

CALCULATING YOUR PLAN BENEFIT

Once you become a participant in the Account Balance Program, a hypothetical account (ABP account) is established for you for recordkeeping purposes. Your ABP account grows annually in several ways:

- **Pay credits.** Your ABP account is credited with pay credits based on your age and eligible compensation from the previous calendar year. Because the Plan has been frozen, no additional pay credits will be added to your ABP account after January 1, 2004.
- **Supplemental Credits.** Your ABP account was credited with an additional \$300 on January 1, 2000 and January 1, 2001 if you were employed during 1999 and 2000, respectively. Supplemental Credits were no longer provided under the Account Balance Program after January 1, 2001.
- **Interest credits.** Your ABP account is credited with an annual interest credit. Although the Plan was frozen effective January 1, 2004, your ABP account will continue to be credited with annual interest credits each December as long as there is a balance.

Pay Credits

Each January 1 on or before January 1, 2004, your ABP account is credited with a pay credit if you were employed by a participating company during the preceding calendar year. The first pay credit was added to your ABP account on January 1, 2000 for calendar year 1999 if you were employed by a participating company during 1999. The last pay credit was added to your ABP account on January 1, 2004 for the 2003 calendar year.

Your pay credit for a given year is based on the percentage of eligible compensation determined under the following table based on your age as of January 1:

Pay Credit Percentage	
Your Age	Percentage
Less than 30	3.00%
30 – less than 35	3.75%
35 – less than 40	4.50%
40 – less than 45	5.50%
45 – less than 50	6.75%
50 – less than 55	8.25%
55 or over	10.00%

To find your percentage, use your age (in completed, full years) on January 1 of the year that the pay credit is added to your account. For example, if you are 37 on January 1, 2004, the pay credit added to your account on January 1, 2004, was 4.50% of your 2003 eligible compensation.

To determine your pay credit, multiply your eligible compensation for the previous calendar year by the appropriate percentage from the table above.

For example, if you were age 44 on January 1, 2004, and your eligible compensation (see below) for 2003 was \$45,000, the pay credit added to your account on January 1, 2004 was:

$$\$45,000 \quad \times \quad 5.50\% \quad = \quad \$2,475$$

Eligible Compensation

Your eligible compensation includes the following payments before January 1, 2004 made while you were an eligible employee employed by a participating company:

- Your monthly base pay,
- Differentials paid for night tours or for temporary work in a higher classification,
- Lump sum merit wage payments,
- Short-term incentive compensation plan awards,
- Marketing and sales incentive compensation, and
- Area differentials.

Any other types of compensation you may have received is not eligible compensation.

If you are on a leave of absence to work for a joint venture company your eligible compensation is determined the same way. There are, however, some special rules. These rules will be explained to you if you are affected by them.

Supplemental Credit

If you were employed by a participating company during 1999 and/or 2000, a supplemental credit was added to your ABP account on January 1, 2000 and January 1, 2001, respectively. If you were employed for the full year, you received a \$300 supplemental credit. If you were employed by a participating company for less than the full year, then your supplemental credit equaled \$25 (that is \$300/12) multiplied by your full and partial months of employment with a participating company during that year.

Interest Credit

Your ABP account is credited with an annual interest credit so the value of your account compounds with interest over time. Each calendar year that your ABP account has a balance, interest credits are added to your ABP account at the end of that year -- even if you no longer work for a participating company.

Your annual interest credit goes into your account on December 31 of each year. It is determined by multiplying your ABP account balance on December 31 by the interest rate in effect for that year.

Unless Avaya amends the Plan to provide for a higher interest rate, the interest rate is 4%. The interest rate will not be less than 4% or more than 10%.

The interest credits are based on the applicable annual interest rate for the periods shown in the following table:

Year	Interest Rate
2000	6.5%
2001	7.0%
2002	6.5%
2003 and beyond	4.0%

Interest Credit Example

Assume your ABP account balance is \$2,500 on December 31, 2003. Your interest credit for December 31, 2003 would be determined as follows:

\$2,500 <small>(Account Balance on 12/31/2003)</small>	X	4.0% <small>(Interest Rate for 2003)</small>	=	\$100.00 <small>(Interest added on 12/31/2003)</small>
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