

## CONTRIBUTING TO THE ASP

The ASP provides you with a convenient way to save and invest through payroll deductions. You are immediately eligible to make payroll contributions. Avaya will automatically match a portion of your contributions to the ASP after you have completed six months of service.

### **Your Contributions**

Your contribution elections will be expressed as a percentage of pay, rather than a specific dollar amount. Subject to the IRS limitations discussed below, you will be able to contribute up to 25% of your eligible compensation by using any combination of pre-tax dollars and/or after-tax dollars. However, you must contribute in whole percentages in 1% increments (1%, 2% and so on). If you make pre-tax and after-tax contributions, the minimum amount you can contribute is 1% of each contribution type, up to a combined maximum of 25%. Your elected contribution percentage is deducted from your paycheck and automatically deposited into your account.

If you are eligible to participate in the Plan and your job is represented by the International Brotherhood of Electrical Workers (IBEW), you may direct all your payroll deductions into the IBEW-Sponsored Trust for Savings instead of the ASP. However, contributions to this trust may only be made on an after-tax basis. For more information about this trust, see "IBEW-Sponsored Trust for Savings."

Your eligible compensation under the Plan is your standard rate of pay (plus any applicable wage protection allowances), including payments received under Avaya's disability plan, incentive compensation plan awards (such as the Avaya Award), sales incentive compensation, and other lump sum merit awards and incentive compensation. If you have excused unpaid time off for union business during a pay period, your eligible compensation will include the amount you would have been paid during that pay period based on your base rate if you had worked during the period of your excused unpaid time off – unless the amount of your Plan contributions, other deductions and withholding obligations exceeds your actual pay for that pay period. Eligible compensation does *not* include overtime, shift differentials or other premium pay, deferred compensation, amounts reimbursed for expenses incurred as an employee, payments received after retirement or termination, or Workers' Compensation.

### **Contributions if You Elect the Extended Compensation Option**

If you are eligible for and elect to participate in the Extended Compensation Option, which is offered to certain represented employees as part of a force management program, your ASP contributions will continue for as long as you remain on the active payroll and receive eligible compensation.

## **Pre-tax Contributions**

You get an immediate advantage from contributing pre-tax dollars -- right in your paycheck. Each pre-tax dollar you contribute lowers your current taxable income, so you end up reducing the current federal income tax that you pay. In some cases, you will also pay lower state and local income taxes. (However, you will still have to pay Social Security taxes on your pre-tax contributions.)

Remember, with pre-tax contributions, you are not avoiding taxes, just postponing them. Taxes will be due when you take money out of the ASP. However, because you may be in a lower tax bracket when you retire, you might end up paying taxes at a lower rate.

## **After-tax Contributions**

If you contribute after-tax dollars to the ASP, you pay income taxes on that money before your contributions are deposited in your account. Although after-tax contributions do not offer the same immediate tax advantages as pre-tax contributions, the investment earnings on after-tax contributions grow on a tax-deferred basis until they are paid out of the ASP. Also, you have greater access to your after-tax contributions while you are employed and you will not be taxed on your contributions when they are distributed to you.

## **Catch Up Contributions**

To allow greater savings flexibility for participants who are nearing retirement age, certain employees age 50 or over can make catch up contributions in addition to their other ASP contributions. This feature is available to any participant who turns age 50 or is over age 50 in the calendar year in which they wish to make the election and who either elected to contribute at least 6% of his or her eligible compensation or contributed the pre-tax contribution limit. Remember, if you elect to make catch up contributions, this election will apply until you change it.

The maximum catch up contribution amount for 2008 is \$5,000. Eligible participants can elect to contribute from 1% to 50% of eligible compensation, up to the limit. Avaya will not match these contributions, so it is important for you to coordinate your catch up contribution election with your other elections to maximize your Plan benefits.

## **Changing Contribution Elections**

You may change your contribution elections at any time. To change your contribution elections, log on to NetBenefits or call the Avaya 401(k) Plan Service Center. If you use NetBenefits or the VRS, follow the system prompts. If you speak with a representative, he or she will ask you for the appropriate information.

Generally, the change will be effective in the first paycheck practicable following the date you make the change. It is a good idea to check your pay stub to make sure your requested change is made.

### **Company Matching Contributions**

The company will match a part of your contributions to the ASP after you complete six months of service with the company.

Your hire date determines when company matching contributions begin. If you are hired on the first day of any month, company matching contributions begin in the month in which you reach your six month service anniversary. If you are hired on any other day, company matching contributions begin on the first day of the month following your sixth month service anniversary.

After you become eligible to receive company matching contributions, Avaya will contribute 66-2/3 cents for every \$1 you contribute up to the first 6% of your eligible compensation. If your contributions stop for any reason, matching contributions also stop.

### **IRS Limitations**

The IRS places an annual dollar limit on the amount of pre-tax contributions you can make to the ASP during any Plan year. In addition, the IRS limits the amount of compensation that can be used to determine ASP contributions. Once your compensation reaches the maximum amount set forth below, all employee and matching contributions to the ASP (except for catch up contributions) for you stop.

The IRS also limits the combined amount you and the Company can contribute to your ASP account. Your contributions (pre-tax and after-tax, but not including catch up contributions) and any matching contributions *combined* cannot exceed the limit set forth below for any calendar year. When your pre-tax contributions reach the Pre-Tax Contribution Limit listed below, your contributions automatically switch to after-tax unless you contact the Avaya 401(k) Plan Service Center to stop them for the year. If you reach the Maximum Contribution Limit or the Maximum Compensation Limit, your contributions automatically stop until the beginning of the year.

	<b>Pre-tax Contribution Limit</b>	<b>Maximum Contribution Limit</b>	<b>Maximum Compensation Limit</b>
<b>2006</b>	\$15,000	\$44,000	\$220,000
<b>2007</b>	\$15,500	\$45,000	\$225,000
<b>2008</b>	\$15,500	\$46,000	\$230,000
<b>2009</b>	\$15,500*	\$46,000*	\$230,000*

\* May be increased based upon changes to the Consumer Price Index (CPI).

The ASP must pass IRS imposed nondiscrimination tests. If the ASP fails these tests, the amount you can contribute to the Plan may be limited or excess savings may be returned to you and you may forfeit any matching contributions associated with those contributions.

### **Roll-in Contributions**

If you receive a distribution from a former employer's qualified plan, including after-tax contributions, you may be able to roll that distribution into the ASP and continue deferring income taxes on that money. You may also roll in a distribution from an individual retirement account (IRA) that was established to hold amounts from another employer qualified plan (known as a conduit IRA). You can make a qualified roll-in contribution after you terminate employment with Avaya if you still have an ASP account.

You may make a direct roll-in or a 60-day roll-in. With a direct roll-in, you receive payment from the other qualified plan or conduit IRA in the form of a check made payable directly to Fidelity Investments Institutional Operations Company, Inc. (or F.I.I.O.C.), and *no taxes* are withheld from the amount you roll in. With a 60-day roll-in, you receive payment from the other qualified plan or conduit IRA in the form of a check made payable to you. Taxes are withheld from the payment, and you must roll in the money *within* 60 days after you receive payment. There may be tax consequences if you do not roll in the full amount of your eligible rollover distribution (including any amount that was withheld for taxes when payment was made).

You do not need to contribute via payroll deduction to make a roll-in contribution. If you need more detailed information on roll-in contributions, log on to NetBenefits or call the Avaya 401(k) Plan Service Center. To make a roll-in contribution, complete the "Avaya 401(k) In-Coming Rollover Contribution Application", which you can get from NetBenefits or by calling the Avaya 401(k) Plan Service Center.