Lucent Technologies Inc.
Audit and Non-Audit Services Pre-Approval Policy
Revised Policy Effective Date: October 1, 2004

I. Purpose of Policy

Under the Sarbanes-Oxley Act of 2002 (the "Act"), and the rules of the Securities and Exchange Commission (the "SEC"), the Audit and Finance Committee (the "Audit Committee") of the Company's Board of Directors is responsible for the appointment, compensation and oversight of the work of the independent auditor. The purpose of the provisions of the Act and the SEC rules for the Audit Committee's role in retaining the independent auditor is twofold. First, the authority and responsibility for the appointment, compensation and oversight of the auditor should be with directors who are independent of management. Second, any non-audit work performed by the auditor should be reviewed and approved by these independent directors to ensure that any non-audit services performed by the auditor do not impair the independence of the independent auditor.

To implement the provisions of the Act, the SEC has issued rules specifying the types of services that an independent auditor may not provide to its audit client and governing the Audit Committee's administration of the engagement of the independent auditor. As part of this responsibility, the Audit Committee is required to pre-approve the audit and non-audit services performed by the Company's independent auditor in order to assure that they do not impair the auditor's independence. Accordingly, the Audit Committee is adopting this Audit and Non-Audit Services Pre-Approval Policy (the "Policy"), which sets forth the procedures and the conditions pursuant to which services to be performed by the independent auditor are to be pre-approved.

While there are various services the independent auditors are permitted to provide and which the Audit Committee believes may not impair independence, the Audit Committee has decided to limit the services to be performed by the independent auditors in the manner set forth below.

II. Statement of Principles

A. Prohibited Services

The Audit Committee will not approve nor will the Company's independent auditor perform for the Company any services that are prohibited activities for an independent auditor under the Act or by regulations promulgated by the SEC. These prohibited activities include:

(1) bookkeeping or other services related to the accounting records or financial statements of the audit client;

(2) financial information systems design and implementation;

(3) appraisal or valuation services, fairness opinions, or contribution-in-kind reports;

(4) actuarial services;

(5) internal audit outsourcing services;

(6) management functions or human resources;

(7) broker or dealer, investment adviser, or investment banking services;

(8) legal services and expert services unrelated to the audit; and

(9) any other service that the Public Company Accounting Oversight Board determines, by regulation, is impermissible.

B. Non-Prohibited Services

The SEC's rules establish two different approaches to pre-approving non-prohibited services. Proposed non-prohibited services may be pre-approved either by the Audit Committee agreeing to a general framework with descriptions of allowable services ("general pre-approval") or by the Audit Committee pre-approving specific services ("specific pre-approval"). The Company's Audit Committee believes that the combination of these two approaches will result in an effective and efficient procedure to pre-approve services that may be performed by the independent auditor. As set forth in this Policy, unless a type of service has received general pre-approval, it will require specific pre-approval by the Audit Committee if it is to be provided by the independent auditor.

III. Services Subject to General Pre-approval

A. Audit Services

The annual audit services engagement scope and terms will be subject to the general pre-approval of the Audit Committee. Audit services include the annual financial statement audit (including required quarterly reviews) and other procedures required to be performed by the independent auditor to be able to form an opinion on the Company's consolidated financial statements. Audit services also include the attestation engagement for the independent auditor's report on management's assertion on internal controls for financial reporting *(Attachment I).* The Audit Committee will monitor the audit services engagement throughout the year and will also approve, if necessary, any changes in terms and conditions resulting from

changes in audit scope, Company structure or other items. The Audit Committee will request that the audit engagement letter with the independent auditor be addressed to the Chairman of the Audit Committee and that the Chairman of the Audit Committee execute the engagement letter on behalf of the Company.

B. Audit-Related Services

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements (e.g., research and consultation regarding accounting and financial reporting transactions *Attachment 2*). Because the Audit Committee believes that the provision of audit-related services does not impair the independence of the auditor and is consistent with the SEC's rules on auditor independence, the Audit Committee will grant general pre-approval to audit-related services.

IV. Services Subject to Specific Pre-approval

A. Tax Services

Although Tax services are not prohibited under the Act and SEC rules, in order to assure investors as to the independence of our auditor, and to avoid the impairment of auditor independence due to potential conflicts with prohibited services for certain tax planning services, the Audit Committee has determined that, except as provided below, it will no longer engage the Company's independent auditor to perform future services in the Tax category. The only tax services the independent auditor will be permitted to perform are in conjunction with:

(a) The preparation and filing of tax returns for the Company's benefit plans, trusts, and the Lucent Foundation;
(b) The preparation and filing of tax returns for acquired companies during their initial year after acquisition;
(c) Support for audits on previously filed tax returns for which the independent auditor provided preparation services; and
(d) Other tax services to be provided in fiscal year 2005 which are being transitioned to a new service provider.

In addition, engagements already pre-approved and yet to be completed may be completed.

Accordingly, specific pre-approval will be required for these services in order for the Audit Committee to have an opportunity to review the scope of work to be provided by the independent auditor in connection with these services.

B. Other Services

Although Other Services are not prohibited under the Act and SEC rules, in order to assure investors as to the independence of our auditor, the Audit Committee has determined that it will no longer engage the Company's independent auditor to perform any future services in the Other Services Category. As a result of the Audit Committee's decision to modify the Policy, the Audit Committee will no longer engage the Company's independent auditor to perform any services not classified as Audit or Audit-Related with the exception of the items specifically mentioned in Section A, Tax Services, and items already pre-approved and yet to be completed.

V. Procedures

The procedures the Audit Committee will employ in implementing this policy are as follows:

A. In advance of the October Audit Committee meeting each year, the Chief Financial Officer, the Vice President of Internal Audit and the independent auditor shall jointly submit to the Audit Committee a schedule of fees (Interim Authorization) that are subject to general pre-approval. This schedule will be in the format contained in Exhibit 1 of this policy.

B. The Audit Committee will review and approve the types of services and review the Interim Authorization at its regularly scheduled October meeting. The current year's estimated fee amounts on the schedule will be updated as necessary at any subsequent Audit Committee meetings once the current year fee estimates have been determined. Additional pre-approval will be required if actual fees for a service are expected to exceed the originally pre-approved amount by 10% or more. This additional pre-approval should be obtained in the same manner as a specific pre-approval described below.

C. If, subsequent to the general pre-approval of scheduled services by the Audit Committee, the Company would like to engage the independent auditor to perform a service not included on the general pre-approval schedule, a request should be submitted to the General Counsel and the Vice President of Internal Audit. If they determine that the service can be performed without impairing the independence of the auditor, then a discussion and approval of the service will be included on the agenda for the next regularly scheduled Audit Committee meeting. If the timing for the service needs to commence before the next Audit Committee meeting, the chairman of the Audit Committee, or any other member of the Audit Committee, can provide specific pre-approval.

D. Approval by the Audit Committee for the auditor to perform any non-audit service does not require that management engage the Company's independent auditor to perform those services. Company's management may engage other third parties to perform non-audit services for which the Audit Committee has given pre-approval to be performed by the independent auditor.

E. Once the Audit Committee has given pre-approval for services to be performed by the independent auditor, the appropriate Company management may engage the auditor and execute any necessary document for the performance of services within the scope of the pre-approval.

VI. Delegation

As provided in the Act and the SEC's rules, the Audit Committee has authorized any member of the Audit Committee to pre-approve any services the independent auditors are authorized to provide under this policy. The Vice President of Internal Audit, for informational purposes only, will report any pre-approval decisions to the Audit Committee at its next meeting. The Audit Committee will not delegate to management the Audit Committee's responsibilities to pre-approve services performed by the independent auditor.

Exhibit 1

Schedule of Audit, Audit-Related and Taxes, Services and Projected Fees for the Fiscal Year Ended September 30, ____

Service	**Description of Service**	**Proposed FY-- Fees**	**Audit Committee Action**
Audit Services	See Attachment 1.		
Audit-Related Services: Research and consultation regarding accounting and financial reporting transactions	See Attachment 2.		

Attachment 1

Audit Services

In general, Audit Services are the professional services rendered for: the audit of the registrant's annual financial statements, the review of quarterly financial statements, services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements, and services that generally only the auditor reasonably can provide. This category includes: statutory audits required domestically and internationally (including statutory audits required for insurance companies for purposes of state law), comfort letters, consents, assistance with and review of documents filed with the SEC, Section 404 attest services, other attest services that generally only the auditor can provide, work done by tax professionals in connection with the audit or quarterly review, and accounting consultations billed as audit services, as well as other accounting and financial reporting consultation and research work necessary to comply with generally accepted auditing standards. This includes:

1. Recurring audit of consolidated financial statements, including tax services required to perform an audit in accordance with Generally Accepted Auditing Standards.
2. Audit of the statutory accounts in accordance with international statutory requirements (to be broken down by legal entity).
3. Accounting consultations required to perform an audit in accordance with Generally Accepted Auditing Standards.
4. Services relating to 1933 and 1934 Act Filings with the SEC, including the issuance of comfort letters.
5. Attestation services relating to the report on the entity's internal controls as specified in Section 404 of the Sarbanes-Oxley Act.

Attachment 2

Audit-Related Services

In general, Audit-Related Services are for assurance and related services that are reasonably related to the performance of the audit or review of the registrant's financial statements, and assurance and related services that traditionally are performed by the independent auditor. This category includes, among other things, employee benefit plan audits, due diligence related to mergers and acquisitions, audits of acquired businesses, internal control reviews and assistance with Section 404 internal control reporting requirements, attest services not required by statute or regulation, and consultations concerning financial accounting and reporting matters not classified as audit. This includes:

1. Audit of the stand-alone financial statements of the wholly-owned captive insurance company, First Beacon.
2. Audit of the stand-alone financial statements of the majority-owned venture fund, LVP.
3. Audit of the Lucent employee benefit plans:
    a. Health and Welfare Plan Financial Statements: Perform the annual audit of the company's health and welfare plans that have assets, filed as part of IRS Forms 5500 for the plans.
    b. Pension Plan Financial Statements: Perform the annual audit of the company's pension plans, filed as part of IRS Forms 5500 for the plans.
    c. MPT Real Estate Investments: Perform the annual audit of the managers of the MPT's direct real estate holdings. There are five such separate account managers.
    d. Savings Plan Financial Statements: Perform the annual audit of the company's savings plans, filed as part of IRS Forms 5500 and SEC Forms 11-K for the plans.
    e. LAMCO Financial Statements: Perform the annual audit of Lucent Asset Management Corporation, the wholly-owned Lucent subsidiary that manages benefit plan and certain other assets.
    f. MPT Financial Statements: Perform the annual audit of the financial statements of the Lucent Master Pension Trust, which holds the assets of the four defined benefit plans sponsored by the company.

4. Planning efforts related to an examination of the Company's internal controls over its financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, including participation in project management office meetings, ongoing discussions with management and review of the Company's detailed 404 readiness plans and documentation.