

U.S. Securities and Exchange Commission

Litigation Release No. 21551 / June 9, 2010

Accounting and Auditing Enforcement Release No. 3142 / June 9, 2010

SEC v. Lucent Technologies, Inc., et al., Civil Action No. 04-2315 (WHW) (D. N.J.)

SEC SETTLES CHARGES AGAINST TWO DEFENDANTS ARISING OUT OF LUCENT TECHNOLOGIES INC. ACCOUNTING FRAUD

On June 7, 2010, the Securities and Exchange Commission filed settlements for its claims against Alice Leslie Dorn and Jay William Carter arising out of an accounting fraud action against Lucent Technologies Inc. ("Lucent") and ten individuals. Dorn and Carter have agreed to settle the Commission's remaining claims against them without admitting or denying the allegations in the Commission's Amended Complaint. The settlements are subject to court approval.

The Commission alleged that Dorn, Lucent's former Vice President of Indirect Sales for North America, entered into side agreements with certain of Lucent's distributors that granted the distributors rights and privileges beyond those contained in their respective distribution agreements. Those side agreements made it improper for Lucent to recognize revenue, and caused Lucent to materially overstate its pre-tax income for fiscal year 2000. Dorn has consented to the entry of an order permanently enjoining her from aiding and abetting the violation of the anti-fraud provisions of the federal securities laws, and enjoining her from violating, or aiding and abetting the violation of, the books and records, internal controls, and reporting provisions of the federal securities laws. Dorn would be enjoined from aiding and abetting violations of Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B) of the Securities Exchange Act of 1934 ("Exchange Act") and Exchange Act Rules 10b-5, 12b-20, 13a-11 and 13a-13. Dorn would also be enjoined from directly violating Section 13(b)(5) of the Exchange Act and Exchange Act Rule 13b2-1. In addition, Dorn will pay a civil penalty in the amount of \$40,000.

The Commission alleged that Carter, former President of Lucent's AT&T customer business unit, authorized a side agreement in connection with a \$53 million sales transaction with AT&T Wireless Services in 1999-2000, which made it improper for Lucent to recognize revenue in its third quarter of 2000. Carter has consented to the entry of an order permanently enjoining him from violating the books and records and internal control provisions of the federal securities laws, Section 13(b)(5) of the Exchange Act and Exchange Act Rule 13b2-1. Carter will also pay a \$25,000 civil penalty.

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