



AVAYA QUESTIONS AND ANSWER ON THE BANKRUPTCY

- Are the health benefits with doctor, dentist, etc. still in place as is ? (from an active employee)

Yes. Avaya received interim approval to continue to provide pre-bankruptcy employee benefits and to continue pre-bankruptcy employee programs which includes health care benefits.

We note that the Office of the United States Trustee, the bankruptcy arm of the Justice Department, objected to certain aspects of the so called wage motion as it relates to Avaya's desire to continue employee programs for "insiders" (i.e. senior management), but specifically confirmed no objection to Avaya providing benefits and continuing employee programs as it relates to the CWA employees and retirees – including severance.

- If I retire, can I still get a payout total (lump sum) instead of drawing a monthly check for my pension?

Unfortunately no. The Pension Protection Act of 2006 does not allow sponsors in bankruptcy to make lump sum distributions if the pension plan is not 100% funded. As Avaya is in bankruptcy and the Avaya Inc. Pension Plan is not fully funded, Avaya cannot make lump sum payments to its participants. However, Avaya plans to continue to make the required payments over time.

- What happens next? What is the process of the Chapter 11 bankruptcy?

Avaya's biggest issue is how does it deal with its secured lenders. Avaya owes billions to lenders that seem to be divided into two groups and these two groups have different ideas on how Avaya's bankruptcy case should play out. The first group of lenders want Avaya to sell assets quickly for cash or otherwise shed its pension obligations and collective bargaining agreements. The second group of lenders holding both senior first lien debt and junior second lien debt prefer a strategy that simply converts (changes) some this secured debt to equity (stock) – so Avaya can reduce its debt service (like

mortgage payments or credit card payments) but let the other obligations like pensions, CWA contracts and trade creditors come out of the bankruptcy intact. While the case is relatively new, generally it appears that Avaya's goal is to exist bankruptcy quickly, before its customers get too nervous and it starts to lose business. However, before emerging the parties do have to decide whether to sell some or all of the businesses and whether to try to reduce costs by going after the CBAs. If that happens we will hold another call to discuss in more detail the trial and negotiation process that takes place in bankruptcy; however, it should be noted that the process is harder, faster and less flexible than the process outside of court.

- Are our jobs "ok"?

Since Avaya filed for bankruptcy protection under Chapter 11, at least for now Avaya intends to continue in business while it negotiates with its creditors to reorganize its debt.

It does so under the protection of the bankruptcy court, meaning that many of its actions have to be approved by a bankruptcy judge, and creditors also have to seek court approval before they can take any action against the company.

Avaya did terminate certain employees before the bankruptcy filing and although they have not announced any further plans, it would not be unusual for there to be further action here before the case is over.

- Are our pensions "ok"?

Currently, the two pension plans sponsored by Avaya are underfunded by about \$1.5 billion. In 2015, the Avaya Inc. Pension Plan, the plan for our CWA employees, reflected about \$776,743,000 in total assets and about \$788,678,000 in total benefits (vested and non-vested) owed under the plan.

As part of Avaya's request to continue to pay pre-bankruptcy employee benefits and to continue its pre-bankruptcy employee programs, Avaya sought approval to continue its pension programs. As noted above, Avaya received approval to continue to pay these payments and provide these benefits to CWA represented employees and retirees. So as of right now, retiree benefit payments continue, although the lump sum pension payment cannot be made because the plan is underfunded.

- Does this bankruptcy cancel all "lump sum" payments or just pension lump sums?

The bankruptcy cancels only lump sum pension payments. As of right now any other amounts due under the CBAs are not impacted as Avaya has not taken any action or filed any pleadings to reject or modify our collective bargaining agreements or retiree health benefits for CWA represented employees or retirees. So these payments should continue for now in the ordinary course. Note that this has been confirmed directly with Avaya.

- What's going to happen with Retiree's that have retired as disabled and they are drawing a disability check as well as those with "regular" pension checks, is there a chance we will lose either one of these.

Retirees should still receive their disability checks and regular pension checks. The bankruptcy impacts Avaya's ability to make lump sum pension benefit payments because of federal pension law. Any other amounts due under the CBAs are not impacted at this time as Avaya has not taken any action or filed any pleadings to reject or modify collective bargaining agreements or retiree health benefits for CWA represented employees or retirees. These payments should continue for now in the ordinary course.

- Will the company have the option of dissolving the CBA?

Yes. The technical term is reject the CBA. Union contracts, or collective bargaining agreements, are not safe in Chapter 11 bankruptcy. In fact, some companies have filed Chapter 11 cases with the express intention of using the bankruptcy laws to seek negotiation of new terms even though the union contract has not expired. When such a contract becomes burdensome to the debtor company, the bankruptcy laws allow the debtor company to reject the contract. Rejecting the contract can have a positive effect on the company's ability to reorganize, but it will carry significant consequences, just as it would if it breached the contract outside of bankruptcy. In order to bring about the best possible outcome for the company, the debtor will often seek concessions and modifications from the unionized workforce.

- If the CBAs dissolve, when will this be effective? (Immediately or sometime in the future i.e. end of the year/end of current contract?)

The CBA will likely be rejected effective on the entry of the order granting the rejection motion. In certain limited circumstances the order may reject the contracts at a later date – but that is unusual.

- Will our pensions be covered by the Federal Govt.?

The Pension Benefit Guaranty Corporation (PBGC) is a federal agency created by the Employee Retirement Income Security Act of 1974 (ERISA) to protect pension benefits in private-sector defined benefit plans - the kind that typically pay a set monthly amount at retirement. If your plan ends (this is called "plan termination") without sufficient money to pay all benefits, PBGC's insurance program will pay you the benefit provided by your pension plan up to the limits set by law.

The amounts guaranteed by PBGC are set by law and are subject to annual adjustments. For plans that end in 2017, workers that retire at the age of 65 can receive up to

\$5,369.32 per month (\$64,431.84 per year). Payments to those at ages other than 65 will differ depending on age. Typically, benefit recipients younger than 65 will receive less than recipients 65 years of age, whereas benefit recipients older than 65 will receive more than recipient 65 years of age. Below is a link to PBGC's 2017 benefit chart which outlines the maximum amount payable to benefit recipients based on age:

<http://pbgc.gov/wr/benefits/guaranteed-benefits/maximum-guarantee.html#2017>

Currently, Avaya maintains two pension plans that are insured by PBGC. These two plans are:

<u>Plan Name</u>	<u>Plan Location</u>	<u>EIN Number</u>	<u>Plan Type</u>
AVAYA INC PENSION PLAN	Basking Ridge, NJ	22-3713430	Single-employer
AVAYA INC PENSION PLAN FOR SALARIED EMPLOYEES	Basking Ridge, NJ	22-3713430	Single-employer

Pursuant to the collective bargaining agreement between Avaya, Inc. and the CWA, the CWA employees are participants in the Avaya Inc. Pension Plan.

As stated above, as of December 31, 2015, the Avaya Inc. Pension Plan had 6,912 participants. Additionally, as of December 31, 2015, the financial statements for the Avaya Inc. Pension Plan reflected (1) \$776,743,000 in total assets and (2) \$788,678,000 in total benefits (vested and nonvested) owed under the plan.

- If there is a workplace surplus during the bankruptcy, will we still get the same benefits under the Union contract regarding notification, termination pay, ECO & SLP (Special Leave Program "National Memorandum" pg 212 in the CBA) options etc.?

Yes. Avaya's bankruptcy filing does not impact the terms of the CBA at this time. Unless and until Avaya seeks to modify or reject the collective bargaining agreement with the CWA, all terms of the CBA remain in force.

- Will there be any changes to our medical benefits?

At this time, no. Avaya has received interim approval from the bankruptcy court to continue to provide the same medical benefits it provided prior to bankruptcy.

- Will vacation time and sick time change in any way?

At this time, no. As vacation time and sick time are governed by the terms of the CBA and the CBA has not been altered to date, there should be no changes to the vacation time and sick time.

- Can they lower our pay?

Yes. Avaya can file a motion with the bankruptcy court seeking to modify the terms of the CBA with the CWA. If Avaya does file such motion and seeks to lower the amount of pay to the CWA members, Avaya must show that the reduction in pay is necessary to its reorganization efforts.

- Will overtime pay be changed?

At this time all terms of the CBA remain in effect. Avaya does have the ability to request changes to the CBA, but until it makes any such request with the bankruptcy court, there should be no changes in overtime pay.

- Will my 401k change in any way?

No. Further vested 401k benefits are not subject to change.

- If I choose to retire during bankruptcy and the Company pays out my vacation per Art. 22 (b), will they continue to pay it out as a lump sum as in the past?

Yes for now – so long as this is not a pension payment. The bankruptcy impacts Avaya's ability to make lump sum pension benefit payments because of federal pension law. Any other amounts due under the CBAs are not impacted at this time as Avaya has not taken any action or filed any pleadings to reject or modify collective bargaining agreements or retiree health benefits for CWA represented employees or retirees. So the lump sum vacation payments should not be impacted at this time.

- Will the bankruptcy halt/prevent/impact the weekly payouts for people who have left on a VTP?

Any other amounts due under the CBAs are not impacted at this time as Avaya has not taken any action or filed any pleadings to reject or modify collective bargaining agreements or retiree health benefits for CWA represented employees or retirees. So these payments should continue for now in the ordinary course.

- Will the bankruptcy impact the health insurance coverage in place while under VTP?

No. Avaya received interim approval to continue to provide pre-bankruptcy employee benefits and to continue pre-bankruptcy employee programs which includes health care benefits.

We note that the Office of the United States Trustee, the bankruptcy arm of the Justice Department, objected to certain aspects of the so called wage motion as it relates to Avaya's desire to continue employee programs for "insiders" (i.e. senior management), but specifically confirmed no objection to Avaya providing benefits and continuing employee programs as it relates to the CWA employees and retirees – including severance.

- Are our Life Insurance and Death and Disability insurance policies affected by the bankruptcy?

At this time, no. As noted above, Avaya received interim approval to continue to provide pre-bankruptcy employee benefits and to continue pre-bankruptcy employee programs which includes the payment of the premiums associated with these insurance policies. Avaya does have the ability to cease making these premium payments, only after request with the bankruptcy court, but you should receive notice from Avaya of its intention to do so.

- Prior to the bankruptcy you could take termination pay in a "lump sum" is that still an option?

The only lump sum payment option currently impacted by Avaya's bankruptcy filing, is Avaya's ability to process lump sum pension payments. All other payments due under the CBA, including lump sum termination payments, are not impacted at this time, and this option should remain available for terminated employees.

- If Avaya cannot, or does not emerge from bankruptcy, what happens to my pension?

In the event Avaya does not emerge from bankruptcy and the pension plan is terminated, you will continue to receive payments through the Pension Benefit Guaranty Corporation's insurance program; however, such payments will be subject to the maximum cap limits set by law.

- If Avaya lays off employees, will the termination pay per the CBA be honored? Will layoffs be administered via seniority?

Yes for now. Avaya has not yet taken any steps to reject or modify the terms of the CBA. As there is no such request before the bankruptcy court, all terms of the CBA remain in force.

- Realizing that all bankruptcies are unique, but with your experience, can you give an estimate or ballpark idea how long the bankruptcy process may take?

Avaya announced in court on February 8, 2017 that it intends to file a reorganization plan in March and would like to exit bankruptcy quickly. Of course things can change but this is unusual and positive.

- After bankruptcy, if it is within the timeframe of the current extension of our contract, will the provisions of that contract prevail?

If the CBAs survive the bankruptcy case, yes.

- Can the Company stop me from taking all of my money out of my 401k and closing that account and move it to my own Roth account? Can they make it so I can only draw a certain amount?

To the extent the funds in the account are vested (yours) you can take and move the money.

- Avaya indicated they have enough money now to secure Salaries, Pension and 401k for now, but said not sure how long it would last. What happens if the money is gone?

Avaya is trying very hard to avoid that type of free fall bankruptcy, but if things turn then we are at risk for all unvested money.

- If the Company “closed” tomorrow, what would we get, or not get? Nothing is guaranteed correct?

Not correct. The PBGC guarantees to pension to the levels discussed earlier. Other benefits that are vested are protected. Going forward payments for wages, benefits are at risk.

- If the Company changed names tomorrow, and there was still a Union contract, would the new Company have to honor the contract. Could the new Company just say, here are your wages, and everyone has a new start date of “today” . Could they do that and just walk away and not give us what we earned?

Yes. If the assets of the company are bought in a liquidation type scenario then the contract and the jobs might go away. But generally even if there is a change in name or ownership, the company wants to keep its customers and maintain labor peace, which we would use to negotiate a less drastic result.