

## **HOW TO CALCULATE YOUR TAX BASIS**

You can use the following worksheet to calculate the taxable gain or loss for the cash received in lieu of the fractional shares of Agere Class “A” common stock and Agere Class “B” common stock. In addition, shareowners who choose to sell shares of their Lucent common stock, Agere Class “A” common stock or Agere Class “B” common stock will need to apply the same tax basis allocation to determine the taxability of any net gain or loss.

Based on the average high and low prices at which Lucent common stock, Agere Class “A” common stock and Agere Class “B” common stock traded on June 3, 2002, as reported for the New York Stock Exchange transactions, 81.7445% of your pre-spin-off tax basis should be allocated to your shares of Lucent common stock, 0.7136% should be allocated to your shares of Agere Class “A” common stock (including any fractional share interest) and 17.5419% should be allocated to your shares of Agere Class “B” common stock (including any fractional share interest). If you own shares of Lucent preferred stock, none of your tax basis in that preferred stock should be allocated to Agere Class “A” common stock or Agere Class “B” common stock.

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

## **HYPOTHETICAL EXAMPLE**

In this example, 100 shares of Lucent common stock were purchased for \$10 per share, resulting in a tax basis of \$1,000. Because the Agere distribution ratio was .010779 shares of Agere Class “A” common stock and .264563 shares of Agere Class “B” common stock

for each share of Lucent common stock owned, the holder receives one whole share of Agere Class “A” common stock, 26 whole shares of Agere Class “B” common stock, and a check for .0779 of a share of Agere Class “A” common stock and .4563 of a share of Agere

Class “B” common stock. The original tax basis of \$1,000 must now be allocated to the post-spin-off shares of Lucent common stock and to the newly received shares of Agere Class “A” common stock.

81.7445% will be allocated to Lucent common stock, 0.7136% will

be allocated to Agere Class “A” common stock and 17.5419% will be allocated to Agere Class “B” common stock.

## **LUCENT TAX BASIS CALCULATION**

$\$1,000 \times .817445 = \$817.45$ . This is the new total tax basis for your shares of Lucent common stock.

To get the tax basis per share, divide \$817.45 by 100, the total Agere Class “A” common stock share amount.  $\$817.45$  divided by 100 = \$8.17 per share.

### **Example:**

\$1,000	X	.817445	=	\$817.45	÷	100	=	\$8.17
Original tax basis		Allocated ratio		New total tax basis of Lucent common stock		Total number of shares		<b>New tax basis per share of Lucent common stock</b>

**Calculate *your* new tax basis per share of Lucent common stock here:**

<input type="text"/>	X	.817445	=	<input type="text"/>	÷	<input type="text"/>	=	<input type="text"/>
Original tax basis		Allocated ratio		New total tax basis of Lucent common stock		Total number of shares		<b>New tax basis per share of Lucent common stock</b>

**AGERE CLASS “A” COMMON STOCK TAX BASIS CALCULATION**

\$1,000 x .007136 = \$7.14. This is the new total tax basis for your shares of Agere Class “A” common stock. To get the tax basis per share, divide \$7.14 by 1.0779, the total Agere Class “A” common stock share amount (including any fractional share interest). \$7.14 divided by 1.0779 = \$6.62 per share.

**Example:**

\$1,000	x	.007136	=	\$7.14	÷	1.0779	=	\$6.62
Original tax basis		Allocated ratio		New total tax basis		Total number of shares (including any fractional shares)		New tax basis per share

Calculate *your* new tax basis per share of Agere Class “A” common stock here:

<input type="text"/>	x	.007136	=	<input type="text"/>	÷	<input type="text"/>	=	<input type="text"/>
Original tax basis		Allocated ratio		New total tax basis		Total number of shares (including any fractional shares)		New tax basis per share

**AGERE CLASS “A” COMMON STOCK FRACTIONAL SHARE BASIS**

**Example:**

\$6.62	x	.0779	=	\$0.52
New per share tax basis		Number of fractional shares		Tax basis for fractional shares

Calculate *your* Agere Class “A” common stock fractional share tax basis:

<input type="text"/>	x	.0779	=	<input type="text"/>
New per share tax basis		Number of fractional shares		Tax basis for fractional shares

**LOSS OR GAIN FROM SALE OF FRACTIONAL SHARES OF AGERE CLASS “A” COMMON STOCK**

**Example:**

\$0.24 *	-	\$0.52	=	\$(0.28)
Portion of check for fractional shares		Tax basis for fractional shares		Loss from sale of fractional shares

Calculate *your* loss/gain from the sale of fractional shares of Agere Class “A” common stock here:

<input type="text"/>	X	\$0.52	=	<input type="text"/>
Portion of check for fractional shares		Tax basis for fractional shares		Loss from sale of fractional shares

*\*The amount shown is solely for purposes of demonstrating the formula. The actual portion of the check that is attributable to fractional shares of Agere Class “A” common stock, if any, appears on the enclosed statement.*

**AGERE CLASS “B” COMMON STOCK TAX BASIS CALCULATION**

\$1,000 x .175419 = \$175.42. This is the new total tax basis for your shares of Agere Class “B” common stock. To get the tax basis per share, divide \$175.42 by 26.4563, the total Agere Class “B” common stock share amount (including any fractional share interest). \$175.42 divided by 26.4563 = \$6.63 per share.

**Example:**

\$1,000	x	.175419	=	\$175.42	÷	26.4563	=	\$6.63
Original tax basis		Allocated ratio		New total tax basis		Total number of shares (including any fractional shares)		New tax basis per share

Calculate *your* new tax basis per share of Agere Class “A” common stock here:

<input type="text"/>	x	.007136	=	<input type="text"/>	÷	<input type="text"/>	=	<input type="text"/>
Original tax basis		Allocated ratio		New total tax basis		Total number of shares (including any fractional shares)		New tax basis per share

**AGERE CLASS “B” COMMON STOCK FRACTIONAL SHARE BASIS**

**Example:** \$6.63 x .4563 = \$3.03

**Example:**

\$6.63	x	.4563	=	\$3.03
New per share tax basis		Number of fractional shares		Tax basis for fractional shares

Calculate *your* Agere Class “B” common stock fractional share tax basis:

<input type="text"/>	x	.0779	=	<input type="text"/>
New per share tax basis		Number of fractional shares		Tax basis for fractional shares

**LOSS OR GAIN FROM SALE OF FRACTIONAL SHARES OF AGERE CLASS “B” COMMON STOCK**

**Example:** \$1.43\* – \$3.03 = \$(1.60)

**Example:**

\$1.43 *	-	\$3.03	=	\$(1.60)
Portion of check for fractional shares		Tax basis for fractional shares		Loss from sale of fractional shares

Calculate *your* loss/gain from the sale of fractional shares of Agere Class “B” common stock here:

<input type="text"/>	x	\$3.03	=	<input type="text"/>
Portion of check for fractional shares		Tax basis for fractional shares		Loss from sale of fractional shares

*\*The amount shown is solely for purposes of demonstrating the formula. The actual portion of the check that is attributable to fractional shares of Agere Class “B” common stock, if any, appears on the enclosed statement.*