

CONTRIBUTING TO THE ASPSE

The ASPSE provides you with a convenient way to save and invest through payroll deductions. Avaya provides two types of company contributions to help you save for your retirement.

Automatic Company Contribution

Avaya will contribute 2% of your eligible compensation to your account each payroll period, regardless of whether or not you contribute to the Plan.

For example, if your monthly eligible compensation is \$4,000, the Company contributes an automatic company contribution of \$80 a month to your ASPSE account.

Your Contributions

You may contribute between 1% and 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 in your account.

Your eligible compensation under the Plan is your base salary, short-term incentive compensation plan awards, sales incentive compensation and other lump sum merit awards and incentive compensation as determined from payroll records. Eligible compensation does *not* include payments in lieu of vacation, overtime, shift differentials or other premium pay, Workers' Compensation payments, awards under long and short-term incentive plans, reimbursement payments or amounts paid after you terminate employment.

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 ASPSE. 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 ASPSE, 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 ASPSE. 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 ASPSE 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

When you elect to contribute to the Plan, the Company will match a part of your contributions to the ASPSE.

The company matching contribution only applies to the first 6% of eligible compensation you contribute to the ASPSE. Catch up contributions, roll-in contributions and contributions in excess of 6% are *not* matched.

When you elect to contribute to the Plan, Avaya will contribute \$1 for every \$1 you contribute, up to the first 2% of eligible compensation, and 50¢ for every \$1 you contribute, over 2% of eligible compensation, up to the first 6% of eligible compensation. If your contributions stop for any reason, matching contributions also stop.

For example, if your monthly eligible compensation is \$4,000 and you contribute 6% (or \$240 a month) to the ASPSE, the Company contributes to your ASPSE account a matching contribution of \$160 a month.

IRS Limitations

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

The IRS also limits the combined amount you and the Company can contribute to your ASPSE 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 next year.

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

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

The ASPSE must pass IRS-imposed nondiscrimination tests. If the ASPSE 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 ASPSE 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's 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 ASPSE 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.