock issuable upon conversion of the preferred stock or convertible subordinated debentures because no additional consideration will be received in connection with the exercise of the conversion privilege attached to the preferred stock or the convertible subordinated debentures.
- (7) Represents shares of common stock that the registrant may elect to issue in

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connection with the payment of dividends on the preferred stock.

- (8) Estimated solely for purposes of calculating the amount of the registration fee, pursuant to Rule 457(c), based upon the average of the high and low sales prices of the common stock on The New York Stock Exchange on November 14, 2001.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THESE SECURITIES MAY NOT BE SOLD UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION DATED NOVEMBER 16, 2001

PROSPECTUS

[LUCENT TECHNOLOGIES LOGO]

LUCENT TECHNOLOGIES INC.

1,885,000 SHARES OF 8.00% REDEEMABLE CONVERTIBLE PREFERRED STOCK

\$1,885,000,000 PRINCIPAL AGGREGATE AMOUNT OF 8.00% CONVERTIBLE SUBORDINATED
DEBENTURES
ISSUABLE IN EXCHANGE FOR THE PREFERRED STOCK

252,005,273 SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE OF THE CONVERSION
PRIVILEGE
ATTACHED TO THE PREFERRED STOCK OR CONVERTIBLE SUBORDINATED DEBENTURES

39,580,053 SHARES OF COMMON STOCK ISSUABLE IN CONNECTION WITH THE PAYMENT OF
DIVIDENDS ON THE PREFERRED STOCK

We originally issued the preferred stock in a private placement on August 6, 2001. This prospectus relates to resales of preferred stock and to sales of convertible subordinated debentures that may be issued in exchange for preferred stock and common stock that may be issued upon conversion of preferred stock or convertible subordinated debentures, by the securityholders named under the caption "Selling Securityholders" in this prospectus, and to sales by the transfer agent for the preferred stock, on behalf of the holders of the preferred stock, of common stock that may be issued to the transfer agent in connection with the payment of dividends on the preferred stock, all as described under the caption "Plan of Distribution" in this prospectus.

Each share of preferred stock has an initial liquidation preference of \$1,000.00 and was convertible initially into 133.6898 shares of our common stock, based on an initial conversion price of \$7.48 per share, subject in each case to specified adjustments. Your option to convert the preferred stock into our common stock will not be exercisable until the earlier of nine months from August 6, 2001 and the day after the date of our intended distribution to our common stockholders of our shares of Agere Systems Inc. Our common stock trades on The New York Stock Exchange under the symbol "LU." On November 14, 2001, the closing sale price of our common stock was \$7.85 per share.

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Dividends on the preferred stock are payable on February 1 and August 1 of each year, beginning on February 1, 2002. Dividends accrue from the beginning of the relevant dividend period, which in the case of the first dividend period is August 6, 2001, at the annual rate of 8.00% of the applicable accreted liquidation preference per share. We will pay dividends on a dividend payment date either, at our option and subject to agreed upon conditions, in cash or by delivering shares of our common stock to the transfer agent to be sold on the holders' behalf, resulting in net cash proceeds to be distributed to the holders in an amount equal to the cash dividend otherwise payable. If we are unable to pay a dividend on a dividend payment date, unpaid dividends will accrete at an annual rate of 10.00% per year for the relevant dividend period and will be reflected as an accretion to the liquidation preference of the preferred stock. Because the conversion price will not change as a result of this increase, holders who convert their preferred stock following an accretion of dividends will receive more shares of our common stock.

We may, at any time on or after August 15, 2006, under agreed upon conditions, redeem all or any shares of preferred stock for, at our option, cash or shares of our common stock valued at a discount of 5% from the market price of our common stock. The holders of the preferred stock will have specified optional and mandatory redemption rights, including the right to require us to redeem their shares of preferred stock on August 2, 2004, August 2, 2007, August 2, 2010 and August 2, 2016, at the prices described in this prospectus. We will be obligated to redeem all outstanding shares of preferred stock on August 1, 2031, at the price and subject to certain conditions described in this prospectus.

We also have the right, subject to certain conditions, to require holders of the preferred stock to exchange their shares for convertible subordinated debentures with similar terms.

INVESTING IN OUR PREFERRED STOCK, CONVERTIBLE SUBORDINATED DEBENTURES OR COMMON STOCK INVOLVES RISKS. "RISK FACTORS" BEGINS ON PAGE 9 OF THIS PROSPECTUS.

THE SECURITIES OFFERED IN THIS PROSPECTUS HAVE NOT BEEN RECOMMENDED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE OR FOREIGN SECURITIES COMMISSION OR ANY REGULATORY AUTHORITY. THESE AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is _____, 2001

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This prospectus is part of a registration statement that we filed with the United States Securities and Exchange Commission, or SEC, utilizing a "shelf" registration process. Under this shelf process, selling securityholders may, from time to time over the next two years, resell their preferred stock and sell convertible subordinated debentures issued in exchange for their preferred stock and common stock issued upon conversion of their preferred stock or convertible subordinated debentures, in one or more offerings. In addition, under this shelf process, the transfer agent for the preferred stock may from time to time sell, on behalf of the holders of the preferred stock, common stock, that may be issued to the transfer agent in connection with the payment of dividends on the preferred stock and covered by this prospectus, in one or more offerings.

You should read this prospectus and any applicable prospectus supplement together with additional information described immediately below under the headings "Incorporation of Certain Information By Reference" and "Available Information."

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INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

This prospectus incorporates by reference important business and financial information about us that is not otherwise included in this document. The following documents filed by us, Commission File No. 001-11639, with the SEC are incorporated herein by reference and shall be deemed to be a part hereof:

1. Annual Report on Form 10-K/A for the fiscal year ended September 30, 2000, filed on June 13, 2001;
2. Quarterly Report on Form 10-Q for the three months ended June 30, 2001, filed on August 13, 2001;
3. Quarterly Report on Form 10-Q for the three months ended March 31, 2001, filed on May 10, 2001;
4. Quarterly Report on Form 10-Q/A for the three months ended December 31, 2000, filed on June 13, 2001;
5. Current Reports on Form 8-K filed pursuant to Item 5 of Form 8-K on October 12, 2000, October 24, 2000, November 15, 2000, November 21, 2000, December 22, 2000, February 27, 2001, July 31, 2001, August 1, 2001, August 16, 2001 and October 23, 2001;

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6. Current Report on Form 8-K filed pursuant to Item 9 of Form 8-K on August 2, 2001; and

7. The "Description of Capital Stock" section of our Registration Statement on Form 10 filed with the SEC on February 26, 1996, as amended by Amendment No. 1 filed on Form 10/A on March 12, 1996, Amendment No. 2 filed on Form 10/A on March 22, 1996, and Amendment No. 3 filed on Form 10/A on April 1, 1996, and any other amendments or reports filed for the purpose of updating that description.

Except where specifically stated above, Current Reports on Form 8-K containing only Regulation FD disclosure furnished under Item 9 of Form 8-K are not incorporated herein by reference.

All documents and reports filed by us with the SEC (other than Current Reports on Form 8-K containing only Regulation FD disclosure furnished pursuant to Item 9 of Form 8-K, unless otherwise indicated therein) pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities and Exchange Act of 1934, as amended, or Exchange Act, after the date of this document and prior to the termination of this offering shall be deemed incorporated herein by reference and shall be deemed to be a part hereof from the date of filing of such documents and reports. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this document to the extent that a statement contained herein or in any subsequently filed document or report that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document.

The financial statements, financial statement schedules, selected financial data and management's discussion and analysis of results of operations and financial condition in the Current Report on Form 8-K filed on July 31, 2001 and incorporated by reference herein supersede the financial statements, financial statement schedules, selected financial data and management's discussion and analysis of results of operations and financial condition in the Annual Report on Form 10-K/A, but those financial statements and management's discussion and analysis of results of operations and financial condition are not updated for events occurring after the initial filing date of the Annual Report on Form 10-K for the fiscal year ended September 30, 2000, except as expressly noted in such Current Report on Form 8-K filed on July 31, 2001. The financial statements and management's discussion and analysis of results of operations and financial condition in our Quarterly Report on Form 10-Q/A for the three months ended December 31, 2000 do not reflect the reclassification of Agere Systems Inc. and the power systems business as discontinued operations. Subsequent financial statements and management's discussion

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and analysis of results of operations and financial condition do reflect this reclassification, see notes 1 and 3 to our consolidated financial statements included in our Current Report on Form 8-K, filed on July 31, 2001, and Note 3 in our Quarterly Report on Form 10-Q for the three months ended June 30, 2001, filed on August 13, 2001, incorporated by reference herein.

We will provide, without charge to each person, including any beneficial owner, to whom this document is delivered, upon written or oral request of such person, a copy of any or all of the documents incorporated herein by reference

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other than exhibits, unless such exhibits specifically are incorporated by reference into such documents or this document. Requests for such documents should be addressed in writing or by telephone to:

Corporate Secretary
Lucent Technologies Inc.
600 Mountain Avenue
Murray Hill, New Jersey 07974
(908) 582 8500.

AVAILABLE INFORMATION

We are subject to the information reporting requirements of the Exchange Act and accordingly file annual, quarterly and special reports, proxy statements and other information with the SEC. Members of the public may read and copy any materials we file with the SEC at the SEC's following public reference facilities:

Public Reference Room
450 Fifth Street, N.W.
Room 1024
Washington, D.C. 20549

Chicago Regional Office
Citicorp Center
500 West Madison Street
Suite 1400 Chicago, Illinois 60661-2511

Information on the operation of these public reference facilities may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site at <http://www.sec.gov> that contains materials we file electronically with the SEC. Our SEC filings can also be inspected and copied at the offices of The New York Stock Exchange at 20 Broad Street, New York, New York 10005.

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THE COMPANY

We design and deliver networks for the world's leading communications service providers. Backed by Bell Labs research and development, we rely on our strengths in mobility, optical, data and voice networking technologies, as well as software and services, to develop next-generation networks. Our systems, services and software are designed to help customers quickly deploy and better manage their networks and create new, revenue-generating services that help businesses and consumers.

Our principal executive offices are located at 600 Mountain Avenue, Murray Hill, New Jersey 07974 and our telephone number, at that location, is (908) 582-8500.

SUMMARY OF THE TERMS OF THE PREFERRED STOCK AND THE CONVERTIBLE SUBORDINATED DEBENTURES

The following is a brief summary of select terms of the preferred stock, as well as of the convertible subordinated debentures that may be issued, at our election, in exchange for the preferred stock if agreed upon conditions are met. For a more complete description of the terms of the preferred stock and the

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convertible subordinated debentures, see the sections of this prospectus entitled "Description of the Preferred Stock" and "Description of the Convertible Subordinated Debentures."

THE PREFERRED STOCK

Issuer.....	Lucent Technologies Inc.
Maximum number of securities offered.....	1,885,000 shares of our 8.00% redeemable convertible preferred stock owned by selling stockholders named herein or in prospectus supplements.
Liquidation preference.....	Initially \$1,000.00 per share, subject to accretion.
Ranking.....	<p>The preferred stock ranks, with respect to dividend rights and rights upon liquidation, winding up or dissolution:</p> <ul style="list-style-type: none">- junior to:<ul style="list-style-type: none">- all our existing and future debt obligations; and- each class or series of our capital stock the terms of which provide that such class or series will rank senior to the preferred stock;- on a parity with each class or series of our capital stock that has terms providing that such class or series will rank on a parity with the preferred stock; and- senior to our Series A Junior Participating Preferred Stock, our common stock and each class or series of our capital stock that has terms providing that such class or series will rank junior to the preferred stock.

Without the consent of holders of at least two-thirds of the shares of preferred stock outstanding, we will not be entitled to issue any class or series of capital stock that ranks senior to the preferred stock.

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Dividends.....	<p>Dividend payment rate: annual rate of 8.00% of the applicable accreted liquidation preference per share, accruing from the beginning of the relevant dividend period.</p> <p>Dividend payment dates: semi-annually, on February 1 and August 1 of each year, beginning on February 1, 2002.</p> <p>Form of dividend payment: We may, at our option, pay dividends:</p>
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- in cash; or
- in shares of our common stock delivered to the transfer agent to be sold on the holders' behalf, except as described below, resulting in net cash proceeds to be distributed to the holders in an amount equal to the cash dividend otherwise payable.

We will pay dividends on the preferred stock on each dividend payment date, unless we are unable to satisfy the relevant conditions to payment described below.

The terms of our existing credit facilities were recently amended to allow us to pay dividends on the preferred stock in cash; however, they prevent us from doing so if, before the payment or after giving effect to the payment, an event of default, as described in our credit facilities, is or would be in existence, and our future credit facilities and other indebtedness may contain a similar or other restrictions on paying dividends in cash. To pay dividends, we must pay the dividends out of funds legally available for payment, and to pay dividends by delivering shares to the transfer agent, we must provide the transfer agent with a registration statement permitting the immediate sale of the shares of common stock in the public market. The registration statement, of which this prospectus forms a part, permits the immediate sale by the transfer agent for the preferred stock, on behalf of the holders of the preferred stock, of up to 39,580,053 shares of our common stock in the public market for this purpose; however, we cannot assure you that we will pay dividends in this manner or that we will be able to keep effective the registration statement or that this number of shares will be sufficient to meet our future dividend payment requirements.

If we pay dividends by delivering shares of our common stock to the transfer agent, those shares will be owned beneficially by the holders of the preferred stock upon delivery of such shares of our common stock to the transfer agent, and the transfer agent will hold those shares and the net cash proceeds from the sale of those shares for the exclusive benefit of the holders. If a holder provides notice to the transfer agent at least 30 days prior to the applicable dividend payment date not to sell any shares of common stock received and held on behalf of that holder, the transfer agent will deliver to or for the account of the holder promptly after receipt by the transfer agent, shares of common stock having the value of the

dividend payment calculated based

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on an average sale price on the five trading days preceding the third business day before the relevant dividend payment date.

Dividend accretion: If we are unable to pay dividends on the preferred stock in full on any dividend payment date, the liquidation preference of the preferred stock will be increased for subsequent dividend periods by an amount that reflects the accretion of the unpaid dividends at an annual rate of 10.00%, calculated on a semi-annual basis, from, and including, the first day of the relevant dividend period to, but excluding, the dividend payment date. The conversion price will not change as a result of any accretion.

Redemption at our option.....

We may not redeem any shares of preferred stock at any time before August 15, 2006. Thereafter, we may, at our option and upon notice to the holders of the preferred stock, redeem any outstanding shares of preferred stock at a price per share equal to the accreted liquidation preference thereof, plus an amount equal to accrued and unpaid dividends from, and including, the immediately preceding dividend payment date to, but excluding, the redemption date.

We may, at our option, elect to pay the redemption price:

- in cash; or
- in shares of our common stock valued at a discount of 5% from the market price of our common stock; or
- any combination thereof.

We may pay such redemption price only out of funds legally available for such payment, and if we pay the redemption price in shares of our common stock, such shares must be eligible for immediate sale in the public market by non-affiliates of ours absent a registration statement.

Redemption at the option of the holder.....

On the redemption dates of August 2, 2004, August 2, 2007, August 2, 2010, and August 2, 2016, we will, at the option of the holder, be required to redeem any outstanding shares of preferred stock at a price per share equal to the accreted liquidation preference thereof, plus an amount equal to accrued and unpaid dividends from, and including, the immediately

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preceding dividend payment date to, but excluding, the redemption date.

The terms of the preferred stock permit us, at our option, to pay the redemption price:

- in cash; or
- in shares of our common stock valued at a discount of 5% from the market price of our common stock; or
- any combination thereof.

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We may pay the redemption price only out of funds legally available for such payment, and if we pay the redemption price in shares of the common stock, such shares must be eligible for immediate sale in the public market by non-affiliates of ours absent a registration statement.

Mandatory redemption.....

We will be obligated to redeem all outstanding shares of preferred stock on August 1, 2031, at a price per share equal to the accreted liquidation preference thereof, plus an amount equal to accrued and unpaid dividends from, and including, the immediately preceding dividend payment date to, but excluding, the date of redemption.

The terms of the preferred stock permit us, at our option, to pay the redemption price:

- in cash; or
- in shares of our common stock valued at a discount of 5% from the market price of our common stock; or
- any combination thereof.

We may pay the redemption price only out of funds legally available for such payment, and if we pay the redemption price in shares of our common stock, such shares must be eligible for immediate sale in the public market by non-affiliates of ours absent a registration statement.

Conversion.....

Each share of preferred stock may be converted at the option of the holder into a number of shares of our common stock, subject to adjustment based on adjustments to the conversion price, at any time from and after the earlier of:

- nine months after the issuance of the preferred stock; and

- the day immediately following the date of the share distribution in connection with our spin-off of Agere Systems Inc.

Initial conversion price: \$7.48 per share of common stock, subject to adjustment in a number of circumstances described under "Description of Preferred Stock -- Adjustments to the Conversion Price." The initial conversion price is equivalent to an initial conversion rate of 133.6898 shares of common stock for each \$1,000.00 initial liquidation preference of the preferred stock. The conversion price will not be increased in connection with an increase in the accreted liquidation preference of the preferred stock. Accordingly, holders who convert their preferred stock following an increase in the accreted liquidation preference will receive more shares of our common stock.

For the tax consequences of the adjustment to the conversion price following the anticipated distribution of the Class B common stock of Agere Systems Inc. to our common stockholders, see "Certain Federal Income Tax Consequences -- U.S. Holders -- Preferred Stock -- Deemed Distributions" and

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"-- Non-U.S. Holders -- Preferred Stock and Common Stock -- Distributions" below.

Voting rights..... The holders of shares of preferred stock are not entitled to any voting rights except as required by law.

Notwithstanding the foregoing, so long as any shares of preferred stock remain outstanding, we shall not, without the consent of the holders of at least two-thirds of the shares of preferred stock outstanding:

- issue shares of or increase the authorized number of shares of any class or series of stock ranking prior to the outstanding preferred stock as to the payment of dividends or distributions upon liquidation, dissolution or winding up; or
- amend our certificate of incorporation or the resolutions contained in the certificate of designations, whether by merger, consolidation or otherwise, if the amendment would alter or change any power, preference or special right of the outstanding preferred stock so as to materially and adversely affect the holders thereof.

Change of control..... If we undergo a change of control, each holder

of shares of preferred stock will have the right to require us to redeem any outstanding shares of the holder's preferred stock at a redemption price per share equal to the accreted liquidation preference of those shares, plus an amount equal to accrued and unpaid dividends, if any, on those shares from, and including, the immediately preceding dividend payment date to, but excluding, the date of redemption. This right of holders will be subject to our obligation to repay or repurchase any indebtedness or preferred stock required to be repaid or repurchased in connection with a change of control and to any contractual restrictions then contained in our indebtedness. Under the terms of our current credit facilities, we are prohibited from paying the redemption price of the preferred stock in cash. Our future credit facilities and other existing or future indebtedness may contain similar restrictions. When we have satisfied these obligations, we will redeem all shares tendered upon a change of control, subject to the legal availability of funds for this purpose.

We may, at our option, elect to pay the redemption price in cash or in shares of our common stock valued at a discount of 5% from the market price of our common stock, or any combination thereof. However, we may pay such redemption price only out of funds legally available for such payment, and if we pay the redemption price in shares of our common stock, such shares must be eligible for immediate sale in the public market by non-affiliates of ours absent a registration statement.

Holders of the preferred stock will not have this redemption right if our common stock trades at or above 105% of the conversion price of the preferred stock during specified periods,

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or if holders of the preferred stock receive specified securities as a result of the change of control.

Exchange right.....

We have the right, at any time we have legally available funds, to require all holders of outstanding preferred stock to exchange their preferred stock for our convertible subordinated debentures having an aggregate principal amount equal to the accreted liquidation preference of the preferred stock and having a conversion price and interest rate equal to the conversion price and dividend rate for the preferred stock, rounded down to the nearest whole dollar amount. The terms of the

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convertible subordinated debentures are described below.

Tax consequences to U.S. holders of our exercising the exchange right.....

The exchange of preferred stock for our convertible subordinated debentures under the exchange right would be taxable to the U.S. holders of the preferred stock and may be treated as a taxable distribution in the amount of the fair market value of the convertible subordinated debentures. See "Certain Federal Income Tax Consequences -- Preferred Stock -- Exchange Right" below. Based upon the advice of our counsel, we intend to treat such exchange as generally giving rise to capital gain or loss.

Tax consequences to non-U.S. holders.....

Dividends paid to non-U.S. holders on our preferred stock or on our common stock (including deemed dividends) will generally be subject to U.S. Federal withholding tax. The exchange by a non-U.S. holder of preferred stock for our convertible subordinated debentures under the exchange right may be treated as a taxable distribution subject to U.S. Federal withholding tax, although based upon the advice of our counsel, we do not intend to treat the exchange as a distribution subject to U.S. Federal withholding tax. See "Certain Federal Income Tax Consequences -- Non-U.S. Holders -- Preferred Stock."

Registration rights.....

We have agreed to cause a shelf registration statement to remain effective, subject to some exceptions, until the earlier of (a) two years following the issue date of the preferred stock and (b) the date on which all shares of preferred stock or common stock covered by that registration statement have been sold under that registration statement. If we do not satisfy this obligation, we will be required to pay additional dividends to holders of the preferred stock.

Trading.....

Our common stock currently trades on The New York Stock Exchange under the symbol "LU." We have not applied and do not intend to apply for the listing of the preferred stock or the convertible subordinated debentures on any securities exchange.

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THE CONVERTIBLE SUBORDINATED DEBENTURES

Securities offered.....

The convertible subordinated debentures will be convertible into shares of our common stock and will have terms and conditions substantially

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similar to the preferred stock, except as described below.

Principal amount.....	The aggregate principal amount of the convertible subordinated debentures will be limited to the aggregate accreted liquidation preference of the preferred stock outstanding on the effective date of the exchange. The convertible subordinated debentures will be issued in denominations equal to integral multiples of the accreted liquidation preference of one share of preferred stock as of the effective date of the exchange, rounded down to the nearest whole dollar amount.
Ranking.....	The convertible subordinated debentures will be unsecured obligations of ours and will rank equally with all of our other unsecured subordinated indebtedness.
Subordination.....	The payment of principal and interest on the convertible subordinated debentures is subordinated in right of prior payment to the prior payment in full of all of our existing or future senior debt.
Interest.....	<p>Interest on the convertible subordinated debentures will accrue at an annual rate of 8.00% of the principal amount from the dividend payment date of the preferred stock immediately preceding the exchange date or, if the exchange date is a dividend payment date, from the exchange date, and thereafter from the most recent interest payment date.</p> <p>Interest will be payable in cash on February 1 and August 1 of each year to holders of record on the prior January 1 and July 1.</p> <p>We will not have the right to defer interest payments or to accrete the principal amount of the convertible subordinated debentures, and we will not have the right to redeem the principal amount of the convertible subordinated debentures, except as described below.</p>
Redemption at our option.....	We may redeem all or a portion of the convertible subordinated debentures for cash at any time on or after August 15, 2006, at a price equal to 100% of the principal amount of the convertible subordinated debentures to be redeemed plus an amount equal to accrued and unpaid interest to, but excluding, the redemption date.
Redemption at the option of the holder.....	The holders of convertible subordinated debentures will have redemption at the option of the holder terms that are substantially identical to the redemption at the option of the holder terms of the preferred stock.

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Maturity..... August 1, 2031. We will not have the right to pay the principal amount due on the maturity date in shares of our common stock.

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Conversion..... The conversion rights of the convertible subordinated debentures will be substantially similar to the conversion rights of the preferred stock.

Voting rights..... The holders of convertible subordinated debentures will not have the right to vote in the election of our directors or any other voting rights prior to the holders' receipt of common stock upon conversion of their convertible subordinated debentures.

Change of control..... The change of control redemption rights of holders of the convertible subordinated debentures will be substantially identical to the change of control redemption rights of holders of the preferred stock.

Registration rights..... The holders of convertible subordinated debentures will have registration rights that are substantially identical to the registration rights of holders of the preferred stock.

Events of default..... A default in payment of principal or interest, the failure to deliver common stock upon conversion or the occurrence of specified events of bankruptcy, insolvency or reorganization affecting us will constitute an event of default with respect to the convertible subordinated debentures.

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RISK FACTORS

Investing in these securities involves a high degree of risk. You should carefully consider the following risk factors and all the other information contained in this prospectus before investing in these securities.

RISKS RELATED TO OUR BUSINESS

Investing in these securities involves exposure to the risks related to our business. Please review all of the documents incorporated by reference in this prospectus for a description of the risks related to our business. Please note, in particular, the following sections of our Annual Report on Form 10-K/A for the fiscal year ended September 30, 2000:

- Item 1. Business, Section VIII. Outlook
- Item 3. Legal Proceedings

Please also note, in particular, the following sections of our Quarterly

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Report on Form 10-Q for the three months ended June 30, 2001:

- Part I. Financial Information, Item 1. Financial Statements, Note 6. Securitization Facility, Note 7. Debt and Note 12. Commitments and Contingencies
- Part I. Financial Information, Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition -- Overview, -- Liquidity and Capital Resources, -- Other Information and -- Forward-Looking Statements
- Part II. Other Information, Item 1. Legal Proceedings

Please note also, in our Current Report on Form 8-K filed on August 2, 2001 incorporated by reference in this prospectus, the "Recent Developments" set out in Exhibit 99.1 to that Current Report.

The risks related to our business include risks related to:

- liquidity and future capital requirements, including with respect to our customer financings;
- execution risks associated with the implementation of phase II of our restructuring program;
- our ability to utilize contract manufacturing effectively as result of our outsourcing plan, including relationships with our suppliers;
- our significant past losses;
- the effects of market demand on our revenues and other results of operations;
- our dependence on new product development;
- our dependence on a limited number of large customers;
- legal and regulatory proceedings; and
- other risks set forth below under "Forward-Looking Statements."

RISKS RELATED TO THE PREFERRED STOCK, OUR COMMON STOCK AND, IF EXCHANGED, THE CONVERTIBLE SUBORDINATED DEBENTURES

BECAUSE THE TRADING MARKET FOR THE PREFERRED STOCK IS IN ITS INFANCY, THERE HAS NOT BEEN ANY TRADING MARKET FOR THE CONVERTIBLE SUBORDINATED DEBENTURES AND THESE SECURITIES MAY BE AFFECTED BY FLUCTUATIONS IN THE MARKET PRICE OF OUR COMMON STOCK AND OUR OTHER SECURITIES, WE CANNOT ASSURE YOU THAT AN ACTIVE TRADING MARKET WILL DEVELOP FOR THE PREFERRED STOCK OR THE CONVERTIBLE SUBORDINATED DEBENTURES OR THAT YOU WILL BE ABLE TO RESELL THESE SECURITIES AT OR ABOVE THE PURCHASE PRICE.

There is currently no public market for the preferred stock or for the convertible subordinated debentures. In addition, the liquidity of any trading market in the preferred stock or, if exchanged, the

convertible subordinated debentures, and the market price quoted for shares of preferred stock or for the convertible subordinated debentures, may be adversely affected by changes in the overall market for these securities and by changes in

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our financial performance or prospects or in the prospects of companies in our industry generally. We cannot predict the extent to which investors' interest will lead to a liquid trading market or whether the market price of the preferred stock or, if exchanged, the convertible subordinated debentures, will be volatile. Because the preferred stock and the convertible subordinated debentures are convertible into common stock, their trading prices may be affected by fluctuations in the market price of our common stock. The price of our common stock over the past two years has fluctuated significantly. We have not applied and do not intend to apply for the listing of the preferred stock or the convertible subordinated debentures on any securities exchange or for the inclusion of the preferred stock or the convertible subordinated debentures in any automated quotation system.

WE MAY NOT BE ABLE TO PAY THE REDEMPTION PRICE OF THE PREFERRED STOCK OR THE CONVERTIBLE SUBORDINATED DEBENTURES ON SPECIFIED DATES OR UPON A CHANGE OF CONTROL IF THE HOLDERS EXERCISE THEIR RIGHT TO REQUIRE US TO REDEEM SUCH SECURITIES. WE ALSO COULD BE PREVENTED FROM PAYING DIVIDENDS IN SHARES OF OUR COMMON STOCK.

On specified dates or if we undergo a change of control, subject to limited exceptions, each holder of the preferred stock or the convertible subordinated debentures will have the right to require us to redeem all or any part of that holder's shares or convertible subordinated debentures at a redemption price equal to 100% of the accreted liquidation preference or the principal amount thereof, plus an amount equal to all accrued and unpaid dividends on those shares or interest on those debentures to the date of redemption. We will have the option to pay for those shares or debentures either in cash or in shares of our common stock valued at a discount of 5% from the market price of our common stock.

Under the terms of our current credit facilities, however, we are prohibited from paying the redemption price of the preferred stock in cash. Our future credit facilities and other existing and future indebtedness may contain similar restrictions. We may pay the redemption price in shares of our common stock only if we have legally available funds for such payment and if such shares are eligible for immediate sale in the public market by non-affiliates of ours absent a registration statement. In addition, the right of holders to cause us to redeem the preferred stock upon a change of control will be subject to our obligation to repay or repurchase any indebtedness, such as our current credit facilities, or preferred stock required in connection with a change in control. Similar restrictions will apply to any redemption of our convertible subordinated debentures.

In addition, even if the terms of the instruments governing our indebtedness and preferred stock allow us to pay cash dividends and to redeem the preferred stock, we generally can make such payments under Delaware law only from our "surplus" (the excess of our total assets over the sum of our total liabilities plus the amount of our capital as determined by our board of directors) and we cannot assure you that we will have any surplus. Moreover, without surplus, we generally cannot pay dividends in shares of our common stock.

YOU WILL EXPERIENCE IMMEDIATE DILUTION IF YOU CONVERT YOUR SHARES OF PREFERRED STOCK OR THE CONVERTIBLE SUBORDINATED DEBENTURES INTO SHARES OF COMMON STOCK BECAUSE THE PER SHARE CONVERSION PRICE OF YOUR SHARES OF PREFERRED STOCK OR THE CONVERTIBLE SUBORDINATED DEBENTURES IS HIGHER THAN THE NET TANGIBLE BOOK VALUE PER SHARE OF OUR COMMON STOCK.

If you convert your shares of preferred stock or the convertible subordinated debentures into shares of common stock, you will experience

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immediate dilution because the per share conversion price of your shares of preferred stock or the convertible subordinated debentures is higher than the net tangible book value per share of the outstanding common stock immediately after this offering. In addition, you will also experience dilution when we issue additional shares of common stock that we are permitted or required to issue under options, warrants, our stock option plan or other employee or director compensation plans.

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THE SALE OF A SUBSTANTIAL NUMBER OF SHARES OF OUR COMMON STOCK IN THE PUBLIC MARKET, OR THE EXPECTATION THEREOF, COULD ADVERSELY AFFECT THE MARKET PRICE OF OUR COMMON STOCK AND MAY MAKE IT MORE DIFFICULT FOR US TO EFFECT ADDITIONAL EQUITY FINANCINGS AT ACCEPTABLE PRICES.

Substantially all of our currently outstanding shares of common stock have been registered for sale under the Securities Act of 1933, as amended, or Securities Act, are eligible for sale under an exemption from its registration requirements or are subject to registration rights pursuant to which holders may require us to register such shares in the future. Sales or the expectation of sales of a substantial number of shares of our common stock in the public market could adversely affect the prevailing market price of our common stock.

THE PREFERRED STOCK RANKS JUNIOR TO ALL OF OUR AND OUR SUBSIDIARIES' LIABILITIES.

In the event of our bankruptcy, liquidation or winding-up, our assets will be available to pay obligations on the preferred stock only after all our indebtedness and other liabilities have been paid. In addition, the preferred stock will effectively rank junior to all existing and future liabilities of our subsidiaries and the capital stock (other than common stock) of our subsidiaries held by third parties. The rights of holders of the preferred stock to participate in the assets of our subsidiaries upon any liquidation or reorganization of any subsidiary will rank junior to the prior claims of that subsidiary's creditors and equity holders. As of September 30, 2001, we had total consolidated liabilities of \$20.8 billion. There may not be sufficient assets remaining to pay amounts due on any or all of the preferred stock then outstanding.

THE CONVERTIBLE SUBORDINATED DEBENTURES WILL RANK JUNIOR TO OUR EXISTING AND FUTURE SENIOR DEBT AND THE EXISTING AND FUTURE LIABILITIES OF OUR SUBSIDIARIES, AND WE MAY BE UNABLE TO REPAY OUR OBLIGATIONS UNDER THE CONVERTIBLE SUBORDINATED DEBENTURES.

The convertible subordinated debentures will be unsecured and subordinated in right of payment to all of our existing and future senior debt, which constitutes all of our existing indebtedness, other than trade payables, and future borrowings, except any future indebtedness that expressly provides that it ranks equal with, or subordinated in right of payment to, the convertible subordinated debentures. Because the convertible subordinated debentures are unsecured, if we became insolvent the holders of any secured debt would receive payments from the assets used as security before you receive payments on the convertible subordinated debentures. Because the convertible subordinated debentures are subordinated to our senior debt, in the event of:

- our bankruptcy, liquidation or reorganization,
- the acceleration of the convertible subordinated debentures due to an event of default under the indenture and

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- certain other events,

we will make payments on the convertible subordinated debentures only after we have satisfied all of our senior debt obligations. Therefore, in paying the senior and secured debt and other liabilities, we may not have sufficient assets remaining to pay amounts on any or all of the convertible subordinated debentures.

In addition, the convertible subordinated debentures will effectively rank junior to all existing and future liabilities of our subsidiaries and the capital stock (other than common stock) of our subsidiaries held by third parties. The rights of holders of the convertible subordinated debentures to participate in a distribution of the assets of our subsidiaries upon any liquidation or reorganization of that subsidiary will rank junior to the claims of that subsidiary's creditors and preferred equity holders, if any.

On September 30, 2001, we had approximately \$4.4 billion of outstanding senior debt excluding \$3.0 billion of available borrowings as of that date under our credit facilities. Our credit facilities and certain other debt and obligations are secured by substantially all of our assets and, subject to certain exceptions, all of the assets of most of our wholly owned domestic subsidiaries. We may incur substantial amounts of additional debt, including secured debt, that will rank senior to the convertible subordinated debentures. In addition, all payments on the convertible subordinated debentures will be prohibited in the

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event of a payment default on senior debt obligations and may be prohibited in the event of some non-payment defaults according to the terms of our existing and future senior debt obligations.

WE ARE CURRENTLY PROHIBITED FROM REDEEMING THE PREFERRED STOCK AND THE CONVERTIBLE SUBORDINATED DEBENTURES FOR CASH AND OUR ABILITY TO PAY CASH DIVIDENDS ON THE PREFERRED STOCK AND OUR COMMON STOCK IS SUBJECT TO RESTRICTIONS.

Subject to our meeting specified operating performance or credit benchmarks and there being no event of default, as described in our credit facilities, the current terms of our credit facilities allow us to pay cash dividends on our common stock of up to \$.02 per share per quarter. We did not declare a dividend on our common stock during our last quarter and, given that we do not currently meet either of these benchmarks and are unsure as to whether we will meet them in the future, we cannot assure you that we will be able to pay any future cash dividends on our common stock.

While the recent amendments of our credit facilities permit us to pay cash dividends on our preferred stock, they prevent us from doing so if, before the payment or after giving effect to the payment, an event of default, as described in our credit facilities, is or would be in existence. The current terms of our credit facilities prohibit us from redeeming the preferred stock or the convertible subordinated debentures for cash.

WE ARE CURRENTLY PROHIBITED FROM EXCHANGING THE PREFERRED STOCK FOR THE CONVERTIBLE SUBORDINATED DEBENTURES.

The terms of our credit facilities prohibit us from exchanging the preferred stock for the convertible subordinated debentures. Further, we cannot assure you that any future credit facilities or other indebtedness will not also prohibit us from exchanging the preferred stock for the convertible subordinated

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debentures or that we will exercise our right of exchange even if we were able to.

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FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are based on current expectations, estimates, forecasts and projections about the industries in which we operate, management's beliefs, and assumptions made by management. In addition, other written or oral statements that constitute forward-looking statements may be made by or on behalf of us. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecast in such forward-looking statements. Except as required under the federal securities laws and the rules and regulations of the SEC, we do not have any intention or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

The risks, uncertainties and assumptions that are involved in our forward-looking statements include:

- the timely implementation of our restructuring program, including phase II;
- the potential for deterioration of the credit quality of customers for which we have provided financing;
- continued availability of financing, financial instruments and financial resources in the amounts, at the times and on the terms required to support our future business;
- our ability to implement successfully our new strategic direction;
- compliance with the covenants and restrictions of our credit facilities and any amendments thereto;
- our credit ratings;
- the outcome of pending and future litigation and governmental proceedings;
- our ability to focus our business on the mix of products and services necessary to take advantage of the most desirable opportunities in our industry;
- our ability to implement our product rationalizations and other aspects of our new strategic direction in a manner that does not disrupt our customers' business;
- the desirability of a strategy focused on offering fewer products to large service providers;
- customer demand for our products and services;

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- our relationship with our customers;
- technological, implementation and cost/financial risks in the use of large, multiyear contracts;
- U.S. and non-U.S. governmental and public policy changes that may affect the level of new investments and purchases made by customers;
- changes in environmental and other U.S. and non-U.S. governmental regulations;
- protection and validity of patent and other intellectual property rights;
- our reliance on significant suppliers;
- the timely completion of our intended distribution of our remaining shares of Agere Systems Inc.;
- the ability to recruit and retain talent;
- the ability to integrate the operations and business of acquired companies successfully;
- increasing price, products and services competition by U.S. and non-U.S. competitors, including new entrants;

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- rapid technological developments and changes in our ability to continue to introduce competitive new products and services on a timely, cost-effective basis; and
- the availability of manufacturing capacity, components and materials.

These are representative of the risks, uncertainties and assumptions that could cause actual outcomes and results to differ materially from what is expressed or forecast in forward-looking statements. In addition, such statements could be affected by general industry and market conditions and growth rates, general U.S. and non-U.S. economic conditions, including the global economic slowdown and interest rate and currency exchange rate fluctuations and other risks, uncertainties and assumptions.

For a further description of the risks, uncertainties and assumptions that could cause actual results to differ materially from such forward-looking statements, see "Risk Factors -- Risks Related to our Business" above.

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USE OF PROCEEDS

We will not receive any proceeds from the sale by any selling securityholder of the preferred stock, the issue or subsequent sale by any selling securityholder of the convertible subordinated debentures that may be issued in exchange for the preferred stock or the issue or subsequent sale by any selling securityholder of the common stock issuable upon exercise of the conversion privilege attached to the preferred stock or convertible subordinated debentures. We will not receive proceeds from any sale made by the transfer agent for the preferred stock, on behalf of the holders of the preferred stock,

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of the common stock that may be issued to the transfer agent in connection with the payment of dividends on the preferred stock as these proceeds will be used to satisfy our dividend payment obligations in relation to the preferred stock.

RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDEND REQUIREMENTS

The following table sets forth our consolidated ratios of earnings to combined fixed charges and preferred stock dividend requirement for the periods shown.

NINE MONTHS ENDED JUNE 30, 2001	YEAR ENDED SEPTEMBER 30,				NINE MONTHS ENDED SEPTEMBER 30, 1996
	2000	1999	1998	1997	
--(1)	4.6	7.2	4.3	2.4	--(1)

(1) Our earnings were insufficient to cover our combined fixed charges and preferred stock dividend requirements by \$10,219 million during the nine months ended June 30, 2001, and by \$175 million during the nine months ended September 30, 1996.

For purposes of determining the ratios of earnings to combined fixed charges and preferred stock dividend requirements and insufficiency of earnings to cover combined fixed charges and preferred stock dividend requirements, earnings are defined as income (loss) from continuing operations before income taxes, less interest capitalized, less undistributed earnings of non-consolidated affiliates plus fixed charges and preferred stock dividends. Fixed charges consist of interest expenses on all indebtedness and that portion of operating lease rental expense that is representative of the interest factor. Preferred stock dividend requirements consist of the amount of pre-tax earnings that is required to pay the dividends on outstanding preferred stock.

RATIO OF EARNINGS TO FIXED CHARGES

Because we had no preferred stock dividend requirements prior to the issuance of our preferred stock, our consolidated ratios of earnings to fixed charges for the years ended September 30, 2000, 1999, 1998 and 1997 and the deficiency of our earnings to cover our fixed charges during the nine months ended June 30, 2001 and September 30, 1996 are the same as our consolidated ratios of earnings to combined fixed charges and preferred stock dividend requirements for those periods and the deficiency of our earnings to cover combined fixed charges and preferred stock dividend requirements during the nine months ended June 30, 2001 and September 30, 1996, respectively. See "Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividend Requirements," above.

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DESCRIPTION OF THE PREFERRED STOCK

Our restated certificate of incorporation, as amended, authorizes us to issue 10 billion shares of our common stock and 25 million shares of our junior participating preferred stock. We issued the preferred stock under a certificate of designations on August 6, 2001, in a private transaction that was not subject

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to the registration requirements of the Securities Act.

The following section is a summary of the material provisions of the certificate of designations and does not restate the certificate of designations in its entirety. We urge you to read the certificate of designations because it, and not this description, defines your rights as holders of the preferred stock. Copies of the certificate of designations are available as set forth under "-- Additional Information" below.

As used in this description, references to "we," "us," "our" or "Lucent" do not include any current or future subsidiary of Lucent.

GENERAL

On August 6, 2001, we issued 1,885,000 shares of 8.00% redeemable convertible preferred stock, \$1.00 par value per share and having an initial liquidation preference of \$1,000.00 per share. The liquidation preference of the preferred stock is subject to adjustment as described below under "-- Dividends." The shares of preferred stock were validly issued, fully paid and nonassessable.

The holders of the shares of preferred stock have no preemptive or preferential rights to purchase or subscribe to stock, obligations, warrants or any other of our securities.

Except as noted below or as otherwise required by applicable law, all notices with respect to the preferred stock will be deemed given upon publication on Bloomberg Business News or our website or by any other electronic means of publication reasonably calculated to constitute notice.

Under Delaware law, we may:

- pay dividends on the preferred stock, whether in cash or in shares of common stock,
- redeem the preferred stock, whether we pay the redemption price in cash or in shares of common stock, or
- exchange the preferred stock for convertible subordinated debentures,

only if we have legally available funds in an amount at least equal to:

- the amount of the relevant dividend payment,
- the relevant redemption price or
- the accreted liquidation preference and any accrued but unpaid dividends as of the date of the exchange.

We do not need to have legally available funds to accrete the liquidation preference of the preferred stock as a result of the non-payment of dividends.

Legally available funds means the amount of our surplus. If there is no surplus, legally available funds also means, in the case of a dividend, the amount of our net profits for the fiscal year in which the payment occurs and/or the preceding fiscal year. Our surplus is the amount by which the value of our net assets exceeds the amount of our capital as determined by our board of directors. Net assets means the amount by which our total assets exceed our total liabilities.

When the need to make a determination of legally available funds arises, the amount of our total assets and liabilities and the amount of our capital

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will be determined by our board of directors in accordance with Delaware law.

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RANKING

The preferred stock rank, with respect to dividend rights and rights upon liquidation, winding up or dissolution:

- junior to:
 - all our existing and future debt obligations; and
 - each class or series of our capital stock the terms of which provide that such class or series will rank senior to the preferred stock;
- on a parity with parity stock, which is any other class or series of our capital stock that has terms which provide that that class or series will rank on a parity with the preferred stock; and
- senior to junior stock, which is our Series A Junior Participating Preferred Stock, our common stock and each class or series of our capital stock that has terms which provide that that class or series will rank junior to the preferred stock.

Without the consent of the holders of at least two-thirds of the shares of preferred stock outstanding, we will not be entitled to issue any class or series of capital stock that ranks senior to the preferred stock with respect to the payment of dividends and distributions upon liquidation, winding up and dissolution, including, without limitation, any class or series of capital stock, other than junior stock, that pays cumulative dividends.

Except as set forth in the preceding sentence, we may, without the consent of the holders of the shares of preferred stock, authorize, create (by way of reclassification or otherwise) or issue parity or junior stock or any obligation or security convertible or exchangeable into, or evidencing a right to purchase, shares of any class or series of parity or junior stock.

The terms parity stock and junior stock include warrants, rights, calls or options exercisable for or convertible into that type of stock.

DIVIDENDS

The holders of the shares of preferred stock are entitled to receive non-cumulative dividends at the annual rate of 8.00% of the applicable accreted liquidation preference per share of preferred stock. The term accreted liquidation preference is defined below under this subheading. The right of the holders of the shares of preferred stock to receive dividend payments is subject to the rights of any holders of shares of senior stock and parity stock.

Additional dividends will be payable under the circumstances described below under "-- Registration Rights." All references to dividends or to a dividend rate shall be deemed to include such additional dividends if such additional dividends are then payable.

Dividends are payable on February 1 and August 1 of each year, beginning on February 1, 2002. If any of those dates is not a business day, then dividends will be payable on the next succeeding business day. Dividends will accrue from the beginning of the relevant dividend period. The first dividend period began on August 6, 2001. Dividends will be payable to holders of record as they appear in our stock records at the close of business on January 1 and July 1 of each

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year. Dividends payable on the shares of preferred stock for any period other than a full semi-annual period will be computed on the basis of a 360-day year consisting of twelve 30-day months.

We will pay dividends on the preferred stock on a dividend payment date, unless:

- we do not have funds legally available for such payment;
- we are subject to contractual restrictions that prevent us from making the payment; or
- in the case of dividends paid in shares of common stock, we cannot provide the transfer agent with an effective registration statement, as described below.

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We may pay dividends, at our option, in cash, shares of common stock or any combination thereof. Shares of our common stock delivered to the transfer agent on behalf of the holders of the preferred stock will be sold automatically on the holders' behalf for cash. The transfer agent will serve as the designated agent of the holders of the preferred stock in making any such sales. If we pay dividends by delivering shares of our common stock to the transfer agent, we must deliver to the transfer agent a number of shares of our common stock which, when sold by the transfer agent on the holders' behalf, will result in net cash proceeds to be distributed to the holders in an amount equal to the cash dividends otherwise payable. To pay dividends in this manner, we must provide the transfer agent with a registration statement permitting the immediate sale of the shares of common stock in the public market. The registration statement, of which this prospectus forms a part, permits the immediate sale by the transfer agent for the preferred stock, on behalf of the holders of the preferred stock, of up to 39,580,053 shares of common stock in the public market for this purpose; however, we cannot assure you that we will be able to keep effective the registration statement or that this number of shares will be sufficient to meet our future dividend payment requirements.

The terms of our existing credit facilities were recently amended to allow us to pay dividends on the preferred stock in cash; however, they prevent us from doing so if, before the payment or after giving effect to the payment, an event of default, as described in our credit facilities, is or would be in existence, and our future credit facilities and other indebtedness may contain restrictions on paying dividends in cash. We are not currently prohibited from paying dividends in shares of common stock. In addition, we do not intend to enter into any agreement or other contractual arrangement that would prohibit us from paying dividends in shares of common stock. If we are unable to pay dividends in cash on a dividend payment date because such payment would be contrary to applicable law or our restated certificate of incorporation or our by-laws or continue or cause a default under any provision of any agreement or other instrument that is binding on us, then we will use our reasonable best efforts to file and cause to be declared effective the registration statement required to permit us to pay dividends in common stock.

If we pay dividends in shares of our common stock by delivering them to the transfer agent, those shares will be owned beneficially by the holders of the preferred stock upon delivery to the transfer agent, and the transfer agent will hold those shares and the net cash proceeds from the sale of those shares for the exclusive benefit of the holders. By purchasing the preferred stock, you are deemed to appoint the transfer agent as your agent for the sale of any shares of common stock that are delivered to the transfer agent, on your behalf, upon

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payment of dividends on the preferred stock. If a holder provides notice to the transfer agent at least 30 days prior to the applicable dividend payment date not to sell shares of common stock held on behalf of that holder to provide cash to pay all or a portion of the dividends payable to such holder, the transfer agent will deliver to or for the account of the holder promptly after their receipt by the transfer agent, shares of common stock having the value of the dividend payment calculated based on an aggregate average sale price on the five trading days preceding the third business day before the relevant dividend payment date. No fractional shares of common stock will be issued to pay dividends. Instead of issuing fractional shares, we will deliver scrip that will entitle the holder to receive a full share upon surrender of such scrip aggregating a full share.

Shares of our common stock paid as dividends by delivery to or for the account of the holder, as described above, will:

- be treated as restricted securities;
- bear a legend to that effect; and
- not be transferable by the recipient thereof except pursuant to an effective registration statement or pursuant to an exemption from the registration requirements of the Securities Act.

All such shares of common stock will be issued in physical certificated form and will not be eligible for receipt in global form through the facilities of The Depository Trust Company, which we refer to as the depository. In addition, you will not have the right to require us to register those shares of common stock.

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If we are unable to pay dividends in full on the preferred stock on any dividend payment date, as described above, the accreted liquidation preference of the preferred stock will be increased as of the first day of the immediately succeeding dividend period by the accretion amount in respect of the unpaid dividends. The accretion amount per share of preferred stock for any dividend payment date on which dividends are not paid in full will be calculated by multiplying:

- the accretion rate of 10.00% per year, calculated on a semi-annual basis, by
- the accreted liquidation preference as of the first day of the relevant dividend period by
- the fraction of the dividends for that dividend period that were not paid on the dividend payment date.

The accreted liquidation preference per share of preferred stock as of any date will equal the initial liquidation preference of \$1,000.00 per share increased, as described above, as the result of the non-payment of dividends on all prior dividend payment dates and decreased to the extent we have made any payments described in the next paragraph on prior dividend payment dates. The amount of dividends payable for any dividend period following a non-payment of dividends will be calculated on the basis of the accreted liquidation preference as of the first day of the relevant dividend period.

We may pay all or a portion of the amount by which the accreted liquidation preference per share of preferred stock exceeds \$1,000.00 on any dividend payment date in cash or in shares of our common stock, as described above. The

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accreted liquidation preference per share of the preferred stock will be reduced by the amount of such payment. Accordingly, if we pay all of such excess on any dividend payment date, the liquidation preference per share will return to the initial liquidation preference, and the amount of subsequent dividend payments will be calculated on the basis of the initial liquidation preference. If we pay a portion of the dividends payable on the preferred stock on a dividend payment date and accrete the unpaid portion as described above, we will pay the current portion equally and ratably to the holders of the preferred stock.

We will use our reasonable best efforts to provide notice to the holders of the preferred stock not later than 15 days prior to a dividend payment date if we determine that we will not pay dividends on that dividend payment date. If a development occurs less than 15 days prior to a dividend payment date that will prevent us from paying dividends on such date, and we have not already provided notice, we will provide prompt notice to the holders and the transfer agent. The notice will indicate whether we will accrete all or a portion of the dividends, the amount of the dividends to be accreted and whether the portion of dividends to be paid will be paid in cash or in common stock delivered to the transfer agent.

REDEMPTION

REDEMPTION AT OUR OPTION

We may not redeem any shares of preferred stock at any time before August 15, 2006. After that date, we will have the option to redeem any outstanding shares of preferred stock, out of funds legally available for such payment, upon not less than 30 nor more than 60 days' prior notice, at a redemption price per share equal to the accreted liquidation preference thereof, plus an amount equal to accrued and unpaid dividends from, and including, the immediately preceding dividend payment date to, but excluding, the redemption date, adjusted as described below under "-- Provisions Relating to Redemption at Our Option."

PROVISIONS RELATING TO REDEMPTION AT OUR OPTION

We may, at our option, elect to pay the redemption price in cash or in shares of our common stock valued at a discount of 5% from the market price, as defined below under "General Provisions Concerning the Redemption of Preferred Stock with Shares of Common Stock," of our common stock, or any combination thereof. Notwithstanding the foregoing, we may pay such redemption price, whether in cash or in shares of common stock, only if we have funds legally available for such payment and may pay such

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redemption price in shares of our common stock only if such shares are eligible for immediate sale in the public market by non-affiliates of ours absent a registration statement. In the case of any partial redemption, we will select the shares of preferred stock to be redeemed on a pro rata basis, by lot or any other method that we, in our discretion, deem fair and appropriate. However, we may redeem all the shares held by holders of fewer than 100 shares or holders who would hold fewer than 100 shares as a result of the redemption.

REDEMPTION AT THE OPTION OF THE HOLDER

On the redemption dates of August 2, 2004, August 2, 2007, August 2, 2010 and August 2, 2016, we will, at the option of the holder, be required to redeem any outstanding shares of preferred stock, out of funds legally available for such payment, at a redemption price per share equal to the accreted liquidation preference thereof, plus an amount equal to accrued and unpaid dividends from, and including, the immediately preceding dividend payment date to, but

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excluding, the redemption date, for which a written redemption notice has been properly delivered by the holder to the transfer agent and not withdrawn. Holders may submit their shares of preferred stock for redemption to the transfer agent at any time from the opening of business on the date that is 45 business days prior to such redemption date until the close of business on the business day that is three business days prior to such redemption date.

We may, at our option, elect to pay the redemption price in cash or in shares of our common stock valued at a discount of 5% from the market price of our common stock, or any combination thereof. Under the terms of our current credit facilities, however, we are prohibited from paying the redemption price of the preferred stock in cash. If the amount of stock to be issued in connection with any redemption equals or exceeds 20% of the voting power of our outstanding stock prior to the issuance in connection with the redemption, we may, under The New York Stock Exchange rules, be required to obtain the approval of our stockholders for such an issuance. Our future credit facilities and other indebtedness may contain similar restrictions. We may pay the redemption price in shares of our common stock only if such shares are eligible for immediate sale in the public market by non-affiliates of ours absent a registration statement.

We will be required to give notice on a date not less than 45 business days prior to each redemption date by providing notice to all holders and to beneficial owners as required by applicable law, stating among other things:

- whether we will pay the redemption price of the preferred stock in cash or common stock or any combination thereof, specifying the percentages of each;
- if we elect to pay in common stock, the method of calculating the market price of the common stock, as described under "General Provisions Concerning the Redemption of Preferred Stock with Shares of Common Stock" below; and
- the procedures that holders must follow to require us to redeem their preferred stock.

The redemption notice given by each holder electing to require us to redeem their preferred stock must state:

- in the case of shares in certificated form, the certificate numbers of the holder's shares of preferred stock to be delivered for redemption;
- that the shares of preferred stock are to be redeemed by us pursuant to the applicable provision of the preferred stock and the certificate of designations; and
- in the event we elect, pursuant to the notice that we are required to give, to pay the redemption price in common stock, in whole or in part, but the redemption price is ultimately to be paid to the holder entirely in cash because any condition to payment of the redemption price or portion of the

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redemption price in common stock is not satisfied prior to the close of business on the redemption date, as described below, whether the holder elects:

- to withdraw the redemption notice as to some or all of the shares of preferred stock to which it relates; or

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- to receive cash in respect of the entire redemption price for all shares of preferred stock or portions of shares of preferred stock subject to such redemption notice.

If the holder fails to indicate the holder's choice with respect to the election described in the third bullet point above, the holder shall be deemed to have elected to receive cash in respect of the entire redemption price for all shares of preferred stock subject to the redemption notice in these circumstances.

Any redemption notice may be withdrawn by the holder by a written notice of withdrawal delivered to the transfer agent prior to the close of business on the day that is three business days prior to the redemption date.

The notice of withdrawal shall state:

- the number of shares of preferred stock being withdrawn;
- in the case of shares in certificated form, the certificate numbers of the shares of preferred stock being withdrawn; and
- the number of the holder's shares of preferred stock, if any, that remains subject to the redemption notice.

In the event we elect to deliver common stock in payment, in whole or in part, of the redemption price, instead of issuing fractional shares, we will deliver scrip that will entitle the holder to receive a full share upon surrender of such scrip aggregating a full share.

MANDATORY REDEMPTION

We will be obligated to redeem all outstanding shares of preferred stock on August 1, 2031, only out of funds legally available for such payment, at a redemption price equal to the accreted liquidation preference thereof, plus an amount equal to accrued and unpaid dividends from, and including, the immediately preceding dividend payment date to, but excluding, the date of redemption upon not less than 30 nor more than 60 days' prior notice to the holders.

We may, at our option, elect to pay the redemption price in cash or in shares of our common stock valued at a discount of 5% from the market price of our common stock, or any combination thereof. Under the terms of our current credit facilities, however, we are prohibited from paying the redemption price of the preferred stock in cash. Our future credit facilities and other indebtedness may contain similar restrictions. We may pay the redemption price in shares of our common stock only if such shares are eligible for immediate sale in the public market by non-affiliates of ours absent a registration statement.

GENERAL PROVISIONS CONCERNING THE REDEMPTION OF PREFERRED STOCK WITH SHARES OF COMMON STOCK

We will notify the holders of the preferred stock upon the determination of the actual number of shares of common stock deliverable upon any redemption of the preferred stock.

Our right to redeem preferred stock, in whole or in part, with shares of common stock is subject to our satisfying various conditions, including:

- the listing of such shares of common stock on the principal United States securities exchange on which the common stock is then listed or, if not

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so listed, on Nasdaq;

- the registration of the common stock under the Securities Act and the Exchange Act, if required; and

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- any necessary qualification or registration under applicable state securities law or the availability of an exemption from such qualification and registration.

If such conditions are not satisfied with respect to a holder prior to the close of business on any redemption date, we will pay the redemption price of such holder's shares of preferred stock entirely in cash unless we do not have legally available funds or our credit facilities or other contractual obligations prohibit us from paying the redemption price in cash. We may not change the form or components or percentages of components of consideration to be paid for the shares of preferred stock once we have given any notice that we are required to give to holders of the preferred stock, except as described in the first sentence of this paragraph.

The market price of our common stock means the average of the sale prices of our common stock for the twenty trading day period ending on the third business day prior to the applicable redemption date (if the third business day prior to the applicable redemption date is a trading day, or if not, then on the last trading day prior to the third business day), appropriately adjusted to take into account the occurrence, during the period commencing on the first of the trading days during the twenty trading day period and ending on the redemption date, of any event that would result in an adjustment to the conversion price of the preferred stock, as described below under "-- Adjustments to the Conversion Price."

The sale price of our common stock on any trading day means the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average asked prices) on that trading day as reported in composite transactions for the principal U.S. securities exchange on which our common stock is traded or, if our common stock is not listed on a U.S. national or regional securities exchange, as reported by The Nasdaq National Market.

A trading day means each day on which the securities exchange or quotation system that is used to determine the sale price is open for trading or quotation.

Because the market price of our common stock is determined prior to the applicable redemption date, holders of the preferred stock bear the market risk with respect to the value of our common stock to be received from the date the market price is determined to the redemption date. We may pay the redemption price or any portion of the redemption price in shares of our common stock only if the information necessary to calculate the market price is publicly available.

In connection with any redemption offer, we will comply with the provisions of Rule 13e-4, Rule 14e-1 and any other tender offer rules under the Exchange Act that may then be applicable including filing a Schedule TO or any other required schedule under the Exchange Act.

GENERAL PROVISIONS

Payment of the redemption price for shares of preferred stock is conditioned upon book-entry transfer of or physical delivery of certificates

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representing the preferred stock, together with necessary endorsements, to the transfer agent at any time after delivery of the redemption notice. Payment of the redemption price for the preferred stock will be made promptly following the later of the redemption date and the time of book-entry transfer of or physical delivery of the preferred stock.

If the transfer agent holds money or securities sufficient to pay the redemption price of preferred stock on the business day following the redemption date in accordance with the terms of the certificate of designations, then, immediately after the redemption date, the preferred stock will cease to be outstanding, whether or not book-entry transfer is made or certificates representing the preferred stock are delivered to the transfer agent. At such time, all rights as a holder of shares of preferred stock shall terminate, other than the right to receive the redemption price upon delivery of certificates representing the preferred stock.

If the redemption date falls after a dividend payment record date and before the related dividend payment date, the holders of the shares of preferred stock at the close of business on that dividend payment record date will be entitled to receive the dividend payable on those shares on the corresponding

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dividend payment date. However, the redemption price payable on such redemption date will include only the accreted liquidation preference of the shares being redeemed and will not include any amount in respect of accrued but unpaid dividends.

LIQUIDATION PREFERENCE

Upon any voluntary or involuntary liquidation, dissolution or winding up of Lucent, each holder of shares of preferred stock will be entitled to payment, out of our assets available for distribution, of an amount equal to the accreted liquidation preference per share of preferred stock held by that holder, plus an amount equal to all accrued and unpaid dividends on those shares from, and including, the immediately preceding dividend payment date to, but excluding, the date of liquidation, dissolution or winding up, before any distribution is made on any junior stock, including our common stock. After payment in full of the accreted liquidation preference and the amount equal to all accrued and unpaid dividends to which holders of shares of preferred stock are entitled, the holders will not be entitled to any further participation in any distribution of our assets. If, upon any voluntary or involuntary liquidation, dissolution or winding up of our company, the amounts payable with respect to shares of preferred stock and all other parity stock are not paid in full, the holders of shares of preferred stock and the holders of the parity stock will share equally and ratably in any distribution of our assets in proportion to the full liquidation preference and the amount equal to all accrued and unpaid dividends to which each such holder is entitled.

Neither the voluntary sale, conveyance, exchange or transfer, for cash, shares of stock, securities or other consideration, of all or substantially all of our property or assets nor the consolidation, merger or amalgamation of Lucent with or into any other entity or the consolidation, merger or amalgamation of any other entity with or into Lucent will be deemed to be a voluntary or involuntary liquidation, dissolution or winding up of Lucent.

CONVERSION RIGHTS

Each share of preferred stock will be convertible at any time from and after the initial conversion date, at the option of the holder, into fully paid and nonassessable shares of our common stock. The preferred stock will be

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convertible into common stock at an initial conversion price of \$7.48 per share, adjusted as provided under "-- Adjustments to the Conversion Price." The number of shares of common stock deliverable upon conversion of a share of preferred stock, commonly referred to as the "conversion rate," will initially be 133.6898, based on the initial conversion price and the initial liquidation preference. The initial conversion date will be the earlier of:

- nine months after the initial issuance of the preferred stock; and
- the day immediately following the date of the share distribution in connection with our intended spin-off of Agere Systems Inc.

The conversion price will not be increased in connection with an increase in the accreted liquidation preference of the preferred stock. Accordingly, holders who convert their preferred stock following an increase in the accreted liquidation preference will receive more shares of our common stock.

Holders of shares of preferred stock who convert their shares into common stock will not be entitled to any accrued dividends for the dividend period in which they convert their shares. Accordingly, shares of preferred stock surrendered for conversion during the period between the close of business on any dividend payment record date and the opening of business on the corresponding dividend payment date must be accompanied by payment of an amount equal to the dividend payable on such shares on such dividend payment date.

In case any shares of preferred stock are to be redeemed, the right to convert those shares of preferred stock will terminate at the close of business on the business day immediately preceding the date fixed for redemption unless we default in the payment of the redemption price of those shares.

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No fractional shares of common stock will be issued upon conversion. Instead of issuing fractional shares, we will deliver scrip that will entitle the holder to receive a full share upon surrender of such scrip aggregating a full share. If more than one share of preferred stock is surrendered for conversion by the same holder at the same time, the number of full shares of common stock issuable on conversion of those shares will be computed on the basis of the total number of shares of preferred stock surrendered for conversion.

We will at all times reserve and keep available, free from preemptive rights, for issuance upon the conversion of shares of preferred stock a number of our authorized but unissued shares of common stock that will from time to time be sufficient to permit the conversion of all outstanding shares of preferred stock. Before the delivery of any securities that we will be obligated to deliver upon conversion of the preferred stock, we will comply with all applicable federal and state laws and regulations which require action to be taken by us. All shares of common stock delivered upon conversion of the preferred stock will upon delivery be duly and validly issued and fully paid and nonassessable, free of all liens and charges and not subject to any preemptive rights.

ADJUSTMENTS TO THE CONVERSION PRICE

The conversion price is subject to adjustment from time to time as follows:

- (1) Stock splits and combinations. In case we, at any time or from time to time after the issuance date of the shares of preferred stock:

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- subdivide or split the outstanding shares of our common stock,
- combine or reclassify the outstanding shares of our common stock into a smaller number of shares or
- issue by reclassification of the shares of our common stock any shares of our capital stock,

then, and in each such case, the conversion price in effect immediately prior to that event or the record date therefor, whichever is earlier, will be adjusted so that the holder of any shares of preferred stock thereafter surrendered for conversion will be entitled to receive the number of shares of our common stock or of our other securities which the holder would have owned or have been entitled to receive after the occurrence of any of the events described above, had those shares of preferred stock been surrendered for conversion immediately before the occurrence of that event or the record date therefor, whichever is earlier.

(2) Stock dividends in common stock. In case we, at any time or from time to time after the issuance date of the shares of preferred stock, pay a dividend or make a distribution in shares of our common stock on any class of our capital stock other than dividends or distributions of shares of common stock or other securities with respect to which adjustments are provided in paragraph (1) above, and the total number of shares constituting the dividend or distribution exceeds 25% of the total number of shares of common stock outstanding at the close of business on the record date fixed for determination of stockholders entitled to receive the dividend or distribution, the conversion price will be adjusted by multiplying:

- the conversion price immediately prior to the record date fixed for determination of stockholders entitled to receive the dividend or distribution by
- a fraction, the numerator of which will be the number of shares of common stock outstanding at the close of business on that record date and the denominator of which will be the sum of that number of shares and the total number of shares issued in that dividend or distribution.

In case the total number of shares constituting that dividend or distribution does not exceed 25% of the total number of shares of common stock outstanding at the close of business on the record date fixed for that dividend or distribution, the shares of common stock will be considered to be issued as a

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dividend or distribution at the time of any such next succeeding dividend or other distribution in which the number of shares of common stock issued, together with the number of shares issued in all previous such dividends and distributions for which no adjustment to the conversion price has been made, exceeds 25% of the total number of shares of common stock outstanding at the close of business on the record date for such dividend or distribution.

(3) Issuance of rights or warrants. In case we issue to all holders of our common stock rights or warrants expiring within 45 days entitling those holders to subscribe for or purchase our common stock at a price per share less than the current market price, the conversion price in effect

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immediately before the close of business on the record date fixed for determination of stockholders entitled to receive those rights or warrants will be decreased by multiplying:

- the conversion price by
- a fraction, the numerator of which is the sum of the number of shares of our common stock outstanding at the close of business on that record date and the number of shares of common stock that the aggregate offering price of the total number of shares of our common stock so offered for subscription or purchase would purchase at the current market price and the denominator of which is the sum of the number of shares of common stock outstanding at the close of business on that record date and the number of additional shares of our common stock so offered for subscription or purchase.

For purposes of this paragraph (3), the issuance of rights or warrants to subscribe for or purchase securities convertible into shares of our common stock will be deemed to be the issuance of rights or warrants to purchase shares of our common stock into which those securities are convertible at an aggregate offering price equal to the sum of the aggregate offering price of those securities and the minimum aggregate amount, if any, payable upon conversion of those securities into shares of our common stock. This adjustment will be made successively whenever any such event occurs. For purposes of this paragraph, the current market price of our common stock means the average of the sale prices of our common stock for the five consecutive trading days selected by our board of directors beginning not more than 20 trading days before, and ending not later than the date immediately preceding the record date for the relevant event.

(4) Distribution of indebtedness, securities or assets. In case we distribute to all holders of our common stock, whether by dividend or in a merger, amalgamation or consolidation or otherwise, evidences of indebtedness, shares of capital stock of any class or series, other securities, cash or assets (other than common stock, rights or warrants referred to in paragraph (3) above, a dividend payable exclusively in cash, shares of capital stock or similar equity interests in the case of a spin-off, as described in the second succeeding paragraph, and other than as a result of a fundamental change described in paragraph (5) below), the conversion price in effect immediately before the close of business on the record date fixed for determination of stockholders entitled to receive that distribution will be decreased by multiplying:

- the conversion price by
- a fraction, the numerator of which is the current market price of our common stock and the denominator of which is the current market price of the common stock plus the fair market value, as determined by our board of directors, whose determination in good faith will be conclusive, of the portion of those evidences of indebtedness, shares of capital stock, other securities, cash and assets so distributed applicable to one share of common stock.

This adjustment will be made successively whenever any such event occurs. For purposes of this paragraph, current market price of our common stock means the average of the sale prices of our common stock for the first 10 trading days from, and including, the first day that the common stock trades "ex-distribution."

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In respect of a dividend or other distribution of shares of capital stock of any class or series, or similar equity interests, of or relating to a subsidiary or other business unit, which we refer to as a spin-off, the conversion price in effect immediately before the close of business on the record date fixed for determination of stockholders entitled to receive that distribution will be decreased by multiplying:

- the conversion price by
- a fraction, the numerator of which is the current market price of our common stock and the denominator of which is the current market price of the common stock plus the fair market value, determined as described below, of the portion of those shares of capital stock or similar equity interests so distributed applicable to one share of common stock.

The adjustment to the conversion price under the preceding paragraph will occur at the earlier of:

- the tenth trading day from, and including, the effective date of the spin-off and
- the date of the initial public offering of the securities being distributed in the spin-off, if that initial public offering is effected simultaneously with the spin-off.

For purposes of this section, "initial public offering" means the first time securities of the same class or type as the securities being distributed in the spin-off are bona fide offered to the public for cash.

In the event of a spin-off that is not effected simultaneously with an initial public offering of the securities being distributed in the spin-off, the fair market value of the securities to be distributed to holders of our common stock means the average of the sale prices of those securities over the first 10 trading days after the effective date of the spin-off. Also, for purposes of a spin-off, the current market price of our common stock means the average of the sale prices of our common stock over the first 10 trading days after the effective date of the spin-off.

If, however, an initial public offering of the securities being distributed in the spin-off is to be effected simultaneously with the spin-off, the fair market value of the securities being distributed in the spin-off means the initial public offering price, while the current market price of our common stock means the sale price of our common stock on the trading day on which the initial public offering price of the securities being distributed in the spin-off is determined.

The application of the preceding paragraphs to our intended spin-off of Agere Systems Inc. will result in an adjustment determined pursuant to the following formula:

The conversion price will be multiplied by the fraction $LU / ((X)(AGR) + LU)$ where:

- X equals the number of shares of Class B common stock of Agere Systems Inc. received per share of our common stock in the spin-off;
- AGR equals the average of the sale prices of the shares of Class B

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common stock of Agere Systems Inc. on the NYSE over the first 10 trading days after, and including, the effective date of the spin-off; and

- LU equals the average of the sale prices of our common stock on the NYSE over the first 10 trading days after, and including, the effective date of the spin-off.

For the tax consequences of the adjustment to the conversion price following a distribution, if any, of the Class B common stock of Agere Systems Inc. to our common stockholders, see "Certain Federal Income Tax Consequences -- U.S. Holders -- Preferred Stock -- Deemed Distributions" and "-- Non-U.S. Holders -- Preferred Stock and Common Stock -- Distributions," below. For a description of the conditions to the Agere spin off see "Recent Developments -- Agere Spin Off Update" set out in Exhibit 99.1 to our Current Report on Form 8-K filed on August 2, 2001 and incorporated by reference in this prospectus.

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(5) Fundamental changes. For purposes of this paragraph (5), the term fundamental change means any transaction or event, including any merger, consolidation, sale of assets, tender or exchange offer, reclassification, compulsory share exchange or liquidation, in which all or substantially all outstanding shares of our common stock are converted into or exchanged for stock, other securities, cash or assets. If a fundamental change occurs, the holder of each share of preferred stock outstanding immediately before that fundamental change occurred that remains outstanding after the fundamental change will have the right upon any subsequent conversion to receive, out of funds legally available, to the extent required by applicable law, the kind and amount of stock, other securities, cash and assets that holder would have received if that share had been converted immediately prior to the fundamental change.

(6) Special adjustment for some changes of control. If we undergo a change of control, as defined below under "Change of Control," in a transaction or series of related transactions in which:

- our stockholders receive consideration per share of common stock that is greater than the conversion price, without giving effect to the adjustment described below, at the effective time of the change of control and
- at least 10%, but less than 75%, of the total consideration paid to our stockholders consists of cash, cash equivalents, securities or other assets (other than publicly-traded securities), which we refer to as non-public consideration,

then the conversion price will be adjusted so that, upon conversion of shares of preferred stock that remain outstanding after the change of control, in addition to the common stock or other securities deliverable upon the conversion of the preferred stock as described under "-- Conversion Rights" and in paragraphs 1 through 5 above, the holder will receive, in respect of each share of preferred stock, a number of publicly traded securities of the acquiror determined through the following calculation:

$$\text{PV cashflows X (non-public consideration / total consideration)} \\ \text{Acquiror stock price}$$

where

PV cashflows = the present value of the aggregate dividend payments that would have been payable on a share of the preferred stock from the date of conversion through August 15, 2006, calculated using a discount rate equal to 2.00% plus the yield to maturity of U.S. Treasury securities having a maturity closest to, but not later than August 15, 2006;

Total consideration = the total value of the consideration payable to our stockholders at the effective time of the change of control, with the value of any assets or securities other than cash or a publicly-traded security being determined in good faith by our board of directors based upon an opinion as to that value obtained from an accounting, appraisal or investment banking firm of international standing; and

Acquiror stock price = the sale price of a share of the acquiror's publicly-traded common stock or other publicly-traded securities delivered in connection with the change of control transaction at the effective time of the change of control;

provided that if the