

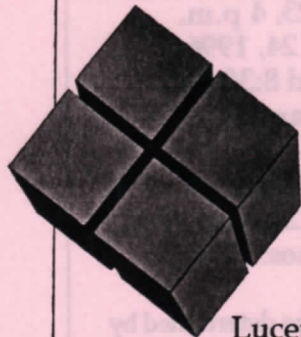
The

Lucent Technologies
Bell Labs Innovations

Cable Shop

The Electronic Wire and Cable SBU at the Omaha Works

October 18, 1996



Increasing Shareowner Value is the intent of the employee stock option on 100 Lucent shares

Here's a message from Henry Schacht, Lucent Technologies Chairman and CEO and Rich McGinn, President and COO:

"We are delighted to announce that Lucent's Board of Directors has approved a special plan under which each Lucent employee around the world will be awarded an ownership grant in the company, effective October 1, 1996, Lucent's first day as an independent company. In most countries, this stock ownership grant will be in the form of an option on 100 shares of Lucent stock. This is an exciting opportunity for all Lucent people to participate in the superior, sustained shareowner value we are all working to create.

"This special ownership grant is intended to reinforce Lucent's values and business goals and encourage each of you to become more involved in serving our customers in ways that will increase shareowner value. Because we want each Lucent employee to think and act like an owner of the business, this award will be offered to all full-time Lucent employees. Part-time employees who work more than 20 hours a week will receive a modified award. A substitute may be offered in some countries where local tax and legal issues prevent the use of stock options. Details will follow shortly."



Q. What is the difference between a stock option and a share of stock?

A stock option is the right to purchase shares of stock at a fixed price for a defined period of time. Shares of stock represent units of ownership in a company and carry rights to receive dividends and vote in stockholder meetings.

Q. When can I exercise options issued under this plan?

For employees on Lucent's active payroll on Oct. 1, 1996, the option will be granted on Oct. 1, 1996, and will vest in three years. You may exercise these options any time during a



(Continued on Page 2)

Questions

Q. What is a stock option?

A stock option is the right to purchase shares of company stock at a fixed price, called an "option price," for a defined period of time, regardless of the market price of the stock at the time of purchase.

Inside...

New opportunities in the Trades at the Omaha Works

Why do we worry about GPA?



Employee Stock Options... Continued from Page 1.

seven-year period beginning Oct. 1, 1999, the vesting date, and Sept. 30, 2006.

Q. How can I benefit from a stock option?

Following the three-year vesting period, if the market price of Lucent stock rises above the fixed option price, the gain belongs to you. For example, if the option price is fixed at \$40 per share and you exercised your 100 options when the stock was at \$70 a share, you would have a profit of \$3,000, less taxes and a nominal brokerage fee if you sell the shares. If the stock price does not rise above the fixed option price during the 10-year option period mentioned above, you simply don't exercise your options.

Q. Do I need to use my own money to exercise my options?

Strictly speaking, to "exercise your options" means purchasing the stock at the option price. So if you wish to own the shares outright, you will need to use your own money to pay the option price. However, after the vesting period, if you wish to simultaneously exercise your options and sell your shares, the company will establish procedures under which you can do this through a company-designated broker.

The difference between the option price and the selling price, less a nominal broker's fee and taxes, is your profit.

Q. When will the option price be set?

The formula for calculating the option price will be set on or before Oct. 1, 1996, and will be based on current market prices of Lucent shares on the New York Stock Exchange.



Q. Who is eligible to receive an award under this plan?

All full-time employees who are on the Lucent payroll on Oct. 1, 1996, are eligible to receive an award. Part-time employees who work more than 20 hours per week are eligible for a modified award. In some countries where local tax and legal issues prevent the use of stock options, a substitute award will be granted. Employees who are on the payroll of a subsidiary in which Lucent directly indirectly holds 50 percent or more of the voting right are also eligible, subject to local laws. Employees who join Lucent after Oct. 1, 1996, but before Dec. 31, 1996, will be also eligible for an award. The details of this award will be announced later. ■

Perspective

If you look at life one way, there is always cause for alarm.

— Elizabeth Bowen

October Communication Forum with Jim Himes

Wed., Oct. 23, 4 p.m.
Thurs., Oct. 24, 1996
6:30 a.m. and 8:30 a.m.
Cable Mezzanine

Future meetings:
Thur., Nov. 21, and Wed.,
Dec. 11. Times: TBA

Attendance to be determined by Coaches, subject to the needs of the business.

Engineering Forum

Thursday, Nov. 24, 1996, 11 a.m., Cable Mezzanine (future dates correspond with the Monthly Communication Forum with Jim Himes, as listed above)

AQT Forum

Every other Wed., 8 a.m. and 3 p.m.
Next meeting date: Wed., Oct. 23
Cable Mezzanine

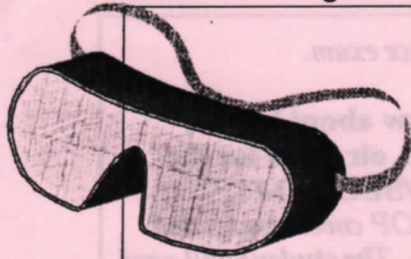
The High Cost of Persuasiveness

■ In 1867, American businesses spent an estimated \$50 million to persuade customers to buy products.

■ In 1990, U.S. advertising expenditures amounted to \$20 billion, roughly one-tenth the amount we spend on primary and secondary education.

— *Economics Explained*





Over 300 people to take entrance exam for NEW On-Site Machine Tool Skills Program

Attached are some Questions and Responses associated with the NEW On-Site Machine Tool Skills Training that will be offered at the Omaha Works starting in January 1997. The hands-on training will be in a new Machine Tool Lab located in the former Gold Plating Room, Instructed by Southeast Community College (SECC) for college credit under the ETOP umbrella.

Maintenance Manager George Schabloske says 303 individuals have signed up to take the SECC entrance exam to be administered on Saturday, Oct. 19, 1996.

QUESTIONS AND ANSWERS

SECC = Southeast Community College (Milford, Lincoln, etc.)

ETOP/SECC/LMTP = SECC's Lucent Machine Tool Program, Administered by ETOP

Q. What is the relationship between machine tool skills, Journey Machinist, and Journey Toolmaking?
The machine tool skills are building blocks for both Trades.

Q. What are the different processes for filling Journey Toolmaking and Machinist openings?
By either filling with Journey Persons from the Omaha Works, from within Lucent, or from the street, or by filling with an Apprentice/Trainee.

Q. If it is decided to fill openings with an Apprentice/Trainee, how is this person to be selected?
The individual must have completed a two-year trade school in Machine Tool Technology or equivalent, and pass our local assessment.

Q. If more than one person meets the above requirements for the Apprentice/Trainee, who is chosen?
The person with the greatest seniority.

Q. How long does it take to become a Journey Person after meeting the two-year trade school and assessment requirements?

Normally, two years in the Trades, classroom work and On-The-Job-Training (OJT).

Q. Is the Apprentice training on Company time?


OJT is on Company time and the classroom time is not. Off-hour, classroom time is approximately five hours per week.

Q. Do we currently have many people at the Omaha Works who meet the requirements to get into the Toolmaking or Machinist Apprentice/Trainee Programs?
No.

Q. What are some of the ways planned to replenish the pool of persons who could meet the requirements for entry?
By utilizing the ETOP/SECC/LMTP two-year program and by encouraging and assisting persons who may have already completed portions of a two-year program through ETOP/SECC and other training options. Also, it is possible that future new hires would be equipped with the requirements. Another avenue could be to transfer employees from another Lucent location. (Cont'd. on the next page)



(Cont'd. from
previous
page)



Q. Does this mean that a future new hire with credentials could be placed into the Apprentice/Trainee program ahead of someone who is involved in the ETOP/SECC/LMTP two-year program?
Yes.

Q. Why implement the ETOP/SECC/LMTP two-year program if you are going to allow others to fill openings?

The ETOP/SECC/LMTP two-year program is directed toward future needs beginning two years from now. In the meantime, there are needs immediately and over the next two years. Some of these needs will probably be filled with persons at the Omaha Works who have most of the two-year trade school already completed and choose to close the training gap, while some of the needs will probably be filled by persons not currently at the Omaha Works.

Q. How many openings in the Machinist and Tool-making trades do you see on a going forward basis?

We have 10 to 12 openings right now and will probably have 12 or so next year. In addition, we anticipate continuing to have an average of 12 openings per year for the following six years. These estimates are based on continuing a constant level of employ-

ment and estimating retirement and attrition based on past history. Business volume shifts, technology changes, major shifts in types of products, as well as other factors could impact these estimates.

Q. Is all of the ETOP/SECC/LMTP training on non-company time?

Yes. 9 hours/week – 50 weeks/year – 2 years.

Q. If we have more persons interested in the ETOP/SECC/LMTP than capacity will permit, who will get first chance?



Lucent's seniority, of those who pass SECC's ASSET entrance exam, will get first chance. The first allowable test date is October 19, 1996. For persons absolutely not able to attend the testing on this date, an appeal may be made to the Joint Union Management Apprenticeship Committee. If the appeal is granted to test prior to October 19, 1996, the official test date will remain October 19, 1996.

Q. How about persons who become interested in the ETOP/SECC/LMTP two-year program several weeks or months from now. Will they be allowed to test?

Yes. A future test date has not been established.

Q. What are SECC's requirements to enter the ETOP/SECC/LMTP?

A minimum score of 35 on all three sections of the ASSET

Entrance exam.

Q. How about books, tuition, etc., cost for the ETOP/SECC/LMTP?

A. ETOP covers books and tuition. The student will need to purchase approximately \$500 of special tools.

Q. When will I need to spend the \$500?

Approximately three months into the program.


Q. At the end of the ETOP/SECC/LMTP two-year program, will the students be given the Apprentice/Trainee assessment or will they have to wait until an opening is posted?

Normally the Apprenticeship Committee only tests when there is an opening; however, for students who have completed the ETOP/SECC/LMTP two-year special program, the Apprentice Committee has committed to assess the individuals within a few weeks of completion.

Q. How long is the assessment recognized?

Two years. After two years, reassessment is required.

Q. Are there any guarantees that persons completing the ETOP/SECC/LMTP two-year program will get into the Trades?



No. However it is almost certain that the employee will have a more marketable portfolio.

(Cont'd. from previous page)

Q. Can I get college credit for the ETOP/SECC/LMTP courses?

Yes. However, you must meet standard SECC requirements to obtain college credit (High School Diploma or GED).

Q. How about Certificates, Diplomas, and Degrees?

A certificate will be granted for the completion of the ETOP/SECC/LMTP two-year program. If a student is interested, a diploma can be obtained with an additional two or three courses. Also, a full Associate Degree could be obtained with the addition of a few more courses.

Q. Will the extra courses to achieve Diploma or Associate Degree be offered at the Omaha Works?

Maybe, depending on interest level. ETOP would be very interested in helping to make this happen if interest level is high enough.

Q. What is the hourly rate for the Apprentice and Journey?

Apprentice = \$15 to \$20 (progressive). Journey = \$22.13

Q. How many persons are you going to allow in this first round of the ETOP/SECC/LMTP two-year program?

Our current thinking is to

begin 30 persons, two groups of 15. However, we might consider trying to increase the capacity depending on how many persons successfully pass the ASSET test and how many are sincerely interested in preparing for the future over the next two-year time span.

Q. When are you going to start another new group in the ETOP/SECC/LMTP two-year program?

The original planning was to start another group in a year or two. However, because of the exceptional response, we are looking at alternatives. ■

Lucent Technologies
Bell Labs Innovations



**Proprietary
Information**



Don't let anyone squeeze it out of you!

Let's be cautious about guarding important business information.

When it comes to proprietary information and trade secrets, "the need to know" rule works best—with competitors, vendors, and even other Lucent employees.

Winning Together!

The Omaha Team Works Suggestion Program has discontinued award eligibility for all ideas submitted after Sept. 30, 1996. Ideas submitted after that date will be evaluated. If ideas are accepted and implemented, the individuals submitting the ideas will not be eligible for awards.

The Win Together Program has been implemented for Omaha Works Copper Apparatus. Win Together is an employee involvement program designed to make all employees "Owners of the Business" by creating common goals and common rewards for improving business metrics.

The Win Together metrics measure four basic productivity elements: (1) labor productivity, (2) expense, (3) quality productivity and (4) shipping.

Members of the Win Together Board of Directors include Bob Wustrack, Barbara Gray, Jim Pabian, Mike Kelly, Forrestine Davis, Mary Stanosheck, Steve Condra and Frank Perchal.

WIN³ continues in EW&C for 1996, as the payout for 1996 continues at zero for the year. Union and management reps are looking into ways of revising the program for 1997. ■

GPA

Grade
Point
Average

WHAT IS IT?

By Manufacturing Excellence Mgr. Terry Kottwitz

All the products in EW&C have been divided into seven groups or rating classes of like products for sampling by Quality Assurance (QA).

The finished products are tested by QA for conformance to all product requirements. When a nonconformance is identified, a major defect is assessed against the rating class to which the product belongs.

Each month, each of the rating classes in EW&C receives a letter grade based upon the QA testing of product during the month. The quality levels from the previous five months are also considered when calculating the letter grade.

Each letter grade corresponds to a point value:

A	5.0
B	4.0
C	3.0
D	2.0
E	1.0

A Grade Point Average (GPA) for EW&C for the month is calculated based on the letter grades received by the seven rating classes. This is done by converting the letter grade for each rating class into a number then averaging those seven numbers. For example, if EW&C received 3 A's, 2 B's and 2 C's one month, the GPA for that month would be calculated as follows:

$$[(3 \times A) + (2 \times B) + (2 \times C)] / 7 =$$

$$[(3 \times 5.0) + (2 \times 4.0) + (2 \times 3.0)] / 7 = 4.1$$

We also calculate a GPA for the year by averaging the 12 monthly GPAs.

Why Do We Worry About GPA?

For starters, the GPA gives us a measure of the quality of the product we are shipping to our customers. We also publish the GPA results every month and provide them to our Lucent upper management, the Regional Bell Operating Companies (RBOCs), and some other major customers. So, many people know when the product we are shipping from EW&C does not meet our requirements.

If our letter grade falls below a 'C', we must write a letter to our customers explaining why our letter grade is so low and what we plan to do to correct the situation. Telling our customers that we are having problems with the quality of our product is not a good situation. Fortunately, EW&C hasn't had to do that since September 1994.

1996 GPA Goals

Each year, EW&C sets a goal for the average monthly GPA during that year. This year our goal is 4.1. We've shown steady improvement in yearly GPA for the past three years, so our goal is attainable.

1993	3.8
1994	3.9
1995	4.0
1996	4.1 (GOAL)

To help us reach our 1996 goal, we've also set goals for each rating class to meet during the year. These goals were based on the performance of each rating class during the past three years. All the rating classes were asked to maintain or improve upon their past performance. If each rating class meets its goal, EW&C will be able to meet its goal of 4.1 for 1996.

QA Rating Class	1996 GOAL
306 - Station Wire	4.3
308 - DFW, Cross, Hookup	3.6
309 - Inside Wire Cable	4.8
312 - Plenum/Lan Cable	4.6
335 - Terminating Cable	3.6
340 - Switchboard/Spec	3.9
360 - Coaxial Cable	4.1
GPA	4.1

1996 GPA Results

So far this year, the rating classes have been performing as follows:

QA Rating Class	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	GPA
306 - Station Wire	C	C	C	B	B	B	A	C	A	3.8
308 - DFW, Cross,	B	B	B	C	B	C	B	B	B	3.8
309 - Inside Wire Cable	A	A	A	A	A	A	A	A	A	5.0
312 - Plenum/Lan Cable	B	C	B	C	C	C	C	C	C	3.2
335 - Terminating Cable	C	C	C	C	B	B	B	B	A	3.7
340 - SWBD/Spec	A	A	A	A	A	C	A	C	B	4.4
360 - Coaxial Cable	A	A	A	A	A	B	A	A	A	4.9
monthly GPA	4.1	4.0	4.1	4.0	4.3	3.7	4.4	3.9	4.4	4.1

These results are a mix of good news and bad news. You can see that some of the rating classes GPAs are well above their goal for the year. That is important because some rating classes are performing below their goal. Notice that for the year we are averaging our goal of 4.1. However, our results have become erratic this summer. In May, we tied the all-time high GPA for EW&C. But in June, we went below 4.0 for the first time this year. We bounced back in July, setting a new high for EW&C GPA. Then in August we went back below 4.0 again. In September, we tied our all-time high. Lets hope we don't keep following the pattern of good month then bad month.

What are the Defects?

306 - Station Wire	Capacitance unbalance	Jan-96
	Capacitance unbalance	Jan-96
	Wrong Product	Aug-96
308 - DFW, Cross, Hookup	Insulation shrinkback	Apr-96
	Insulation compression	Jun-96
309 - Inside Wire Cable	<i>no major defects in 1996</i>	
312 - Plenum/LAN Cable	SRL	Feb-96
	SRL	Apr-96
	Wrong Product	Apr-96
	SRL	May-96
	Wrong Product	May-96
	Wrong Product	Jul-96
335 - Terminating Cable	Pair unbalance to ground	Jan-96
	Wrong length (short)	Mar-96
	Wrong Product	Apr-96
340 - SWBD/Spec Cable	No jacket print message	Jun-96
	Wrong Product	Aug-96
	Impedance	Aug-96
360 - Coaxial Cable	Insulation shrinkback	Jun-96

Wondering how these rating classes relate to your job?

Actually most people impact more than one of the rating classes. For example, all the rating classes have insulated conductors in them, so the insulate areas can affect all the rating classes. No one production area has sole responsibility for one rating class. We all succeed or fail together.

Sample lists of products from the various rating classes will be included in the next issue of the newsletter. These may help you determine which rating classes are most affected by your job.