UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For The Fiscal Year Ended September 30, 2015

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-15951

AVAYA INC.
(Exact name of registrant as specified in its charter)

Delaware	**22-3713430**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
4655 Great America Parkway Santa Clara, California	**95054**
(Address of Principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (908) 953-6000

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☒ No ☐

* *See explanatory note in Part II, Item 9B*

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

* *See explanatory note in Part II, Item 9B*

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 23, 2015, 100 shares of Common Stock, $.01 par value, of the Registrant were outstanding.

TABLE OF CONTENTS

When we use the terms "we," "us," "our," "Avaya" or the "Company," we mean Avaya Inc., a Delaware corporation, and its consolidated subsidiaries taken as a whole, unless the context otherwise indicates.

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PART I

Item 1. *Business*

Our Company

Avaya is a leading provider of contact center, unified communications and networking products and services designed to help enterprise and midmarket businesses increase workforce productivity, customer engagement and customer lifetime value, with the ultimate objective of higher revenue and profitability for our customers. Through September 30, 2015, we had over 300,000 customers, including 83% of the *Fortune* 500, with installations in over half a million customer locations worldwide.

Our products and services portfolio spans software, hardware, professional and support services, and cloud services. These fall under three reporting segments:

- **Global Communications Solutions ("GCS")** encompass all of our real-time collaboration, contact center and unified communications software and hardware. Unified communications integrates real-time communication services including telephony, e-mail, instant messaging and video. Examples in GCS include audio conferencing systems; mobile video software, software that runs contact center operations such as multimedia contact routing; software that enables mobile access to the company network for employees; and hardware such as phones, gateways, and servers. We enable these unified communication and real-time collaboration tools to also be embedded inside the applications businesses use everyday to keep employees and customers connected, productive and effective. This reporting segment also includes a development platform, which allows our customers and third parties to adapt our technology by creating custom applications, automated workflows, and engagement environments for their unique needs and allows them to integrate Avaya's capabilities into their existing infrastructure. GCS also includes cloud-supporting software and hardware products, which make it possible to use our contact center and unified communications products via the Cloud.
- **Avaya Networking** includes our advanced fabric networking technology which offers a virtualized network designed to be simple to deploy, agile and resilient. This reporting segment also includes products such as Ethernet switches and routers; wireless networking; and access control products that enforce role- and policy- based access to the network. Our fabric networking technology is flexible and extensible to legacy network systems, which gives customers the option to upgrade to new contact center and unified communications technology while maintaining their existing infrastructure, if desired.
- **Avaya Global Services ("AGS")** includes professional and support services designed to help our customers maximize the benefits of using our products and technology. Our services include support for implementation, deployment, monitoring, troubleshooting, optimization, and more. This reporting segment also includes our Cloud and managed services, which enable customers to take advantage of our technology in a private, hybrid, or public cloud environment. The majority of our revenue in this reporting segment is recurring in nature, based on multi-year services contracts.

As enterprise and midmarket businesses increasingly seek to improve customer experience through the quality and efficiency of contact center and unified communications, they are confronted with several industry trends presenting emerging and varied challenges. We believe the most forceful among these trends are:

- the increasing mobility of the workforce;
- shifting priorities of C-level business decision makers, including an increased preference for software-defined networking ("SDN", or "network virtualization"), cloud delivery of applications, management of multiple and varied devices, all of which must be handled with the security the business demands;
- increasing demand for IT purchases under operating expense models over capital expense models; and
- the rise of omni-channel customer service involving multiple modes of communications.

We aim to be the leader in our industry in addressing the customer needs and priorities resulting from recent trends and emerging challenges. We have invested in open, mobile enterprise communication and collaboration platforms and are well poised to serve a broad range of needs, from servicing old phone systems to deploying leading edge contact center technology via the cloud. While we remain committed to our legacy capabilities and the customers who rely on them, in the past several years we have also responded to the emerging landscape by evolving our market and product approach in three important ways.

- We have invested in research and development and new technologies to develop and provide more comprehensive contact center, unified communications, and networking products and services, continuing our focus on the enterprise while expanding the value we can provide to midmarket customers.

- We have evolved our product design philosophy, anticipating demand for products that are cloud- and mobile enabled. We also design our products to be flexible extensible, secure and reliable. This allows our customers to transition from old communications and collaboration technology to newer technology in a way that is manageable and cost-effective.
- We have increased our focus on packaging our products and services into "solutions" including:
    - **Customer Engagement Solutions**: which are primarily comprised of our contact center products and services (such as software for intelligent call routing and reporting) and supported by our networking technology and development environment. These solutions are designed to help our customers improve customer experience and maximize customer lifetime value, while expanding communications channels to include chat, mobile applications, analytics, video, and more. These solutions can be implemented quickly helping customers dramatically reduce time-to-value on their investment.
    - **Team Engagement Solutions**: which are primarily comprised of our real-time collaboration and unified communications products and services (such as audio conferencing systems, mobile video software, phones, and software that governs employee network access) and supported by our networking technology and development environment. These solutions are designed to help our customers build more efficient, more responsive businesses, improving workforce productivity and mobility, while allowing employees to securely use increasing number and variety of devices and communications channels to collaborate.
    - **Networking solutions**: which are primarily comprised of our advanced fabric networking technology, based on open industry standards, as well as Ethernet switches, routers, and software that governs role- and policy-based network access. Our networking solutions are designed to enable customer and team engagement across devices and communications modes, on-premise or via the cloud. These solutions are designed to reduce outages, boost agility and resiliency, and increase speed to deployment of contact center and unified communications technology.

We design and build these solutions for *engagement* of the customers and employees of our customers. We define "engagement" as the set of tangible outcomes that a business experiences through improved team and customer communications and collaboration. These tangible benefits include higher employee productivity; higher customer satisfaction; higher customer lifetime value, and, ultimately, higher profitability.

With our products and services, packaged as solutions, we can address the needs of a diverse range of customers, including large multinational enterprises, small and medium-sized businesses, and government organizations. Our customers operate in a broad range of industries, including financial services, manufacturing, retail, transportation, energy, media and communications, healthcare, education and government. We employ a flexible go-to-market strategy with direct or indirect presence in over 100 countries. As of September 30, 2015, we had approximately 9,300 channel partners and for fiscal 2015, our product revenue from indirect sales through our channel partners represented approximately 75% of our total product revenue.

For fiscal 2015 and 2014, we generated revenue of $4,081 million and $4,371 million, respectively. For fiscal 2015 and 2014, our total revenue was evenly split between product revenue and services revenue. Revenue generated in the United States for fiscal 2015 and 2014 represented 54% and 52% of our total revenue, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations: Revenue" for financial information about geographic areas. For fiscal 2015 and 2014 we had operating income from continuing operations of $371 million and $197 million, respectively. For fiscal 2015 and 2014, we had Adjusted EBITDA of $900 million and $898 million, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations: EBITDA and Adjusted EBITDA" for a definition and explanation of Adjusted EBITDA and a reconciliation of loss from continuing operations to Adjusted EBITDA.

The Benefits of Our Solutions

Avaya's solutions are combinations of our products and services designed to help our customers address their customer and team engagement needs, before, during and after any transition they may make to a mobile- and cloud-enabled communications environment. We believe our unified communications, contact center, and networking technology can increase productivity and profitability for businesses of all sizes.

Customer Engagement Solutions

Our Customer Engagement Solutions are designed to facilitate long-lasting and successful relationships between companies and their customers. Today's customer relationships are ongoing conversations that unfold across time and channels. Phone, video, email, chat, social - it is all one integrated omni-channel now. Done right, seamless execution pays off in increased customer lifetime value, revenue, and profitability for our customers - even as they evolve to integrate more communications channels and mobile devices into their customer service strategies. These solutions are predominately made up of our contact center products and services, and supported by our networking technology and development environment. Some of the benefits of Avaya Customer Engagement Solutions include:

- **Improved customer experience**: As businesses increasingly compete on customer experience, we offer products and services designed to incorporate multiple channels of communication, improve customer satisfaction and retention; increase referrals and customer acquisition; and increase cross-sell and upsell opportunities. For example, our intelligent routing and multi-modal integration software can help an enterprise or midmarket business deliver a seamless ongoing conversation with a customer, even if that conversation includes interactions by phone, chat, email, and social media. Our products and services are designed to drive consistency and increased satisfaction across touch points and enable better measurement of customer experience data for dispersion to other business units.
- **Contact center efficiency:** We believe the contact center is at the heart of a successful customer engagement solution because it is a primary channel of communication between the customer and businesses, even as modes of contact expand to include social media, chat, and mobile apps. Our products and services are designed to help our customers achieve contact center efficiency through automation, by reducing operational costs and staffing impacts, eliminating resource constraints caused by repetitive requests and manual processes, and ensuring service level agreements as well as compliance requirements. For example, we might deploy our contact center platform with intelligent call routing and contact flow analytics software to help a customer better manage volume fluctuations and better match contact center resources to customer needs in real-time.
- **Revenue growth**: Our solutions are designed to help our customers increase revenue through stronger and longer lasting customer relationships. We believe our solutions address this challenge by reducing complexity within the contact center and facilitating better sell-through, sell-in and sell-up performance. For example, we might deploy our Avaya Aura Experience Portal with software for proactive consumer outreach, to help a customer increase the efficiency and effectiveness of increasing repeat purchases and order sizes, while allowing the customer's end-consumer to use his or her preferred communications channel for the interaction.

Team Engagement Solutions

Avaya Team Engagement Solutions are designed to offer businesses the simplicity of a single solution to address workforce communication and collaboration needs, including via mobile devices. These solutions are made up predominately of our real-time collaboration and unified communications products and services, and supported by our networking technology and development environment. Some of the benefits of Avaya Team Engagement Solutions include:

- **Communications modernization**: Avaya helps modernize communications ecosystems by centralizing, consolidating and virtualizing underlying technology infrastructures and making applications available via the cloud. This model is designed to account for mobile device usage, reduce total cost of ownership for the entire collaboration environment and allow firms to transition from a capital expenditure to operating expenditure model. For example, an Avaya private cloud solution can be implemented to integrate virtualized voice, email, video, messaging, chat and conferencing capabilities. This enables cloud access to communications tools for desk-based and remote workers and improves security, delivering total cost of ownership ("TCO") efficiencies and rapid payback.
- **Worker productivity**: Our conferencing, messaging, and other unified communications products and services are designed to help our customers integrate products that equally support desk-workers, teleworkers, and frequent business travelers, thereby increasing the mobility and productivity of their workforce. Our customers are increasingly demanding that individual workers be able to communicate across device types, channels and geographic locations knowing that their devices, data and connections are reliable and secure. For example, our customers using the Avaya Session Border Control can securely extend the corporate unified communications capabilities to a remote user on a mobile device and to desk phones in their remote and home offices.
- **Team productivity**: Our unified communications products and services are designed to help our customers improve team productivity by diminishing the complexity of team collaboration channels, enabling off-the-shelf and customizable application integration, providing omni-channel conferencing across audio, web, and video for room, desktop, and mobile platforms. It also provides the opportunity to simplify and expand by moving conferencing services into the cloud. For example, the Avaya Scopia platform can enable employees or remote workers to collaborate using high-definition, secure video conferencing accessed through on-premise conference rooms, desktop systems, and mobile devices.
- **Communications Enabled Business Processes**: Embedding communications into the business applications customers use every day makes it easier for employees to find and distribute information, prioritize work, and communicate both needs and decisions. With the Avaya Engagement Development Platform, customers can integrate unified communications technology and contact center capabilities, including voice, video, text, and email into social,

mobile, and cloud applications that make their business run. This application development platform makes it easy - with no detailed or specialized knowledge of communications protocols required.

Networking Solutions

Our advanced fabric networking technology, based on open industry standards, is designed to deliver a virtualized network that is simple to deploy, agile to operate, and resilient. Many conventional networking technologies have complex architectures, layering protocols over protocols, making the network architecture fragile and significantly impeding the roll-out of real-time applications. Avaya's Fabric Connect, our fabric networking technology, is designed to deliver the agility businesses need to focus on integrating customer and team engagement solutions into their existing IT infrastructures. Unified access and network virtualization capabilities form the foundation of Avaya Networking Solutions. Benefits include:

- **Unified access**: Our unified access solution is designed to securely extend both fixed and mobile "bring-your-own-device (BYOD)" policies and enable proactive provisioning, quality monitoring, and active application awareness and control.
- **Network virtualization**: Our network virtualization solutions are designed to optimize the physical network, decrease network complexity, eliminate complex protocols, and integrate security features for the safe segmentation of data. All of this is intended to accelerate application and user deployment.
- **Network Agility**: Like simplicity in your home grid that lets you move a home appliance from one power outlet to another there can be simplicity everywhere in your network. Avaya's SDN Fx Architecture for Software Defined Networking helps customers design a simpler more agile network. Applications, devices and even users can see the network as one big connection point that is capable of reconfiguring itself when changes are detected, handling once-manual functions automatically. For IT, this means less worry about connections and configurations and more focus on strategic applications.

Trends Shaping Our Industry

We believe there are a number of key trends shaping our industry and that there is a substantial market opportunity for the market participants that capitalize on these trends.

A new mobile workforce

The increase in mobile technology has created a world more focused on real-time, flexible and always-on communication. We see companies increasingly looking for ways to make corporate applications more accessible via mobile devices as the usage of those devices by workers continues to rise worldwide.

Evolving priorities of C-level business leaders

CEOs and CMOs, we believe, are increasingly seeking to differentiate through customer experience, or in some cases, just trying to keep up with swift-changing customer demands. Meanwhile, we have seen, these two roles become increasingly involved in our customers' decision making process for the kinds of software, hardware and services we provide. We believe the increasing importance of technology as both an internal and external facing presence of the enterprise, as well as the high stakes of data breaches are reasons CEOs are increasingly engaged in the decision making process. CMOs are gaining additional IT budget authority as they are tasked to manage customer experience and marketing activities using modern communications technology and rich data. We believe that as a result of this shift in decision-making roles, customer engagement solutions need to provide businesses with better ways to engage with end users securely across multiple platforms and channels, creating better customer experiences and thus higher revenues for our customers.

CTOs and CIOs, we believe, have three critically increasing priorities.

- **Manage the reliable and secure integration of an increasing number and variety of devices and endpoints:** Today, business users not only use desk-based devices, but also smartphones and tablets. Gartner reports from September 2015 forecasted that these devices are growing at a CAGR of 4% for smartphones and 9% for tablets through 2019[1-2]. To communicate seamlessly and securely across devices, applications and endpoints must be managed as part of an integrated communications infrastructure.
- **Leverage existing technology infrastructure while positioning for the future:** The speed at which new enterprise technology enters the market is challenging companies to rapidly adopt and install new technology. We believe this pressure creates strong demand for systems that do not require enterprise-wide overhauls of existing technology. Instead, it favors incremental, flexible, extensible technologies that are easy to adopt and compatible with existing infrastructures. As a result, many customers are in the midst of transition from on-premise to cloud-based delivery models.

[1] *Gartner Forecast: PCs, Ultramobiles and Mobile Phones, Worldwide, 2012-2019, 3Q15 Update, Ranjit Atwal, et al, September 2015.*
[2] *Gartner Forecast: Mobile Phones, Worldwide, 2012-2019, 3Q15 Update, Annette Zimmermann, et al, September 2015.*

- **Shift to software-defined networking (SDN) and cloud-based applications:** Companies today seek technology that helps them lower TCO, increase deployment speed and application agility, centralize network control, and embed network functions such as fine-grained security. They also seek to shift away from a complex, proprietary capital-intensive model to one that is more open and efficient.

Communications Enabled Business Applications

Teams need to work together from any location, using their favorite business applications, and are increasingly accessing these applications via the cloud. Moving in and out of applications to perform communications functions saps worker productivity. Avaya helps employees get access to real-time information, fast and easy, by integrating communications functionality directly into business applications.

Omni-channel engagement hubs replacing call centers

Like workforces, the customers of our customers are also increasingly using mobile devices and expecting service interactions with companies across multiple communications channels and devices. Customer interactions are evolving from voice-centric, point-in-time, contact center transactions to ongoing customer conversations over multiple interactions and across multiple media and modes of communication. Customers expect businesses to know about the history of their interactions, even when they occur across a mix of self-service and agent assisted communications methods, including voice, video, email, chat and social media.

Our Large and Growing Addressable Market Opportunity

We believe that the total available market for customer and team engagement solutions includes spending on unified communications, contact center applications and networking infrastructure equipment, as well as spending on one-time and recurring professional, managed/cloud, and support services to implement, maintain and manage these tools. We believe that in 2016, while the market for large enterprise unified communications is declining, the portion of the other markets that Avaya serves will grow and continue to represent a large opportunity for Avaya. Additionally, we see opportunity for Avaya in the convergence between the unified communications and contact center market. The markets Avaya serves includes large enterprises having 2,000 or more employees, as well as midmarket-sized enterprises having less than 2,000 employees.

These markets are impacted positively by the need for enterprises to increase productivity and upgrade their unified communications strategy to a more integrated approach, accounting for mobility, varied devices, and multiple communications channels. In response to this need, industry analysts expect that from 2014 through 2017 aggregate total spending on unified communications, contact center, data networking and support, managed/cloud and professional services will grow.

Furthermore, the midmarket, which we define as companies with fewer than 2,000 employees, is a growing opportunity for Avaya's products and services. We believe our communications market opportunity for the portion of the midmarket segment which Avaya serves is growing, but we also believe it is underserved and willing to invest in IT enhancements. Avaya has a set of offerings that are specifically designed to address the needs of midmarket businesses, built around our Avaya IP Office, software and hardware designed to simplify processes and streamline information exchange within companies. It lets midmarket companies deliver a collaboration experience that integrates voice, video, and mobile device communications, at price points affordable to midmarket businesses.

Our Competitive Strengths

We believe the following competitive strengths position us well to capitalize on the opportunities created by the market trends affecting our industry.

Open standards technology that supports multi-vendor, multi-platform environments

Our open standards-based technology is designed to accommodate customers with multi-vendor environments seeking to leverage existing investments. Providing enterprises with strong integration capabilities allows them to take advantage of new collaboration and contact center technology as it is introduced. It does not limit customers to a single vendor or add to the backlog of integration work. We also continue to invest in our developer ecosystem, Avaya DevConnect, which has grown to include over 25,000 members as of September 30, 2015. We believe Avaya DevConnect, together with our Agile Communication Environment ("ACE") toolkits, application programming interfaces ("APIs") and integration environments allow businesses to derive unique value from our architecture**.**

A leading position across our key end markets

We are a leader in business collaboration and communications, with leading market share in worldwide telephony systems[5], contact center infrastructure[6], voice maintenance services[7] and enterprise messaging,[8] and a position in the Leader's quadrant in each of Gartner's Magic Quadrants for Corporate Telephony, Unified Communications and Contact Center Infrastructure.[9] Additionally, we believe we are a leading provider of Cloud and managed services, which in fiscal 2015 grew revenues 3 percent over fiscal 2014 and has continued to be one of the fastest growing areas of our business. We also believe that our market leadership and our incumbent position within our customer base better enables us to cross-sell to existing customers and win new customers.

Leading service capabilities tied to a large recurring revenue stream

Avaya Global Services ("AGS") is a leading provider of recurring support services relating to business collaboration and communications products. Our worldwide services-delivery infrastructure and capabilities help customers address critical business collaboration and communications needs from initial planning and design through implementation, maintenance and day-to-day operation, monitoring and troubleshooting. We believe AGS is uniquely positioned as a result of close collaboration between our R&D and service planning teams in advance of new products being released. Customers can use "Ava", our virtual agent, to get immediate answers online. They can also connect with one of our experts via web chat, web talk, or web video. Avaya Global Services can also directly access our research and development teams when necessary to quickly resolve customer issues. These capabilities allow Avaya to provide quality service for Avaya products.

In addition, AGS delivers Cloud and managed services with a focus on customer performance and growth. These services can range from managing software releases to operating customer communication systems to helping customers migrate to next-generation business collaboration and communications environments. We believe that our deep understanding of application management supporting unified communications, contact center, video and networking uniquely position us to best manage and operate cloud-based communications systems for our customers.

Our service delivery is most often provided to customers through recurring contracts. In fiscal 2015, we generated 50% of our revenues from services with over 80% of service revenues from recurring contracts. Recurring contracts for support services typically have terms that range from one to five years, and contracts for Cloud and managed services typically have terms that range from one to seven years. In fiscal 2015, the U.S. accounted for approximately 66% of our support revenue, with contract renewal rates of more than 80%. We believe our services relationships have provided us with a large recurring revenue base and significant visibility into our customers' future collaboration needs.

Lower total cost of ownership (TCO)

Many vendors try to address customer demands by layering on more architectures and protocols. In the process, they frequently sacrifice simplicity, flexibility and total cost of ownership. In contrast, our products and services are specifically designed to address these needs - typically with less hardware - without sacrificing performance. We believe our product performance, deployment methods, and networking technology contribute to a lower total cost of ownership for customer and team engagement solutions.

[5] *Dell'Oro Group, Enterprise Telephony Report, 4Q14, February, 2015.*

[6] *Gartner Inc. Market Share, Contact Center: Worldwide, 2014, Drew Kraus, March, 2015. Gartner ranks Avaya #1 in Contact Center Agent End-User Revenue by Manufacturer, Worldwide in 2014.*

[7] *IntelliCom Analytics, Services Market Dashboard, Q4 2014 Global Lifecycle Services Market Workbook, May, 2015.*

[8] *T3i Group, InfoTrack for Converged Applications, Messaging Systems Shipments, Revenue & Market Share Details, Full Year 2014, June 2015*

[9] *Gartner Magic Quadrants-Gartner Magic Quadrant for Corporate Telephony, Sorell Slaymaker, Steve Blood, October, 2015.*

- Gartner Magic Quadrant for Unified Communications, Bern Elliot, Steve Blood, August 2015.

- Gartner Magic Quadrant for Contact Center Infrastructure, Drew Kraus, et al, May 2015.

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Large, diverse and global customer installed base

Our products and services address the needs of a diverse range of customers from large multinational enterprises to small and medium-sized businesses in various industries, including financial services, manufacturing, retail, transportation, energy, media and communications, health care, education and government. Through September 30, 2015, we had over 300,000 customers, including 83% of the *Fortune* 500 with installations in over half a million customer locations worldwide. We believe our large and diverse customer base provides us with recurring revenue and the opportunity to further expand within our customer base.

Our Growth Strategy

We believe we are well-positioned worldwide and have a multi-faceted strategy to be a leading provider in delivering engagement and networking solutions.

Expand our cloud offerings and capabilities

In our experience, technology and business leaders are increasingly turning to cloud-based technologies and business models that allow enterprises to cut costs, increase productivity, simplify IT environments, and shift when possible to usage-based operating expense models.

Avaya's technologies that make up our Customer Engagement, Team Engagement, and Networking solutions are designed to be available both on-premise and as a cloud-based service to meet these demands.

Increase mobility offerings to customers

As global workforces change and demand mobile engagement solutions, we intend to meet these demands. For example, the Avaya Aura Platform and IP Office Platform are designed to support mobility, providing dynamic access to applications and services based on need, not location.

Invest in open standards and product differentiation and innovation

As potential customers look to migrate to our products and services, our open architecture can integrate with competitor systems and provide a path for gradual transition while still achieving cost savings and improved functionality. Our Fabric Networking technology is fundamental to this approach. Fabric networking represents a strong growth area for Avaya, as fabric networking deployments gain momentum.

During fiscal 2015 we have enhanced our product line with more than 100 new product releases. We also expect to continue to make investments in product innovation and research and development across the portfolio to create enhancements and breakthroughs. We believe this will encourage customers to upgrade their products more frequently. We also plan to continue to embrace the cloud computing and mobility opportunities, and to seek new ways to leverage the Virtual Desktop Integration ("VDI") trend to securely deliver business collaboration to users.

Increase our midmarket offerings, capabilities, and market share

We believe our communications market opportunity for the portion of the midmarket segment which Avaya serves is growing. We define the midmarket as firms with fewer than 2,000 employees. Not only do we believe this segment is growing, but we believe midmarket businesses are underserved and willing to invest in IT enhancements. With the most recent version of our IP Office product, version 9.1, we continued to enhance our first complete offering specifically tailored to the needs of midmarket businesses. We believe this offering increases the value we can provide to midmarket businesses and creates an opportunity for market share gain. We intend to continue to invest in our midmarket offerings and go-to-market resources to increase market share and meet the growing demands of this segment.

Increase sales to existing customers and pursue new customers

We believe that we have a significant opportunity to increase our sales to our existing customers by offering new solutions from our diverse product portfolio, including cloud, mobility, and networking solutions. This ability is supported by our market leadership, global scale and extensive customer interaction, including at the C-suite, and creates a strong platform from which to drive and shape the evolution of enterprise communications toward greater business collaboration. Our track record with our customers gives us the credibility that we believe provides us with a competitive advantage in helping them cope with this evolution.

Invest in sales and distribution capabilities

Our flexible go-to-market strategy, which consists of both a direct sales force and approximately 9,300 channel partners (as of September 30, 2015), allows us to reach customers across industries and around the globe while allowing them to interact with Avaya in a way that fits their organization. We intend to continue investing in our channel partners and sales force to optimize their market focus, enter new geographies and provide our channel partners with training, marketing programs, and technical support through our Avaya Connect program. We also leverage our sales and distribution channels to accelerate customer adoption and generate an increasing percentage of our revenue from our new high-value software products, data networking, video collaboration, midmarket offerings, and user experience-centric applications.

Expand margins and profitability

We have maintained our focus on profitability levels and implemented a number of cost savings initiatives. These initiatives, along with decreases in the amortization of acquired technology intangible assets, have contributed to improvements in our gross margin. Our gross margin has improved from 43.5% in fiscal 2010 to 59.5% in fiscal 2015. This improvement in gross margin along with other cost savings is also reflected in Adjusted EBITDA, a key metric management uses to evaluate the Company's performance. Adjusted EBITDA as a percentage of revenues improved from 15.6% in fiscal 2010 to 22.1% in fiscal 2015. See "Management's Discussion and Analysis of Financial Condition and Results of Operations: EBITDA and Adjusted EBITDA" for a definition and explanation of Adjusted EBITDA and a reconciliation of loss from continuing operations to Adjusted EBITDA.

We expect to pursue additional cost reduction opportunities which are likely to be more targeted and may include increased automation of our processes, headcount attrition, actions to address unproductive assets, real estate consolidation, sales back office and front line skill transformations, and balancing our professional services structure. Having delivered substantial cost structure reductions over the past several years, we believe the opportunities for additional savings and execution of our growth strategy can result in further margin and profitability expansion.

Our Products and Services

Overview

Avaya possesses diverse product and services portfolios and combines individual products and services to solve customer challenges related to customer engagement, team (workforce and partner) engagement, and networking.

The products and services that make up these solutions are organized in three reporting segments:

- **Global Communications Solutions (GCS)** encompass all of our real-time collaboration, contact center and unified communications software and hardware. Examples include audio conferencing systems; mobile video software, software that runs contact center operations such as multimedia contact routing; software that enables mobile access to the company network for employees; and hardware like phones, gateways, and servers. We enable these unified communication and real-time collaboration tools to also be embedded inside the applications businesses use everyday to keep employees and customers connected, productive and effective. This reporting segment also includes a development platform, which allows our customers and third parties to adapt our technology by creating custom applications, automated workflows, and engagement environments for their unique needs and allows them to integrate Avaya's capabilities into their existing infrastructure. GCS also includes cloud-supporting software and hardware products, which make it possible to use our contact center and unified communications products via the cloud.
- **Avaya Networking** includes our advanced fabric networking technology that offers a virtualized network designed to be simple to deploy, agile and resilient. The reporting segment also includes products such as Ethernet switches and routers; wireless networking; and access control products that enforce role- and policy- based access to the network. Our fabric networking technology is flexible and extensible to legacy network systems, which gives customers the option to upgrade to new contact center and unified communications technology while maintaining their existing infrastructure, if desired.
- **Avaya Global Services** includes professional and support services designed to help our customers use our products and technology efficiently and effectively. Our services include support for implementation, deployment, monitoring, troubleshooting, optimization, and more. This reporting segment also includes our Cloud and managed services, which enable customers to take advantage of our technology in a private, hybrid, or public cloud environment. While some are one-time services, the majority are recurring services.

The majority of our product portfolio is made up of software products that reside on either a client or server. Our client software resides on both our own and third-party devices, including desk phones, tablets, laptops and smartphones. It provides users with access to unified communications capabilities such as voice and video calling, audio conferencing, instant messaging, and contact directories. Our server-side software controls communication and collaboration for the enterprise. It delivers rich value-added applications such as messaging, telephony, voice, video and web conferencing, mobility and customer service. Our hardware includes a broad range of desk phones, servers and gateways and LAN/WAN switching wireless access points. A portion of our portfolio has been subjected to rigorous interoperability and security testing and is approved for acquisition by the US Government. Avaya's portfolio of services include product support, integration, Cloud and managed services as well as professional services that enable customers to optimize and manage their communications networks worldwide and achieve enhanced business results.

Global Communications Solutions

Enterprises of all sizes depend on Avaya for unified communications, collaboration, contact center, and networking applications and technology that help improve efficiency, engagement, and competitiveness. Our people-centric products integrate voice, video and data, enabling users to communicate and collaborate in real-time, in the mode best suited to each interaction. This eliminates inefficiencies in communications to help make organizations more productive and responsive.

The following chart provides a representative list of products, descriptions, and classifications that are included in the Global Communications Solutions reporting segment.

Category	Product Name	Description	Included in which Avaya Solutions
Video and Conferencing	**Avaya Scopia**	A standards-based portfolio of hardware and software products that includes conference room systems, desktop and mobile video conferencing, and infrastructure and management. Available extensions include HD (high-definition) video-conference rooms, and mobile applications for video conferencing, control, and management on mobile devices.	Team Engagement
	Avaya Aura Conferencing	A combination of hardware and software that provides simple access to multi-media collaboration. In the same application users can use voice, video, chat, and web conferencing. Based on the Avaya Aura architecture, Avaya Aura Conferencing is distributed and scalable to thousands of users. Its modular conception allows the system to be dimensioned appropriately in terms of video or web content servers or voice communications manager. The complementary Avaya Video Conferencing infrastructure includes Avaya Scopia Elite Multipoint Conferencing Units ("MCUs") reliable and highly scalable multi-party video conferencing platforms for enterprise and service provider environments. They offer advanced and easy-to-use multi-party infrastructure for video conferencing and are at the core of a high definition deployment. In addition, gateways for Microsoft Lync and Session Initiation Protocol (“SIP”) provide connectivity and interoperability with unified communications products to standards-based video conferencing systems and infrastructure.	Team Engagement
	BurstPoint Networks video conference recording and streaming	In July 2014 Avaya completed the acquisition of the intellectual property assets of BurstPoint Networks. These assets include high-definition video conference recording and streaming platforms that can be deployed behind corporate firewalls for scaled, secure, high-volume streaming.	Team Engagement

	Avaya one-X Communicator and one-X Mobile	Ideal for users who communicate frequently, manage multiple calls, set up ad-hoc conferencing, and need to be highly reachable, Avaya one-X Communicator software provides users with access to unified communications capabilities including voice and video calling, audio conferencing, instant messaging and presence, corporate directories, and communication logs. Avaya one-X Mobile software enables users to access enterprise communications from a wide selection of mobile devices, including high-end smart phones and tablets. A choice of one-X Mobile clients is available for popular platforms including Apple iPhone, Google Android, and BlackBerry.	Team Engagement
	Avaya Client Applications	Software that provides access to Avaya voice and video services from business applications such as Microsoft Lync, Microsoft Office Communications Server, Microsoft Outlook, Microsoft Office, IBM Sametime, and customer relationship management ("CRM") applications such as Salesforce.com and Microsoft Dynamics.	Team Engagement
Communications and Messaging	**Avaya Aura Messaging**	Unified messaging software that gives users access to email, voicemail, and fax from a single interface. It uses an all-Linux platform with local survivability and geo-redundant capabilities to serve large distributed or centralized configurations, with the option to store messages in an Avaya and/or Microsoft Exchange message store.	Team Engagement
	Avaya Aura Messaging Service	A cloud-based service that enables business phone lines to be a textable number. This software allows the user to communicate via text messaging using an enterprise phone number, enabling the user to keep his or her mobile phone number private and reserving it for their personal use. Messages are secure and stored in the cloud and simultaneously available on smartphones, tablets, notebooks, and desktop devices, enabling one-number communications via voice, pictures and text messaging.	Team Engagement
	Avaya Communicator for Web	Avaya Communicator for Web is a browser extension that embeds access to Avaya communications and collaboration tools, including voice and video calling, phone control, Instant Messaging (IM) and presence, into web environments, including standard browsers like Microsoft Internet Explorer or Google Chrome and web applications like Salesforce.com, Google Docs, or Microsoft Office 365.	Team Engagement

<table>
<tr><td rowspan="5">Platforms, Infrastructure and Phones</td><td>Avaya Aura Core</td><td>A next-generation architecture powering our customers’ communications and collaboration services. Based on IMS, an industry standard defined by 3GPP, this core (a blend of hardware and software) provides a flat communications control and management function using SIP methods. Unlike point-to-point SIP, or even standard client server SIP approaches used by most of our competitors, the Avaya Aura Core uses the SIP-ISC, or IMS Service Control, signaling standard to allow multiple independent applications to serve communication sessions. Avaya Aura can scale to hundreds of thousands of users, serving the small enterprise all the way through the largest enterprise customers in the world.</td><td>Customer Engagement

Team Engagement</td></tr>
<tr><td>The Avaya Engagement Development Platform</td><td>The Avaya Engagement Development Platform is a software platform that simplifies embedding robust communications and collaboration capabilities into business applications, such as CRM or Enterprise Resources Planning ("ERP"). This platform allows customers, third parties, and Avaya to create customized engagement applications and environments to meet unique needs. Customers and third parties can integrate business applications with unified communications technology and contact center capabilities including voice, short message service or SMS, and email.

In addition to existing snap-ins (such as Context Store and Work Assignment) the following are new for 2015:
- Engagement Assistant - simplifies calling into conferences
- Call Park and Page - allows connection of a call to another resource
- Co-browsing - enables agents to provide superior online assistance
- Presence Services - enables real time status information for all applications</td><td>Customer Engagement

Team Engagement</td></tr>
<tr><td>Avaya IP Office</td><td>Avaya IP Office is a unified communications set of hardware and software products designed specifically for midmarket-sized customers. Avaya IP Office can be deployed on-premise or in the cloud. It was designed to simplify processes and streamline information exchange within companies. Communications capabilities can be added as needed. The latest version of Avaya IP Office (9.1) gives midmarket customers features and functions that large enterprises use, but at a scale that is efficient and affordable for them. Avaya IP Office delivers a seamless collaboration experience across voice, video, and mobility for up to 3,000 users.</td><td>Customer Engagement

Team Engagement</td></tr>
<tr><td>Avaya Session Border Controller ("SBC") for Enterprise</td><td>SBC provides enhanced security for collaboration within and outside of the enterprise, helping to protect SIP trunks from multiple threats and allowing SIP remote users to simply and securely connect communication and collaboration applications to the enterprise without the need of VPN connection. This is made up of hardware, software, or both.</td><td>Customer Engagement

Team Engagement</td></tr>
<tr><td>Avaya Phones</td><td>Avaya’s range of desk phones and portable technologies include IP and digital desk phones, digital enhanced cordless telecommunications (DECT) handsets, wireless phones, docking stations for BYOD, and conference room phones. Avaya phones offer capabilities such as touch screen and applications such as integration to corporate calendar, directory and presence, enhanced audio quality for a “you-are-there” experience, customization and soft keys, and multiple lines appearances, to name a few.</td><td>Customer Engagement

Team Engagement</td></tr>
</table>

Assisted Experience Management	**Avaya Aura Contact Center**	Avaya Aura Contact Center lets customers connect with a company in ways beyond phone calls, including via text, IM, email, and chat. The omni-channel contact center solution gives agents the context (real-time and historical) to deliver a differentiated customer experience. It is designed to provide a unified, efficient, and highly personalized experience that builds brand and customer loyalty.	Customer Engagement
	Avaya Aura Call Center Elite	With intelligent routing and resource selection features, Avaya Aura Call Center Elite allows a business to determine if its customers should be served by the least busy agent, the first available agent, or the agent with skills that best match the customer's needs. Calls can be routed across a pool of agents regardless of physical location. With the Elite Multichannel solution multichannel content can be routed across the same pool of agents.	Customer Engagement
	Interaction Center	Interaction Center extends Avaya Aura Call Center Elite to enable service channels beyond the telephone, including email, web chat, SMS/text, and social media.	Customer Engagement
	IP Office Contact Center	A contact center software solution designed specifically for midmarket business needs. It enables seamless conversations for hundreds of agents across multiple modes of communication, including voice, email, chat, text, and fax.	Customer Engagement
	Avaya Contact Center Select	This advanced software provides enterprise-level contact center capabilities to midmarket clients on the Avaya IP Office platform. It provides, among other things, omni-channel support (voice, email, chat, SMS, and fax) scalability for 30 - 250 agents and skills-based routing.	Customer Engagement
Automated Experience Management	**Avaya Aura Experience Portal**	The Avaya Aura Experience Portal enables organizations to connect with customers in new ways and take advantage of all the popular mobile channels, including SMS text and mobile phones. The product enables customers to connect with agents using their favorite channels and devices and gives them powerful, unique service experiences with multi-party conferencing, intelligent routing, and pre-identified customer preferences.	Customer Engagement
	Intelligent Customer Routing	This enables customers to turn customer wait times into positive and productive customer engagements. It lets firms share offers during wait times, deliver customer information to agents that help assure fast and accurate answers, and relay alerts and notifications to callers in queues.	Customer Engagement
	Proactive Contact	This enables firms to optimize outbound customer care, like payment reminders, announce product enhancements, explain service changes, and deliver surveys, with best-in-class predictive dialing.	Customer Engagement
	Proactive Outreach Manager	Proactive Outreach Manager lets customers of a business choose when and where they want to connect and whether it's via mobile, online, in store, or over the phone.	Customer Engagement

Performance Management	**Avaya Aura Performance Center**	Avaya Aura Performance Center is a unified, end-to-end reporting and analytics platform that distills business intelligence from large volumes of data, to discover not only what has happened in a communications stream, but also why it happened.	Customer Engagement
	Avaya Aura Workforce Optimization	Avaya Aura Workforce Optimization is designed to give firms a deeper, more meaningful look at customer interactions by uniting all workforce optimization requirements under one, integrated platform. Firms can use this to capture, share, and act on information from across the enterprise-especially contact centers and back-office systems-and use the data to make informed decisions faster.	Customer Engagement
	Avaya Call Management System	Avaya Call Management System is designed for businesses with complex contact-center operations and high call volume. Call Management System is a database, administration, and reporting application to help businesses identify operational issues and take immediate action to solve them.	Customer Engagement
	Speech Analytics	Speech Analytics enables firms to capture and analyze all data from recorded audio content in order to monitor quality and manage and mitigate risk. With advanced phonetic speech tools customers can quickly identify key words and phrases in audio recordings, search and tag keywords and phrases that have been identified and compile the information needed to make informed decisions and take action.	Customer Engagement
	KnoahSoft Harmony	New for 2015. A result of one of our recent acquisitions, KnoahSoft Harmony gives contact centers enterprise-level interaction recording, quality, performance and workforce management, and analytics functionality with the lowest total cost of ownership. Harmony is a secure web-based platform that is seamlessly integrated with Avaya Aura Contact Center and Avaya Contact Center Select from end-to-end to provide the ultimate in flexibility, scalability and ease of use.	Customer Engagement
Cloud Enablement Products	**CCAAS, UCAAS, VAAS and Collaboration Pod**	The contact center as-a-service, unified communications as-a-service, and video-as-a-service products are software reference architectures that use multi-tenant control technology and virtualized communications platforms to extend Avaya's industry leading Contact Center, Unified Communications, and Video products to the cloud, making them available as a service. The Collaboration Pod is a hardware delivery mechanism for the solutions, available for partners who want a fully-installed solution.	Customer Engagement Team Engagement
	Avaya Aura Control Manager	Aura Control Manager is a cloud-based product for centralizing administration and management for Avaya contact centers. This product is designed to allow a customer to easily update call center functions and business processes across the entire organization. Administrators can apply rules and definitions using as little as a single keystroke, allowing quick and error-free changes to agents, skills, call flows, IVR prompts, and more.	Customer Engagement
	AvayaLive Connect and AvayaLive Video	AvayaLive Connect is a low-cost, no-contract suite of collaboration services for small business communications. AvayaLive Video is a conference room in the cloud, based on Avaya Scopia® Video.	Customer Engagement Team Engagement
	Collaboratory	Avaya Aura Collaboratory is an Avaya-cloud-based execution and test environment intended for development of non-production, proof-of-concept Collaboration Environment services.	Customer Engagement Team Engagement

Avaya Networking

In support of our engagement communications strategy, our networking product portfolio is designed to address and deliver on three key requirements: 1) eliminate network complexity through fabric virtualization which decouples the network infrastructure services from the physical platforms on which they operate and replaces complex protocols with a single, integrated technology; 2) reduce time to service (i.e. application deployment); and 3) ensure the security of the environment.

Customers across industry verticals can use our networking technology to benefit from virtualization, integrated provisioning, system management, quality of experience, and improved bandwidth use.

Our networking portfolio is a foundational element for the unified communications and contact center products we deliver in an end-to-end Avaya Aura architecture. We believe that customers today benefit from end-to-end product design, testing, and support that is possible when our networking technology is combined with our Global Communications Services software and hardware under this end-to-end architecture. However, our networking technology allows companies to embrace the value of new technology while using their existing infrastructure, if desired, as they evolve toward a next-generation fabric-enabled infrastructure.

Avaya's fabric networking technology is called **Fabric Connect.** It helps customers simplify their network environment and eliminate the need for manual individual configuration, implementation, and maintenance of each network component. We believe Fabric Connect is currently capable of delivering many of the benefits that are promised in future implementations of software-defined networking. Fabric Connect reduces the multiple protocols necessary in legacy networks to a single, unified technology and is fully compatible with existing Ethernet networks.

We believe it provides today's functional instantiation of software-defined networking. Fabric Connect reduces the multiple protocols necessary in legacy networks to a single, unified technology and is fully compatible with existing Ethernet networks.

In addition to Fabric Connect, our networking portfolio includes:

- **Ethernet Switches and Routers:** a range of Ethernet Switches, Routers, and supporting software for data center, core, edge and branch applications;
- **Wireless Networking:** cost-effective and scalable products that enable enterprises to support wireless connectivity and services;
- **Access Control:** products that enforce role- and policy-based access control to the network; and
- **Unified Management and Orchestration:** products that provide support for data and voice networks by simplifying the requirements associated across functional areas.

We sell our portfolio of data networking products globally into enterprises and midmarket businesses of all types, with particular strength in healthcare, education, hospitality, financial services and local and state government, where we believe requirements are better met by Fabric Connect.

Avaya Global Services

Avaya Global Services consult, enable, support, manage, optimize and even outsource enterprise communications products (applications and networks) to help customers achieve enhanced business results both directly and through partners. Avaya's portfolio of services is designed to enable customers to mitigate risk, reduce total cost of ownership, and optimize communication products. Avaya Global Services is supported by patented design and management tools, and by network operations and technical support centers around the world.

Avaya's Global Services portfolio is divided into Avaya Professional Services and Avaya Client Services.

Avaya Professional Services (APS)

APS helps organizations leverage technologies effectively to meet their business objectives. Our strategic and technical consulting, as well as deployment and customization services, help customers accelerate business performance and deliver an improved customer experience. Whether deploying new products or optimizing existing capabilities, APS leverages its specialists globally across three core areas:

- **Enablement Services:** Provide access to expertise and resources for planning, defining and deploying Avaya products to maximize technology potential, simplify your business processes, increase security, and minimize risk. Avaya integrates and tests equipment, trains employees, and deploys a plan to help ensure success.
- **Optimization Services:** Help drive increased value and greater business results by leveraging customers' existing technology. Avaya consultants and product architects analyze a communications environment in the context of customer business priorities and strategies, working to increase customers' ROI by implementing proven best practices, enabling operational improvements, and stress testing products and services.
- **Innovation Services:** Help identify improved methods for using communications and collaboration to increase business productivity, employee efficiency and customer service levels. Our consultative approach, deep industry experience, and custom application services, from business planning through to execution and product integration, is designed to create alignment with customer's specific business objectives.

Avaya Client Services (ACS)

ACS is a market-leading organization offering support, management and optimization of enterprise communications networks to help customers mitigate risk, reduce TCO and optimize product performance. ACS is supported by patented design and management tools, and by network operations and technical support centers around the world. The contracts for these services range from one to multiple- years, with three year terms being the most common. Custom or complex services contracts are typically five years in length. The portfolio of ACS services includes:

- **Global Support Services (GSS):** Provides a comprehensive suite of support options both directly and through partners to proactively resolve issues and improve uptime. Support offers and capabilities include:
    - 24x7 remote support
    - proactive remote monitoring
    - sophisticated diagnostic tools
    - parts replacement
    - onsite response

  Recent innovations include our Avaya Support Web site that quickly connects customers to advanced Avaya technicians via live chat, voice or video. The web site also provides access to "Ava," an interactive virtual chat agent based on Avaya Automated Chat that quickly searches our knowledge base and a wide range of "how-to" videos to answer customer support questions. Ava learns with each customer interaction and can make the decision to transition the chat to an Avaya technician-often without the customer realizing the change is taking place.

  All new support solutions are published to the web by our engineers, generally within 30 minutes of finding a resolution, adding value for customers by providing known solutions for potential issues rapidly. Most of our customers also benefit from Avaya EXPERT Systems, which provides real-time monitoring of diagnostic and system status. This proactively identifies potential issues to improve reliability, uptime, and faster issue resolution.

- **Avaya Private Cloud and Managed Services (APCS):** Provides the IT Infrastructure Library (ITIL), aligned, multivendor managed and outsourcing services for customers' communications environments. Managed and private cloud services can be procured in standard packages or in fully custom arrangements that include on-premise or private Cloud options, Service Level Agreements (SLAs) billing, and reporting.

  Avaya can manage existing infrastructure of any age and from any communications vendor, and many customers leverage this model as a way to manage complex existing environments while they upgrade their entire communication network to the latest technology. This provides customers with the option of a recurring operational expense, rather than a one-time capital expenditure, for upgrading to the latest technology. In these types of deals, the underlying solutions and infrastructure are owned by the equipment vendor, or managed services/Cloud provider, and are often included in the Cloud and managed services pricing/revenue.

  In addition, Cloud and managed services can take the form of one of three Cloud models offered by Avaya:
    - Avaya Partner Cloud Service, a model that supports public and private products offered by service providers and system integrators;
    - Avaya Branded Cloud Service, an Avaya-hosted multi-customer public cloud option; and
    - Private Cloud, a private cloud model for individual customers.

We sometimes refer to the foregoing products and services as "flagship," "legacy," and "core" as follows:

- **Flagship** includes products and services which reflect the expertise and innovation in some of the newest enhancements to our product portfolio. We believe these products and services offer the highest potential to contribute to revenue growth. The Flagship category includes Video, Avaya Aura®, IP Office, contact center, Wireless LAN, SBC, ethernet/fabric switching, Avaya professional services, and Avaya Cloud and managed services.
- **Core** includes products and services which are foundational components of our technology solutions. The Core category includes certain phone models, gateways, servers, core contact center, and other Cloud and managed and maintenance support services.
- **Legacy** includes certain products we acquired in our acquisitions of Tenovis and the enterprise solutions business, or NES, of Nortel Networks Corporation, but does not include NES networking products.

Our Technology

Technology enhances the way people communicate and collaborate, enabling team and customer engagement. We leverage critical technology and open standards across our portfolio to our customers' advantage. One of these standards is Session Initiation Protocol (or "SIP"), and Avaya is a leading innovator in leveraging its use for business collaboration. By allowing application flexibility and cost reduction, SIP has become the protocol of choice for real-time communications and will continue to expand in the industry. We distinguish ourselves from competition by exploiting advanced SIP capabilities as opposed to only exploiting basic features. Avaya shifts communications from having to coordinate multiple, independent media and communications systems toward session management based environments, where multiple media and resources can flexibly be brought into a seamless experience. This fundamental difference supports more fluid, effective and persistent collaboration across media such as voice, video and text and modes of communications such as calls or conferences.

To adapt to our customers' needs in light of the trends described in "Trends Shaping Our Industry" section above, we have shifted our design philosophy over the last few years, anticipating increased demand for our unified communications and contact center products to be available via cloud delivery. While our products have traditionally been deployed on a customer's premise, many can now also be deployed in public, private and hybrid cloud models. Further, through comprehensive monitoring technologies, these products and services can also be deployed as Cloud and managed services.

Multimedia Session Management

At the core of our architecture, SIP based Avaya Aura Session Manager centralizes communications control and application integration. Applications are decoupled from the network and can be deployed to individual users based on their need, rather than by where they work or the capabilities of the system to which they are connected. This allows for extreme scalability, with the Avaya Aura Session Manager currently capable of handling up to 350,000 devices per system.

Unique End User Experiences

Avaya one-X Communicator and Avaya one-X Mobile software clients leverage the Avaya Aura technology and allow users to perform all unified communications and conferencing functions, via voice, video and text. In addition, users can access Microsoft Exchange services, such as e-mail, contacts and calendar and exchange instant message and presence information with Microsoft Lync users (i.e., Microsoft Communicator clients).

The Avaya Engagement Development platform is software that abstracts the core Avaya Aura system and allows developers with common web and JAVA programming skills to develop innovative applications that embed communications. For example a customer escalation registered in an insurance claims application could start an Avaya Engagement Development platform workflow that would automatically find and join the customer, the claims adjuster and claims manager via email or SMS and bring them into a video conferencing session. This ability to invoke and combine communications functions allows our customers to generate more business value from their Avaya products.

Management and Orchestration

Simple and consistent management and operations are essential to customers. We believe our management products facilitate efficient operations and better overall performance. They cover a wide range of functions, from initial provisioning to monitoring and orchestration of components to enable networking of communications services.

Advanced Routing and Switching Protocols

Avaya offers routing switches and wireless products that embed advanced protocols such as "shortest path bridging (SPB)" at the forefront of the networking industry. SPB simplifies networking by provisioning services at the edge rather than on every node; as a consequence, administration is simpler and recovery from incidents can be up to 2,500 times faster than in conventional data networks. As an example, we believe this type of infrastructure is able to support applications such as multicasting large numbers of video streams or network isolation, delivering lower cost and better performance. Our continued investment in this domain contributes to our differentiation in the networking space.

Additional Technologies

In addition to Session Management, we use technologies including:

- **Messaging and Presence via SIP/SIMPLE and XMPP:** The Avaya Aura Presence Services collects, aggregates and disseminates rich presence and enables instant messaging including using SIP/SIMPLE and XMPP, providing interoperability with systems from other vendors, such as Microsoft and IBM;
- **Virtualization and Cross Operating System (OS) Support:** Our software applications run on a broad range of operating systems including, but not limited to, Microsoft Windows, Apple MAC OS and Google Android. We also support virtualization to not only reduce the physical server footprint using hypervisor technology to run multiple

applications concurrently on a single physical platform, but also facilitate certain tasks such as system expansion or recovery.

- **High Quality/Low Bandwidth Video:** Avaya's Video products and services are able to deliver high quality video while minimizing bandwidth consumption and responding to adverse network conditions such as congestion or packet loss. We use H.264 High Profile for bandwidth efficiency and cascading media to optimize bandwidth between sites and H.264 Scalable Video Coding ("SVC").
- **Virtualization** is used in our Avaya Aura portfolio to decrease the supporting hardware cost and also to enable operations resilience and facilitate scalability.
- **WebRTC** is a newly evolving technology that Avaya is leveraging to develop a new generationg of Unified Communications. WebRTC allows for communication clients to be supported directly from HTML 5 browsers. Voice and video are embedded in web applications, allowing access to these media to be much more ubiquitous.
- **Big Data:** By leveraging the power of large unstructured data stores, important information streams from multi-vendor systems and customer support infrastructure can be aggregated. This allows Avaya to create a next generation of contact centers, where customer service or sales representative assignment is made based on real-time business insights.

Alliances and Partnerships

Avaya has formed commercial and partnering arrangements through global alliances to improve the availability of our products and services and the value derived by customers from our products and services. Global alliances are strategically oriented commercial relationships with key partners. We have three primary types of Global alliances: Global Service Provider Alliances, Global Systems Integrator Alliances, and Ecosystem Alliances.

- **Global Service Provider (SP)** alliances are partnering arrangements by Avaya with leading telecommunications service providers for enterprise communications and collaboration. We pursue sell-to and sell-through opportunities for Avaya products and services. These alliances are integral in selling and implementing our cloud-based Communications-as-a-service (CaaS) services. We also see them as a principal route to market for our Unified Collaboration-as-a-service (UCaaS) and Contact Center-as-a-service (CCaaS) solutions.
- **Global Systems Integrator (SI)** alliances are identical in nature to our Global Service Provider alliances, except that these are forged with system integrator partners.
- **Ecosystem** alliances are partnering arrangements by Avaya with IT and telecommunications industry leaders to bring to our joint customers solutions that leverage our combined range of products and services.

As of September 30, 2015, there were approximately 9,300 channel partners that serve our customers worldwide through Avaya Connect, our business partner program. Through the use of certifications, the program positions partners to sell, implement and maintain our communications systems, applications and services. Avaya Connect offers clearly defined partner categories with financial, technical, sales and marketing benefits that grow in parallel with levels of certification. We support partners in the program by providing a portfolio of industry-leading products in addition to sales, marketing and technical support. Although the terms of individual channel partner agreements may deviate from our standard program terms, our standard program agreements for resellers generally provide for a term of one year with automatic renewal for successive one year terms. They may generally be terminated by either party for convenience upon 30 days prior notice, and our standard program agreements for distributors may generally be terminated by either party for convenience upon 90 days prior notice. Certain of our contractual agreements with our largest distributors and resellers, however, permit termination of the relationship by either party for convenience upon prior notice of 180 days. Our partner agreements generally provide for responsibilities, conduct, order and delivery, pricing and payment, and include customary indemnification, warranty and other similar provisions. No single channel partner represented more than 10% of our revenue for fiscal 2015, 2014, 2013 or 2012.

Development Partnerships

The Avaya DevConnect program is designed to promote the development, compliance-testing and co-marketing of innovative third-party products that are compatible with Avaya's standards-based products. Member organizations have expertise in a broad range of technologies, including IP telephony, contact center and unified communications applications.

As of September 30, 2015, more than 25,000 companies have registered with the program, including more than 420 companies operating as Technology Partners that are eligible to submit their products or services for compatibility testing by the Avaya Solution Interoperability and Test Lab. Avaya Test Lab engineers work in concert with each submitting member company to develop comprehensive test plans for each application to validate the product integrations.

Customers, Sales, and Distribution

Customers

We have a diverse customer base, ranging in size from small businesses employing a few employees to large government agencies and multinational companies with over 100,000 employees. Through September 30, 2015, we had over 300,000 customers, including 83% of the *Fortune* 500 with installations in over half a million customer locations worldwide. Our customers operate in a broad range of industries, including financial services, manufacturing, retail, transportation, energy, media and communications, health care, education and government. They represent leading companies from the Forbes Global 2000 including at least 7 of the world’s top 10 from industries such as airlines, auto & tuck manufacturers, hotels & motels, major banks, and investment services firms. We employ a flexible go-to-market strategy with direct or indirect presence in over 100 countries. As of September 30, 2015, we had approximately 9,300 channel partners and for fiscal 2015, our product revenue from indirect sales represented approximately 75% of our total product revenue.

Sales and Distribution

Our global go-to-market strategy is designed to focus and strengthen our reach and impact on large multinational enterprises, midmarket and more regional enterprises and small businesses. Our go-to-market strategy is to serve our customers the way they prefer to work with us, either directly with Avaya or through our indirect sales channel, which includes our global network of alliance partners, distributors, dealers, value-added resellers, telecommunications service providers and system integrators. Our sales organizations are equipped with a broad product and software portfolio, complemented with services offerings including product support, integration and professional and Cloud and managed services.

The Avaya sales organization is globally deployed with direct or indirect (e.g., channel partner) presence in over 100 countries. We continue to focus on efficient deployment of Avaya sales resources, both directly and indirectly, for maximum market penetration and global growth. Our investment in our sales organization includes training curricula to support the evolution of our sales strategy. The program includes sales process, skills and solutions curricula for all roles within our sales organization.

Research and Development

We make substantial investments in research and development to develop new systems, services and software in support of business collaboration, including, but not limited to, converged communications systems, communications applications, multimedia contact center innovations, collaboration tools, messaging applications, video, speech enabled applications, business infrastructure and architectures, converged mobility systems, cloud offerings, web services, communications-enabled business processes and applications, data networks and services for our customers.

We invested $338 million, $379 million and $445 million in fiscal 2015, 2014 and 2013, respectively, on research and development. Customer-sponsored research and development activities that we have conducted have not been material.

Manufacturing and Suppliers

We have outsourced substantially all of our manufacturing operations to several contract manufacturers. Our contract manufacturers produce the vast majority of our products in facilities located in southern China, with other products manufactured in facilities located in Israel, Mexico, Malaysia, Taiwan, United Kingdom, Ireland and the U.S. All manufacturing of our products is performed in accordance with detailed specifications and product designs, furnished or approved by Avaya and, is subject to rigorous quality control standards. We periodically review our product manufacturing operations and consider changes we believe may be necessary or appropriate. We also purchase certain hardware components and license certain software components from third-party original equipment manufacturers or OEMs and resell them separately or as part of our products under the Avaya brand.

In some cases, certain components are available only from a single source or from a limited source of suppliers. Delays or shortages associated with these components could cause significant disruption to our operations. We have also outsourced substantially all of our warehousing and distribution logistics operations to several providers of such services on a global basis, and any delays or material changes in such services could cause significant disruption to our operations. For more information on risks related to products, components and logistics, see “Risk Factors-Risks Associated with our Company."

As our business and operations related relationships have expanded globally, certain operational and logistical challenges as well as changes in economic or political conditions and natural disasters, in a specific country or region, could negatively affect our revenue, costs, expenses and financial condition or those of our channel partners and distributors.

Competition

As a provider of team and customer engagement solutions - made up of unified communications and real-time collaboration products, call center applications, networking technologies and services-we believe we are differentiated from any single competitor.

For the sale of unified communications products and services specifically, in the enterprise segment we compete with companies such as Cisco Systems, Inc. ("Cisco"), Microsoft Corporation, NEC Corporation, Unify GmbH & Co. Kg ("Unify"), Alcatel-Lucent, and Huawei Technologies Co., Ltd ("Huawei"). In the midmarket we compete with companies such as ShoreTel, Inc., and Mitel Networks Corp. ("Mitel"). In cloud products and services we compete with companies such as Cisco, Broadsoft Inc., Microsoft Corporation, 8x8, Inc., RingCentral Inc., and ShoreTel, Inc. Our video products and services compete with companies such as Cisco, Polycom Inc., and LifeSize (now a division of Logitech International S.A.).

Our contact center products and services compete with companies such as Genesys Telecommunications Laboratories, Inc. ("Genesys"), Cisco, Huawei, and Mitel in the enterprise segment. In the midmarket, as well as cloud products and services, we compete with companies such as Cisco, Genesys and Interactive Intelligence, Inc.

Our networking products and services compete with companies such as Cisco, Hewlett-Packard Enterprise Company ("HP", formerly Hewlett-Packard Company), Huawei, Dell, Inc., and Juniper Networks, Inc., in each case primarily with respect to Level 2/Level 3 Ethernet switching.

We face competition in certain geographies with companies that have a particular strength and focus in these regions, such as Huawei in China, Intelbras S.A. in Latin America, and Matsushita Electric Corporation of America (Panasonic), in Asia.

While we believe our global, in-house end-to-end services organization provides us with a competitive advantage, it faces competition from companies like those above offering services, either directly or indirectly through their channel partners, with respect to their own product offerings, as well as many value-added resellers, consulting and systems integration firms and network service providers.

Technological developments and consolidation within the industry, as well as changes in the products and services that we offer, result in frequent changes to our group of competitors. The principal competitive factors applicable to our products and services include:

- perceived and real value of the products and services as paths to solving meaningful team and customer engagement challenges;
- perceived and real ability to integrate various products into a customer’s existing environment, including the ability of a provider’s products to interoperate with other providers’ business collaboration products;
- the ability to offer on-premise or cloud products and services, with all services available via mobile;
- product features, performance and reliability;
- customer service and technical support;
- relationships with distributors, value-added resellers and systems integrators;
- an installed base of similar or related products;
- relationships with buyers and decision makers;
- price;
- the relative financial condition of competitors;
- brand recognition;
- the ability to be among the first to introduce new products and services.

For more information on risks related to our competition, see “Risk Factors-Risks Associated with Our Company.”

Patents, Trademarks and Other Intellectual Property

We own a significant number of patents important to our business and we expect to continue to file new applications to protect our research and development investments in new products and services across all areas of the business. As of September 30, 2015, we had approximately 5,400 patents and pending patent applications, including foreign counterpart patents and foreign applications. Our patents and pending patent applications cover a wide range of products and services involving a variety of technologies, including, but not limited to, unified communications (including video, social media, telephony and messaging), contact centers, wireless communications and networking. The durations of our patents are determined by the laws of the country of issuance. For the U.S., patents may be 17 years from the date of issuance of the patent or 20 years from the date of its filing, depending upon when the patent application was filed. In addition, we hold numerous trademarks, both in the U.S. and in other countries. We also have licenses to intellectual property for the manufacture, use and sale of our products.

We will obtain patents and other intellectual property rights used in connection with our business when practicable and appropriate. Historically, we have done so organically or through commercial relationships as well as in connection with acquisitions.

Our intellectual property policy is to protect our products, technology and processes by asserting our intellectual property rights where appropriate and prudent. From time to time, assertions of infringement of certain patents or other intellectual property rights of others have been made against us. In addition, certain pending claims are in various stages of litigation. Based on industry practice, we believe that any licenses or other rights that might be necessary for us to continue with our current business could be obtained on commercially reasonable terms. However, we cannot be sure that any of those licenses or other rights will always be available on acceptable terms or that litigation will not occur. The failure to obtain necessary licenses or other rights, or litigation arising out of such claims, could adversely affect our business.

We are dependent on our intellectual property. If we are not able to protect our proprietary rights or if those rights are invalidated or circumvented, our business may be adversely affected. We may be subject to litigation and infringement claims, which could cause us to incur significant expenses or prevent us from selling our products or services. For more information concerning the risks related to patents, trademarks, and other intellectual property, please see "Risk Factors-Risks Associated with our Company."

Backlog

Due to our diverse products and services portfolio, including the large volume of products delivered from finished goods or channel partner inventories we believe that backlog information is not material to an understanding of our overall business.

Employees

As of September 30, 2015, we employed 11,701 employees, of which 11,610 were full-time employees (11,002 were non-represented employees and 608 were represented employees covered by collective bargaining agreements) and 91 were part-time non-represented employees. Of the 608 full-time employees covered by collective bargaining agreements as of September 30, 2015, 553 were in the United States, 41 were located in Latin America region and 14 were located in Canada.

Effective November 25, 2013 and January 31, 2014, the Company entered into a two-year contract extension with the Communications Workers of America and the International Brotherhood of Electrical Workers, respectively. With the extensions, the contract with each now terminates on June 13, 2016.

Environmental, Health and Safety Matters

We are subject to a wide range of governmental requirements relating to safety, health and environmental protection, including:

- certain provisions of environmental laws governing the cleanup of soil and groundwater contamination;
- various local, federal and international laws and regulations regarding the material content and electrical design of our products that require us to be financially responsible for the collection, treatment, recycling and disposal of those products; and
- various employee safety and health regulations that are imposed in various countries within which we operate.

For example, we are currently involved in several remediations at currently or formerly owned or leased sites, which we do not believe will have a material impact on our business or results of operations. Please see "Risk Factors-Risks Associated with Our Company-We may be adversely affected by environmental, health and safety, laws, regulations, costs and other liabilities" for a discussion of the potential impact such governmental requirements and climate change risks may have on our business.

Corporate Responsibility at Avaya

Avaya's Corporate Responsibility Program incorporates four key elements: Environment, Community, Marketplace and Workplace. For the Environment element, Avaya looks to implement environmental stewardship practices at our global locations. The element of Community represents Avaya working to positively impact society as a whole and supporting the communities where we are located. The Marketplace element includes engaging in fair and ethical business dealings with our customers, our partners and our supply chain. The Workplace element focuses on developing a desirable place to work for our employees across the globe.

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Item 1A. *Risk Factors*

You should carefully consider the following risk factors as well as the other information contained in this report, including but not limited to, the discussion under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations-Cautionary Note Regarding Forward Looking Statements." The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition or results of operations. Any of the following risks could materially and adversely affect our business, financial condition or results of operations.

Our degree of leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting obligations on our indebtedness.

The significant terms of our financing agreements can be found in Note 10, "Financing Arrangements," to our audited Consolidated Financial Statements. As of September 30, 2015, our total indebtedness was $6,042 million (excluding capital lease obligations). As of September 30, 2015, the Company had $3,284 million, $2,683 million, $55 million and $20 million of outstanding borrowings under Avaya Inc.'s senior secured credit facility ("Senior Secured Credit Agreement"), senior secured notes due April 1, 2019 (the "2019 senior secured notes") and the indenture governing our senior secured notes due March 1, 2021 (the "2021 senior secured notes" and, together with the 2019 senior secured notes, the "notes"), senior secured asset based revolving credit facility (the "Domestic ABL") and the senior secured foreign asset-based revolving credit facility (the "Foreign ABL"), respectively. The Company regularly evaluates market conditions, its liquidity profile, and various financing alternatives for opportunities to enhance its capital structure. If market conditions are favorable, we may refinance our existing debt or issue additional securities.

Our degree of leverage could have consequences, including:

- making it more difficult for us to make payments on our indebtedness;
- increasing our vulnerability to general economic and industry conditions;
- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, thereby reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- exposing us to the risk of increased interest rates as borrowings under our Domestic ABL, our Senior Secured Credit Agreement and certain foreign subsidiaries of our Foreign ABL are at variable rates of interest;
- limiting our ability to make strategic acquisitions;
- limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged.

We may not be able to generate sufficient cash to service all of our indebtedness and our other ongoing liquidity needs, and we may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

We expect to make payments of approximately $451 million during fiscal 2016 in principal and interest associated with long-term debt and interest associated with our revolving credit facilities and senior secured notes, although we may elect to make additional principal payments under certain circumstances. The expected payments are exclusive of repayments we have made or may make with respect to revolving debt under our revolving credit facilities. In the ordinary course of business, we may from time to time borrow and repay amounts under our revolving credit facilities to meet business needs.

Our ability to make scheduled payments on or to refinance our debt obligations and to fund our planned capital expenditures, acquisitions and other ongoing liquidity needs depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. There can be no assurance that we will maintain a level of cash flow from operating activities or that future borrowings will be available to us under any of our credit facilities or otherwise in an amount sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Our credit facilities and the indentures governing the notes restrict our ability and the ability of our restricted subsidiaries to dispose of assets and use the proceeds from the disposition. Accordingly, we may not be able to consummate those dispositions or to obtain any proceeds on terms acceptable to us or at all, and any such proceeds may not be adequate to meet any debt service obligations then due.

Our debt agreements contain restrictions that limit in certain respects our flexibility in operating our business.

Our credit facilities, the indentures governing the 2019 senior secured notes and the indenture governing the 2021 senior secured notes contain various covenants that limit our ability to engage in specific types of transactions. These covenants limit our ability and our restricted subsidiaries' ability to:

- incur or guarantee additional debt and issue or sell certain preferred stock;
- pay dividends on, redeem or repurchase our capital stock;
- make certain acquisitions or investments;
- incur or assume certain liens;
- enter into transactions with affiliates; and
- sell assets to, or merge or consolidate with, another company.

A breach of any of these covenants could result in a default under one or all of our credit facilities and/or the indentures governing the notes. In the event of any default under any of our credit facilities, the applicable lenders could elect to terminate borrowing commitments and declare all borrowings and loans outstanding, together with accrued and unpaid interest and any fees and other obligations, to be due and payable, which would be an event of default under the indentures governing the notes.

We have refinanced our and our subsidiaries' debt in the past but there is no assurance we will be able to refinance all or any portion of our or our subsidiaries' debt in the future. If we were unable to repay or otherwise refinance these borrowings and loans when due, the applicable secured lenders could proceed against the collateral granted to them to secure that indebtedness, which could force us into bankruptcy or liquidation. In the event our lenders accelerate the repayment of our or our subsidiaries' borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness.

The market opportunity for business collaboration products and services may not develop in the ways that we anticipate.

The demand for our products and services can change quickly and in ways that we may not anticipate because the market in which we operate is characterized by rapid, and sometimes disruptive, technological developments, evolving industry standards, frequent new product introductions and enhancements, changes in customer requirements and a limited ability to accurately forecast future customer orders. Our operating results may be adversely affected if the market opportunity for our products and services does not develop in the ways that we anticipate or if other technologies become more accepted or standard in our industry or disrupt our technology platforms.

Our strategy depends in part on our ability to rely on our indirect sales channel.

An important element of our go-to-market strategy to expand sales coverage and increase market absorption of new products is our global network of alliance partners, distributors, dealers, value-added resellers, telecommunications service providers and system integrators. Our financial results could be adversely affected if our relationships with channel partners were to deteriorate, if our support pricing or other services strategies conflict with those of our channel partners, if any of our competitors were to enter into strategic relationships with or acquire a significant channel partner, if channel partners do not become enabled to sell new products or if the financial condition of our channel partners were to weaken. In addition, we may expend time, money and other resources on developing and maintaining channel relationships that are ultimately unsuccessful. There can be no assurance that we will be successful in maintaining, expanding or developing relationships with channel partners. If we are not successful, we may lose sales opportunities, customers or market share. Although the terms of individual channel partner agreements may deviate from our standard program terms, our standard program agreements for resellers generally provide for a term of one year with automatic renewal for successive one year terms and generally may be terminated by either party for convenience upon 30 days prior written notice. Our standard program agreements for distributors generally may be terminated by either party for convenience upon 90 days prior written notice. Certain of our contractual agreements with our largest distributors and resellers, however, permit termination of the relationship by either party for convenience upon prior notice of 180 days. Our financial results could be adversely affected if our contracts with alliance partners were terminated. See "Our Business-Avaya Connect" for more information on our global business partner program and the standard terms of our program agreements.

We face formidable competition from providers of unified communications, contact center and networking products and related services; as these markets evolve, we expect competition to intensify and expand to include companies that do not currently compete directly against us.

Our unified communications products and services compete with companies such as Cisco, Microsoft, NEC, Unify, Alcatel-Lucent and Huawei, in the enterprise segment; with companies such as ShoreTel and Mitel, in the midmarket; and with companies such as Cisco Systems, Inc. ("Cisco"), Microsoft Corporation ("Microsoft"), NEC Corporation ("NEC"), Unify GmbH & Co. Kg ("Unify"), Alcatel-Lucent and Huawei Technologies Co., Ltd ("Huawei") in the enterprise segment; with companies such as NEC, ShoreTel, Inc. ("ShoreTel") and Mitel Networks Corp. ("Mitel") in the midmarket; and with companies such as Cisco, Broadsoft Inc. ("Broadsoft"), Microsoft, 8x8, Inc. ("8x8"), RingCentral, Inc. ("RingCentral"), ShoreTel and Mitel in cloud products and services. Our video products and services compete with companies such as Cisco, Polycom Inc., Huawei, ZTE Corporation ("ZTE"), Vidyo, Blue Jeans and LifeSize (now a division of Logitech International S.A.).

Our contact center products and services compete with companies such as Genesys Telecommunications Laboratories, Inc. ("Genesys"), Cisco, Huawei, Enghouse Interactive ("Enghouse") and Mitel in the enterprise segment and with companies such as Cisco, Genesys, Enghouse and Interactive Intelligence, Inc. or Interactive Intelligence, in the midmarket and cloud products and services.

Our networking products and services compete with companies such as Cisco, Hewlett-Packard Enterprise Company ("HP", formerly Hewlett-Packard Company), Huawei, Dell Inc. ("Dell") and Juniper Networks, Inc. ("Juniper") primarily with respect to L2/L3 ethernet switching.

We face competition in certain geographies with companies that have a particular strength and focus in these regions, such as Huawei and ZTE in China, Intelbras in Latin America and Panasonic in Asia.

While we believe our global, in-house end-to-end services organization provides us with a competitive advantage, we face competition from companies like those above offering services, either directly or indirectly through their channel partners, with respect to their own product offerings, as well as many value-added resellers, consulting and systems integration firms and network service providers.

In addition, because the business collaboration market continues to evolve and technology continues to develop rapidly, we may face competition in the future from companies that do not currently compete against us, but whose current business activities may bring them into competition with us in the future. In particular, this may be the case as business, information technology and communications applications deployed on converged networks become more integrated to support business collaboration. We may face increased competition from current leaders in information technology infrastructure, information technology, consumer products, personal and business applications and the software that connects the network infrastructure to those applications. With respect to services, we may also face competition from companies that seek to sell remotely hosted services or software as a service directly to the end customer. Competition from these potential market entrants may take many forms, including offering products and applications similar to those we offer as part of another offering. In addition, these technologies continue to move from a proprietary environment to an open standards-based environment.

Several of our existing competitors have, and many of our future competitors may have, greater financial, personnel, technical, research and development and other resources, more well-established brands or reputations and broader customer bases than we do and, as a result, these competitors may be in a stronger position to respond quickly to potential acquisitions and other market opportunities, new or emerging technologies and changes in customer requirements. Some of these competitors may have customer bases that are more geographically balanced than ours and, therefore, may be less affected by an economic downturn in a particular region. Other competitors may have deeper expertise in a particular stand-alone technology that develops more quickly than we anticipate. Competitors with greater resources also may be able to offer lower prices, additional products or services or other incentives that we cannot match or do not offer. Industry consolidations may also create competitors with broader and more geographic coverage and the ability to reach enterprises through communications service providers. Existing customers of data networking companies that compete against us may be inclined to purchase enterprise communications products and services from their current data networking or software vendors rather than from us. Also, as communications and data networks converge, we may face competition from systems integrators that traditionally have been focused on data network integration.

We cannot predict which competitors may enter our markets in the future, what form such competition may take or whether we will be able to respond effectively to the entry of new competitors into competition with us or the rapid evolution in technology and product development that has characterized our businesses. In addition, in order to effectively compete with any new market entrant, we may need to make additional investments in our business, use more capital resources than our business currently requires or reduce prices, any of which may materially and adversely affect our profitability.

Our products and services may fail to keep pace with rapidly changing technology and evolving industry standards.

The market in which we operate is characterized by rapid, and sometimes disruptive, technological developments, evolving industry standards, frequent new product introductions and enhancements and changes in customer requirements. In addition, both traditional and new competitors are investing heavily in this market and competing for customers. As next-generation business collaboration technology continues to evolve, we must keep pace in order to maintain or expand our market leading position. We recently introduced a significant number of new product offerings and are increasingly focused on new, high value software products, as a revenue driver. If we are not able to successfully develop and bring these new products to market in a timely manner, achieve market acceptance of our products and services or identify new market opportunities for our products and services, our business and results of operations may be materially and adversely affected.

Fluctuations in foreign currency exchange rates could negatively impact our operating results

We are a global company with significant international operations and transact business in many currencies. As such, we are potentially exposed to adverse as well as beneficial movements in foreign currency exchange rates. The majority of our revenues and expenses are denominated in U.S. dollars. However, we are exposed to foreign currency exchange rate fluctuations related to certain revenues and expenses denominated in foreign currencies. Our primary currency exposures relate to net operating expenses denominated in euro, Indian rupee, British pound, Mexican peso and Chinese yuan. These exposures may change over time as business practices evolve and the geographic mix of our business changes. From time to time, we enter into foreign exchange forward contracts to hedge fluctuations associated with certain monetary assets and liabilities, primarily accounts receivable, accounts payable and certain intercompany obligations. However any attempts to hedge against foreign currency exchange rate fluctuation risk may be unsuccessful and result in an adverse impact to our operating results.

As our business and operations relationships have expanded globally, certain operational and logistical challenges as well as changes in economic or political conditions and natural disasters, in a specific country or region, could negatively affect our revenue, costs, expenses and financial condition or those of our channel partners and distributors.

We conduct significant sales and customer support operations and significant amounts of our research and development activities in countries outside of the U.S. and also depend on non-U.S. operations of our contract manufacturers and our channel partners. For fiscal 2015 we derived 46% of our revenue from sales outside of the U.S. The vast majority of our contract manufacturing also takes place outside the U.S., primarily in southern China. The transition of even a portion of our operations or functions to a foreign country involves a number of logistical and technical challenges, including:

- challenges in effectively managing operations in jurisdictions with lower cost structures as a result of several factors, including time zone differences and regulatory, legal, employment, cultural and logistical issues;
- the potential negative impact on our existing employees as a result of the relocation of workforce resources;
- an inability to predict the extent of local government support;
- the availability of qualified workers and the level of competition in offshore markets for qualified employees, including skilled design and technical employees, as companies expand their operations offshore; and
- future political, monetary and economic conditions in any specific offshore location.

If we are unable to effectively manage our offshore operations, we may be unable to produce the expected cost savings from any shifts of operations to offshore jurisdictions and our business and results of operations could be adversely affected.

In addition, our future operating results, including our ability to import our products from, export our products to, or sell our products in, various countries, could be adversely affected by a variety of uncontrollable and changing factors such as political conditions, economic conditions including trade sanctions, legal and regulatory constraints, protectionist and local security legislation, difficulty in enforcing intellectual property rights such as against counterfeiting of our products, relationships with employees and works councils, unfavorable tax and currency regulations, health pandemics or similar issues, natural disasters and other matters in any of the countries or regions in which we and our contract manufacturers and business partners currently operate or intend to operate in the future, including in the U.S. Our corporate headquarters is located in the Silicon Valley area of California, a seismically active region, and a significant natural disaster, such as an earthquake, a hurricane or a flood, in that area of California or elsewhere where we and/or our channel partners and distributors have business operations could cause delays in completing sales, providing services or performing other critical functions. The various risks inherent in doing business in the U.S. generally also exist when doing business outside of the U.S., and may be exaggerated by the difficulty of doing business in numerous sovereign jurisdictions due to differences in culture, laws and regulations. Furthermore, our prospective effective tax rate could be adversely affected by, among others, changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of our deferred tax assets and liabilities or changes in tax laws, regulations, accounting principles, or interpretations thereof.

Our revenues are dependent on general economic conditions and the willingness of enterprises to invest in technology.

We believe that enterprises continue to be cautious about sustained economic growth and have tried to maintain or improve profitability through cost control and constrained spending. That may include delaying or rejecting capital projects, including with respect to the implementation of our products and services. In addition, we believe there is a growing market trend around Cloud consumption preferences with more customers exploring operating expense models as opposed to capital expense models for procuring technology. We believe the market trend toward Cloud models will continue as customers seek ways of reducing their overhead and other costs. In addition, the instability in the geopolitical environment in many parts of the world and other disruptions may continue to put pressure on global economic unrest and on political or social conditions. All of the foregoing may result in continued pressure on our ability to increase our revenue as well as create competitive pricing pressures and price erosion. If these or other conditions limit our ability to grow revenue or cause our revenue to decline our operating results may be materially and adversely affected. In addition, in the past a portion of our revenues which come from the U.S. federal government sector were impacted because of government shutdowns. In the event of future shutdowns or uncertainties, there can be no assurance that that portion of our revenues will not be impacted.

Our quarterly and annual revenues and operating results have historically fluctuated and the results of one period may not provide a reliable indicator of our future performance.

Our quarterly and annual revenues and operating results have historically fluctuated and are not necessarily indicative of results to be expected in future periods. Fluctuations in our financial results from period to period are caused by many factors, including, but not limited to, the size and timing of individual orders; changes in foreign currency exchange rates; the mix of products sold by us; and general economic conditions.

Also it is difficult to predict our revenue for a particular quarter, especially in light of the growing demand for IT purchases under a usage-based operating expense model instead of a capital expense model and the increasing proportion of our revenue coming from software and services. Both of these trends delay the timing of our revenue recognition. In addition, execution of sales opportunities sometimes traverses from the intended fiscal quarter to the next. Moreover, our efforts to address the challenges facing our business could increase the level of variability in our financial results because the rate at which we are able to realize the benefits from those efforts may vary from period to period.

In addition, we experience some seasonal trends in the sale of our products that also may produce variations in quarterly results and financial condition. Typically, our third fiscal quarter is our weakest and our fourth fiscal quarter is our strongest. Many of the factors that create and affect seasonal trends are beyond our control.

We are dependent on our intellectual property. If we are not able to protect our proprietary rights or if those rights are invalidated or circumvented, our business may be adversely affected.

As a leader in technology and innovation in business collaboration and communications, we generally protect our intellectual property through patents, trademarks, trade secrets, copyrights, confidentiality and nondisclosure agreements and other measures. There can be no assurance that patents will be issued from pending applications that we have filed or that our patents will be sufficient to protect our key technology from misappropriation or falling into the public domain, nor can assurances be made that any of our patents, patent applications, trademarks or our other intellectual property or proprietary rights will not be challenged, invalidated or circumvented. For example, our business is global and the level of protection of our proprietary technology will vary by country, particularly in countries that do not have well developed judicial systems or laws that adequately protect intellectual property rights. Patent litigation and other challenges to our patents and other proprietary rights are costly and unpredictable and may prevent us from marketing and selling a product in a particular geographic area. If we are unable to protect our proprietary rights, we may be at a disadvantage to others who did not incur the substantial time and expense we incurred to create our products.

Certain software we use is from open source code sources, which, under certain circumstances, may lead to unintended consequences and, therefore, could materially adversely affect our business, financial condition, operating results and cash flow.

Some of our products contain software from open source code sources. The use of such open source code may subject us to certain conditions, including the obligation to offer our products that use open source code to third parties for no cost. We monitor our use of such open source code to avoid subjecting our products to conditions we do not intend. However, the use of such open source code may ultimately subject some of our products to unintended conditions, which could require us to take remedial action that may divert resources away from our development efforts and, therefore, could materially adversely affect our business, financial condition, operating results and cash flow.

If we fail to retain or attract key employees, our business may be harmed.

The success of our business depends on the skill, experience and dedication of our employee base. If we are unable to retain and recruit sufficiently experienced and capable employees, especially in the key areas of product development, sales, services and management, our business and financial results may suffer. Experienced and capable employees in the technology industry remain in high demand, and there is continual competition for their talents. In addition, talented employees may choose to leave the Company because of our cost reduction initiatives. When talented employees leave, we may have difficulty replacing them and our business may suffer. While we strive to maintain our competitiveness in the marketplace, there can be no assurance that we will be able to successfully retain and attract the employees that we need to achieve our business objectives.

We rely on third-party contract manufacturers and component suppliers, as well as warehousing and distribution logistics providers.

We have outsourced substantially all of our manufacturing operations to several contract manufacturers. Our contract manufacturers produce the vast majority of products in facilities located in southern China, with other products manufactured in facilities located in Israel, Mexico, Malaysia, Taiwan, United Kingdom, Ireland and the U.S. All manufacturing of our products is performed in accordance with detailed specifications and product designs furnished or approved by us and is subject to rigorous quality control standards. We periodically review our product manufacturing operations and consider changes we believe may be necessary or appropriate. Although we closely manage the transition process when manufacturing changes are required, we could experience disruption to our operations during any such transition. Any such disruption could negatively affect our reputation and our results of operations. We also purchase certain hardware components and license certain software components and resell them separately or as part of our products under the Avaya brand. In some cases, certain components are available only from a single source or from a limited source of suppliers. Delays or shortages associated with these components could cause significant disruption to our operations. We have also outsourced substantially all of our warehousing and distribution logistics operations to several providers of such services on a global basis, and any delays or material changes in such services could cause significant disruption to our operations.

If we are unable to integrate acquired businesses into ours effectively, our operating results may be adversely affected.

From time to time, we seek to expand our business through acquisitions. We may not be able to successfully integrate acquired businesses and, where desired, their product portfolios, into ours, and therefore we may not be able to realize the intended benefits from an acquisition. If we fail to successfully integrate acquisitions, or product portfolios, or if they fail to perform as we anticipate, our existing businesses and our revenue and operating results could be adversely affected. If the due diligence of the operations of acquired businesses performed by us and by third parties on our behalf is inadequate or flawed, or if we later discover unforeseen financial or business liabilities, acquired businesses and their assets may not perform as expected. Additionally, acquisitions could result in difficulties assimilating acquired operations and, where deemed desirable, transitioning overlapping products to be a single product line and the diversion of capital and management's attention away from other business issues and opportunities. We may fail to retain employees acquired through acquisitions, which may negatively impact the integration efforts. For all the reasons set forth above, the failure to integrate acquired businesses effectively may adversely impact Avaya's business, results of operations or financial condition.

We may be subject to litigation and infringement claims, which could cause us to incur significant expenses or prevent us from selling our products or services.

From time to time, we receive notices and claims from third parties asserting that our proprietary or licensed products, systems and software infringe their intellectual property rights. There can be no assurance that the number of these notices and claims will not increase in the future or that we do not in fact infringe those intellectual property rights. Irrespective of the merits of these claims, any resulting litigation could be costly and time consuming and could divert the attention of management and key personnel from other business issues. The complexity of the technology involved and the uncertainty of intellectual property litigation increase these risks. These matters may result in any number of outcomes for us, including entering into licensing agreements, redesigning our products to avoid infringement, being enjoined from selling products that are found to infringe, paying damages if products are found to infringe and indemnifying customers from infringement claims as part of our contractual obligations. Royalty or license agreements may be very costly and we may be unable to obtain royalty or license agreements on terms acceptable to us or at all. Such agreements may cause operating margins to decline. In addition, some of our employees previously have been employed at other companies that provide similar products and services. We may be subject to claims that these employees or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. These claims and other successful claims of patent or other intellectual property infringement against us could materially adversely affect our operating results. We have made and will likely continue to make investments to license and/or acquire the use of third-party intellectual property rights and technology as part of our strategy to manage this risk, but there can be no assurance that we will be successful or that any costs relating to such activity will not be material. We may also be subject to additional notice, attribution and other compliance requirements to the extent we incorporate open source software into our applications. In addition, third parties have claimed, and may in the future claim, that a customer's use of our products, systems or software infringes the third party's intellectual property rights. Under certain circumstances, we may be required to indemnify our customers for some of the costs and damages related to such an infringement claim. Any indemnification requirement could have a material adverse effect on our business and our operating results. See Note 19, "Commitments and Contingencies," to our audited Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for a description of certain legal proceedings regarding intellectual property.

The Company could be subject to changes in its tax rates, the adoption of new U.S. or international tax legislation or exposure to additional tax liabilities.

The Company is subject to taxes in the U.S. and numerous foreign jurisdictions where a number of the Company’s subsidiaries are organized. Due to economic and political conditions, tax rates in various jurisdictions including the U.S. may be subject to significant change. The Company’s future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, and changes in tax laws or their interpretation, such as interpretations as to the legality of tax advantages granted under the European Union ("EU") state aid rules. The Company is also subject to the examination of its tax returns and other tax matters by the Internal Revenue Service and other tax authorities and governmental bodies. The Company regularly assesses the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of its provision for taxes. There can be no assurance as to the outcome of these examinations. If the Company’s effective tax rates were to increase, or if the ultimate determination of the Company’s taxes owed is for an amount in excess of amounts previously accrued, the Company’s operating results, cash flows, and financial condition could be adversely affected.

A breach of the security of our information systems, products or services or of the information systems of our third party providers could adversely affect our operating results.

We rely on the security of our information systems and, in certain circumstances, those of our third party providers, such as vendors, consultants and contract manufacturers, to protect our proprietary information and information of our customers. In addition, the growth of BYOD programs has heightened the need for enhanced security measures. Information technology system failures, including a breach of our or our third party providers' data security, could disrupt our ability to function in the normal course of business by potentially causing, among other things, delays in the fulfillment or cancellation of customer orders, disruptions in the manufacture or shipment of products or, delivery of services or an unintentional disclosure of customer, employee or our information. Additionally, despite our security procedures or those of our third party providers, information systems and our products and services may be vulnerable to threats such as computer hacking, cyber-terrorism or other unauthorized attempts by third parties to access, modify or delete our or our customers' proprietary information. Any such breach could have a material adverse effect on our operating results and our reputation as a provider of mission critical business collaboration and communications products and services and could cause irreparable damage to us or our systems regardless of whether we or our third party providers are able to adequately recover critical systems following a systems failure.

We may be adversely affected by environmental, health and safety, laws, regulations, costs and other liabilities.

We are subject to a wide range of governmental requirements relating to safety, health and environmental protection. If we violate or fail to comply with these requirements, we could be fined or otherwise sanctioned by regulators, lose customers and damage our reputation, which could have an adverse effect on our business. We are subject to environmental laws governing the cleanup of soil and groundwater contamination that may impose joint and several liability for the costs of investigating and remediating releases of regulated materials at currently or formerly owned or operated sites and at third-party waste disposal sites. We are also subject to various local, federal and international laws and regulations regarding the material content and electrical design of our products that require us to be financially responsible for the collection, treatment, recycling and disposal of those products. For example, the EU has adopted the Restriction on Hazardous Substances ("RoHS") and Waste Electrical and Electronic Equipment ("WEEE Directive") with similar laws and regulations being enacted in other regions. Effective in May 2014, the United States requires companies to begin publicly disclosing their use of conflict minerals that originated in the Democratic Republic of the Congo ("DRC") or an adjoining country. Additionally, requirements such as the EU Energy Using Product ("EuP Directive") are being imposed to address the operating characteristics of our products. Our failure or the undetected failure of our supply chain to comply with existing or future environmental, health and safety requirements could subject us to liabilities exceeding our reserves or adversely affect our business, results of operations or financial condition.

In addition, a number of climate change regulations and initiatives are either in force or pending at the local, federal and international levels. Our operations and our supply chain could face increased climate change-related regulations, modifications to transportation to meet lower emission requirements and changes to types of materials used for products and packaging to reduce emissions, increased utility costs to address cleaner energy technologies, increased costs related to severe weather events, and emissions reductions associated with operations, business travel or products. These yet-to-be defined costs and changes to operations could have a financial impact on our business.

Business collaboration products are complex, and design defects, errors, failures or "bugs" may be difficult to detect and correct.

Business collaboration products are complex, integrating hardware, software and many elements of a customer's existing network and communications infrastructure. Despite testing conducted prior to the release of products to the market and quality assurance programs, hardware may malfunction and software may contain "bugs" that are difficult to detect and fix. Any such issues could interfere with the expected operation of a product, which might negatively impact customer satisfaction, reduce sales opportunities or affect gross margins.

Depending upon the size and scope of any such issue, remediation may have a material impact on our business. Our inability to cure an application or product defect, should one occur, could result in the failure of an application or product line, the temporary or permanent withdrawal from an application, product or market, damage to our reputation, inventory costs, an increase in warranty claims, lawsuits by customers or customers' or channel partners' end users, or application or product reengineering expenses. Our insurance may not cover or may be insufficient to cover claims that are successfully asserted against us.

Pension and postretirement healthcare and life insurance liabilities could impair our liquidity or financial condition.

We sponsor non-contributory defined benefit pension plans covering a portion of our U.S. employees and retirees, and postretirement benefit plans for a portion of our U.S. retirees that include healthcare benefits and life insurance coverage. We froze benefit accruals and additional participation in our plans for our U.S. management employees effective December 31, 2003. We also subsequently amended the postretirement benefit plan for U.S. management employees as follows: effective January 1, 2013, to terminate retiree dental coverage and to cease providing medical and prescription drug coverage to a retiree, dependent, or lawful spouse who has attained age 65; effective January 1, 2015, to reduce our maximum contribution toward the cost of providing benefits under the plan; and effective January 1, 2016, to replace coverage through our group plan with coverage through the private insurance marketplace. Certain of our non-U.S. operations also have various retirement benefit programs covering substantially all of their employees. Some of these programs are considered to be defined benefit pension plans for accounting purposes. If one or more of our U.S. pension plans were to be terminated without being fully funded on a termination basis, the Pension Benefit Guaranty Corporation ("PBGC") could obtain a lien on our assets for the amount of our liability, which would result in an event of default under each of our credit facilities. As a result, any such liens would have a material adverse effect on the Company, including our liquidity and financing arrangements. The measurement of our obligations, costs and liabilities associated with benefits pursuant to our pension and postretirement benefit plans requires that we estimate the present value of projected future payments to all participants, including assumptions related to discount rates, investment returns on designated plan assets, health care cost trends, and demographic experience. If future economic or demographic trends and results are different from our assumptions, then our obligations and cash flow requirements could be higher than we currently estimate. If our cash flows and capital resources are insufficient to meet required minimal funding of our defined benefit plans or to fund our other pension or postretirement healthcare and life insurance obligations, or if we are required or elect to fund any material portion of these obligations now or in the future, we could be forced to reduce or delay investments and capital expenditures, seek additional capital, or restructure or refinance our indebtedness. In addition, if our operating results and available cash are insufficient to meet our pension or postretirement healthcare and life insurance obligations, we could face substantial liquidity problems and may be required to dispose of material assets or operations in order to meet our obligations. We may not be able to consummate those dispositions or to obtain any proceeds on terms acceptable to us or at all, and any such proceeds may not be adequate to meet any such obligations then due. The PBGC has the authority under certain circumstances to petition a court to terminate an underfunded pension plan upon the occurrence of an event with respect to which the PBGC determines that the possible long-term loss of the PBGC with respect to the plan may reasonably be expected to increase unreasonably if the plan is not terminated. If our U.S. defined benefit pension plans were to be terminated, we would incur a liability to the plans or the PBGC equal to the amount by which the liabilities of the plans, calculated on a termination basis, exceed the assets of the plans, which amount would likely exceed the amount that we have estimated to be the underfunded amount as of September 30, 2015.

See Note 14, "Benefit Obligations," to our audited Consolidated Financial Statements for further details on our pension and postretirement benefit plans, including funding status.

We may incur liabilities as a result of our obligation to indemnify, and to share certain liabilities with, Lucent Technologies Inc. ("Lucent") in connection with our spin-off from Lucent in September 2000.

Pursuant to the Contribution and Distribution Agreement between us and Lucent, a predecessor to Alcatel-Lucent, Lucent contributed to us substantially all of the assets, liabilities and operations associated with its enterprise networking businesses and distributed all of the outstanding shares of our common stock to its stockholders. The Contribution and Distribution Agreement, among other things, provides that, in general, we will indemnify Lucent for all liabilities including certain pre-distribution tax obligations of Lucent relating to our businesses and all contingent liabilities accruing pre-distribution primarily relating to our businesses or otherwise assigned to us. In addition, the Contribution and Distribution Agreement provides that certain contingent liabilities not directly identifiable with one of the parties accruing pre-distribution will be shared in the proportion of 90% by Lucent and 10% by us. The Contribution and Distribution Agreement also provides that contingent liabilities accruing pre-distribution in excess of $50 million that are primarily related to Lucent's businesses shall be borne 90% by Lucent and 10% us and contingent liabilities accruing pre-distribution in excess of $50 million that are primarily related to our businesses shall be borne equally by the parties. See Note 19, "Commitments and Contingencies," to our audited

Consolidated Financial Statements for a description of certain matters involving Lucent for which we have assumed responsibility under the Contribution and Distribution Agreement. We cannot assure you that Lucent will not submit a claim for indemnification or cost sharing to us in connection with any future matter. In addition, our ability to assess the impact of matters for which we may have to indemnify or share the cost with Lucent is made more difficult by the fact that we do not control the defense of these matters.

In addition, in connection with the distribution, we and Lucent entered into a Tax Sharing Agreement that governs the parties' respective rights, responsibilities and obligations after the distribution with respect to taxes for the periods ending on or before the distribution. Generally, pre-distribution taxes that are clearly attributable to the business of one party will be borne solely by that party, and other pre-distribution taxes will be shared by the parties based on a formula set forth in the Tax Sharing Agreement. Costs borne by Avaya under the Tax Sharing Agreement could have an adverse impact on our business, results of operations or financial condition.

We may not realize the benefits we expect from our cost-reduction initiatives.

As discussed in “Management’s Discussion & Analysis of Financial Condition and Results of Operations-Continued Focus on Cost Structure,” we have initiated costs savings programs designed to streamline operations and we continue to evaluate additional similar opportunities. These types of cost-reduction activities are complex. Even if we carry out these strategies in the manner we expect, we may not be able to achieve the efficiencies or savings we anticipate, or on the timetable we anticipate, and any expected efficiencies and benefits might be delayed or not realized, and our operations and business could be disrupted. Our ability to realize the gross margin improvements and other efficiencies expected to result from these initiatives is subject to many risks, including delays in the anticipated timing of activities related to these initiatives, lack of sustainability in cost savings over time and unexpected costs associated with operating our business, our success in reinvesting the savings arising from these initiatives, time required to complete planned actions, absence of material issues associated with workforce reductions and avoidance of unexpected disruptions in service. A failure to implement our initiatives or realize expected benefits could have an adverse effect on our financial condition that could be material.

There are inherent limitations on the effectiveness of our controls and related risks associated with acquisitions.

An effective internal control environment is necessary to enable us to produce reliable financial reports and is an important part of our efforts to prevent financial fraud. However, we do not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well-designed and operated, is designed to reduce rather than eliminate financial statement risk. There are inherent limitations on the effectiveness of internal controls, including collusion, management override, and failure in human judgment. A control system can provide only reasonable, not absolute, assurance of achieving the desired control objectives and the design of a control system must reflect the fact that resource constraints exist. Accordingly, the benefits of controls must be considered relative to their costs. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Furthermore, projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate due to changes in conditions or deterioration in the degree of compliance with policies or procedures. If our controls become inadequate, we could fail to meet our financial reporting obligations, our reputation may be adversely affected and our business and operating results could be harmed.

Moreover, following any acquisition, we may experience delays in implementing or be unable to implement the required internal financial reporting controls and procedures, which could result in enforcement actions, the assessment of penalties and civil suits, failure to meet reporting obligations and other material and adverse events that could have a negative effect on us. If addition, if material weaknesses in our internal control are identified or we acquire companies with a material weakness, we could be subject to regulatory scrutiny and a loss of public confidence.

Despite our level of indebtedness, we and our subsidiaries may be able to incur additional indebtedness. This could further exacerbate the risks associated with our degree of leverage.

We and our subsidiaries may be able to incur additional indebtedness in the future. Although the credit facilities and the indentures governing the notes contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and any indebtedness incurred in compliance with these restrictions could be substantial. To the extent new debt is added to our and our subsidiaries' currently anticipated debt levels, the related risks that we and our subsidiaries face could intensify.

The claims of holders of our notes to assets of any non-guarantor subsidiary are structurally subordinated to all of the creditors of that subsidiary which may affect our ability to pay principal and interest on our notes.

We rely upon dividends and other payments from our subsidiaries to generate a significant portion of the funds necessary to meet our obligations. Our subsidiaries are separate and distinct legal entities and, in general, our foreign subsidiaries, unrestricted subsidiaries, non-wholly owned subsidiaries and other subsidiaries that do not borrow or guarantee our indebtedness under our credit facilities are not required to guarantee our notes. Accordingly, claims of holders of the notes are structurally subordinated to the claims of creditors of these non-guarantor subsidiaries, including trade creditors. This means that the creditors of the non-guarantor subsidiaries have priority in their claims on the assets of such subsidiaries over the creditors of us, including the holders of the notes.

If we default on our obligations to pay our indebtedness, we may not be able to make payments on one or more series of our notes.

Any default under the agreements governing our indebtedness, including a default under any of our credit facilities, that is not waived by the required lenders, or a default under any of the indentures governing our notes and the remedies sought by the holders of such indebtedness, could prevent us from paying principal, premium, if any, and interest on each series of our notes and substantially decrease the market value of such notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under our credit facilities could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If we breach our covenants under any of our credit facilities and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under our credit facilities, the lenders could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation.

We may not be able to repurchase our notes upon a change of control.

Upon the occurrence of specific kinds of change of control events, we will be required to offer to repurchase all of our outstanding notes at 101% of their principal amount plus accrued and unpaid interest. The source of funds for any such purchase of the notes will be our available cash or cash generated from our operations or other sources, including borrowings, sales of assets or sales of equity. We may not be able to repurchase the notes upon a change of control because we may not have sufficient financial resources to purchase all of the notes that are tendered upon a change of control. Further, we may be contractually restricted under the terms of our credit facilities from repurchasing all of the notes tendered by holders upon a change of control. Accordingly, we may not be able to satisfy our obligations to purchase the notes unless we are able to refinance or obtain waivers under our credit facilities. Our failure to repurchase one or more series of notes upon a change of control would cause a default under the indenture governing such notes and a cross default under our credit facilities and the indentures governing other series of notes. The credit facilities also provide that a change of control will be a default that permits lenders to accelerate the maturity of borrowings and loans thereunder. Any of our future debt agreements may contain similar provisions.

Federal and state fraudulent transfer laws may permit a court to void or limit the amount payable under our notes or the related guarantees, and, if that occurs, a holder of our notes may receive limited or no payments on the notes and guarantees affected.

Federal and state fraudulent transfer and conveyance statutes may apply to the issuance of our notes and the incurrence of the related guarantees. Under federal bankruptcy law and comparable provisions of state fraudulent transfer or conveyance laws, which may vary from state to state, the notes or guarantees could be voided as a fraudulent transfer or conveyance if (1) we or any of the guarantors, as applicable, issued the notes or incurred the guarantees with the intent of hindering, delaying or defrauding creditors or (2) we or any of the guarantors, as applicable, received less than reasonably equivalent value or fair consideration in return for either issuing the notes or incurring the guarantees and, in the case of (2) only, one of the following is also true at the time thereof:

- we or any of the guarantors, as applicable, were insolvent or rendered insolvent by reason of the issuance of the notes or the incurrence of the guarantees;
- the issuance of the notes or the incurrence of the guarantees left us or any of the guarantors, as applicable, with an unreasonably small amount of capital to carry on the business;
- we or any of the guarantors intended to, or believed that we or such guarantor would, incur debts beyond our or such guarantor's ability to pay as they mature; or
- we or any of the guarantors were a defendant in an action for money damages, or had a judgment for money damages docketed against us or such guarantor if, in either case, after final judgment, the judgment is unsatisfied.

If a court were to find that the issuance of the notes or the incurrence of the guarantees was a fraudulent transfer or conveyance, the court could void the payment obligations under the notes or such guarantee or limit the amount of payment or subordinate the notes or such guarantee to presently existing and future indebtedness of ours or of the related guarantor, or require the holders of the notes to repay any amounts received. In the event of a finding that a fraudulent transfer or conveyance occurred, a holder of our notes may not receive any payment on the notes. As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or an antecedent debt is secured or satisfied. Under applicable law, a court may determine that a debtor has not received value in connection with a debt offering if the debtor uses the proceeds of that offering to make a dividend payment or otherwise retire or redeem equity securities issued by the debtor. We cannot be certain as to the standards a court would use to determine whether or not we or the guarantors were solvent at the relevant time or, regardless of the standard that a court uses, that the notes or the guarantees would not be voided, limited in amount or subordinated to our or any of our guarantors' other debt.

We are controlled by Silver Lake Partners and TPG Capital, whose interests may not be aligned with a holder of our notes.

Avaya is a wholly owned subsidiary of Avaya Holdings Corp., a Delaware corporation ("Parent"). Parent was formed by affiliates of two private equity firms, Silver Lake Partners ("Silver Lake") and TPG Capital ("TPG") (collectively, the "Sponsors"). Silver Lake and TPG, through Parent, acquired Avaya in a transaction that was completed on October 26, 2007 (the "Merger"). See discussion in Note 1, "Background and Basis of Presentation - Merger," to our audited Consolidated Financial Statements.

The Sponsors and their affiliated funds own a majority of the outstanding equity securities of our Parent. In addition, the Sponsors control substantially all of the voting power of our outstanding equity securities and therefore ultimately control all of our affairs and policies, including the election of our Board of Directors, the approval of certain actions such as amending our charter, commencing bankruptcy proceedings and taking certain corporate actions (including, without limitation, incurring debt, issuing stock, selling assets and engaging in mergers and acquisitions) and appointing members of our management. Circumstances may occur in which the interests of the Sponsors could be in conflict with a holder of our notes. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, the Sponsors might pursue strategies that favor equity investors. The Sponsors may also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, even though such transactions might involve risks to a holder of our notes. Additionally, the Sponsors are not prohibited from making investments in any of our competitors.

The secured indebtedness under our Domestic ABL and Foreign ABL will be effectively senior to our notes to the extent of the value of the collateral securing such facilities on a first-priority basis and the secured indebtedness under our Senior Secured Credit Agreement will be effectively senior to our notes to the extent of the value of the real estate securing such facility.

Our Domestic ABL and Foreign ABL have a first priority lien in certain of our personal property and that of the subsidiary guarantors, with certain exceptions. Our Senior Secured Credit Agreement and our notes have a second priority lien in that property. The indentures governing the notes permit us to incur additional indebtedness secured on a first-priority basis by such property in the future. The first priority liens in the collateral securing indebtedness under our Domestic ABL, Foreign ABL and any such future indebtedness will be higher in priority as to such collateral than the security interests securing our notes and the guarantees thereof. Holders of the indebtedness under our Domestic ABL, Foreign ABL and any other indebtedness secured by higher priority liens on such collateral will be entitled to receive proceeds from the realization of value of such collateral to repay such indebtedness in full before a holder of the notes will be entitled to any recovery from such collateral. As a result, holders of our notes will only be entitled to receive proceeds from the realization of value of assets securing our Domestic ABL and Foreign ABL on a higher priority basis after all indebtedness and other obligations under our Domestic ABL, Foreign ABL and any other obligations secured by higher priority liens on such assets are repaid in full. Our notes will be effectively junior in right of payment to indebtedness under our Domestic ABL, Foreign ABL and any other indebtedness secured by higher priority liens on such collateral to the extent of the realizable value of such collateral.

Our Senior Secured Credit Agreement has a first priority lien in certain of our real estate and that of the subsidiary guarantors, with certain exceptions. Our Domestic ABL and Foreign ABL have a second priority lien in that property. The indentures governing our senior secured notes permit us to incur additional indebtedness secured on a first-priority basis by such property in the future. Our senior secured notes and the guarantees thereof are not secured by a lien on such property. Holders of the indebtedness under our senior credit facility and any other indebtedness secured by liens on such collateral will be entitled to receive proceeds from the realization of value of such collateral to repay such indebtedness in full before a holder of our senior secured notes will be entitled to any recovery from such collateral. As a result, holders of our senior secured notes will only be entitled to receive proceeds from the realization of value of such collateral after all indebtedness and other obligations secured by liens on such assets are repaid in full. Our senior secured notes will be effectively junior in right of payment to indebtedness under our Senior Secured Credit Agreement and any other indebtedness secured by higher priority liens on such collateral to the extent of the realizable value of such collateral.

The right of holders of our 2019 senior secured notes to receive proceeds from the sale of collateral securing our 2019 senior secured notes will be pari passu with (and junior with respect to real estate collateral to) the claims of lenders and counterparties under our Senior Secured Credit Agreement and certain future indebtedness.

The loans under our Senior Secured Credit Agreement and our 2019 senior secured notes are, and certain future indebtedness may be, secured on a pari passu basis by the same collateral consisting of a first priority perfected lien and security interest in substantially all of our and the guarantors' assets (except for cash, accounts, accounts receivable, deposit accounts, securities accounts, chattel paper, inventory and proceeds thereof, as to which the 2019 senior secured notes and the Senior Secured Credit Agreement will be secured by a second priority lien and except for real estate, as to which the 2019 senior secured notes will not be secured), subject to certain exceptions. As a result, holders of our 2019 senior secured notes will receive distributions from any foreclosure proceeds of any of our and the guarantors' assets constituting collateral (other than real estate) for the 2019 senior secured notes on a pro rata basis with the lenders under our Senior Secured Credit Agreement and certain future indebtedness and holders of our 2019 senior secured notes will only be entitled to receive proceeds from the realization of value of real estate collateral after all indebtedness and other obligations secured by liens on such assets are repaid in full.

The right of holders of our 2021 senior secured notes to receive proceeds from the sale of collateral securing our 2021 senior secured notes will be junior to the claims of lenders and counterparties under our Domestic ABL, Foreign ABL, Senior Secured Credit Agreement, 2019 senior secured notes and certain future indebtedness.

The indebtedness under our Domestic ABL, Foreign ABL, Senior Secured Credit Agreement and our notes are, and certain future indebtedness may be, secured on a senior priority basis by the same collateral consisting of substantially all of our and the guarantors' assets (except for real estate, as to which the 2019 senior secured notes are not secured), subject to certain exceptions. As a result, holders of the indebtedness under our Domestic ABL, our Foreign ABL, our Senior Secured Credit Agreement, our 2019 senior secured notes and any other indebtedness secured by higher priority liens on such collateral than the lien securing the 2021 senior secured notes will be entitled to receive proceeds from the realization of value of such collateral to repay such indebtedness in full before holders of our 2021 senior secured notes will be entitled to any recovery from such collateral. As a result, holders of our 2021 senior secured notes will only be entitled to receive proceeds from the realization of value of assets securing our Domestic ABL, our Foreign ABL, our Senior Secured Credit Agreement, our 2019 senior secured notes and such other indebtedness secured on a higher priority basis than the 2021 senior secured notes are secured after all indebtedness and other obligations under our Domestic ABL, our Foreign ABL, our Senior Secured Credit Agreement, our 2019 senior secured notes and any other obligations secured by higher priority liens on such assets than the 2021 senior secured notes, are repaid in full.

The collateral securing our notes may not be valuable enough to satisfy all the obligations secured by the collateral.

We have secured our obligations under our notes by the pledge of certain of our assets. The value of the pledged assets in the event of liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. No independent appraisals of any of the pledged property were prepared by or on behalf of us in connection with the offering of our notes. Accordingly, we cannot assure holders of our notes that the proceeds of any sale of the pledged assets following an acceleration to maturity with respect to our notes would be sufficient to satisfy, or would not be substantially less than, amounts due on our notes and the other debt secured thereby.

If the proceeds of any sale of the pledged assets were not sufficient to repay all amounts due on our notes after satisfying the obligations to pay any creditors with prior liens, holders of our notes (to the extent such notes were not repaid from the proceeds of the sale of the pledged assets) would have only an unsecured claim against our remaining assets. By their nature, some or all of the pledged assets may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure a holder of notes that the pledged assets will be saleable or, if saleable, that there will not be substantial delays in their liquidation. To the extent that liens securing obligations under our credit facilities, pre-existing liens, liens permitted under the indenture governing our notes and other rights, including liens on excluded assets, encumber any of the collateral securing our notes and the guarantees, those parties have or may exercise rights and remedies with respect to the collateral (including rights to require marshalling of assets) that could adversely affect the value of the collateral and the ability of the collateral agent, the trustees under the indentures or the holders of our notes to realize or foreclose on the collateral.

Our 2019 senior secured notes and the related guarantees will be secured, subject to certain exceptions and to permitted liens, by a first priority lien in the collateral that secures our Senior Secured Credit Agreement on a first-priority basis and will share equally in right of payment to the extent of the value of such collateral securing such Senior Secured Credit Agreement on a first-priority basis. The indenture governing our 2019 senior secured notes permit us, subject to compliance with certain financial tests, to issue additional indebtedness secured by a lien that ranks equally with our 2019 senior secured notes. This would reduce amounts payable to holders of our 2019 senior secured notes from the proceeds of any sale of the collateral.

Our 2021 senior secured notes and the related guarantees will be secured, subject to certain exceptions and to permitted liens, by a second priority lien in the collateral that secures our Senior Secured Credit Agreement on a second-priority basis and will not share equally in right of payment to the extent value of such collateral securing such Senior Secured Credit Agreement on a first-priority basis.

The collateral securing our notes may be diluted under certain circumstances.

The collateral that secures the notes also secures the Senior Secured Credit Agreement and obligations under our Domestic ABL and Foreign ABL. The collateral may also secure additional indebtedness that we incur in the future, subject to restrictions on our ability to incur debt and liens under our Domestic ABL, Foreign ABL, Senior Secured Credit Agreement, and the indentures governing our notes. The rights of holders of our notes to the collateral would be diluted by any increase in the indebtedness secured by this collateral or portions thereof.

The rights of holders of our notes with respect to the ABL Priority Collateral will be substantially limited by the terms of the ABL Intercreditor Agreement.

The collateral agents for the notes, the collateral agent for the Senior Secured Credit Agreement and the collateral agent under our Domestic ABL are party to the amended and restated intercreditor agreement, entered into on October 29, 2012, between Citicorp USA, Inc. and Citibank, N.A., (as it may be amended, amended and restated, supplemented or modified from time to time, the “ABL Intercreditor Agreement”). The ABL Intercreditor Agreement significantly restricts any action that may be taken by the collateral agents for the notes with respect to the collateral over which the holders of Domestic ABL loans have a first-priority lien (“ABL Priority Collateral”), even during an event of default. Under the terms of the ABL Intercreditor Agreement, at any time that obligations under our Domestic ABL are outstanding, any actions that may be taken with respect to (or in respect of) the ABL Priority Collateral that secures obligations under our Domestic ABL on a first-priority basis, including the ability to cause the commencement of enforcement proceedings against such ABL Priority Collateral and to control the conduct of such proceedings, and the approval of amendments to, releases of such ABL Priority Collateral from the lien of, and waivers of past defaults under, such documents relating to such ABL Priority Collateral, will be at the direction of the holders of the obligations under our Domestic ABL, and the holders of the notes and the lenders under our Senior Secured Credit Agreement, which are secured on a second-priority basis in the case of the 2019 senior secured notes and our Senior Secured Credit Agreement and a junior-priority basis in the case of the 2021 senior secured notes, by such ABL Priority Collateral, may be adversely affected. The ABL Priority Collateral so released will no longer secure our and the guarantors’ obligations under the notes and the related guarantees. In addition, because the holders of the indebtedness under our Domestic ABL control the disposition of such ABL Priority Collateral, such holders could decide not to proceed against such ABL Priority Collateral, regardless of whether there is a default under the documents governing such indebtedness or under the indentures governing the notes. In such event, the only remedy available to holders of our notes would be to sue for payment on those notes and the related guarantees. In addition, under the ABL Intercreditor Agreement, the collateral agents for the notes may not assert any right of marshalling that may be available under applicable law with respect to such ABL Priority Collateral. Without this waiver of the right of marshalling, holders of indebtedness secured by first priority liens in the ABL Priority Collateral would likely be required to liquidate collateral on which the notes did not have a lien, if any, prior to liquidating the collateral, thereby maximizing the proceeds of the collateral (due to the reductions in the amount of the indebtedness with a prior claim on such collateral) that would be available to repay our obligations under the notes.

As a result of this waiver, the proceeds of sales of such ABL Priority Collateral could be applied to repay any indebtedness secured by first priority liens in such ABL Priority Collateral before applying proceeds of other collateral securing indebtedness, and a holder of notes may recover less than it would have if such proceeds were applied in the order most favorable to it.

The indentures governing the notes and the ABL Intercreditor Agreement contain certain provisions benefiting holders of indebtedness under our Domestic ABL, including provisions prohibiting the collateral agents for the notes and the collateral agent for the Senior Secured Credit Agreement from objecting following the filing of a bankruptcy petition to a number of important matters regarding the collateral and the financing to be provided to us. After such filing, the value of this collateral could materially deteriorate and a holder of notes would be unable to raise an objection. In addition, the right of holders of obligations secured by first priority liens to foreclose upon and sell such collateral upon the occurrence of an event of default also would be subject to limitations under applicable bankruptcy laws if we or any of our subsidiaries become subject to a bankruptcy proceeding. The ABL Intercreditor Agreement also gives the holders of first priority liens on the ABL Priority Collateral the right to access and use the collateral that secures the notes to allow those holders to protect the ABL Priority Collateral and to process, store and dispose of the ABL Priority Collateral.

The ABL Priority Collateral will also be subject to any and all exceptions, defects, encumbrances, liens and other imperfections as may be accepted by the lenders under our Domestic ABL and other creditors that have the benefit of first priority liens on such collateral from time to time, whether on or after the date the notes and related guarantees were issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the collateral securing the notes as well as the ability of the collateral agents for the notes or the collateral agent for the Senior Secured Credit Agreement to realize or foreclose on such collateral.

The rights of holders of our notes in the collateral securing such notes may be adversely affected by the first lien intercreditor agreement.

The rights of the holders of our notes with respect to the collateral that secures such notes is subject to a first lien intercreditor agreement among all holders of obligations secured by that collateral on a pari passu basis ("first lien obligations"), including the obligations under the notes and our Senior Secured Credit Agreement. Under that intercreditor agreement, any actions that may be taken with respect to such collateral, including the ability to cause the commencement of enforcement proceedings against such collateral, to control such proceedings and to approve amendments to releases of such collateral from the lien of, and waive past defaults under, such documents relating to such collateral, may be taken solely by the collateral agent for the Senior Secured Credit Agreement until (1) our obligations under the Senior Secured Credit Agreement are discharged (which discharge does not include certain refinancings of the senior secured credit facility) or (2) 90 days after the occurrence of an event of default under the indentures governing the notes or any other agreement governing first lien obligations. Under the circumstances described in clause (2) of the preceding sentence, the authorized representative of the holders of the indebtedness that represents the largest outstanding principal amount of indebtedness secured by the collateral on a pari passu basis with the other first lien obligations (other than the Senior Secured Credit Agreement) and that has complied with the applicable notice provisions gains the right to take actions with respect to the collateral.

Even if the authorized representative of the notes gains the right to take actions with respect to the collateral in the circumstances described in clause (2) above, the authorized representative must stop doing so (and those powers with respect to the collateral would revert to the authorized representative of the lenders under the Senior Secured Credit Agreement) if such lenders' authorized representative has commenced and is diligently pursuing enforcement action with respect to the collateral or the grantor of the security interest in that collateral (i.e., we or the applicable subsidiary guarantor) is then a debtor under or with respect to (or otherwise subject to) an insolvency or liquidation proceeding.

In addition, the Senior Secured Credit Agreement and the indentures governing the notes permit us to issue additional series of obligations that also have a pari passu lien on the same collateral with the other first lien obligations. As explained above, any time that the collateral agent for the Senior Secured Credit Agreement does not have the right to take actions with respect to the collateral pursuant to the first lien intercreditor agreement, that right passes to the authorized representative of the holders of the next largest outstanding principal amount of indebtedness secured by a pari passu lien on the collateral with the other first lien obligations. If we issue or incur additional first lien obligations in the future in a greater principal amount than the notes, then the authorized representative for that additional indebtedness would be earlier in line to exercise rights under the first lien intercreditor agreement than the authorized representative for the notes.

Under the first lien intercreditor agreement, the authorized representative of the holders of the notes may not object following the filing of a bankruptcy petition to any debtor-in- possession financing or to the use of the common collateral to secure that financing, subject to conditions and limited exceptions. After such a filing, the value of this collateral could materially deteriorate, and holders of the notes would be unable to raise an objection.

The collateral that secures and will secure the notes and related guarantees also is and will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections as may be accepted by the authorized representative of the lenders under our Senior Secured Credit Agreement during any period that such authorized representative controls actions with respect to the collateral pursuant to the first lien intercreditor agreement. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the collateral securing the notes as well as the ability of the collateral agents for the notes to realize or foreclose on such collateral for the benefit of the holders of the notes.

The lenders under the credit facilities have the discretion to release the guarantors under the credit facilities in a variety of circumstances, which will cause those guarantors to be released from their guarantees of the notes.

While any obligations under the credit facilities remain outstanding, any guarantee of the notes may be released without action by, or consent of, any holder of the notes or the trustees under the indentures governing the notes, at the discretion of lenders under the credit facilities, or if the related guarantor is no longer a guarantor of obligations under the credit facilities or any other indebtedness. The lenders under the credit facilities have the discretion to release the guarantees under the credit facilities in a variety of circumstances. Holders of our notes will not have a claim as creditors against any subsidiary that is no longer a guarantor of our notes, and the indebtedness and other liabilities, including trade payables, whether secured or unsecured, of those subsidiaries will effectively be senior to the claims of holders of our notes.

There are circumstances other than repayment or discharge of our notes under which the collateral securing such notes and the related guarantees will be released automatically, without the consent of the holders of our notes or the consent of the trustees.

Under various circumstances, collateral securing the notes will be released automatically, including:

- a sale, transfer or other disposal of such collateral in a transaction not prohibited under the indentures governing the notes;

- with respect to collateral held by a guarantor, upon the release of such guarantor from its guarantee;
- with respect to any collateral in which the notes have a second priority lien, upon any release by the lenders under our Domestic ABL or Foreign ABL of their first-priority security interest in such collateral; provided that, if the release occurs in connection with a foreclosure or exercise of remedies by the collateral agent for the lenders under our Domestic ABL and/or Foreign ABL, the lien on that collateral will be automatically released but any proceeds thereof not used to repay the obligations under our Domestic ABL and/or Foreign ABL will be subject to liens in favor of the collateral agents for the noteholders and our Senior Secured Credit Agreement; and
- with respect to the collateral upon which the notes have a first priority lien, upon any release in connection with a foreclosure or exercise of remedies with respect to that collateral directed by the authorized representative of the lenders under our Senior Secured Credit Agreement during any period in which such authorized representative controls actions with respect to the collateral pursuant to the first lien intercreditor agreement. Even though holders of our notes share ratably with the lenders under our Senior Secured Credit Agreement, the authorized representative of the lenders under our Senior Secured Credit Agreement will initially control actions with respect to the collateral, whether the holders of our notes agree or disagree with those actions.

The imposition of certain permitted liens will cause the assets on which such liens are imposed to be excluded from the collateral securing our notes and the related guarantees. There are also certain other categories of property that are also excluded from the collateral securing our notes.

The indentures governing our notes permit liens in favor of third parties to secure additional debt, including purchase money indebtedness and capitalized lease obligations, and any assets subject to such liens will be automatically excluded from the collateral securing our notes and the related guarantees to the extent the agreements governing such indebtedness prohibit additional liens. In addition, certain categories of assets are excluded from the collateral securing our notes and the guarantees. Excluded assets include, but are not limited to, among other things, the assets of our non-guarantor subsidiaries, certain capital stock and other securities of our subsidiaries and equity investees, leaseholds or other non-fee simple interests in real property, fee simple interests in real property and the proceeds from any of the foregoing. If an event of default occurs and our notes are accelerated, such notes and the related guarantees will rank equally with the holders of other unsubordinated and unsecured indebtedness of the relevant entity with respect to such excluded property.

Sales of assets by us or our subsidiary guarantors could reduce the pool of assets securing the notes and the related guarantees.

The security documents relating to our notes allow us and the guarantors to remain in possession of, retain exclusive control over, freely operate and collect, invest and dispose of any income from, the collateral securing the notes. To the extent we sell any assets that constitute such collateral, the proceeds from such sale will be subject to the liens securing our notes only to the extent such proceeds would otherwise constitute “collateral” securing such notes and the guarantees under the security documents.

The rights of holders of our notes in the collateral securing such notes may be adversely affected by the failure to perfect security interests in collateral.

Applicable law requires that a security interest in certain tangible and intangible assets can only be properly perfected and its priority retained through certain actions undertaken by the secured party. The liens in the collateral securing our notes may not be perfected with respect to the claims of such notes if and to the extent that the collateral agent was not able to take the actions necessary to perfect any of these liens on or prior to the date of the indentures governing our notes. There can be no assurance that the lenders under the Senior Secured Credit Agreement will have taken all actions necessary to create properly perfected security interests, which may result in the loss of the priority of the security interest in favor of holders of our notes to which they would otherwise have been entitled. In addition, applicable law requires that certain property and rights acquired after the grant of a general security interest, such as equipment subject to a certificate of title and certain proceeds, can only be perfected at the time such property and rights are acquired and identified. We and the guarantors have limited obligations to perfect the security interest of holders of our notes in specified collateral. There can be no assurance that the trustees or the collateral agents for our notes will monitor, or that we will inform such trustees or collateral agents of, the future acquisition of property and rights that constitute collateral, and that the necessary action will be taken to properly perfect the security interest in such after-acquired collateral. Neither the trustees nor the collateral agents for our notes have an obligation to monitor the acquisition of additional property or rights that constitute collateral or the perfection of any security interest. Such failure may result in the loss of the security interest in the collateral or the priority of the security interest in favor of our notes against third parties.

The collateral securing our notes is subject to casualty risks.

We intend to maintain insurance or otherwise insure against hazards in a manner appropriate and customary for our business. There are, however, some losses, including losses resulting from terrorist acts that may be either uninsurable or not economically insurable, in whole or in part. As a result, we cannot assure holders of our notes that the insurance proceeds will compensate us fully for our losses. If there is a total or partial loss of any of the pledged assets, we cannot assure holders of our notes that the proceeds received by us in respect thereof will be sufficient to satisfy all the secured obligations, including our notes and the related guarantees.

Bankruptcy laws may limit the ability of holders of our notes to realize value from the collateral securing such notes.

The right of the collateral agents to repossess and dispose of the pledged assets upon the occurrence of an event of default under the indentures governing our notes is likely to be significantly impaired by applicable bankruptcy law if a bankruptcy case were to be commenced by or against us before the collateral agents repossessed and disposed of the pledged assets. For example, under Title 11 of the United States Code, pursuant to the automatic stay imposed upon the bankruptcy filing, a secured creditor is prohibited from repossessing its security from a debtor in a bankruptcy case, or from disposing of security repossessed from such debtor, or taking other actions to levy against a debtor, without bankruptcy court approval. Moreover, the United States Bankruptcy Code permits the debtor to continue to retain and to use collateral even though the debtor is in default under the applicable debt instruments, provided that the secured creditor is given “adequate protection.” The meaning of the term “adequate protection” may vary according to circumstances (and is within the discretion of the bankruptcy court), but it is intended in general to protect the value of the secured creditor’s interest in the collateral and may include cash payments or the granting of additional security, if and at such times as the court in its discretion determines, for any diminution in the value of the collateral as a result of the automatic stay of repossession or disposition or any use of the collateral by the debtor during the pendency of the bankruptcy case. Generally, adequate protection payments, in the form of interest or otherwise, are not required to be paid by a debtor to a secured creditor unless the bankruptcy court determines that the value of the secured creditor’s interest in the collateral is declining during the pendency of the bankruptcy case. Due to the imposition of the automatic stay, the lack of a precise definition of the term “adequate protection” and the broad discretionary powers of a bankruptcy court, it is impossible to predict (1) how long payments under our notes could be delayed following commencement of a bankruptcy case, (2) whether or when the collateral agents could repossess or dispose of the pledged assets or (3) whether or to what extent a holder of notes would be compensated for any delay in payment or loss of value of the pledged assets through the requirement of “adequate protection.”

In the event of a bankruptcy of the Company or any of the guarantors of our indebtedness, holders of our notes may be deemed to have an unsecured claim to the extent that our obligations in respect of those notes exceed the fair market value of the collateral securing those notes.

In any bankruptcy proceeding with respect to us or any of the guarantors, it is possible that the bankruptcy trustee, the debtor-in-possession or competing creditors will assert that the fair market value of the collateral with respect to our notes on the date of the bankruptcy filing was less than the then current principal amount of such notes. Upon a finding by the bankruptcy court that our notes are under-collateralized, the claims in the bankruptcy proceeding with respect to such notes would be bifurcated between a secured claim and an unsecured claim, and the unsecured claim would not be entitled to the benefits of security in the collateral.

Other consequences of a finding of under-collateralization would be, among other things, a lack of entitlement on the part of the holders of our notes to receive post-petition interest and a lack of entitlement on the part of the unsecured portion of our notes to receive other “adequate protection” under federal bankruptcy laws. In addition, if any payments of post-petition interest had been made at the time of such a finding of under-collateralization, those payments could be recharacterized by the bankruptcy court as a reduction of the principal amount of the secured claim with respect to our notes.

Any future pledge of collateral in favor of a holder of notes might be voidable in bankruptcy.

Any future pledge of collateral in favor of our lenders or holders of our senior secured indebtedness, including pursuant to security documents delivered after the date of the indentures governing the notes, might be voidable by the pledgor (as debtor in possession) or by its trustee in bankruptcy if certain events or circumstances exist or occur, including, under the United States Bankruptcy Code, if the pledgor is insolvent at the time of the pledge, the pledge permits a holder of our notes to receive a greater recovery than if the pledge had not been given and a bankruptcy proceeding in respect of the pledgor is commenced with 90 days following the pledge, or, in certain circumstances, a longer period.

We do not intend to offer to register the notes or to exchange the notes in a registered exchange offer.

We do not intend to register the notes under the Securities Act or to offer to exchange those notes in an exchange offer registered under the Securities Act. We will not be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), with respect to those notes. As a result, holders of our notes will only be entitled to receive certain information about us specified in the indentures governing the notes and information required by Rule 144A(d)(4) under the Securities Act. Except as included in the reports filed with the SEC, information about our company will be provided to holders of our notes on a confidential basis and may not be copied or reproduced, nor may it be distributed or any of its contents disclosed, to anyone other than holders of our notes and prospective purchasers of those notes pursuant to Rule

144A(d)(4). In addition, the indentures governing the notes will not be qualified under the Trust Indenture Act and we will not be required to comply with any provision of the Trust Indenture Act.

A holder's ability to transfer our notes may be limited by our decision to not list the notes on a securities exchange, and an active trading market for such notes may not develop.

We do not intend to apply for a listing of the notes on a securities exchange or any automated dealer quotation system. We cannot assure a holder of our notes as to the liquidity of markets that may develop for the notes, such holder's ability to sell the notes or the price at which such holder would be able to sell such notes. If such markets were to exist, the notes could trade at prices that may be lower than their principal amount or purchase price depending on many factors, including prevailing interest rates, the market for similar notes, our financial and operations performance and other factors. Historically, the market for noninvestment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the notes. The market, if any, for the notes may experience similar disruptions, and any such disruptions may adversely affect the prices at which a holder of notes may sell its notes.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

As of September 30, 2015, we had 178 leased facilities (which included 18 storage locations containing between 100 to 16,700 square feet) and 2 owned facilities, located in 58 countries. These included 11 primary research and development facilities located in Canada, China, Germany, India, Ireland, Israel, Italy and the U.S. Our real property portfolio consists of aggregate floor space of 4.1 million square feet, substantially all of which is leased. Of the 4.1 million square feet of leased space, 1.1 million square feet is related to property for which the future minimum lease payments have been accrued for in accordance with accounting principles generally accepted in the United States of America pertaining to restructuring and exit activities. Our lease terms range from monthly leases to 11 years. Our 2 owned facilities, as of September 30, 2015, were held for sale: one of which, located in Inglewood, CA, was sold in October 2015 for $1.8 million. The remaining owned facility located in Shreveport, LA is idle. The Company continues to aggressively market this property. We believe that all of our facilities are in good condition and are well maintained. Our facilities are used for current operations of all operating segments. For additional information regarding obligations under operating leases, see Note 19, "Commitments and Contingencies," to our audited Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

Item 3. *Legal Proceedings*

Information required by this item is incorporated by reference from Note 19, "Commitments and Contingencies—Legal Proceedings," to our audited Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

Item 4. *Mine Safety Disclosures*

Not Applicable.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Our outstanding common stock is privately held, and there is no established public trading market for our common stock. As of the date of this filing, there was one holder of record of our common stock.

Item 6. ***Selected Financial Data***

Avaya Inc. (the "Company" or "Avaya"), is a wholly owned subsidiary of Avaya Holdings Corp., a Delaware corporation ("Parent"). Parent was formed by affiliates of two private equity firms, Silver Lake Partners ("Silver Lake") and TPG Capital ("TPG") and collectively, (the "Sponsors"). Silver Lake and TPG, through Parent, acquired Avaya in a transaction that was completed on October 26, 2007 (the "Merger"). See discussion in Note 1, "Background and Basis of Presentation - Merger" to our audited Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for further details.

The selected historical consolidated financial data set forth below as of September 30, 2015 and 2014 and for the years ended September 30, 2015, 2014 and 2013 have been derived from our audited Consolidated Financial Statements and related notes included elsewhere in this Annual Report on Form 10-K. The selected historical consolidated financial data set forth below as of September 30, 2013 and as of and for the years ended September 30, 2012 and 2011 has been derived from our Consolidated Financial Statements that are not included in this report.

The selected historical consolidated financial data set forth below should be read in conjunction with our audited Consolidated Financial Statements and related notes and the "Management's Discussion and Analysis of Financial Condition and Results of Operations." Our financial information may not be indicative of future performance.

In millions	Fiscal years ended September 30, 2015	2014	2013	2012	2011
STATEMENT OF OPERATIONS DATA:					
REVENUE					
Products	$2,029	$2,196	$2,337	$2,672	$2,976
Services	2,052	2,175	2,241	2,347	2,398
	4,081	4,371	4,578	5,019	5,374
COSTS					
Products:					
Costs (exclusive of amortization of acquired technology intangible assets)	744	854	963	1,145	1,314
Amortization of acquired technology intangible assets	35	56	63	192	257
Services	872	962	1,022	1,134	1,214
	1,651	1,872	2,048	2,471	2,785
GROSS PROFIT	2,430	2,499	2,530	2,548	2,589
OPERATING EXPENSES					
Selling, general and administrative	1,432	1,531	1,511	1,617	1,833
Research and development	338	379	445	464	461
Amortization of acquired intangible assets	226	227	228	227	227
Restructuring and impairment charges, net	62	165	200	147	189
Acquisition-related costs	1	—	1	4	5
	2,059	2,302	2,385	2,459	2,715
OPERATING INCOME (LOSS)	371	197	145	89	(126)
Interest expense	(452)	(459)	(467)	(431)	(460)
Loss on extinguishment of debt	(6)	(5)	(6)	—	(246)
Other income (expense), net	13	25	(14)	(20)	5
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(74)	(242)	(342)	(362)	(827)
(Provision for) benefit from income taxes of continuing operations	(70)	(51)	35	4	(54)
LOSS FROM CONTINUING OPERATIONS	(144)	(293)	(307)	(358)	(881)
Income (loss) from discontinued operations, net of income taxes	—	62	(57)	14	18
NET LOSS	**$ (144)**	**$ (231)**	**$ (364)**	**$ (344)**	**$ (863)**

In millions	Fiscal years ended September 30, 2015	2014	2013 [1]	2012 [1]	2011 [1]
BALANCE SHEET DATA (at end of period):					
Cash and cash equivalents	$ 323	$ 322	$ 288	$ 337	$ 400
Acquired intangible assets, net	970	1,224	1,497	1,787	2,142
Goodwill	4,074	4,047	4,048	4,055	3,946
Total assets	6,862	7,202	7,600	8,115	8,445
Total debt (excluding capital lease obligations)	5,967	5,968	6,014	6,042	6,056
Total stockholder's deficiency	(3,378)	(3,069)	(2,669)	(2,436)	(2,378)
STATEMENT OF CASH FLOWS DATA:					
Net cash provided by (used in) continuing:					
Operating activities	$ 215	$ 36	$ 131	$ 16	$ (335)
Investing activities	(129)	(33)	(113)	(271)	(101)
Financing activities	(53)	(60)	(79)	157	228
OTHER FINANCIAL DATA:					
EBITDA	$ 748	$ 649	$ 578	$ 631	$ 282
Adjusted EBITDA [2]	900	898	922	946	940
Capital expenditures	124	134	110	92	83
Capitalized software development costs	—	1	14	35	42

[1] Unamortized debt issuance costs originally presented within other current assets and other assets, were reclassified as a reduction of debt maturing within one year and long-term debt, respectively upon adoption of ASU 2013-3 in the second quarter of fiscal 2015.

[2] Adjusted EBITDA is calculated as disclosed herein. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—EBITDA and Adjusted EBITDA” for a definition and explanation of Adjusted EBITDA and reconciliation of loss from continuing operations to Adjusted EBITDA.

The following are the significant items affecting the comparability of the selected financial information for the periods presented:

Divestitures - In order to remain focused on our business objectives, we have divested ourselves of two businesses that we obtained as part of larger acquisitions and that were not considered core to our ongoing operations or the needs of our primary-customer base.

- On March 31, 2014, we completed the sale of our IT Professional Services ("ITPS"), business for a final sales price of $101 million, inclusive of $3 million of working capital adjustments and net of $2 million in costs to sell. As a result of the divestiture of the ITPS business, the results of operations, cash flows, and assets and liabilities of this business have been classified as discontinued operations in all periods presented. Income from discontinued operations for fiscal 2014 includes the gain on the sale of the ITPS business of $52 million. Loss from discontinued operations for fiscal 2013 includes an $89 million impairment charge to the goodwill of the ITPS business.
- On July 31, 2014, we sold the Technology Business Unit ("TBU"), which we acquired as part of our acquisition of RADVISION Ltd. ("Radvision"), and recognized a $14 million gain on the sale, which is included in other income (expense), net. TBU is a software development business that licenses technologies to developers for their use and integration into their own products and includes protocol stacks, client framework solutions and network testing and monitoring tools.

Refinancing, Interest Expense, and Loss on Extinguishment of Debt - During fiscal 2015, 2014, 2013 and 2011, we completed a series of transactions which allowed us to refinance certain of our debt arrangements under our senior secured credit facility dated October 27, 2007 ("Senior Secured Credit Agreement") and our senior secured asset-based revolving credit facility ("Domestic ABL"). See Note 10, "Financing Arrangements" to our audited Consolidated Financial Statements. These transactions included:

- During fiscal 2011, we amended the terms of the multi-currency revolvers available under our Senior Secured Credit Agreement and our Domestic ABL to extend the final maturity of each from October 26, 2013 to October 26, 2016 and completed a private placement of $1,009 million of senior secured notes. The proceeds from the notes were used to repay in full the senior secured term B-2 loans outstanding under the Senior Secured Credit Agreement (representing $988 million in aggregate principal amount and $12 million in accrued and unpaid interest) and to pay related fees and expenses.

- During fiscal 2013 we completed a series of transactions which allowed us to refinance (1) all of our senior secured term B-1 loans (“term B-1 loans”) outstanding under our Senior Secured Credit Agreement originally due October 26, 2014, and (2) $642 million of our 9.75% senior unsecured cash-pay notes and $742 million of our senior unsecured paid-in-kind (“PIK”) toggle notes each originally due November 1, 2015. These transactions extended the maturity date of the $2.8 billion of refinanced debt by an additional three to six years and increased the associated interest rate.
- During fiscal 2014 we entered into refinancing transactions which lowered the interest rate of certain debt. On February 5, 2014, we completed an amendment to the Senior Secured Credit Agreement pursuant to which we refinanced $1,138 million aggregate principal amount of senior secured term B-5 loans (“term B-5 loans”) with the cash proceeds from the issuance of senior secured term B-6 loans (“term B-6 loans”). On May 15, 2014, we redeemed 100% of the remaining aggregate principal amount of our 9.75% senior unsecured cash-pay notes due 2015 and 10.125%/10.875% senior unsecured PIK toggle notes due 2015 at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest, or $92 million and $58 million, respectively. The redemption price was funded through cash on-hand of $10 million and borrowings of $140 million under our revolving credit facilities.
- On May 29, 2015, we completed an amendment to the Senior Secured Credit Agreement pursuant to which we refinanced a portion of the outstanding term B-3, term B-4 and term B-6 loans in exchange for and with the proceeds from the issuance of $2,125 million in principal amount of senior secured term B-7 loans ("term B-7 loans") maturing May 29, 2020. On June 4, 2015, we completed an amendment to the Domestic ABL which, among other things: (i) extended the stated maturity of the facility from October 26, 2016 to June 4, 2020 (subject to certain conditions specified in the Domestic ABL), (ii) increased the sublimit for letter of credit issuances under the Domestic ABL from $150 million to $200 million, and (iii) amended certain covenants and other provisions of the existing agreement. At the same time, certain foreign subsidiaries of the Company (the "Foreign Borrowers"), Citibank and the lenders party thereto entered into a new senior secured foreign asset-based revolving credit facility (the "Foreign ABL") which matures June 4, 2020 (subject to certain conditions specified in the Foreign ABL). On June 5, 2015, we permanently reduced the revolving credit commitments under the Senior Secured Credit Agreement from $200 million to $18 million and all letters of credit outstanding under the Senior Secured Credit Agreement were transferred to the Domestic ABL.
- In connection with the refinancing transactions referenced above, we recognized a loss on extinguishment of debt of $6 million, $5 million, $6 million, and $246 million in fiscal 2015, 2014, 2013 and 2011, respectively.
- These refinancing transactions impacted the interest we pay on the related debt. As of September 30, 2015, 2014 and 2013, the weighted average interest rate of the Company's outstanding debt was 7.3%, 6.9% and 7.4%, respectively.

Restructuring Charges and Cost Saving Initiatives - We have maintained our focus on profitability levels and investing in our future results. In connection with our acquisition of the enterprise business solutions business ("NES") of Nortel Networks Corporation, our acquisition of Radvision and in response to global economic conditions, the Company initiated cost savings programs designed to streamline its operations and eliminate overlapping processes and expenses. These cost savings programs have included: (1) reducing headcount, (2) relocating certain job functions to lower cost geographies, including service delivery, customer care, research and development, human resources and finance, (3) eliminating real estate costs associated with unused or under-utilized facilities and (4) implementing gross margin improvement and other cost reduction initiatives. In connection with these cost savings programs we recognized restructuring charges of $62 million, $165 million, $200 million, $142 million and $189 million for fiscal 2015, 2014, 2013, 2012 and 2011, respectively. These costs include employee separation charges such as, but not limited to, severance and employment benefit payments, social pension fund payments, and healthcare and unemployment insurance costs to be paid to or on behalf of the affected employees. The related restructuring costs also include the contractual future lease payments and payments made under lease termination agreements associated with vacated facilities. As of September 30, 2015, the remaining liability associated with these actions is $157 million. The Company continues to evaluate opportunities to streamline its operations and identify cost savings globally and may take additional restructuring actions in the future, the costs of which could be material. See Note 9, "Business Restructuring Reserves and Programs" to our audited Consolidated Financial Statements.

HP Capital Lease - On August 20, 2014, we signed an agreement with HP Enterprise Services, LLC ("HP"), pursuant to which the Company outsources to HP certain delivery services in order to scale our operational capacity to serve cloud demand of customers. In connection with that agreement, in fiscal 2014 HP acquired specified assets owned by the Company for $40 million which are being leased-back by Avaya under a capital lease. During fiscal 2015, the Company received $22 million in cash proceeds in connection with the sale of equipment used in the performance of services under this agreement which are being leased-back by Avaya under a capital lease. As of September 30, 2015, our capital lease obligations associated with this agreement was $48 million.

Acquisition of NES and Radvision - As a result of the acquisition of NES and Radvision, our operating results include the operations of the NES business and Radvision as of December 19, 2009 and June 5, 2012, respectively. Additionally, we incurred integration costs with respect to the NES acquisition of $132 million in fiscal 2011 consisting of third-party consulting fees and other administrative costs associated with consolidating and coordinating the operations of Avaya and NES. These costs were incurred in connection with, among other things, the on-boarding of NES personnel, developing compatible IT systems and internal processes and developing and implementing a strategic operating plan to help enable a smooth transition with minimal disruption to NES customers. Such costs also include fees paid to Nortel Networks Corporation for logistics and other support functions being performed on a temporary basis according to a transition services agreement. In fiscal 2015, 2014, 2013 and 2012 we incurred \$3 million, \$7 million, \$15 million and \$19 million respectively, of integration costs which were primarily associated with consolidating and coordinating the operations of Avaya and Radvision and costs associated with NES, primarily related to developing compatible IT systems and internal processes.

Amortization of Acquired Intangible Assets - We recorded amortization of acquired intangible assets of \$261 million, \$283 million, \$291 million, \$419 million and \$484 million for fiscal 2015, 2014, 2013, 2012 and 2011 respectively. Amortization of acquired intangible assets represents the amortization of acquired technologies, customer relationships and other intangibles recognized at the time of the Merger and our acquisitions. In acquisition accounting, these intangible assets are recorded at their estimated fair values and then amortized over their estimated economic lives ranging from two to fifteen years. The fluctuation in year-over-year amortization is attributable to the incremental amortization associated with the acquired intangible assets of NES in fiscal 2010 and Radvision in fiscal 2012, offset by reductions in amortization associated with impaired and fully amortized intangibles that are no longer being amortized.

Changes in Estimated Lives and Salvage Value of Property - In addition to the restructuring charges associated with vacated facilities under operating leases discussed above, the Company also sold four Company-owned and underutilized facilities in order to reduce its real estate costs. During fiscal 2014 in anticipation of selling a Company-owned facility, additional depreciation of \$6 million, \$24 million and \$5 million was recognized and included in cost of revenue, selling, general and administrative expense, and research and development, respectively. During fiscal 2013, in anticipation of selling a Company-owned facility, additional depreciation of \$21 million was recognized and included in selling, general and administrative expense. The additional depreciation was the result of changes to the estimated salvage value and useful life of the respective facility made to be consistent with the estimated proceeds and timing of the contemplated sale of the facility. The other two formerly owned facilities, prior to being sold, were written down to their net realizable value in fiscal 2012 resulting in \$5 million of impairment losses which is included in restructuring and impairment charges, net.

Income Taxes - (Provision for) benefit from income taxes of continuing operations was \$(70) million, \$(51) million, \$35 million, \$4 million and \$(54) million for fiscal 2015, 2014, 2013, 2012, and 2011, respectively. The effective income tax rate differed from the U.S. federal statutory rate for the periods presented due to the following significant items:

- *Changes in Valuation Allowance of Deferred Tax Assets* - In fiscal 2009, the Company, in assessing the requirement for a valuation allowance against its U.S. deferred tax assets determined that it was not more likely than not that our U.S. net deferred tax assets would be realized. Accordingly, a valuation allowance against our U.S. net deferred tax assets was provided. In each subsequent fiscal year additional valuation allowances were provided against the net increase in the Company's deferred tax asset balance in the U.S. and certain foreign jurisdictions. Net operating losses comprised the most significant increase in deferred tax net deferred tax assets. The Company's income tax provision for the fiscal years presented primarily relates to earnings of certain profitable foreign tax jurisdictions.
- *Effect of Changes in Other Comprehensive Income* - During fiscal 2013 and 2012, we recognized tax charges to other comprehensive income of \$126 million and \$62 million, respectively. As a result of the tax charges recognized in other comprehensive income, we recognized a corresponding income tax benefit in the Consolidated Statements of Operations.
- *Effect of Tax Charge to Discontinued Operations* - During fiscal 2012, we recorded a tax charge of \$12 million to discontinued operations. As a result of the tax charge recognized in discontinued operations, we recognized a corresponding income tax benefit in continuing operations.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" should be read in conjunction with the audited Consolidated Financial Statements and the related notes thereto included elsewhere in this Annual Report on Form 10-K.

Overview

We are a leading provider of contact center, unified communications and networking products and services designed to help enterprise and midmarket businesses increase workforce productivity, customer engagement, and customer lifetime value, with the ultimate objective of higher revenue and profitability for our customers.

Our products and services portfolio spans software, hardware, professional and support services and cloud services. Our products and services fall under three reporting segments: 1) Global Communications Solutions; 2) Avaya Networking; and 3) Avaya Global Services.

- **Global Communications Solutions ("GCS")** encompass all of our real-time collaboration, contact center and unified communications software and hardware. Unified communications integrates real-time communication services including telephony, e-mail, instant messaging and video. Examples in GCS include audio conferencing systems; mobile video software, software that runs contact center operations such as multimedia contact routing; software that enables mobile access to the company network for employees; and hardware such as phones, gateways, and servers. We enable these unified communication and real-time collaboration tools to also be embedded inside the applications businesses use every day to keep employees and customers connected, productive and effective. This reporting segment also includes a development platform, which allows our customers and third parties to adapt our technology by creating custom applications, automated workflows, and engagement environments for their unique needs and allows them to integrate Avaya's capabilities into their existing infrastructure. GCS also includes cloud-supporting software and hardware products, which make it possible to use our contact center and unified communications products via the Cloud.
- **Avaya Networking ("Networking")** includes our advanced fabric networking technology which offers a virtualized network designed to be simple to deploy, agile and resilient. This reporting segment also includes products such as Ethernet switches and routers; wireless networking; and access control products that enforce role- and policy- based access to the network. Our fabric networking technology is flexible and extensible to legacy network systems. It helps customers simplify their network environment and eliminate the need for manual individual configuration, implementation, and maintenance of each network component. It enables customers to reduce the multiple protocols necessary in legacy networks to a single, unified technology while maintaining their existing Ethernet network infrastructure, if desired.
- **Avaya Global Services ("AGS")** includes professional and support services designed to help our customers maximize the benefits of using our products and technology. Our services include support for implementation, deployment, monitoring, troubleshooting, optimization, and more. This reporting segment also includes our Cloud and managed services, which enable customers to take advantage of our technology in a private, hybrid, or public cloud environment. The majority of our revenue in this reporting segment is recurring in nature, based on multi-year service contracts.

For fiscal 2015 and 2014, we generated revenue of $4,081 million and $4,371 million, respectively. During each of fiscal 2015 and 2014, product revenue represented 50% and services revenue represented 50% of our total revenue. For fiscal 2015 and 2014, revenue generated in the United States was 54% and 52%, respectively. For fiscal 2015 and 2014 we had a net loss of $144 million and $231 million and Adjusted EBITDA of $900 million and $898 million, respectively. See "EBITDA and Adjusted EBITDA" for a definition and explanation of Adjusted EBITDA and a reconciliation of loss from continuing operations to Adjusted EBITDA.

History

We have a long history of innovation dating back to our research and development roots in Bell Laboratories when we were part of AT&T. Avaya was formerly the Business Communications business unit of Lucent Technologies, Inc. ("Lucent"), a 1996 spin-off from AT&T. Since our own spin-off from Lucent in 2000, we have been a leading provider of unified communications and contact center products and services and more recently business collaboration products and serves to our customers. We operated as a public company with common stock traded on the New York Stock Exchange from October 1, 2000 until acquired by affiliates of our Sponsors on October 26, 2007.

Initial Registration Statement of Parent

Avaya is a wholly owned subsidiary of Avaya Holdings Corp., a Delaware corporation ("Parent"). Parent was formed by affiliates of two private equity firms, Silver Lake Partners ("Silver Lake") and TPG Capital ("TPG") (collectively, the "Sponsors"). Silver Lake and TPG, through Parent, acquired Avaya in a transaction that was completed on October 26, 2007 (the "Merger").

On June 9, 2011, Parent filed with the SEC a registration statement on Form S-1 (as amended from time to time, the "registration statement") relating to a proposed initial public offering of its common stock. As contemplated in the registration statement, Parent intends to use the net proceeds received in connection with this offering to pay certain amounts in connection with the termination of our management services agreement with affiliates of our Sponsors. Parent intends to use the remainder of the net proceeds, for working capital and other general corporate purposes, including repayment of a portion of Avaya Inc.'s long-term indebtedness, the potential redemption of some or all of Parent's Series A Preferred Stock and supporting the strategic growth opportunities of Avaya Inc. in the future. The registration statement remains under review by the SEC and shares of common stock registered thereunder may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This Form 10-K and the pending registration statement shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of those securities in any State or other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State or other jurisdiction. Further, there is no way to predict whether or not Parent will be successful in completing the offering as contemplated and if it is successful, we cannot be certain if, or how much of, the net proceeds will be used for the purposes identified above.

See discussion in Note 1, "Background and Basis of Presentation - Merger" to our audited Consolidated Financial Statements.

Business Trends

There are a number of trends and uncertainties affecting our business. For example, we are dependent on general economic conditions and the willingness of our customers to invest in technology. In addition, the instability in the geopolitical environment in many parts of the world, the instability in the global credit markets, current economic challenges in China, and other disruptions put pressure on the global economy causing uncertainties. We were also affected by the unfavorable impact of foreign currency exchange rates on our business. We believe these uncertainties have impacted our customers' willingness to spend on information technology and the manner in which they procure such technologies and services. This includes delays or rejection of capital projects, including the implementation of our products and services. In addition, we believe there is a growing market trend around Cloud consumption preferences with more customers exploring operating expense models as opposed to capital expense models for procuring technology. We believe the market trend toward Cloud models will continue as customers seek ways of reducing their overhead and other costs.

In fiscal 2015, we continued to transform Avaya into a software and service-led organization and focused our go-to-market efforts to drive growth in our flagship product lines and services such as Aura, Avaya Private Cloud Services ("APCS"), contact center and IP Office. We have worked to migrate customers from legacy products such as the Nortel and Tenovis product lines into our newer offerings. As a result software, professional services, and Cloud and managed services increased in fiscal 2015, while sales of our legacy product lines declined. Our core products such as gateways, servers, and phones or other software endpoints, are integral components to our flagship and legacy products. Accordingly, sales of our core products have declined as the decrease in sales of our legacy products were only partially offset by the increase in the sales of our flagship products. Further, we believe better utilization of SIP technology enables our customers to run their communication networks more efficiently, requiring fewer gateways and servers, which also contributed to lower demand for our core and legacy products. The lower demand for our legacy products has contributed in part to lower maintenance service revenue, which was partially offset by increases in APCS revenue.

As a result of a growing market trend around Cloud consumption more customers are exploring operational expense ("OpEx") models, rather than capital expenditure ("CapEx") models, for procuring technology. The shift to OpEx models enables customers to manage costs and efficiencies, by paying a subscription fee for business collaboration and communications services rather than purchasing the underlying products and services, infrastructure and personnel, which are owned and managed by the equipment vendor or a managed services or Cloud provider. We believe the market trend toward OpEx models will continue as we see an increasing number of opportunities and requests for proposal based on OpEx models. As the trend towards the OpEx model continues, we have focused our go-to-market strategy on our APCS as well as our flagship product offerings. Since the beginning of fiscal 2014, as part of our go-to-market strategy we have made leadership changes, increased our front-line resources, conducted training, and are now focused on the systems and the accountability required to speed up the rate of execution. Throughout fiscal 2014 and 2015, our total contracted value for Cloud and managed services grew. As of September 30, 2015, we anticipate the total future revenues for these contracts to be in excess of $800 million. The values for these contracts are usually larger than contracts under a CapEx model, but the associated revenues are recognized over a period of time, typically three to seven years.

In part to address these market trends, on August 20, 2014 we entered into a multi-year agreement with HP Enterprise Services, LLC ("HP") pursuant to which the Company will outsource to HP certain delivery services in order to scale our operational cloud demand of customers. Together, the companies will also sell a combined portfolio of Unified Communications-as-a-service, Contact Center-as-a-service, and infrastructure modernization services. As part of that agreement, HP acquired specific assets owned by the Company and agreed to make available one or more additional financings to Avaya and its subsidiaries of up to $24 million per year for the sole purpose of financing the use of equipment for the performance of services under the agreement.

As we transition to a software and services organization, we continue to invest in research and development. During fiscal 2015 we have enhanced our product line with more than 100 new product releases. During the most recent quarter we delivered additional technology enhancements, including upgrades to our Aura and Call Center Elite platforms, strengthening of our work force automation capability, and increasing the capacity of our Session Border Controller. We also launched new networking products and expanded our Engagement Development Platform as we brought to market a number of new products, including the launch of Aura 7, Call Center Elite 7, and EDP 3.1.

We continued to supplement our internal research and development efforts with technology driven acquisitions during fiscal 2015, including our acquisitions of Knoahsoft, a provider of work force optimization technology and Esna a provider of browser integrated, unified communications capabilities. We also continue to leverage technologies from previous acquisitions. In December 2009, we acquired the enterprise business solutions business ("NES") of Nortel Networks Corporation in order to further expand our technology portfolio, enhance our customer base, broaden our indirect sales channel and provide us greater ability to compete globally. In June 2012, we acquired RADVISION Ltd. ("Radvision"), a global provider of videoconferencing and telepresence technologies over internet protocol ("IP") and wireless networks. The integrated Avaya and Radvision technology portfolios provides customers a highly integrated and interoperable suite of cost-effective, easy to use, high-definition video collaboration products, with the ability to interoperate with multiple mobile devices including Apple iPad and Google Android. On October 1, 2013, we acquired IT Navigator Ltd. ("IT Navigator") a global provider of Cloud, social media and management products and services. The integration of the Avaya and IT Navigator portfolios has added key management reporting and social media capabilities and enhanced Avaya's Cloud as well as its unified communication and contact center products. We believe the investments in NES, Radvision, IT Navigator, Knoahsoft, Esna and other acquisitions, as well as our ongoing investments in research and development, are helping us to capitalize on the increasing focus of enterprises on deploying collaboration products to increase productivity, reduce costs and complexity and gain competitive advantages, which is being further accelerated by a trend toward a more mobile workforce and the associated proliferation of devices.

We are continuing to expand our indirect channel to support our go-to-market strategy within our enterprise and midmarket customer bases. Since fiscal 2009 and the acquisition of NES, our indirect channel has grown from 53% to 75% of our product revenues. We believe this expansion of our indirect channel favorably impacts our financial results by reducing selling expenses and allowing us to reach more end users and grow our business, although sales through the indirect channel generally generate lower profits than direct sales due to higher discounts. In furtherance of our effort to maintain an effective business partner program, we continue to refine and expand our global coverage while better aligning our go-to-market strategy for our products and services with our enterprise and midmarket customer bases. We have been deploying new customer segmentation and enhanced geographic emphasis. For the midmarket, which we view as being 2000 seats or less, we have engaged a set of partners with threshold commitments specific to the midmarket. The program provides these partners with tightly integrated, bundled product offerings which include third party hosted Cloud instances as well as premise-based appliances, with the same software used in all deployments. We also implemented new sales compensation structures to better align compensation with a software and services model and to reflect our increasing orientation to the Cloud. Throughout fiscal 2015, we have brought additional industry-seasoned sales and technical personnel into customer and partner facing roles.

Certain trends and uncertainties also impact our global services organization, which provides us a large recurring revenue stream. Due to advances in technology, our customers continue to expect to pay less for traditional services. In addition, despite the benefits of a robust indirect channel, our channel partners have direct contact with our customers that may foster independent relationships between them and a loss of certain services agreements for us. We have been able to offset these impacts by focusing on other types of services not traditionally provided by our channel partners, such as professional services and Cloud and managed services.

For fiscal 2015, 2014 and 2013, revenue outside of the U.S. represented 46%, 48% and 47% of total revenue, respectively. Further, foreign currency exchange rates and fluctuations have had an impact on our revenue, costs and cash flows from our international operations. Our primary currency exposures are to the euro, Indian rupee, British pound, Mexican peso and Chinese yuan. These exposures may change over time as business practices evolve and as the geographic mix of our business changes and we are not able to predict the impact that foreign currency fluctuations will have on future periods.

Refinancing of Debt

During fiscal 2015, 2014 and 2013, the Company completed several refinancing transactions.

During fiscal 2013, the Company completed a series of transactions which allowed the Company to refinance (1) all of its senior secured term B-1 loans (“term B-1 Loans”) under its senior secured credit facility dated October 27, 2007 ("Senior Secured Credit Agreement") originally due October 26, 2014, and (2) $642 million of its 9.75% senior unsecured cash-pay notes and $742 million of its senior unsecured paid-in-kind (“PIK”) toggle notes (collectively, the "Old Notes") each originally due November 1, 2015. These transactions extended the maturity date of the $2.8 billion of refinanced debt by an additional three to six years and increased the associated interest rate.

On February 5, 2014, the Company completed Amendment No. 8 to the Senior Secured Credit Agreement pursuant to which the Company refinanced $1,138 million aggregate principal amount of senior secured term B-5 loans (“term B-5 Loans”) with the cash proceeds from the issuance of senior secured term B-6 loans (“term B-6 Loans”). On May 15, 2014, the Company redeemed 100% of the aggregate principal amount of its 9.75% senior unsecured cash-pay notes due 2015 and 10.125%/10.875% senior unsecured PIK toggle notes due 2015 at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest, of $92 million and $58 million, respectively. The redemption price of $150 million was funded through cash on-hand of $10 million and borrowings of $140 million under the Company's revolving credit facilities.

On May 29, 2015, the Company completed Amendment No. 9 to the Senior Secured Credit Agreement pursuant to which the Company refinanced $2,058 million in aggregate principal amounts of senior secured term B-3 loans (“term B-3 Loans”), senior secured term B-4 loans (“term B-4 Loans”), and term B-6 Loans and repaid $32 million of revolving loans outstanding under its Senior Secured Credit Agreement in exchange for and with the proceeds from the issuance of $2,125 million in principal amount of senior secured term B-7 loans ("term B-7 Loans") maturing May 29, 2020.

On June 4, 2015, Avaya Inc., Citicorp USA, Inc. and the lenders party thereto completed Amendment No. 4 to the Company's senior secured asset-based revolving credit facility (the "Domestic ABL") which, among other things; (i) extended the stated maturity of the facility from October 26, 2016 to June 4, 2020 (subject to certain conditions specified in the Domestic ABL), (ii) increased the sublimit for letter of credit issuances under the Domestic ABL from $150 million to $200 million, and (iii) amended certain covenants and other provisions of the existing agreement. At the same time, certain foreign subsidiaries of the Company (the "Foreign Borrowers"), Citibank N.A. and the lenders party thereto entered into a new senior secured foreign asset-based revolving credit facility (the "Foreign ABL") which matures June 4, 2020 (subject to certain conditions specified in the Foreign ABL). Available credit under the Domestic ABL remains $335 million subject to availability under the borrowing base. Available credit under the Foreign ABL is $150 million subject to availability under the respective borrowing bases of the Foreign Borrowers.

On June 5, 2015, the Company permanently reduced the revolving credit commitments under its Senior Secured Credit Agreement from $200 million to $18 million and transferred all letters of credit outstanding under the Senior Secured Credit Agreement to the Domestic ABL.

See Note 10, “Financing Arrangements” to our audited Consolidated Financial Statements and “Management's Discussion and Analysis - Liquidity and Capital Resources: Credit Facilities” for further details.

Principal amounts of long term debt and long term debt net of discounts and issuance costs consists of the following:

In millions	September 30, 2015 Principal Amount	September 30, 2015 Net of Discounts and Issuance Costs	September 30, 2014 Principal Amount	September 30, 2014 Net of Discounts and Issuance Costs
Variable rate revolving loans under the Senior Secured Credit Agreement due October 26, 2016	$ 18	$ 18	$ 90	$ 88
Variable rate revolving loans under the Domestic ABL due June 4, 2020 (1)	55	55	40	40
Variable rate revolving loans under the Foreign ABL due June 4, 2020 (2)	20	20	—	—
Variable rate Term B-3 Loans due October 26, 2017	616	611	2,102	2,079
Variable rate Term B-4 Loans due October 26, 2017	1	1	1	1
Variable rate Term B-6 Loans due March 31, 2018	537	532	1,128	1,113
Variable rate Term B-7 Loans due May 29, 2020	2,112	2,077	—	—
7% senior secured notes due April 1, 2019	1,009	999	1,009	996
9% senior secured notes due April 1, 2019	290	286	290	285
10.50% senior secured notes due March 1, 2021	1,384	1,368	1,384	1,366
Total debt	**$ 6,042**	5,967	**$ 6,044**	5,968
Debt maturing within one year		(7)		(19)
Non-current portion of long-term debt		**$ 5,960**		**$ 5,949**

(1) On June 4, 2015, the Company amended the Domestic ABL which, among other things, extended the stated maturity from October 26, 2016 to June 4, 2020 subject to certain conditions specified in the Domestic ABL
(2) Maturity date is subject to certain conditions specified in the Foreign ABL.

The weighted average contractual interest rate of the Company's outstanding debt as of September 30, 2015 and 2014 was 7.3% and 6.9%, respectively.

The table below sets forth the annual maturities of our long-term debt (excluding unaccreted discount and issuance costs), for the next five years ending September 30th and thereafter, consist of:

In millions	
2016	$ 25
2017	43
2018	1,179
2019	1,324
2020	2,087
2021 and thereafter	1,384
Total	**$ 6,042**

We regularly evaluate market conditions, our liquidity profile, and various financing alternatives for opportunities to enhance our capital structure. If market conditions are favorable, we may refinance our existing debt or issue additional securities.

Continued Focus on Cost Structure

We continue our focus on profitability levels while maintaining our commitment to investment in the sales force transformation and research and development objectives discussed above. The Company has continued with cost savings programs designed to streamline its operations and eliminate overlapping processes and expenses associated with various acquisitions and in response to the global economic downturn. These cost savings programs included: (1) reducing headcount, (2) relocating certain job functions to lower cost geographies, including service delivery, customer care, research and development, human resources and finance, (3) eliminating real estate costs associated with unused or under-utilized facilities and (4) implementing gross margin improvement and other cost reduction initiatives.

We have executed on several gross margin improvement and other cost reduction initiatives and have extended the multi-year positive trend in gross margin. These initiatives included obtaining better pricing from our contract manufacturers and transportation vendors which has improved our product gross margins. In addition, we have streamlined our operations by redesigning the Avaya support website and continue to transition our customers from an agent-based support model to a self-service/web-based support model. These improvements have allowed us to reduce the workforce and relocate positions to lower-cost geographies and improve our services gross margins.

We expect our gross profit and gross margin to continue to improve in the foreseeable future as we continue to implement additional initiatives such as increasing our focus on sales of higher margin software, working with our contract manufacturers and transportation vendors to secure more favorable pricing, optimizing the design of products and services delivery to drive efficiencies, and achieving greater economies of scale.

In addition to the improvements in gross margin, we have successfully reduced our operating expenses through these cost savings programs, primarily through reducing our labor and real estate costs.

Reductions in labor costs have been achieved through the elimination of redundancies by redefining and consolidating job functions, reductions in management and in back-office headcount of our sales organization, reduced headcount in our services business, the use of remote monitoring of customer systems as discussed above, and a shift in the mix of the Company's distribution channels toward the indirect channel which reduced our personnel needs. We were also able to attain additional savings as the Company placed greater emphasis on shifting job functions to its shared service centers in India and Argentina, as well as the automation of customer service.

During fiscal 2015, 2014 and 2013, the Company initiated cost savings programs to reduce headcount that included reaching agreements with the works council representing employees of certain of the Company's German and French subsidiaries for the elimination of positions, offering enhanced separation plans to certain management employees in the U.S., and other actions primarily focused in the U.S. and in Europe, Middle East and Africa ("EMEA"). As a result of these programs and the divestiture of two non-core businesses discussed below in fiscal 2014, the Company's workforce at September 2015, 2014 and 2013 was approximately 11,700, 13,100 and 14,500, respectively.

Reductions in real estate costs were achieved by: (1) eliminating redundant facilities, particularly research and development facilities, in similar geographic areas, (2) reductions in headcount, which decreased our real estate needs, and (3) reducing operating costs through more efficient facilities management. These initiatives enabled us to vacate and consolidate facilities particularly in Germany and the United Kingdom without affecting the quality or distribution of our products and services. Further, in part due to headcount reductions and office consolidations, we identified and sold four underutilized facilities during fiscal 2013 and 2014, generating additional cash of $55 million in aggregate. The operations associated with these facilities were either relocated to existing or smaller leased facilities or in certain cases we were able to lease-back a portion of the facility for our ongoing operations. The sale of these facilities not only generated additional cash but, as a result of reducing our real estate needs, provided for reductions in our real estate costs and overhead.

The Company's restructuring charges include employee separation charges such as, but not limited to, severance and employment benefit payments, social pension fund payments, and healthcare and unemployment insurance costs to be paid to or on behalf of the affected employees. The aggregate restructuring charges also include the future lease payments and payments made under lease termination agreements associated with vacated facilities. As of September 30, 2015, the remaining liability associated with these actions is $157 million. This liability includes $95 million of employee separation payments of which $66 million will be paid in fiscal 2016 and the balance through fiscal 2019, and $62 million of cash payments associated with lease obligations of vacated facilities of which $24 million will be paid in fiscal 2016 and the balance through fiscal 2022.

As a portion of our 2015 actions took place during the second half of fiscal 2015 and into fiscal 2016, the benefits are not fully reflected in our operating results as of September 30, 2015. We expect our operating margin to continue to improve in the foreseeable future as we begin to realize the full positive effects of our 2015 cost savings programs in our reported results. As we begin fiscal 2016, the Company continues to evaluate opportunities to streamline its operations and identify additional cost savings globally. Although a specific plan does not exist at this time, the Company may take additional restructuring actions in the future, the costs of which could be material. All costs associated with such actions would be recognized in accordance with authoritative accounting guidance and the Company's accounting policies as outlined in Note 2, "Summary of Significant Accounting Policies - Restructuring Programs" and Note 9, "Business Restructuring Reserves and Programs," to our audited Consolidated Financial Statements.

Divestitures

In order to remain focused on our business objectives, we have divested ourselves of two businesses which we obtained as part of larger acquisitions.

In March 2014, we sold the IT Professional Services ("ITPS") business that we acquired as part of our acquisition of NES. The ITPS business provides specialized information technology services exclusively to government customers in the U.S. In July 2014, we sold the Technology Business Unit ("TBU") which we acquired as part of our acquisition of Radvision. TBU is a software development business that licenses technologies to developers for their use and integration into their own products and includes protocol stacks, client framework solutions and network testing and monitoring tools. We do not view the ITPS or TBU businesses as core to our ongoing operations as a global provider of business collaboration and communication products and services or essential to the needs of our primary-customer base. As these businesses were not part of our long-term growth strategy we took the opportunity to monetize these assets and generated $127 million of cash while reducing the complexities of our operations.

Financial Operations Overview

The following describes certain components of our statement of operations and considerations impacting those results.

Revenue. We derive our revenue primarily from the sale and service of business collaboration and communications systems and applications. Our product revenue includes the sale of unified communications, contact center, midmarket enterprise communications, video and data networking products. Product revenue accounted for 50%, 50% and 51% of our total revenue for fiscal 2015, 2014 and 2013, respectively. Our services revenue includes product maintenance and support, professional services, including design and integration, and Cloud and managed services.

We employ a flexible go-to-market strategy with direct and indirect presence worldwide and as of September 30, 2015, we had approximately 9,300 channel partners. For fiscal 2015, 2014 and 2013 our product revenue from indirect sales represented approximately 75%, 75% and 76% of our total product revenue, respectively. Our revenue outside the United States represented 46%, 48% and 47% of our total revenue for fiscal 2015, 2014 and 2013, respectively.

Because we sell our products to end-users in a wide range of industries and geographies, demand for our products is generally driven more by the level of general economic activity than by conditions in one particular industry or geographic region.

Cost of Revenue. Cost of product revenue consists primarily of hardware costs, royalties and license fees for third-party software included in our systems, personnel and related overhead costs of operation including but not limited to current engineering, freight, warranty costs, amortization of acquired technology intangible assets and provisions for excess inventory. We outsource substantially all of our manufacturing operations to several contract manufacturers. Our contract manufacturers produce the vast majority of our products in facilities located in southern China, with other products produced in facilities located in Israel, Mexico, Malaysia, Taiwan, Germany, Ireland and the U.S. The majority of these costs vary with the unit volumes of product sold. We expect over time to increase the software content of our products, decrease our product costs and improve product gross profits. Cost of services revenue consists of salaries and related overhead costs of personnel engaged in support and services. As we continue to realize the benefit of cost saving initiatives, which include productivity improvements from automation of customer service, reducing the workforce and relocating positions to lower cost geographies, we expect our cost of services revenue will decrease as a percentage of services revenue.

Selling, General and Administrative ("SG&A") Expenses. Sales and marketing expenses primarily include personnel costs, sales commissions, travel, marketing promotional and lead generation programs, trade shows, professional services fees and related overhead expenses. We plan to continue to invest in development of our distribution channels by increasing the size of our field sales force and continue to develop the capabilities of our channel partners to enable us to expand into new geographies and further increase our sales to the midmarket across the world.

General and administrative expenses consist primarily of salary and benefit costs for executive and administrative staff, the use and maintenance of administrative offices, including depreciation expense, logistics, information systems and legal, financial, human resources, and other corporate functions. Administrative expenses generally do not increase or decrease directly with changes in sales volume.

Research and Development ("R&D") Expenses. Research and development expenses primarily include personnel costs, outside engineering costs, professional services, prototype costs, test equipment, software usage fees and related overhead expenses. Research and development expenses are recognized when incurred. The level of research and development expense is related to the number of products in development, the stage of development process, the complexity of the underlying technology, the potential scale of the product upon successful commercialization and the level of our exploratory research. We conduct such activities in areas we believe will accelerate our longer term net revenue growth.

We are devoting substantial resources to the development of additional functionality for existing products and the development of new products and related software applications. We intend to continue to invest in our research and development efforts because we believe they are essential to maintaining and improving our competitive position.

Amortization of Acquired Intangible Assets. As a result of the Merger, the acquisitions of NES and Radvision, and other acquisitions, significant amounts were recognized in purchase accounting for the estimated fair values of customer relationships associated with the businesses acquired. The fair value of these intangible assets was estimated by independent valuations at the time of acquisition and is amortized into our operating expenses over their estimated useful lives.

Restructuring Charges, net. In response to the global economic climate, the acquisitions of NES and Radvision and the Company's commitment to control costs, the Company implemented initiatives designed to streamline the operations of the Company and generate cost savings. The Company exited and consolidated facilities and terminated or relocated certain job functions. The expenses associated with these actions are reflected in our operating results. As the Company continues to evaluate and identify additional operational synergies, additional cost saving opportunities may be identified and future restructuring charges may be incurred.

Interest Expense. Interest expense consists primarily of interest on indebtedness under our credit facilities and our notes. Interest expense also includes the amortization of deferred financing costs, the amortization of debt discount, and the expense associated with interest rate derivative instruments we use to minimize our exposure to variable rate interest payments associated with our debt. We regularly evaluate market conditions, our liquidity profile, and various financing alternatives for opportunities to enhance our capital structure. If market conditions are favorable, we may refinance existing debt or issue additional debt securities.

Loss on Extinguishment of Debt. The Company completed a series of transactions which allowed us to refinance certain of our debt arrangements. Under accounting principles generally accepted in the United States of America ("GAAP") the Company was required to account for certain of these transactions as an extinguishment of debt. A loss representing the difference between the reacquisition price of the original debt (including consent fees paid by Avaya to the holders of the original debt that consented to the transaction) and the carrying value of the old debt (including unamortized debt discount and debt issue costs) was recognized. See Note 10, "Financing Arrangements," to our audited Consolidated Financial Statements.

Other Income (Expense), net. Other income (expense), net consists primarily of gains and losses on foreign currency transactions and foreign currency forward contracts, third party fees incurred in connection with certain debt modifications, changes to the reserves of certain tax indemnifications, interest income, and other gains and losses that are not considered part of the Company's ongoing major or central operations.

Income Taxes. Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Our effective income tax rate differs from the U.S. federal tax rate primarily due to (1) the effect of taxable income in certain non-U.S. jurisdictions, (2) changes in the valuation allowance established against the Company's deferred tax assets, (3) recognition of income tax benefit in the Consolidated Statement of Operations associated with tax charges on net gains/losses in other comprehensive income, particularly as it relates to pension and post-employment benefits and interest rate swaps, and (4) changes in estimates of uncertain tax positions. See discussion in Note 13, "Income Taxes" to our audited Consolidated Financial Statements.

Income (loss) from Discontinued Operations, Net of Income Taxes. On March 31, 2014, the Company completed the sale of its ITPS business for a final sales price of $101 million, inclusive of $3 million of working capital adjustment and a net of $2 million in costs to sell. Income from discontinued operations for fiscal 2014 includes the gain on sale of the ITPS business of $52 million. As a result of the divestiture of the ITPS business, the results of operations and cash flows of this business have been classified as discontinued operations in all periods presented. See Note 5, "Divestitures - IT Professional Services Business," to our audited Consolidated Financial Statements.

Selected Segment Information

Avaya conducts its business operations in three segments. Two of those segments, Global Communications Solutions ("GCS") and Avaya Networking ("Networking"), make up Avaya's Enterprise Collaboration Solutions ("ECS") product portfolio. The third segment contains Avaya's services portfolio and is called Avaya Global Services ("AGS").

In GCS, we deliver business collaboration and communications products primarily for IT infrastructure, unified communications, and contact centers. Our infrastructure and UC application products are designed to promote collaboration, innovation, productivity and real-time decision-making by providing business users a highly intuitive and personalized user experience that enables them to collaborate seamlessly across various modes of communication, including voice, video, email, instant messaging, text messaging, web conferencing, voicemail and social networking. Our contact center applications are highly reliable, scalable communications-centric applications suites designed to optimize customer service.

Our Networking segment provides a broad range of internet protocol networking infrastructure products including ethernet switches, routers and Virtual Private Network or VPN appliances, wireless networking routers, access control products, unified management products and end-to-end virtualization strategies and architectures.

Through our AGS segment we help our customers evaluate, plan, design, implement, support, manage and optimize their enterprise communications networks to help them achieve enhanced business results. Our award-winning service portfolio includes product support, integration and professional services and Cloud and managed services that enable customers to optimize and manage their converged communications networks worldwide.

Dollars in millions	Fiscal year ended September 30, 2015				Fiscal year ended September 30, 2014			
	Revenues		Gross Profit		Revenues		Gross Profit	
	Dollar Amount	Percent of Total Revenue	Dollar Amount	Percent of Revenue	Dollar Amount	Percent of Total Revenue	Dollar Amount	Percent of Revenue
Global Communications Solutions	$ 1,796	44%	$ 1,189	66%	$ 1,953	45%	$ 1,241	64%
Avaya Networking	233	6%	97	42%	243	5%	107	44%
Enterprise Collaboration Systems	2,029	50%	1,286	63%	2,196	50%	1,348	61%
Avaya Global Services	2,052	50%	1,180	58%	2,175	50%	1,220	56%
Unallocated Amounts	—	—%	(36)	(1)	—	—%	(69)	(1)
	$ 4,081	100%	$ 2,430	60%	$ 4,371	100%	$ 2,499	57%

(1) Not meaningful

Financial Results Summary

The following table sets forth for fiscal 2015, 2014 and 2013, our results of operations as reported in our audited Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America ("GAAP").

In millions	Fiscal years ended September 30, 2015	2014	2013
STATEMENT OF OPERATIONS DATA:			
REVENUE			
Products	$ 2,029	$ 2,196	$ 2,337
Services	2,052	2,175	2,241
	4,081	4,371	4,578
COSTS			
Products:			
Costs (exclusive of amortization of acquired technology intangible assets)	744	854	963
Amortization of acquired technology intangible assets	35	56	63
Services	872	962	1,022
	1,651	1,872	2,048
GROSS PROFIT	2,430	2,499	2,530
OPERATING EXPENSES			
Selling, general and administrative	1,432	1,531	1,511
Research and development	338	379	445
Amortization of acquired intangible assets	226	227	228
Restructuring charges, net	62	165	200
Acquisition-related costs	1	—	1
	2,059	2,302	2,385
OPERATING INCOME	371	197	145
Interest expense	(452)	(459)	(467)
Loss on extinguishment of debt	(6)	(5)	(6)
Other income (expense), net	13	25	(14)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(74)	(242)	(342)
(Provision for) benefit from income taxes of continuing operations	(70)	(51)	35
LOSS FROM CONTINUING OPERATIONS	(144)	(293)	(307)
Income (loss) from discontinued operations, net of income taxes	—	62	(57)
NET LOSS	**$ (144)**	**$ (231)**	**$ (364)**

Summary of the Fiscal Year Ended September 30, 2015 Compared with Fiscal Year Ended September 30, 2014

Our revenue for fiscal 2015 and 2014 was $4,081 million and $4,371 million, respectively, a decrease of $290 million or 7%. Revenues were primarily affected by declines in sales of our core and legacy product lines and the service revenues associated with those product lines and the unfavorable impact of foreign currencies particularly in Europe, Canada, and Latin America. These declines were partially offset by the growth in demand for our flagship product lines and associated professional services.

In fiscal 2015, we continued to transform Avaya into a software and service-led organization and focused our go-to-market efforts to drive growth in our flagship product lines and services such as Aura, Avaya Private Cloud Services ("APCS"), contact center and IP Office. We have worked to migrate customers from legacy products such as the Nortel and Tenovis product lines into our newer offerings. As a result software, professional services, and Cloud and managed services increased in fiscal 2015, while sales of our legacy product lines declined. Our core products such as gateways, servers, and phones or other software endpoints, are integral components to our flagship and legacy products. Accordingly, sales of our core products have declined as the decrease in sales of our legacy products were only partially offset by the increase in the sales of our flagship products. Further, we believe better utilization of SIP technology enables our customers to run their communication networks more efficiently, requiring fewer gateways and servers, which also contributed to lower demand for our core and legacy products. The lower demand for our legacy products has contributed in part to lower maintenance service revenue, which was partially offset by increases in APCS revenue.

As a result of a growing market trend around Cloud consumption preferences more customers are exploring OpEx models rather than CapEx models for procuring technology. The shift to OpEx models enables customers to manage costs and efficiencies, by paying a subscription fee for business collaboration and communications services rather than purchasing the underlying products and services, infrastructure and personnel, which are owned and managed by the equipment vendor or a managed services or Cloud provider. We believe the market trend toward OpEx models will continue as we see an increasing number of opportunities and requests for proposal based on OpEx models. As the trend towards the OpEx model continues, we have focused our go-to-market strategy on our APCS as well as our flagship product offerings. Since the beginning of fiscal 2014, as part of our go-to-market strategy we have made leadership changes, increased our front-line resources, conducted training, and are now focused on the systems and the accountability required to speed up the rate of execution. Throughout fiscal 2014 and 2015, our total contracted value for Cloud and managed services grew. As of September 30, 2015, we anticipate the total future revenues for these contracts to be in excess of $800 million. The values for these contracts are usually larger than contracts under a CapEx model, but the associated revenues are recognized over a period of time, typically three to seven years.

The Company has maintained its focus on profitability levels and investing in future results and continued to implement cost savings programs designed to streamline its operations, generate cost savings, and eliminate overlapping processes and expenses associated with various acquisitions and in response to the global economic downturn. These cost savings programs have included: (1) reducing headcount, (2) relocating certain job functions to lower cost geographies, including service delivery, customer care, research and development, human resources and finance, (3) eliminating real estate costs associated with unused or under-utilized facilities and (4) implementing gross margin improvement and other cost reduction initiatives. During fiscal 2015, the Company incurred restructuring charges of $62 million, the full benefits of which we have yet to realize in our operating results. The Company continues to evaluate opportunities to streamline its operations and identify cost savings globally and may take additional restructuring actions in the future and the costs of those actions could be material.

Operating income for fiscal 2015 and 2014 was $371 million and $197 million, respectively, an increase of $174 million. The increase in operating income reflects the continued benefit from our cost savings initiatives and is offset by the decrease in revenues as discussed above. In addition, our fiscal 2015 operating results compared to our fiscal 2014 results reflect, among other things:

- a 3% decrease in gross profit primarily as a result of the decline in revenues discussed above, while gross margin increased to 59.5% in fiscal 2015 as compared to 57.2% in fiscal 2014 reflecting an improved revenue mix toward higher software revenues and the positive effects of our gross margin improvement initiatives;
- a decrease in restructuring charges of $103 million as the Company initiated greater cost cutting actions during fiscal 2014, particularly in Europe;
- lower depreciation and amortization charges as the Company sold under-utilized facilities and certain intangible assets have been fully amortized; and
- favorable impact of foreign currency on our operating expenses.

Operating income includes non-cash depreciation and amortization of $371 million and $434 million and share-based compensation of $19 million and $25 million for fiscal 2015 and 2014, respectively.

On March 31, 2014, the Company completed the sale of its ITPS business for a final sales price of $101 million, inclusive of $3 million of working capital adjustments and net of $2 million in costs to sell. Income from discontinued operations of $62 million for fiscal 2014 includes the gain on the sale of the ITPS business of $52 million.

Net loss for fiscal 2015 and 2014 was $144 million and $231 million, respectively. The improvement in our net loss is primarily attributable to the increase in operating income as described above and lower interest expense as a result of fiscal 2014 refinancing transactions. These improvements were partially offset by higher third party fees incurred in connection with modifying certain debt during fiscal 2015 versus 2014. Further, our results for fiscal 2014 reflect $62 million of income from discontinued operations associated with the sale of the IT Professional Services business which was completed March 31, 2014.

Summary of the Fiscal Year Ended September 30, 2014 Compared with Fiscal Year Ended September 30, 2013

Our revenue for fiscal 2014 and 2013 was $4,371 million and $4,578 million, respectively, a decrease of $207 million or 5%. Revenues were primarily affected by declines in sales of our core and legacy product lines and the service revenues associated with those product lines. These declines were partially offset by the demand for our flagship product lines and professional services. We believe these trends in fiscal 2014 are consistent with the trends we experienced and discussed above for fiscal 2015, specifically the shift toward our flagship products which has detracted from the sales of our legacy products and associated services, the better utilization of SIP technology, and the growing market trend around Cloud consumption preferences with more customers exploring OpEx models, rather than CapEx models, for procuring technology.
The Company continues to evaluate opportunities to streamline its operations and generate cost savings which includes consolidating and exiting facilities and eliminating employee positions.

Operating income for fiscal 2014 and 2013 was $197 million and $145 million, respectively, an increase of $52 million. The increase in operating income is primarily attributable to lower restructuring charges and the continued benefit from our cost savings initiatives. In addition to these improvements in operating income, our fiscal 2014 operating results compared to our fiscal 2013 results reflect, among other things:

In addition to the changes in our revenues discussed above, our fiscal 2014 operating results compared to our fiscal 2013 results reflect, among other things:

- a 1% decrease in gross profit primarily as a result of decreased revenues as discussed above, while gross margin increased to 57.2% in fiscal 2014 as compared to 55.3% in fiscal 2013;
- additional selling expenses associated with our marketing rights at the Sochi Olympics and to support our go-to-market strategy within enterprise and midmarket customers;
- a decrease in restructuring charges of $35 million as the Company initiated greater cost cutting actions during fiscal 2013; and
- additional depreciation charges as the Company continues to consolidate and vacate under-utilized facilities.

Operating income includes non-cash depreciation and amortization of $434 million and $455 million and share-based compensation of $25 million and $11 million for fiscal 2014 and 2013, respectively.

On March 31, 2014, the Company completed the sale of its ITPS business for a final sales price of $101 million, inclusive of $3 million of working capital adjustments and net of $2 million in costs to sell. Income from discontinued operations of $62 million for fiscal 2014 includes the gain on the sale of the ITPS business of $52 million and compares to a loss from discontinued operations of $57 million for fiscal 2013 which includes an $89 million impairment charge to the goodwill of the ITPS business.

Net loss for fiscal 2014 and 2013 was $231 million and $364 million, respectively. The decrease in our net loss is primarily attributable to the increase in operating income as described above, the gain from the sale of the ITPS business in fiscal 2014 as opposed to the loss from discontinued operations recognized in fiscal 2013 primarily attributable to the impairment charge to the goodwill of the ITPS business, partially offset by the increase in the provision for income taxes.

Deferred Tax Assets

Our deferred tax assets are primarily a result of deductible temporary differences related to net operating loss (“NOL”) carryforwards, benefit obligations, tax credit carryforwards, and other accruals which are available to reduce taxable income in future periods. As of September 30, 2015, the Company had NOL carryforwards of $1,221 million, comprised of $389 million for U.S. federal, state and local taxes and $833 million in foreign jurisdictions. See Note 13, “Income Taxes” to our audited Consolidated Financial Statements for further details on our NOL carryforwards.

The U.S. Internal Revenue Code ("IRC" or the "Code") contains provisions which limit the use of NOLs, U.S. federal tax credits and other tax attributes upon a change in ownership as defined by the Code. The Merger in October 2007 was a change of ownership subject to the loss limitation provision under the Code.

On June 9, 2011, Parent filed with the SEC a registration statement on Form S-1 (as updated from time to time) relating to a proposed initial public offering of its common stock. We do not believe that this share issuance will itself, or when aggregated with other prior shareholder ownership changes during the applicable testing period, cause an ownership change that would further limit, on an annual basis, our ability to utilize our current U.S. federal net operating losses and U.S. federal tax credits.

A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that some or all of its deferred tax assets will not be realized. At September 30, 2015, the Company's valuation allowance is $1,966 million, of which $1,138 million, $263 million, $507 million and $58 million relates to U.S., Germany, Luxembourg, and other foreign entities, respectively. Primarily as a result of significant book taxable losses incurred subsequent to the Merger, the Company's deferred tax assets exceed its deferred tax liabilities, exclusive of the U.S. deferred tax liabilities associated with indefinite-lived intangible assets. The Company is in a three-year cumulative book taxable loss position in the U.S. and other significant tax jurisdictions and expects to continue to incur significant interest expense related to its debt and amortization and depreciation expense associated with the Merger and acquisition of NES. The Company considered the scheduled reversal of deferred tax assets and liabilities, projected future taxable income, and certain tax planning strategies in assessing the realization of its deferred tax assets. Based on this assessment, the Company determined that it is more likely than not that the deferred tax assets in certain significant jurisdictions, including the U.S., Israel, Ireland, Germany, Luxembourg and France, will not be realized to the extent they exceed the scheduled reversal of deferred tax liabilities. The recognition of valuation allowances will adversely affect the Company's effective income tax rate.

Results of Operations

Fiscal Year Ended September 30, 2015 Compared with Fiscal Year Ended September 30, 2014

Revenue

Our revenue for fiscal 2015 and 2014 was $4,081 million and $4,371 million, respectively, a decrease of $290 million or 7%. The following table sets forth a comparison of revenue by portfolio:

	Fiscal years ended September 30,					
			Percentage of Total Revenue			
Dollars in millions	2015	2014	2015	2014	Yr. to Yr. Percent Change	Yr. to Yr. Percent Change, net of Foreign Currency Impact
GCS	$ 1,796	$ 1,953	44%	45%	(8)%	(6)%
Networking	233	243	6%	5%	(4)%	(3)%
Total product revenue	2,029	2,196	50%	50%	(8)%	(6)%
AGS	2,052	2,175	50%	50%	(6)%	(2)%
Total revenue	$ 4,081	$ 4,371	100%	100%	(7)%	(4)%

(1) Not meaningful

GCS revenue for fiscal 2015 and 2014 was $1,796 million and $1,953 million, respectively, a decrease of $157 million or 8%. The decrease in GCS revenue was primarily attributable to lower demand for our legacy and core products and constrained sales execution, particularly in the U.S., and the unfavorable impact of foreign currency. These decreases in GCS revenue were partially offset by higher revenue from our flagship products as previously discussed.

Networking revenue for fiscal 2015 and 2014 was $233 million and $243 million, respectively, a decrease of $10 million or 4%. The decrease in Networking revenue is primarily attributable to the revenues associated with the Company's successful completion of its networking implementation at the Sochi Olympics in fiscal 2014 and the unfavorable impact of foreign currency. These decreases in Networking revenue were partially offset by increases associated with new product releases.

AGS revenue for fiscal 2015 and 2014 was $2,052 million and $2,175 million, respectively, a decrease of $123 million or 6%. The decrease in AGS revenue was primarily due to lower maintenance services revenues as a result of lower demand for our legacy and core products and the unfavorable impact of foreign currency. These decreases in AGS revenue were partially offset by higher revenue from Cloud and managed services and revenues from professional services. As previously discussed, revenues associated with Cloud and managed services contracts are recognized over a period of time, typically three to seven years.

The following table sets forth a comparison of revenue by location:

Dollars in millions	Fiscal years ended September 30, 2015	2014	Percentage of Total Revenue 2015	Percentage of Total Revenue 2014	Yr. to Yr. Percentage Change	Yr. to Yr. Percentage Change, net of Foreign Currency Impact
U.S.	$ 2,203	$ 2,267	54%	52%	(3)%	(3)%
International:						
EMEA	1,073	1,234	26%	28%	(13)%	(7)%
APAC—Asia Pacific	425	445	11%	10%	(4)%	(2)%
Americas International—Canada and Latin America	380	425	9%	10%	(11)%	(2)%
Total international	1,878	2,104	46%	48%	(11)%	(5)%
Total revenue	$ 4,081	$ 4,371	100%	100%	(7)%	(4)%

Revenue in the U.S. for fiscal 2015 and 2014 was $2,203 million and $2,267 million, respectively, a decrease of $64 million or 3%. The decrease in U.S. revenue was primarily attributable to lower sales of our core and legacy products and associated maintenance and constrained sales execution. These decreases in U.S. revenues were partially offset by higher revenue associated with our flagship products, professional services and Cloud and managed services. Revenue in EMEA for fiscal 2015 and 2014 was $1,073 million and $1,234 million, respectively, a decrease of $161 million or 13%. The decrease in EMEA revenue was primarily attributable to the unfavorable impact of foreign currency and lower sales of our core and legacy products and associated maintenance and Cloud. These decreases in EMEA revenue were partially offset by higher revenue from Cloud and managed services. Revenue in APAC for fiscal 2015 and 2014 was $425 million and $445 million, respectively, a decrease of $20 million or 4%. The decrease in APAC revenue was primarily attributable to lower revenues associated with our products and associated maintenance and the unfavorable impact of foreign currency. These decreases in APAC revenue were partially offset by higher revenue associated with Cloud and professional services. Revenue in Americas International for fiscal 2015 and 2014 was $380 million and $425 million, respectively, a decrease of $45 million or 11%. The decrease in Americas International revenue was primarily attributable to the unfavorable impact of foreign currency and lower revenues associated with products and associated maintenance, particularly in Brazil.

We sell our products both directly and through an indirect sales channel. The following table sets forth a comparison of revenue from sales of products by channel:

Dollars in millions	Fiscal years ended September 30, 2015	2014	Percentage of ECS Product Revenue 2015	Percentage of ECS Product Revenue 2014	Yr. to Yr. Percentage Change	Yr. to Yr. Percentage Change, net of Foreign Currency Impact
Direct	$ 501	$ 551	25%	25%	(9)%	(5)%
Indirect	1,528	1,645	75%	75%	(7)%	(6)%
Total ECS product revenue	$ 2,029	$ 2,196	100%	100%	(8)%	(6)%

Gross Profit

The following table sets forth a comparison of gross profit by segment:

Dollars in millions	Gross Profit 2015	Gross Profit 2014	Gross Margin 2015	Gross Margin 2014	Change Amount	Change Percentage
GCS	$ 1,189	$ 1,241	66.2%	63.5%	$ (52)	(4)%
Networking	97	107	41.6%	44.0%	(10)	(9)%
ECS	1,286	1,348	63.4%	61.4%	(62)	(5)%
AGS	1,180	1,220	57.5%	56.1%	(40)	(3)%
Unallocated amounts	(36)	(69)	(1)	(1)	33	(1)
Total	$ 2,430	$ 2,499	59.5%	57.2%	$ (69)	(3)%

(1) Not meaningful

Gross profit for fiscal 2015 and 2014 was $2,430 million and $2,499 million, respectively, a decrease of $69 million or 3%. The decrease is primarily attributable to the unfavorable impact of foreign currency, the decrease in sales volume, and higher customer discounts, particularly in Europe. These decreases in gross profit were partially offset by the success of our gross margin improvement initiatives, the increase in software sales as a percentage of revenues, which have higher gross margins, and the impact of lower amortization of acquired technology intangible assets. Our gross margin improvement initiatives included exiting facilities, reducing the workforce, relocating positions to lower-cost geographies, productivity improvements, and obtaining better pricing from our contract manufacturers and transportation vendors. As a result of our gross margin improvement initiatives, higher software sales as a percentage of revenues and the impact of lower amortization of acquired technology intangible assets, and lower depreciation associated with the Company's Westminster, Colorado facility during fiscal 2014, gross margin increased to 59.5% for fiscal 2015 from 57.2% for fiscal 2014.

GCS gross profit for fiscal 2015 and 2014 was $1,189 million and $1,241 million, respectively, a decrease of $52 million or 4%. The decrease in GCS gross profit is primarily attributable to the unfavorable impact of foreign currency, lower sales volume and higher customer discounts particularly in Europe. These decreases were partially offset by the success of our gross margin improvement initiatives discussed above. As a result of our gross margin improvement initiatives and higher software sales as a percentage of revenues GCS gross margin increased to 66.2% for fiscal 2015 compared to 63.5% for fiscal 2014.

Networking gross profit for fiscal 2015 and 2014 was $97 million and $107 million, respectively, a decrease of $10 million or 9%. Networking gross margin decreased to 41.6% for fiscal 2015 from 44.0% for fiscal 2014. The decrease in Networking gross profit and gross margin is primarily attributable to the Company's successful networking implementation at the Sochi Olympics in fiscal 2014.

AGS gross profit for fiscal 2015 and 2014 was $1,180 million and $1,220 million, respectively, a decrease of $40 million or 3%. The decrease in AGS gross profit is primarily due to lower services revenue and the unfavorable impact of foreign currency. These decreases in AGS gross profit were partially offset by the continued benefit from our gross margin improvement initiatives discussed above. We have redesigned the Avaya support website and continue to transition our customers from an agent-based support model to a largely self-service/web-based support model. Our gross margin improvement initiatives have enabled us to reduce the workforce and relocate positions to lower-cost geographies. As a result of the above factors, AGS gross margin increased to 57.5% for fiscal 2015 compared to 56.1% for fiscal 2014.

Unallocated amounts for fiscal 2015 and 2014 include the effect of the amortization of acquired technology intangibles and costs that are not core to the measurement of segment management's performance, but rather are controlled at the corporate level. The decrease in unallocated amounts is attributable to lower amortization associated with technology intangible assets acquired in prior periods and $6 million of additional depreciation related to the change in estimates of salvage value and useful life of the Company's Westminster, Colorado facility during the six months ended March 31, 2014.

Operating Expenses

The following table sets forth a comparison of operating expenses:

	Fiscal years ended September 30,					
			Percentage of Revenue		Change	
Dollars in millions	2015	2014	2015	2014	Amount	Percentage
Selling, general and administrative	$ 1,432	$ 1,531	35.1%	35.0%	$ (99)	(6)%
Research and development	338	379	8.3%	8.7%	(41)	(11)%
Amortization of acquired intangible assets	226	227	5.5%	5.2%	(1)	— %
Restructuring charges, net	62	165	1.5%	3.8%	(103)	(62)%
Acquisition-related costs	1	—	—%	—%	1	(1)
Total operating expenses	$ 2,059	$ 2,302	50.4%	52.7%	$ (243)	(11)%

(1) Not meaningful

SG&A expenses for fiscal 2015 and 2014 were $1,432 million and $1,531 million, respectively, a decrease of $99 million. The decrease was primarily attributable to the favorable impact of foreign currency, the cost of the marketing rights and other marketing expenses associated with the Sochi Olympics, $24 million of additional depreciation related to the change in the estimates of salvage value and useful life of the Company's Westminster, Colorado facility, the resolution of certain commercial and intellectual property legal disputes during the three months ended June 30, 2014 and our cost savings initiatives. Our cost savings initiatives include exiting and consolidating facilities, reducing the workforce and relocating positions to lower-cost geographies. The decrease was partially offset by higher employee costs, other marketing expenses and selling costs.

R&D expenses for fiscal 2015 and 2014 were $338 million and $379 million, respectively, a decrease of $41 million. The decrease was primarily due to lower expenses associated with our cost savings initiatives discussed above and the favorable impact of foreign currency.

Amortization of acquired intangible assets for fiscal 2015 and 2014 was $226 million and $227 million, respectively.

Restructuring charges, net, for fiscal 2015 and 2014 were $62 million and $165 million, respectively, a decrease of $103 million. The Company continued to identify opportunities to streamline its operations and generate cost savings which included consolidating and exiting facilities and eliminating employee positions. Restructuring charges recorded during fiscal 2015 include employee separation costs of $52 million primarily associated with employee severance actions in EMEA and the U.S. and lease obligations of $10 million primarily related to facilities in the U.S. Restructuring charges recorded during fiscal 2014 include employee separation costs of $152 million primarily associated with employee severance actions in EMEA and the U.S. and lease obligations of $13 million primarily related to facilities in the U.S. The EMEA charges include approved plans in the third and fourth quarters of fiscal 2014 for the elimination of 121 and 165 positions and resulted in a charge of $26 million and $39 million, respectively, for which the related payments are expected to be completed in fiscal 2016. The separation charges include, but are not limited to, social pension fund payments and health care and unemployment insurance costs to be paid to or on behalf of the affected employees. A voluntary program offered to certain management employees in the U.S. resulted in the elimination of 172 positions and resulted in a charge of $10 million. The Company continues to evaluate opportunities to streamline its operations and identify cost savings globally and may take additional restructuring actions in the future and the costs of those actions could be material.

Acquisition-related costs for fiscal 2015 were $1 million and include third-party legal and other costs related to business acquisitions in fiscal 2015.

Operating Income

Fiscal 2015 operating income was $371 million compared to operating income of $197 million for fiscal 2014.

Operating income for fiscal 2015 and 2014 includes non-cash expenses for depreciation and amortization of $371 million and $434 million, and share-based compensation of $19 million and $25 million, respectively.

Interest Expense

Interest expense for fiscal 2015 and 2014 was $452 million and $459 million, respectively, which includes non-cash interest expense of $20 million and $19 million, respectively. Non-cash interest expense for each period includes amortization of debt issuance costs and accretion of debt discount. Cash interest expense for fiscal 2015 and 2014 was $432 million and $440 million, respectively, a decrease of $8 million. The decrease in cash interest expense is the result of certain debt refinancing transactions that occurred during fiscal 2014. This decrease in interest expense was partially offset by additional borrowings under our revolving credit facilities which we repaid in part with the refinancing transaction that took place on May 29, 2015. See Note 10, “Financing Arrangements” to our audited Consolidated Financial Statements.

Loss on Extinguishment of Debt

During fiscal 2015, we recognized a $6 million loss on extinguishment of debt associated with an amendment to our Senior Secured Credit Agreement completed on May 29, 2015, pursuant to which the Company refinanced a portion of its outstanding term B-3, term B-4 and term B-6 loans with the proceeds of the issuance of term B-7 loans maturing May 29, 2020. The loss represents the difference between the reacquisition price and the carrying value (including unamortized discount and debt issuance costs) for the portion of the refinanced debt accounted for as a debt extinguishment. During fiscal 2014, we recognized a $5 million loss on extinguishment of debt in connection with (1) the refinancing of $1,138 million aggregate principal amount of term B-5 loans with the cash proceeds from the issuance of term B-6 loans and (2) the redemption of the aggregate principal amount plus accrued and unpaid interest of the Old Notes. See Note 10, "Financing Arrangements" to our audited Consolidated Financial Statements.

Other Income (Expense), Net

Other income (expense), net for fiscal 2015 was $13 million compared with $25 million in fiscal 2014.

Other income (expense), net for fiscal 2015 includes net foreign currency transaction gains of $14 million and $9 million associated with the release of a reserve related to a tax indemnification liability, partially offset by $8 million of third party fees incurred in connection with debt modification. Other income, net, for fiscal 2014 includes net foreign currency transaction gains of $18 million and the gain on the sale of the TBU business of $14 million, partially offset by $4 million of net charges associated with certain tax indemnifications, $2 million of third party fees incurred in connection with debt modifications, and a $2 million charge associated with the remeasurement of the monetary assets and liabilities of our Venezuelan subsidiary. Based on developments related to the foreign exchange process in Venezuela, the Company has changed the exchange rate used to remeasure its Venezuelan subsidiary's monetary assets and liabilities from the official exchange rate as established by the Venezuelan government to the “Complimentary System of Foreign Currency Acquirement” or SICAD rate.

Provision for Income Taxes of Continuing Operations

The provision for income taxes of continuing operations was $70 million and $51 million for fiscal 2015 and 2014, respectively. The Company's effective income tax rates for fiscal 2015 and 2014 differ from the U.S. federal tax rate primarily due to (1) the effect of taxable income in certain non-U.S. jurisdictions, (2) changes in the valuation allowance established against the Company's deferred tax assets and (3) changes in estimates of uncertain tax positions. During fiscal 2015 the Company recorded a correction to the prior period valuation allowance on deferred tax assets which decreased the provision for income taxes of continuing operations by $6 million. During fiscal 2014 the Company recorded a correction to prior period deferred tax assets and liabilities for certain foreign legal entities which decreased the provision for income taxes of continuing operations by $6 million. The Company evaluated each correction in relation to the period of adjustment, as well as the periods in which the adjustments originated, and concluded that each adjustment was not material to fiscal 2015 and 2014 or any other fiscal quarter or year.

Income from Discontinued Operations, Net of Income Taxes

Income from discontinued operations for fiscal 2014 was $62 million. On March 31, 2014, the Company completed the sale of its ITPS business for a final sales price of $101 million, inclusive of $3 million of working capital adjustments and net of $2 million in costs to sell. Income from discontinued operations for fiscal 2014 includes the gain on the sale of the ITPS business of $52 million. See Note 5, “Divestitures - IT Professional Services Business,” to our audited Consolidated Financial Statements.

Fiscal Year Ended September 30, 2014 Compared with Fiscal Year Ended September 30, 2013

Revenue

Our revenue for fiscal 2014 and 2013 was $4,371 million and $4,578 million, respectively, a decrease of $207 million or 5%. The following table sets forth a comparison of revenue by portfolio:

	Fiscal years ended September 30,					
			Percentage of Total Revenue			
Dollars in millions	2014	2013	2014	2013	Yr. to Yr. Percent Change	Yr. to Yr. Percent Change, net of Foreign Currency Impact
GCS	$ 1,953	$ 2,096	45%	46%	(7)%	(7)%
Purchase accounting adjustments	—	(1)	—%	—%	(1)	(1)
Networking	243	242	5%	5%	— %	1 %
Total product revenue	2,196	2,337	50%	51%	(6)%	(6)%
AGS	2,175	2,241	50%	49%	(3)%	(3)%
Total revenue	$ 4,371	$ 4,578	100%	100%	(5)%	(4)%

(1) Not meaningful

GCS revenue for fiscal 2014 and 2013 was $1,953 million and $2,096 million, respectively, a decrease of $143 million or 7%. The decrease in GCS revenue was primarily attributable to lower demand for our legacy and core products and services, partially offset by increases in demand for our flagship products as discussed above.

Networking revenue for fiscal 2014 and 2013 was $243 million and $242 million, respectively, an increase of $1 million or less than 1%. The increase in Networking revenue is primarily attributable to the Company's successful completion of its networking deployment at the Sochi Olympics partially offset by the unfavorable impact of foreign currency and lower demand for established networking products.

AGS revenue for fiscal 2014 and 2013 was $2,175 million and $2,241 million, respectively, a decrease of $66 million or 3%. The decrease in AGS revenue was primarily due to lower maintenance and professional services revenues as a result of lower product sales particularly in the U.S. These decreases were partially offset by an increase in revenues from Cloud and managed services.

The following table sets forth a comparison of revenue by location:

	Fiscal years ended September 30,					
			Percentage of Total Revenue			
Dollars in millions	2014	2013	2014	2013	Yr. to Yr. Percentage Change	Yr. to Yr. Percentage Change, net of Foreign Currency Impact
U.S.	$ 2,267	$ 2,430	52%	53%	(7)%	(7)%
International:						
EMEA	1,234	1,239	28%	27%	— %	(2)%
APAC—Asia Pacific	445	457	10%	10%	(3)%	(1)%
Americas International—Canada and Latin America	425	452	10%	10%	(6)%	(1)%
Total international	2,104	2,148	48%	47%	(2)%	(2)%
Total revenue	$ 4,371	$ 4,578	100%	100%	(5)%	(4)%

Revenue in the U.S. for fiscal 2014 and 2013 was $2,267 million and $2,430 million, respectively, a decrease of $163 million or 7%. The decrease in U.S. revenue was primarily attributable to lower sales associated with our core and legacy products which contributed to lower revenues from maintenance and professional services. These decreases in U.S. revenue were partially offset by higher revenue from Cloud and managed services performed under contracts entered into in prior periods. Revenue in EMEA for fiscal 2014 and 2013 was $1,234 million and $1,239 million, respectively, a decrease of $5 million or less than 1%. The decrease in EMEA revenue was primarily attributable to lower sales associated with core and legacy products which contributed to lower revenues from maintenance and professional services. These decreases in EMEA revenue were partially offset by the favorable impact of foreign currency, higher revenue from Cloud and managed services performed under contracts entered into in prior periods, and the Company's successful completion of its networking deployment at the Sochi Olympics. Revenue in APAC for fiscal 2014 and 2013 was $445 million and $457 million, respectively, a decrease of $12 million or 3%. The decrease in APAC revenue was primarily attributable to lower sales associated with our core and legacy products and the unfavorable impact of foreign currency. These decreases in APAC revenue were partially offset by higher revenue from Cloud and managed services performed under contracts entered into in prior periods. Revenue in Americas International was $425 million and $452 million for fiscal 2014 and 2013, respectively, a decrease of $27 million or 6%. The decrease in Americas International revenue was primarily attributable to the unfavorable impact of foreign currency and lower sales associated with our core and legacy products. The decreases in Americas International revenue were partially offset by higher sales of our contact center products and higher revenue from Cloud and managed services performed under contracts entered into in prior periods.

We sell our products both directly and through an indirect sales channel. The following table sets forth a comparison of revenue from sales of products by channel:

	Fiscal years ended September 30,					
			Percentage of ECS Product Revenue			
Dollars in millions	2014	2013	2014	2013	Yr. to Yr. Percentage Change	Yr. to Yr. Percentage Change, net of Foreign Currency Impact
Direct	$ 551	$ 551	25%	24%	— %	(1)%
Indirect	1,645	1,786	75%	76%	(8)%	(8)%
Total ECS product revenue	$ 2,196	$ 2,337	100%	100%	(6)%	(6)%

Gross Profit

The following table sets forth a comparison of gross profit by segment:

	Fiscal years ended September 30,					
	Gross Profit		Gross Margin		Change	
Dollars in millions	2014	2013	2014	2013	Amount	Percentage
GCS	$ 1,241	$ 1,276	63.5%	60.9%	$ (35)	(3)%
Networking	107	101	44.0%	41.7%	6	6 %
ECS	1,348	1,377	61.4%	58.9%	(29)	(2)%
AGS	1,220	1,223	56.1%	54.6%	(3)	— %
Unallocated amounts	(69)	(70)	(1)	(1)	1	(1)
Total	$ 2,499	$ 2,530	57.2%	55.3%	$ (31)	(1)%

(1) Not meaningful

Gross profit for fiscal 2014 and 2013 was $2,499 million and $2,530 million, respectively, a decrease of $31 million or 1%. The decrease is primarily attributable to a decrease in sales volume, as well as $6 million of additional depreciation related to the change in the estimates of salvage value and useful life of the Company's Westminster, Colorado facility, and the effect of a $5 million benefit associated with the release of a contingent liability during fiscal 2013 related to a labor matter in EMEA that we released as a result of a favorable court ruling. These decreases in gross profit were partially offset by the success of our gross margin improvement initiatives, the improvement in our customer discount discipline, and the impact of lower amortization of acquired technology intangible assets. Our gross margin improvement initiatives included exiting facilities, reducing the workforce, relocating positions to lower-cost geographies, productivity improvements, and obtaining better pricing from our contract manufacturers and transportation vendors. As a result of our gross margin improvement initiatives and the improvement in our customer discount discipline, gross margin increased to 57.2% for fiscal 2014 from 55.3% for fiscal 2013.

GCS gross profit for fiscal 2014 and 2013 was $1,241 million and $1,276 million, respectively, a decrease of $35 million or 3%. The decrease in GCS gross profit is primarily due to the decrease in sales volume. This decrease in gross profit was partially offset by the success of our gross margin improvement initiatives discussed above and the improvement in our customer discount discipline. As a result of our gross margin improvement initiatives and the improvement in our customer discount discipline, GCS gross margin increased to 63.5% for fiscal 2014 compared to 60.9% for fiscal 2013.

Networking gross profit for fiscal 2014 and 2013 was $107 million and $101 million, respectively, an increase of $6 million or 6%. Networking gross margin increased to 44.0% for fiscal 2014 from 41.7% for fiscal 2013. The decrease in Networking gross profit and margin were due to higher revenues associated with several new product launches beginning in July 2013, the Company's successful completion of its networking deployment at the Sochi Olympics and our gross margin improvement initiatives.

AGS gross profit for fiscal 2014 and 2013 was $1,220 million and $1,223 million, respectively, a decrease of $3 million or less than one percent. The decrease in AGS gross profit is primarily due to lower services revenue and the effect of a $5 million benefit associated with the release of contingent liability during fiscal 2013 related to a labor matter in EMEA that we released as a result of a favorable court ruling. These decreases in AGS gross profit were partially offset by the continued benefit from our gross margin improvement initiatives discussed above. We have redesigned the Avaya support website and continue to transition our customers from an agent-based support model to a largely self-service/web-based support model. These improvements have allowed us to reduce the workforce and relocate positions to lower-cost geographies. As a result of the above factors, AGS gross margin increased to 56.1% for fiscal 2014 compared to 54.6% for fiscal 2013.

Unallocated amounts for fiscal 2014 and 2013 include the effect of the amortization of acquired technology intangibles and costs that are not core to the measurement of segment management’s performance, but rather are controlled at the corporate level. The decrease in unallocated amounts is attributable to lower amortization associated with technology intangible assets acquired in prior periods partially offset by $6 million of additional depreciation related to the change in the estimates of salvage value and useful life of the Company's Westminster, Colorado facility.

Operating Expenses

The following table sets forth a comparison of operating expenses:

Dollars in millions	Fiscal years ended September 30, 2014	2013	Percentage of Revenue 2014	Percentage of Revenue 2013	Change Amount	Change Percentage
Selling, general and administrative	$ 1,531	$ 1,511	35.0%	33.0%	$ 20	1 %
Research and development	379	445	8.7%	9.7%	(66)	(15)%
Amortization of acquired intangible assets	227	228	5.2%	5.0%	(1)	— %
Restructuring charges, net	165	200	3.8%	4.4%	(35)	(18)%
Acquisition-related costs	—	1	—%	—%	(1)	(100)%
Total operating expenses	$ 2,302	$ 2,385	52.7%	52.1%	$ (83)	(3)%

SG&A expenses for fiscal 2014 and 2013 were $1,531 million and $1,511 million, respectively, an increase of $20 million. The increase was primarily due to the expense of the marketing rights we obtained to the Sochi Olympics and additional selling expenses to support our go-to-market strategy within the enterprise and midmarket customer bases. These increases in SG&A expenses were partially offset by our cost savings initiatives. Our cost savings initiatives include exiting and consolidating facilities, reducing the workforce and relocating positions to lower-cost geographies.

R&D expenses for fiscal 2014 and 2013 were $379 million and $445 million, respectively, a decrease of $66 million. The decrease was primarily due to lower expenses associated with our cost savings initiatives discussed above. This decrease in R&D expense was partially offset by $5 million of additional depreciation related to the change in the estimates of salvage value and useful life of the Company's Westminster, Colorado facility.

Amortization of acquired intangible assets for fiscal 2014 and 2013 was $227 million and $228 million, respectively.

Restructuring charges, net, for fiscal 2014 and 2013 were $165 million and $200 million, respectively, a decrease of $35 million. The Company continued to identify opportunities to streamline its operations and generate cost savings which included consolidating and exiting facilities and eliminating employee positions. Restructuring charges recorded during fiscal 2014 include employee separation costs of $152 million primarily associated with employee severance actions in EMEA and the U.S. and lease obligations of $13 million primarily related to facilities in the U.S. The EMEA charges include approved plans in the third and fourth quarters of fiscal 2014 for the elimination of 121 and 165 positions and resulted in a charge of $26 million and $39 million, respectively, for which the related payments are expected to be completed in fiscal 2016. The separation charges include, but are not limited to, social pension fund payments and health care and unemployment insurance costs to be paid to or on behalf of the affected employees. A voluntary program offered to certain management employees in the U.S. resulted in the elimination of 172 positions and resulted in a charge of $10 million. Restructuring charges recorded during fiscal 2013 include employee separation costs of $139 million and lease obligations of $61 million. These costs primarily include the payments associated with employee severance actions in EMEA and the U.S. and lease obligations associated with the vacated portion of a facility in Frankfurt, Germany, and facilities in the United Kingdom and the U.S. The severance actions in EMEA provided for the elimination of 234 positions and resulted in a charge of $48 million. The separation charges include, but are not limited to, social pension fund payments and health care and unemployment insurance costs to be paid to or on behalf of the affected employees. Enhanced severance plans were offered to certain management employees in the U.S. in the first and third quarters of fiscal 2013 and resulted in the elimination of 196 and 447 positions and restructuring charges of $9 million and $20 million, respectively. The Company continues to evaluate opportunities to streamline its operations and identify cost savings globally and may take additional restructuring actions in the future and the costs of those actions could be material.

Acquisition-related costs for fiscal 2013 were $1 million and include third-party legal and other costs related to business acquisitions in fiscal 2013.

Operating Income

Fiscal 2014 operating income was $197 million compared to operating income of $145 million for fiscal 2013.

Operating income for fiscal 2014 and 2013 includes non-cash expenses for depreciation and amortization of $434 million and $455 million, and share-based compensation of $25 million and $11 million, respectively.

Interest Expense

Interest expense for fiscal 2014 and 2013 was $459 million and $467 million, respectively, which includes non-cash interest expense of $19 million and $21 million, respectively. Non-cash interest expense for each period includes amortization of debt issuance costs and accretion of debt discount. Cash interest expense for fiscal 2014 and 2013 was $440 million and $446 million, respectively, a decrease of $6 million. Cash interest expense for fiscal 2014 compared to fiscal 2013 decreased as a result of the expiration of certain unfavorable interest rate swap contracts partially offset by an increase in interest expense as a result of certain debt refinancing transactions that occurred during fiscal 2013.

During fiscal 2013, the Company completed a series of transactions which allowed the Company to refinance term loans under its Senior Secured Credit Agreement that originally matured October 26, 2014 and substantially all of its senior unsecured notes that were scheduled to mature on November 1, 2015. As a result of these debt refinancing transactions, the interest rate associated with the portion of the Company's debt that was refinanced increased. See Note 10, "Financing Arrangements" to our audited Consolidated Financial Statements.

Loss on Extinguishment of Debt

During fiscal 2014, we recognized a $5 million loss on extinguishment of debt in connection with (1) the refinancing of $1,138 million aggregate principal amount of term B-5 loans with the cash proceeds from the issuance of term B-6 loans and (2) the redemption of the aggregate principal amount plus accrued and unpaid interest of the Old Notes. During fiscal 2013, we recognized a $6 million loss on extinguishment of debt in connection with (1) the issuance of our 9% Senior Secured Notes and the payment of $284 million of our term B-5 loans and (2) the refinancing of $584 million of outstanding term B-1 loans. In each period, the loss represents the difference between the reacquisition price and the carrying value (including unamortized discount and debt issues costs) of the debt. See Note 10, "Financing Arrangements" to our audited Consolidated Financial Statements.

Other Income (Expense), Net

Other income, net for fiscal 2014 was $25 million compared with other expense, net of $14 million in fiscal 2013.

Other income, net, for fiscal 2014 includes net foreign currency transaction gains of $18 million, the gain on the sale of the TBU business of $14 million, partially offset by $4 million of net charges associated with certain tax indemnifications, $2 million of third party fees incurred in connection with debt modifications, and a $2 million charge associated with the remeasurement of the monetary assets and liabilities of our Venezuelan subsidiary. Based on developments related to the foreign exchange process in Venezuela, the Company has changed the exchange rate used to remeasure its Venezuelan subsidiary's monetary assets and liabilities from the official exchange rate as established by the Venezuelan government to the "Complimentary System of Foreign Currency Acquirement" or SICAD rate.

Other expense, net for fiscal 2013 includes $18 million of third party fees incurred in connection with debt modifications and a $1 million translation loss recognized in connection with the devaluation of the bolivar by the Venezuela government in February 2013. These other expenses were partially offset by net foreign currency transaction gains of $5 million.

(Provision for) Benefit from Income Taxes of Continuing Operations

For fiscal 2014 the provision for income taxes of continuing operations was $51 million as compared to the benefit from income taxes of continuing operations of $35 million for fiscal 2013. The Company's income tax provision for the fiscal years presented primarily relates to earnings of certain profitable foreign tax jurisdictions.

The Company's effective income tax rates for fiscal 2014 and 2013 differ from the U.S. federal tax rate primarily due to (1) tax rate changes on foreign earnings, (2) settlements of certain international tax exams and (3) changes in valuation allowance established against the Company's deferred income tax assets. Further in fiscal 2013 the company recognized a $96 million benefit as a result of net gains in other comprehensive income primarily relating to pension benefits, and $17 million of income tax benefit recognized upon the expiration of certain interest rate swaps. The tax effect of such interest rate swaps was recognized in other comprehensive income prior to the establishment of a valuation allowance against the Company's U.S. net deferred tax assets and was eliminated following the expiration of the final interest rate swap upon which the tax effect was established. In addition, during the third quarter of fiscal 2014 the Company recorded corrections to prior period deferred tax assets and liabilities for certain foreign legal entities. This adjustment decreased the provision for income taxes of continuing operations by $6 million. The Company evaluated the each correction in relation to the quarter and fiscal year, as well as the periods in which the adjustment originated, and concluded that the adjustment was not material to the current period or any prior quarter or year. See Note 13, "Income Taxes" to our audited Consolidated Financial Statements.

Income (Loss) from Discontinued Operations, Net of Income Taxes

Income from discontinued operations for fiscal 2014 was $62 million and compares to a loss from discontinued operations for fiscal 2013 of $57 million. On March 31, 2014, the Company completed the sale of its ITPS business for a final sales price of $101 million, inclusive of $3 million of working capital adjustments and net of $2 million in costs to sell. Income from discontinued operations for fiscal 2014 includes the gain on the sale of the ITPS business of $52 million. Loss from discontinued operations for the fiscal 2013 included the impact of an $89 million impairment charge to goodwill. See Note 5, "Divestitures - IT Professional Services Business," to our audited Consolidated Financial Statements.

Liquidity and Capital Resources

We expect our existing cash balance, cash generated by operations and borrowings available under our credit facilities to be our primary sources of short-term liquidity. Based on our current level of operations, we believe these sources will be adequate to meet our liquidity needs for at least the next twelve months. Our ability to meet our cash requirements will depend on our ability to generate cash in the future, which is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. As part of our analysis, we have assessed the implications of recent financial events on our current business and determined that these market conditions have not resulted in an inability to meet our obligations as they come due in the ordinary course of business over the next twelve months and have not had a significant impact on our liquidity as of September 30, 2015. However, there can be no assurance that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our credit facilities to enable us to repay our debt, or to fund other liquidity needs. Although we have been successful in refinancing our debt in the past, there is no assurance we will be able to refinance our debt prior to its maturity in the future.

Sources and Uses of Cash

The following table provides the condensed statements of cash flows for the periods indicated:

	Fiscal years ended September 30,		
In millions	2015	2014	2013
Net cash (used for) provided by:			
Net loss	$ (144)	$ (231)	$ (364)
Income (loss) from discontinued operations, net of income taxes	—	62	(57)
Loss from continuing operations	(144)	(293)	(307)
Adjustments to net loss for non-cash items	444	467	381
Changes in operating assets and liabilities	(85)	(138)	57
Continuing operating activities	215	36	131
Discontinued operating activities	—	4	20
Operating activities	215	40	151
Continuing investing activities	(129)	(33)	(113)
Discontinued investing activities	—	101	—
Investing activities	(129)	68	(113)
Financing activities	(53)	(60)	(79)
Effect of exchange rate changes on cash and cash equivalents	(32)	(14)	(8)
Net increase (decrease) in cash and cash equivalents	1	34	(49)
Cash and cash equivalents at beginning of year	322	288	337
Cash and cash equivalents at end of year	$ 323	$ 322	$ 288

Operating Activities

Cash provided by operating activities was $215 million, $40 million and $151 million for fiscal 2015, 2014 and 2013, respectively.

Adjustments to reconcile net loss to net cash provided by operations for fiscal 2015, 2014 and 2013 were $444 million, $467 million and $381 million, and primarily consisted of depreciation and amortization of $371 million, $434 million and $455 million, deferred income taxes of $29 million, $22 million and $(101) million, unrealized (gain) loss on foreign currency exchange of $(4) million, ($15) million and $(23) million, non-cash interest expense of $20 million, $19 million and $21 million, third-party fees for debt modification and non cash charges associated with our refinancings of $11 million, $5 million, and $23 million, and share based compensation of $19 million, $25 million and $11 million, respectively.

Cash (used for) provided by changes in operating assets and liabilities for fiscal 2015, 2014 and 2013 were $(85) million, $(138) million and $57 million, respectively.

In fiscal 2015 changes in our operating assets and liabilities resulted in a net decrease in cash and cash equivalents and was driven by payments associated with our employee incentive programs, the timing of payments to our vendors, and business restructuring reserves established in previous periods. These decreases were partially offset by increases in deferred revenues and collection of accounts receivable.

In fiscal 2014 changes in our operating assets and liabilities resulted in a net decrease in cash and cash equivalents and was driven by payments associated with our employee incentive programs and benefit obligations and increases in receivables. These decreases were partially offset by reductions in our inventory levels and an increase in accounts payable.

In fiscal 2013 changes in our operating assets and liabilities resulted in a net increase in cash and cash equivalents and was predominantly driven by improvements in the collection of receivables, increases in deferred revenues attributable to a number of annual prepaid maintenance contracts, the effects of non-cash business restructuring reserves net of cash payments against reserves established in prior years and a decrease in inventory levels. These increases in net cash and cash equivalents were partially offset by payments associated with our employee incentive programs and an decrease in accounts payable.

Investing Activities

Net cash provided by (used for) investing activities for fiscal 2015, 2014 and 2013 was $(129) million, $68 million and $(113) million, and includes cash used for the acquisition of businesses of $24 million, $16 million and $2 million, capital expenditures of $124 million, $134 million and $110 million, payments to develop capitalized software of $0 million, $1 million and $14 million and proceeds from the sales of long-lived assets of $0 million, $101 million, and $23 million, respectively.

During fiscal 2015 we received proceeds of $22 million for the sale of equipment used in the performance of services under our agreement with HP.

During fiscal 2014, cash provided by investing activities included proceeds from the sale of the ITPS business of $101 million and the TBU business of $26 million. Also, during the fiscal 2014 the Company invested $10 million for less than a 6% equity interest in an unaffiliated privately-held company.

During fiscal 2013 the Company advanced to Parent $10 million in exchange for a note receivable. The principal amount of the note plus any accrued and unpaid interest are due in full October 28, 2017 (as modified) with interest at the rate of 1.85% (as modified). The proceeds of the note were used by Parent to partially fund an acquisition in October 2011. Once the acquisition was complete, Parent immediately merged the acquired entity with and into the Company, with the Company surviving the merger. The Company recognized $31 million of non-cash contributed capital associated with that merger.

Financing Activities

Net cash (used for) provided by financing activities for fiscal 2015, 2014 and 2013 was $(53) million, $(60) million and $(79) million, respectively, and primarily included proceeds from our financing agreements, offset by repayments and payments for debt issuance and modification costs.

Cash used for financing activities for fiscal 2015 includes cash proceeds of $2,100 million from the issuance of term B-7 loans maturing May 29, 2020. The proceeds from the issuance of the term B-7 loans were used to: (a) repay $2,054 million aggregate principal amounts of term B-3 loans, term B-4 loans, and term B-6 loans, (b) repay $32 million of revolving loans outstanding under our Senior Secured Credit Agreement, (c) pay $8 million of third party fees and expenses for debt modification costs incurred in the refinancing transaction, and (d) pay $1 million for interest accrued on the refinanced term and revolving credit loans through the date of the refinancing transaction. The redemption price of the term B-3 loans and term B-6 loans includes $1 million of paid-in-kind interest expense recognized in prior periods and $3 million of unamortized discount which is included in the loss on extinguishment of debt. In addition to the $32 million repaid with the proceeds of the term B-7 loans, we repaid another $90 million and borrowed $50 million of revolving loans under our Senior Secured Credit Agreement during fiscal 2015. We also made $12 million of payments related to the Company's sale-leaseback arrangement with HP.

Cash used for financing activities for fiscal 2014 includes proceeds of $1,136 million from the issuance of term B-6 loans and $140 million from borrowing under the Company's revolving credit facilities. The proceeds from the issuance of the term B-6 loans were used to repay $1,138 million of term B-5 loans and the proceeds from borrowings under the Company's revolving credit facilities, together with cash on-hand of $10 million, were used to redeem $92 million of 10.125%/10.875% senior unsecured PIK toggle notes and $58 million of 9.75% senior unsecured cash-pay notes. The redemption of the $92 million of 10.125%/10.875% senior unsecured PIK toggle notes includes $9 million of paid-in-kind interest expensed in prior periods.

Cash provided by financing activities for fiscal 2013 includes proceeds of $589 million from the issuance of senior secured term B-5 loans and proceeds of $290 million from the issuance of 9% senior secured notes. The proceeds from the issuance of the senior secured term B-5 loans were used to repay $584 million principal amount of our senior secured term B-1 loans and the proceeds from the issuance of the 9% senior secured notes were used to repay $284 million principal amount of our term B-5 loans. Additionally, during fiscal 2013, the Company completed a non-cash exchange in which $642 million of the 9.75% senior unsecured cash-pay notes and $742 million of the 10.125%/10.875% senior unsecured PIK toggle notes were exchanged for $1,384 million of 10.50% senior secured notes. Cash used for financing activities for fiscal 2013 also includes cash paid for debt issuance and modification costs of $49 million.

Net cash (used for) provided by financing activities also include scheduled repayments of our long-term debt of $32 million, $38 million and $38 million in fiscal 2015, 2014 and 2013, respectively.

Contractual Obligations and Sources of Liquidity

Contractual Obligations

The following table summarizes our contractual obligations as of September 30, 2015:

	Payments due by period				
In millions	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Capital lease obligations (1)	$ 61	$ 22	$ 34	$ 5	$ —
Operating lease obligations (2)	358	84	132	88	54
Purchase obligations with contract manufacturers and suppliers (3)	47	47	—	—	—
Other purchase obligations (4)	1,220	568	449	189	14
Variable rate revolving loans under the Senior Secured Credit Agreement due October 26, 2016(5)	18	—	18	—	—
Variable rate revolving loans under the Domestic ABL due June 4, 2020 (5)	55	—	—	55	—
Variable rate revolving loans under the Foreign ABL due June 4, 2020 (5)	20	—	—	20	—
Variable rate Term B-3 Loans due October 26, 2017 (6)	616	—	616	—	—
Variable rate Term B-4 Loans due October 26, 2017 (6)	1	—	1	—	—
Variable rate Term B-6 Loans due March 31, 2018 (6)	537	—	537	—	—
Variable rate Term B-7 Loans due May 29, 2020 (6)	2,112	25	50	2,037	
7% senior secured notes due April 1, 2019 (5)	1,009	—	—	1,009	—
9% senior secured notes due April 1, 2019 (5)	290	—	—	290	—
10.50% senior secured notes due March 1, 2021 (5)	1,384	—	—	—	1,384
Interest payments due on debt (7)	1,912	424	841	574	73
Benefit obligations (8)	153	153	—	—	—
Total	$ 9,793	$ 1,323	$ 2,678	$ 4,267	$ 1,525

(1) The payments due for capital lease obligations do not include $6 million in future payments for interest.

(2) Contractual obligations for operating leases include $68 million of future minimum lease payments pertaining to restructuring and exit activities.

(3) We purchase components from a variety of suppliers and use several contract manufacturers to provide manufacturing services for our products. During the normal course of business, in order to manage manufacturing lead times and to help assure adequate component supply, we enter into agreements with contract manufacturers and suppliers that allow them to produce and procure inventory based upon forecasted requirements provided by us. If we do not meet these specified purchase commitments, we could be required to purchase the inventory. See Note 19, “Commitments and Contingencies,” to our audited Consolidated Financial Statements for further details on our purchase commitments.

(4) Other purchase obligations represent an estimate of contractual obligations in the ordinary course of business, other than commitments with contract manufacturers and suppliers, for which we have not received the goods or services as of September 30, 2015. Although contractual obligations are considered enforceable and legally binding, the terms generally allow us the option to cancel, reschedule and adjust our requirements based on our business needs prior to the delivery of goods or performance of services. Other purchase obligations also includes estimated payments under the multi-year contract entered into with HP pursuant to which Avaya will outsource to HP certain delivery services associated with the APCS business including current specified customer contracts.

(5) The contractual obligations for our revolving credit facilities and notes represent principal payments only. The maturity dates of the Domestic ABL and Foreign ABL are subject to conditions specified in the loan agreements.

(6) The contractual cash obligations for the Senior Secured Credit Agreement represent the minimum principal payments owed per year. The contractual cash obligations do not reflect any contingent mandatory annual principal repayments that may be required to be made upon us achieving certain excess cash flow targets, as defined in our Senior Secured Credit Agreement.

(7) The contractual cash obligations for interest payments represent the related interest payments on debt. The interest payments for the revolving credit facility under our Senior Secured Credit Agreement, Domestic ABL, Foreign ABL, senior secured term B-3 loans, senior secured term B-4 loans, senior secured term B-6 loans and senior secured term B-7 loans were calculated by applying an applicable margin to a projected LIBOR rate. The interest payments for the notes were calculated using the stated interest rate.

(8) The Company sponsors non-contributory defined pension and postretirement plans covering certain employees and retirees. The Company's general funding policy with respect to qualified pension plans is to contribute amounts at least sufficient to satisfy the minimum amount required by applicable law and regulations, or to directly pay benefits where appropriate. Most postretirement medical benefits are not pre-funded. Consequently, the Company makes payments as these retiree medical benefits are disbursed. At this time, the Company is unable to make a reasonably reliable estimate beyond fiscal 2016 of the timing of payments in connection with these liabilities.

As of September 30, 2015, the Company's unrecognized tax benefits ("UTBs") associated with uncertain tax positions were $252 million and interest and penalties related to these amounts were an additional $16 million.

Our primary future cash requirements will be to fund working capital, debt service, capital expenditures, restructuring payments and benefit obligations. In addition, we may use cash in the future to make strategic acquisitions.

In addition to our working capital requirements, we expect our primary cash requirements for fiscal 2016 to be as follows:

- *Debt service*—We expect to make payments of approximately $451 million during fiscal 2016 in principal and interest associated with long-term debt and interest associated with our three revolving credit facilities, although we may elect to make additional principal payments under certain circumstances. The expected payments are exclusive of repayments we have made or may make under our revolving credit facilities. In the ordinary course of business, we may from time to time borrow and repay amounts under our revolving credit facilities to meet business needs.
- *Restructuring payments*—We expect to make payments of approximately $90 million to $100 million during fiscal 2016 for employee separation costs and lease termination obligations associated with restructuring actions we have taken through September 30, 2015 and additional actions we may take in fiscal 2016 as the Company continues to evaluate opportunities to streamline its operations and identify additional cost savings globally.
- *Capital expenditures*—We expect to spend approximately $105 million to $120 million for capital expenditures during fiscal 2016.
- *Benefit obligations*—We expect to make payments under our pension and postretirement obligations of $155 million during fiscal 2016. These payments include: $87 million to satisfy the minimum statutory funding requirements of our U.S. qualified pension plans, $7 million of payments under our U.S. benefit plans that are not pre-funded, $26 million under our non-U.S. benefit plans that are predominately not pre-funded and $35 million under our U.S. retiree medical benefit plan that is not pre-funded. See discussion in Note 14, "Benefit Obligations," to our audited Consolidated Financial Statements.

We and our subsidiaries, affiliates, our Parent and/or significant stockholders of our Parent may from time to time seek to retire or purchase our outstanding debt (including publicly issued debt) through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions, by tender offer or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Future Sources of Liquidity

We expect our existing cash balance, cash generated by operations and borrowings available under our credit facilities to be our primary sources of short-term liquidity. We expect that revenues from higher margin products and services and continued focus on accounts receivable, inventory management and cost containment will enable us to generate positive net cash from operating activities. Further, we continue to focus on cost reductions and have initiated restructuring plans designed to reduce overhead and provide cash savings.

The Company currently has three revolving credit facilities providing for borrowings of up to an aggregate of $503 million subject to certain contractual limitations. As discussed above, on June 4, 2015 the Company completed an amendment to the Domestic ABL and entered into a new Foreign ABL. The Domestic ABL and Foreign ABL expire June 4, 2020 (subject to certain conditions specified in the Domestic ABL and Foreign ABL) and provide credit availability up to $335 million and $150 million (subject to availability under the calculated borrowing bases as defined for each facility), respectively, to the Company in the form of loans and letters of credit. On June 5, 2015, the Company permanently reduced the senior secured multi-currency revolver under its Senior Secured Credit Agreement due October 26, 2016 from $200 million to $18 million and all letters of credit outstanding under the Senior Secured Credit Agreement were transferred to the Domestic ABL. At

September 30, 2015 outstanding borrowings were $55 million and $20 million, outstanding letters of credit were $119 million and $22 million, and remaining availability was $83 million and $101 million under our Domestic ABL and Foreign ABL, respectively. Our revolving credit facilities include customary conditions that, if not complied with, could restrict our availability to borrow. See Note 10, "Financing Arrangements" to our audited Consolidated Financial Statements.

On August 20, 2014, we signed an agreement with HP pursuant to which the Company will outsource to HP certain delivery services associated with the APCS business. In connection with that agreement, HP acquired specified assets owned by the Company. HP also agreed to make available one or more additional financings to Avaya and its subsidiaries of up to $24 million per year for the sole purpose of financing the use of equipment for the performance of services under the agreement, provided that no material adverse change with respect to the Company has occurred and is continuing as of the date any such financing is requested. During fiscal 2015 we received proceeds of $22 million in connection with the financing of equipment for the performance of services under our agreement with HP.

On June 9, 2011, Parent filed with the SEC a registration statement on Form S-1 (as amended from time to time, the "registration statement") relating to a proposed initial public offering of its common stock. As contemplated in the registration statement, the net proceeds of the proposed offering are expected to be used, among other things, to repay a portion of our long-term indebtedness. The registration statement remains under review by the SEC and shares of common stock registered thereunder may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This Form 10-K and the pending registration statement shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of those securities in any State or other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State or other jurisdiction. Further, there is no way to predict whether or not Parent will be successful in completing the offering as contemplated and if it is successful, we cannot be certain if, or how much of, the net proceeds will be used for the purposes identified above.

As of September 30, 2015 and 2014, our cash and cash equivalent balances held outside the U.S. were $109 million and $178 million, respectively. As of September 30, 2015, balances of cash and cash equivalents held outside the U.S. in excess of in-country needs and which could not be distributed to the U.S. without restriction were not material.

If we do not generate sufficient cash from operations, face unanticipated cash needs such as the need to fund significant strategic acquisitions or do not otherwise have sufficient cash and cash equivalents, we may need to incur additional debt or issue additional equity. In order to meet our cash needs we may, from time to time, borrow under our credit facilities or issue long-term or short-term debt or equity, if the market, and our credit facilities and the indentures governing our notes permit us to do so. Furthermore, if we acquire a business in the future that has existing debt, our debt service requirements may increase. We regularly evaluate market conditions, our liquidity profile, and various financing alternatives for opportunities to enhance our capital structure. If market conditions are favorable, we may refinance our existing debt or issue additional securities.

Uncertainties Regarding Our Liquidity

We believe the following uncertainties exist regarding our liquidity:

- *Revenues*—Our ability to generate net cash from operating activities has been a primary source of our liquidity. If our revenues and gross profits were to decline significantly during an economic downturn and challenging market conditions, particularly in the U.S. and Europe, our ability to generate net cash from operating activities in a sufficient amount to meet our cash needs could be adversely affected. Furthermore, our net cash provided by operating activities may be insufficient if we face unanticipated cash needs such as the funding of a future acquisition or other capital investment.
- *Cost Saving Initiatives*—Our ability to reduce costs through cost saving initiatives will have a direct effect on our cash flows and available cash balances, as certain restructuring charges are recorded in the current year but are paid in future periods. Further, although we may identify additional cost saving initiatives in the future, we may be unsuccessful in these actions or the amount required for severance payments may be so prohibitive as to preclude the implementation of such cost savings initiatives, which could negatively impact our future cash flows.
- *Interest Rates*—Interest payments on a significant portion of our debt are based on floating interest rates. Rising interest rates will increase cash required for interest payments and adversely impact cash flows and liquidity.
- *Debt Ratings*—Our ability to obtain external financing and the related cost of borrowing are affected by our debt ratings. See "Debt Ratings."
- *Foreign Currency Exchange Rates*—We are a global company with significant international operations and transact business in many currencies including the euro, Indian rupee, British pound, Mexican peso and Chinese yuan. If foreign currency exchanges rates were to fluctuate significantly particularly in the U.S. and Europe, it may have an impact on our revenue, costs, and expenses and adversely affect our ability to generate net cash from operating

activities in a sufficient amount to meet our cash needs. From time to time we enter into foreign exchange forward contracts to reduce the short-term impact of foreign currency fluctuations. However, we do not attempt to hedge all exposures and any attempt to hedge certain foreign currency fluctuation risks may be unsuccessful and result in an adverse impact on our operating results and liquidity.

- *Future Acquisitions*—We may from time to time in the future make acquisitions. Such acquisitions may require significant amounts of cash or may result in increased debt service requirements to the extent we assume or incur debt in connection with such acquisitions.
- *Litigation*—In the ordinary course of business, the Company is involved in litigation, claims, government inquiries, investigations, charges and proceedings. See Note 19, "Commitments and Contingencies," to our audited Consolidated Financial Statements. Our ability to successfully defend the Company against pending and future litigation may impact cash flows.

On October 23, 2014, in connection with a litigation matter, the Company filed a supersedeas bond with the Court in the amount of $63 million to stay execution of a judgment against it while the matter is on appeal. The Company secured posting of the bond through the issuance of a letter of credit under its existing credit facilities. In connection with this proceeding, an application was also filed seeking approximately $65 million as subsequently amended, for attorneys' fees, expenses and costs through September 11, 2014 from the Company which the Company intends to contest. Once the initial application is resolved by the Court, the Company expects that a supplemental application will be made for activity beyond September 11, 2014. Once required, and in order to stay the enforcement of any award for attorneys' fees, expenses and costs, on appeal or otherwise, the Company will post a bond in the amount of the award for attorneys' fees, expenses and costs, plus interest. The Company expects to secure posting of the bond through existing resources and may use any or a combination of the issuance of one or more letters of credit under its existing credit facilities and cash on hand. See Note 19, "Commitments and Contingencies," to our audited Consolidated Financial Statements for additional details regarding this litigation matter.

Debt Ratings

As of September 30, 2015, we had a long-term corporate family rating of B3 with a negative outlook from Moody's and a corporate credit raying of B- with a stable outlook from Standard and Poor's for our Company. Our ability to obtain additional external financing and the related cost of borrowing may be affected by our debt ratings, which are periodically reviewed by the major credit rating agencies. The ratings are subject to change or withdrawal at any time by the respective credit rating agencies.

Debt Service Obligations

As of September 30, 2015, the contracted principal payments due under our indebtedness were $6,042 million, excluding capital lease obligations of $61 million, net of imputed interest. Our interest expense for fiscal 2015, 2014 and 2013 was $452 million, $459 million and $467 million, respectively, and includes $20 million, $19 million and $21 million of non-cash interest expense, respectively.

We continually monitor our exposure to the risk of increased interest rates. From time to time, the Company has entered into interest rate swap agreements to hedge against variability of cash flows related to changes in benchmark interest rates associated with certain borrowings under the senior secured credit facility. During fiscal 2013, each of the interest rate swap agreements we entered into in previous years reached maturity and since September 30, 2013 we have not entered into any interest rate swap agreements.

Our leverage requires that a substantial portion of our cash flows from operations be dedicated to the payment of principal and interest on our indebtedness. The Company has made all scheduled payments timely under the Senior Secured Credit Agreement and the indentures governing its notes.

Strategic Uses of Cash and Cash Equivalents

Our cash and cash equivalents balance was $323 million, $322 million and $288 million at September 30, 2015, 2014 and 2013.

Credit Facilities

We have entered into borrowing arrangements with several financial institutions in connection with the Merger on October 26, 2007 and the acquisition of NES in December 2009. During fiscal 2015, 2014 and 2013, the Company completed several refinancing transactions.

During the three months ended December 31, 2012, the Company completed three transactions which allowed the Company to refinance $848 million of term loans under the Senior Secured Credit Agreement that were scheduled to mature on October 26, 2014. These transactions were (1) an amendment to the senior secured multi-currency revolver and the Domestic ABL on

October 29, 2012 along with the extension of the maturity date of $135 million aggregate principal amount of senior secured term B-1 loans ("term B-1 loans"), (2) an amendment on December 21, 2012 along with the extension of the maturity date of $713 million aggregate principal amount of term B-1 loans and $134 million aggregate principal amount of senior secured term B-4 loans, and (3) the issuance on December 21, 2012 of $290 million of 9% senior secured notes due April 2019.

During the three months ended March 31, 2013, the Company refinanced the remaining $584 million of term B-1 loans with the cash proceeds from the issuance of $589 million aggregate principal amount of term B-5 loans maturing March 31, 2018.

Additionally, during the three months ended March 31, 2013, the Company refinanced $1,384 million of senior unsecured notes through (1) amendments to the Senior Secured Credit Agreement and the Domestic ABL permitting the refinancing of the 9.75% senior unsecured notes due 2015 and 10.125%/10.875% senior unsecured PIK toggle notes due 2015 (collectively, the “Old Notes”) with indebtedness secured by a lien on certain collateral on a junior-priority basis and (2) the exchange of $1,384 million of Old Notes for $1,348 million of 10.50% senior secured notes maturing March 1, 2021.

On February 5, 2014, the Company entered into Amendment No. 8 to the Senior Secured Credit Agreement, pursuant to which the Company refinanced in full all outstanding term B-5 loans with cash proceeds from the issuance of $1,136 million aggregate principal amount of term B-6 loans maturing March 31, 2018. In addition, the Company paid $15 million in cash for certain fees and expenses incurred in connection with the refinancing.

The term B-6 loans bear interest at a rate per annum equal to either a base rate (subject to a floor of 2.00%) or a LIBOR rate (subject to a floor of 1.00%), in each case plus an applicable margin. Subject to the floor described in the immediately preceding sentence, the base rate is determined by reference to the higher of (1) the prime rate of Citibank, N.A. and (2) the federal funds effective rate plus one half of 1%. The applicable margin for borrowings of term B-6 loans is 4.50% per annum with respect to base rate borrowings and 5.50% per annum with respect to LIBOR borrowings, in each case, subject to increase pursuant to the Senior Secured Credit Agreement in connection with the making of certain refinancing, extended or replacement term loans under the Senior Secured Credit Agreement with an Effective Yield (as defined in the Senior Secured Credit Agreement) greater than the applicable Effective Yield payable in respect of the term B-6 loans at such time plus 50 basis points.

On May 15, 2014, the Company redeemed 100% of the aggregate principal amount of its Old Notes due 2015 at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest of $150 million. The redemption was funded through cash on-hand of $10 million, borrowings of $100 million under the senior secured multi-currency revolver, and $40 million under the Domestic ABL.

On May 29, 2015, the Company entered into Amendment No. 9 to the Senior Secured Credit Agreement pursuant to which the Company issued $2,125 million of term B-7 loans maturing May 29, 2020, the proceeds of which were used to: (a) repay $1,473 million in principal amounts of term B-3 loans maturing October 26, 2017, $0.4 million in principal amounts of term B-4 loans maturing October 26, 2017, and $581 million of term B-6 loans maturing March 31, 2018, (b) repay $32 million of revolving loans outstanding under its Senior Secured Credit Agreement, (c) fund $33 million in original issue discounts, fees and expenses incurred in connection with the refinancing transaction, and (d) pay $1 million for interest accrued on the refinanced term and revolving credit loans through the date of the refinancing transaction. The term B-7 loans bear interest at a rate per annum equal to either a base rate (subject to a floor of 2.00%) or a LIBOR rate (subject to a floor of 1.00%), in each case plus an applicable margin. The base rate is determined by reference to the higher of (1) the prime rate of Citibank and (2) the federal funds effective rate plus one half of 1%. The applicable margin for borrowings of term B-7 loans is 4.25% per annum with respect to base rate borrowings and 5.25% per annum with respect to LIBOR borrowings, in each case, subject to increase pursuant to the terms of the Credit Agreement.

On June 4, 2015, Avaya Inc., Citicorp USA, Inc. and the lenders party thereto completed Amendment No. 4 to the Domestic ABL which, among other things; (i) extended the stated maturity of the facility from October 26, 2016 to June 4, 2020 (subject to certain conditions specified in the Domestic ABL), (ii) increased the sublimit for letter of credit issuances under the Domestic ABL from $150 million to $200 million, and (iii) amended certain covenants and other provisions of the existing agreement. At the same time, the Foreign Borrowers, Citibank N.A. and the lenders party thereto entered into the Foreign ABL which matures June 4, 2020 (subject to certain conditions specified in the Foreign ABL). Available credit under the Domestic ABL remains $335 million subject to availability under the borrowing base. Available credit under the Foreign ABL is $150 million subject to availability under the respective borrowing bases of the Foreign Borrowers.

Borrowings under the Domestic ABL bear interest at a rate per annum equal to, at the Company's option, either (a) a LIBOR rate plus a margin of 1.75% or (b) a base rate plus a margin of 0.75%.

The Foreign ABL provides senior secured financing of up to $150 million, subject to availability under the respective borrowing bases of the Foreign Borrowers. The total borrowing base for all Foreign Borrowers at any time equals the sum of (i) 85% of eligible accounts receivable of the Foreign Borrowers, plus (ii) 85% of the net orderly liquidation value of eligible inventory of the Canadian Foreign Borrower and Irish Foreign Borrower, subject to certain reserves and other adjustments. The

Foreign ABL includes borrowing capacity available for letters of credit and for Canadian or European swingline loans, and is available in Euros, Canadian dollars and British pound sterling in addition to U.S. dollars.

Under the Foreign ABL Credit Agreement the Foreign Borrowers have the right to request up to $30 million of additional commitments. The lenders under the Foreign ABL are not under any obligation to provide any such additional commitments, any increase in commitments is subject to certain conditions precedent and any borrowing in respect of such increased commitments would be subject to the borrowing base under the Foreign ABL at such time.

Borrowings under the Foreign ABL bear interest at a rate per annum equal to, at the Foreign Borrowers' option depending upon the currency and type of the applicable borrowing, (a) a base rate determined by reference to the highest of (1) the prime rate of Citibank, N.A., (2) the federal funds effective rate plus 0.50% and (3) the sum of 1.00% plus the LIBOR rate for a thirty day interest period as determined on such day, (b) a Canadian prime rate determined by reference to the higher of (1) the base rate of Citibank, N.A., Canadian branch, and (2) the sum of 1.00% plus the CDOR rate for a thirty day interest period as determined on such day, (c) a LIBOR rate, (d) a CDOR Rate, (e) a EURIBOR rate or (f) an overnight LIBOR rate, in each case plus an applicable margin. The initial applicable margin for borrowings under the Foreign ABL on June 4, 2015 is equal to (1) 0.75% per annum with respect to base rate and Canadian prime rate borrowings and (2) 1.75% per annum with respect to LIBOR, CDOR or EURIBOR borrowings. The applicable margin for borrowings under the Foreign ABL is subject to a step down based on average historical excess availability under the Foreign ABL. Swingline loans bear interest at a rate per annum equal to, in the case of swingline loans to the Canadian Foreign Borrower, the base rate if denominated in U.S. Dollars or the Canadian prime rate if denominated in Canadian dollars and, in the case of swingline loans to the UK Foreign Borrower, the Irish Foreign Borrower or the German Foreign Borrowers, the base rate if denominated in U.S. Dollars or the overnight LIBOR rate if denominated in Euros or British pound sterling. In addition to paying interest on outstanding principal under the Foreign ABL, the Foreign Borrowers are required to pay a commitment fee of 0.25% per annum in respect of the unutilized commitments thereunder. The Foreign Borrowers must also pay customary letter of credit fees equal to the applicable margin on LIBOR, CDOR and EURIBOR loans and agency fees.

On June 5, 2015, the Company permanently reduced the revolving credit commitments under its Senior Secured Credit Agreement from $200 million to $18 million and transferred all letters of credit outstanding under the Senior Secured Credit Agreement to the Domestic ABL.

Borrowings under the senior secured multi-currency revolver bear interest at a rate per annum equal to a LIBOR rate plus an applicable margin.

Borrowings under the Domestic ABL bear interest at a rate per annum equal to, at the Company's option, either (a) a LIBOR rate plus a margin of 1.75% or (b) a base rate plus a margin of 0.75%. The interest rate election made on the May 15, 2014 borrowing was the LIBOR rate.

As of September 30, 2015, term loans outstanding under the Senior Secured Credit Agreement include term B-3 loans, term B-4 loans, term B-6 loans and term B-7 loans with remaining face values (after all principal payments through September 30, 2015) of $616 million, $1 million, $537 million and $2,112 million respectively. The Company regularly evaluates market conditions, its liquidity profile, and various financing alternatives for opportunities to enhance its capital structure. If opportunities are favorable, the Company may refinance existing debt or issue additional debt securities.

The Company is not in default under any of its debt agreements.

See Note 10, "Financing Arrangements," to our audited Consolidated Financial Statements.

Guarantees of Indebtedness and Other Off-Balance Sheet Arrangements

We are party to several types of agreements, including surety bonds, purchase commitments, product financing arrangements and performance guarantees, which are fully discussed in Note 19, "Commitments and Contingencies," to our audited Consolidated Financial Statements.

Legal Proceedings and Environmental, Health and Safety Matters

We are subject to certain legal proceedings, which are fully discussed in Note 19, "Commitments and Contingencies," to our audited Consolidated Financial Statements.

EBITDA and Adjusted EBITDA

EBITDA is defined as net income (loss) before income taxes, interest expense, interest income and depreciation and amortization and excludes the results of discontinued operations. EBITDA provides us with a measure of operating performance that excludes items that are outside the control of management, which can differ significantly from company to company depending on capital structure, the tax jurisdictions in which companies operate and capital investments. Under the Company's debt agreements, the ability to draw down on the revolving credit facilities or engage in activities such as incurring additional indebtedness, making investments and paying dividends is tied in part to ratios based on a measure of adjusted EBITDA. As defined in our debt agreements, adjusted EBITDA is a non-GAAP measure of EBITDA further adjusted to exclude certain charges and other adjustments, including one-time charges, permitted in calculating covenant compliance under our debt agreements. Further, our debt agreements require that adjusted EBITDA be calculated for the most recent four fiscal quarters. As a result, the measure can be disproportionately affected by a particularly strong or weak quarter. Moreover, it may not be comparable to the measure for any subsequent four-quarter period or any complete fiscal year.

We also calculate Adjusted EBITDA for purposes other than debt covenant compliance using a different formulation than that allowed in our debt documents. Certain employee and management benefit plans are determined using financial targets based on Adjusted EBITDA. We also believe Adjusted EBITDA is more useful to the equity markets than the calculation of adjusted EBITDA permitted by our debt documents as it does not include adjustments for certain non-recurring events. In addition, we believe Adjusted EBITDA provides more comparability between our historical results and results that reflect purchase accounting and our new capital structure following the Merger. Accordingly, Adjusted EBITDA measures our financial performance based on operational factors that management can impact in the short-term, such as the Company's pricing strategies, volume, costs and expenses of the organization and we present it in a way that can be more easily compared to prior quarters or fiscal years.

EBITDA and Adjusted EBITDA have limitations as analytical tools. Adjusted EBITDA does not represent net income (loss) or cash flow from operations as those terms are defined by GAAP and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. While Adjusted EBITDA and similar measures are frequently used as measures of operations and the ability to meet debt service requirements, these terms are not necessarily comparable to other similarly titled captions of other companies due to the potential inconsistencies in the method of calculation. Adjusted EBITDA does not reflect the impact of earnings or charges resulting from matters that we consider not to be indicative of our ongoing operations. In particular, our formulation of Adjusted EBITDA allows the addition of certain non-cash charges that are deducted in calculating net income (loss), and restructuring charges, Sponsors' fees and other specific cash costs and expenses set forth in the following table and that portion of our pension costs, other post-employment benefits costs, and non-retirement post-employment benefits costs representing the amortization of pension service costs and actuarial gain or loss associated with these employment benefits. However, these are expenses that may recur, may vary and are difficult to predict.

The unaudited reconciliation of loss from continuing operations, which is a GAAP measure, to EBITDA and Adjusted EBITDA is presented below:

In millions	Fiscal years ended September 30, 2015	2014	2013
Loss from continuing operations	$ (144)	$ (293)	$ (307)
Interest expense	452	459	467
Interest income	(1)	(2)	(2)
Provision for (benefit from) income taxes	70	51	(35)
Depreciation and amortization	371	434	455
EBITDA	748	649	578
Impact of purchase accounting adjustments	—	—	1
Restructuring charges, net	62	165	200
Sponsors’ fees (a)	7	7	7
Acquisition-related costs	1	—	1
Integration-related costs (b)	3	7	15
Divestiture-related costs (c)	—	2	—
Loss on extinguishment of debt (d)	6	5	6
Third-party fees expensed in connection with the debt modification (e)	8	2	18
Non-cash share-based compensation	19	25	11
Gain on investments and sale of long-lived assets, net	(1)	—	(1)
Gain on sale of TBU business	—	(14)	—
Change in certain tax indemnifications	(9)	4	—
Impairment of long-lived assets	—	—	1
Venezuela hyperinflationary and devaluation charges	—	2	1
Resolution of certain legal matters (f)	—	8	10
Gain on foreign currency transactions	(14)	(18)	(5)
Pension/OPEB/nonretirement postemployment benefits and long-term disability costs (g)	69	51	79
Other	1	3	—
Adjusted EBITDA	$ 900	$ 898	$ 922

(a) Sponsors’ fees represent monitoring fees payable to affiliates of the Sponsors pursuant to a management services agreement entered into at the time of the Merger. See Item 13, “Certain Relationships and Related Transactions and Director Independence.”

(b) Integration-related costs primarily represent third-party consulting fees and other administrative costs and primarily relate to developing compatible IT systems and internal processes with NES and consolidating and coordinating the operations of Avaya with Radvision and other acquisitions.

(c) Divestiture-related costs include legal and other costs primarily related to the sale of the ITPS business.

(d) Loss on extinguishment of debt represents losses recognized in connection with certain debt refinancing transactions entered into during fiscal 2015, 2014 and 2013. The loss is based on the difference between the reacquisition price and the carrying value (including unamortized debt issue costs) of the debt. See Note 10, "Financing Arrangements," to our audited Consolidated Financial Statements.

(e) The third-party fees expensed in connection with debt modification represent fees paid to third parties in connection with certain debt refinancing transactions entered into during fiscal 2015, 2014 and 2013. See Note 10, “Financing Arrangements,” to our audited Consolidated Financial Statements.

(f) Charges recognized in connection with the resolution of certain commercial and intellectual property legal disputes that, individually and in the aggregate, were not material to Avaya's financial position.

(g) Represents that portion of our pension costs, other post-employment benefit costs and non-retirement post-employment benefit costs representing the amortization of prior service costs and net actuarial gains/losses associated with these employment benefits. In fiscal 2013, the amount includes a net curtailment gain of $9 million associated with the U.S. pension and postretirement plans.

Use of Estimates and Critical Accounting Policies

Our Consolidated Financial Statements are based on the selection and application of GAAP, which require us to make estimates and assumptions about future events that affect the amounts reported in our financial statements and the accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results could differ from those estimates, and any such differences may be material to the financial statements. We believe that the following policies may involve a higher degree of judgment and complexity in their application and represent the critical accounting policies used in the preparation of our financial statements. If different assumptions or conditions were to prevail, the results could be materially different from our reported results.

Acquisition Accounting

The Company accounts for business combinations using the acquisition method, which requires an allocation of the purchase price of an acquired entity to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. Goodwill represents the excess of the purchase price over the net tangible and intangible assets acquired.

Revenue Recognition

The Company derives revenue primarily from the sale of products, software, and services for communications systems and applications. The Company's products are sold directly through its worldwide sales force and indirectly through its global network of distributors, service providers, dealers, value-added resellers, systems integrators and business partners. Services includes (i) supplemental maintenance service, including services provided under contracts to monitor and optimize customers' communications network performance; (ii) professional services for implementation and integration of converged voice and data networks, network security and unified communications; and (iii) Cloud and managed services. Maintenance contracts have terms that range from one to five years. Contracts for professional services typically have terms that range from four to six weeks for standard products and from six months to one year for customized products. Contracts for Cloud and managed services have terms that range from one to seven years.

In accordance with GAAP, revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured. For arrangements that require acceptance of the product, system, or solution as specified by the customer, revenue is deferred until the acceptance criteria have been met.

The Company's indirect sales to channel partners are generally recognized at the time of shipment if all contractual obligations have been satisfied. The Company accrues a provision for estimated sales returns and other allowances, including promotional marketing programs and other incentives as a reduction of revenue at time of sale. When estimating returns, the Company considers customary inventory levels held by third-party distributors.

The Company enters into multiple deliverable arrangements, which may include various combinations of products, software and services. Most product and service deliverables qualify as separate units of accounting and can be sold on a standalone basis. A deliverable constitutes a separate unit of accounting when it has standalone value and, where return rights exist, delivery or performance of the undelivered items is considered probable and substantially within the Company's control. When the Company sells products with implementation services, they are generally combined as one or more units of accounting, depending on the nature of the services and the customer's acceptance requirements.

Most of the Company's products have both software and non-software components that function together to deliver the products' essential functionality. For these multiple deliverable arrangements, the Company allocates revenue to the deliverables based on their relative selling prices. To the extent that a deliverable is subject to specific guidance on whether and/or how to allocate the consideration in a multiple deliverable arrangement, that deliverable is accounted for in accordance with such specific guidance. The Company limits the amount of revenue recognition for delivered items to the amount that is not contingent on the future delivery of products or services or meeting other future performance obligations.

The Company allocates revenue based on a selling price hierarchy of vendor-specific objective evidence, third-party evidence, and then estimated selling price. Vendor-specific objective evidence is based on the price charged when the deliverable is sold separately. Third-party evidence is based on largely interchangeable competitor products or services in standalone sales to similarly situated customers. As the Company is unable to reliably determine what competitors products' selling prices are on a standalone basis, the Company is not typically able to determine third-party evidence. Estimated selling price is based on the Company's best estimates of what the selling prices of deliverables would be if they were sold regularly on a standalone basis. Estimated selling price is established considering multiple factors including, but not limited to, pricing practices in different geographies and through different sales channels, major product and services groups, and customer classifications.

Once the Company allocates revenue to each deliverable, the Company recognizes revenue in accordance with its policies when all revenue recognition criteria are met. Product revenue is generally recognized upon delivery and maintenance services revenue is generally recognized ratably over the period during which the services are performed, whereas revenue from Cloud and managed services is generally recognized based on usage, subject to contractual minimums. However, revenue for professional services arrangements is generally recognized upon completion of performance and revenue for arrangements that require acceptance of the product, system or solution, is recognized when the acceptance criteria have been met.

Standalone or subsequent sales of software or software-related items are recognized in accordance with the software revenue recognition guidance. For multiple deliverable arrangements that only include software items, the Company generally uses the residual method to allocate the arrangement consideration. Under the residual method, the amount of consideration allocated to the delivered items equals the total arrangement consideration, less the fair value of the undelivered items. Where vendor-specific objective evidence of fair value for the undelivered items cannot be determined, the Company generally defers revenue until all items are delivered and services have been performed, or until such evidence of fair value can be determined for the undelivered items.

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Consolidated Statements of Operations in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that such assets will not be realized. Additionally, the accounting for income taxes requires the Company to evaluate and make an assertion as to whether undistributed foreign earnings will be indefinitely reinvested or repatriated.

Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, subtopic 740-10, “Income Taxes-Overall” (“ASC 740-10”) prescribes a comprehensive model for the financial statement recognition, measurement, classification, and disclosure of uncertain tax positions. ASC 740-10 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, based on the technical merits of the position. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement.

Significant judgment is required in evaluating uncertain tax positions and determining the provision for income taxes. Although the Company believes its reserves are reasonable, no assurance can be given that the final tax outcome of these matters will not be different from that which is reflected in the historical income tax provision and accruals. The Company adjusts its estimated liability for uncertain tax positions periodically due to new information discovered from ongoing examinations by, and settlements with various taxing authorities, as well as changes in tax laws, regulations and interpretations. The Company’s policy is to recognize, when applicable, interest and penalties on uncertain tax positions as part of income tax expense.

As part of the Company's accounting for business combinations, some of the purchase price is allocated to goodwill and intangible assets. Impairment expenses associated with goodwill are generally not tax deductible and will result in an increased effective income tax rate in the fiscal period any impairment is recorded. The income tax benefit from future releases of the acquisition date valuation allowances or income tax contingencies, if any, are reflected in the income tax provision in the consolidated statements of operations, rather than as an adjustment to the purchase price allocation.

Intangible and Long-lived Assets

Intangible assets include technology, customer relationships, trademarks and trade-names and other intangibles. Intangible assets with finite lives are amortized using the straight-line method over the estimated economic lives of the assets, which range from two to fifteen years. Long-lived assets, including intangible assets with finite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable in accordance with FASB ASC Topic 360, “Property, Plant, and Equipment.” Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the estimated fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or estimated fair value less costs to sell. Intangible assets determined to have indefinite useful lives are not amortized but are tested for impairment annually each July 1st, and more frequently if events occur or circumstances change that indicate an asset may be impaired. The estimated useful lives of intangible and long-lived assets are based on many factors including assumptions regarding the effects of obsolescence, demand, competition and other economic factors, expectations regarding the future use of the asset, and our historical experience with similar assets. The assumptions used to determine the estimated useful lives could change due to numerous factors including product demand, market conditions, technological developments, economic conditions and competition.

Goodwill

Goodwill is not amortized but is subject to periodic testing for impairment in accordance with FASB ASC Topic 350, "Intangibles-Goodwill and Other" ("ASC 350") at the reporting unit level which is one level below the Company's operating segments. The assessment of goodwill impairment is conducted by estimating and comparing the fair value of the Company's reporting units' net assets, as defined in ASC 350, to their carrying value as of that date. The fair value is estimated using an income approach whereby the fair value of the reporting unit is based on the future cash flows that each reporting unit's assets can be expected to generate. Future cash flows are based on forward-looking information regarding market share and costs for each reporting unit and are discounted using an appropriate discount rate. Future discounted cash flows can be affected by changes in industry or market conditions or the rate and extent to which anticipated synergies or cost savings are realized with newly acquired entities. The test for impairment is conducted annually each July 1st, and more frequently if events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

At July 1, 2015 the Company performed its annual goodwill impairment test and determined that the respective book values of the Company's reporting units did not exceed their estimated fair values and that it was not necessary to record impairment charges. In order to evaluate the sensitivity of the fair value calculations on the goodwill impairment test the Company applied a hypothetical 10% decrease to the fair value of each reporting unit. This hypothetical 10% decrease in the fair value of each reporting unit at July 1, 2015 would not result in an impairment of goodwill for any reporting unit.

Restructuring Programs

The Company accounts for exit or disposal of activities in accordance with FASB ASC Topic 420, "Exit or Disposal Cost Obligations" ("ASC 420"). In accordance with ASC 420, a business restructuring is defined as an exit or disposal activity that includes but is not limited to a program that is planned and controlled by management and materially changes either the scope of a business or the manner in which that business is conducted. Business restructuring charges includes (i) one-time termination benefits related to employee separations, (ii) contract termination costs and (iii) other costs associated with exit or disposal activities including, but not limited to, costs for consolidating or closing facilities and relocating employees.

A liability is recognized and measured at its fair value for one-time termination benefits once the plan of termination is communicated to affected employees and it meets all of the following criteria: (i) management commits to a plan of termination, (ii) the plan identifies the number of employees to be terminated and their job classifications or functions, locations and the expected completion date, (iii) the plan establishes the terms of the benefit arrangement and (iv) it is unlikely that significant changes to the plan will be made or the plan will be withdrawn. Contract termination costs include costs to terminate a contract or costs that will continue to be incurred under the contract without benefit to the Company. A liability is recognized and measured at its fair value when the Company either terminates the contract or ceases using the rights conveyed by the contract. A liability is recognized and measured at its fair value for other associated costs in the period in which the liability is incurred.

In connection with the Merger, the Company adopted a plan to exit certain activities of the newly acquired company. A liability was recognized as of the consummation date of the acquisition for the costs under the exit plan in accordance with the authoritative guidance at that time if these costs were not associated with or were not incurred to generate revenues of the combined entity after the consummation date and either (i) had no future economic benefit to the combined company, were incremental to other costs incurred by either the acquired company or the acquiring company in the conduct of activities prior to the consummation date, and were expected to be incurred as a direct result of the plan to exit an activity of the acquired company or (ii) the cost represented an amount to be incurred by the combined company under a contractual obligation of the acquired company that existed prior to the consummation date and will either continue after the plan is completed with no economic benefit to the combined company or be a penalty incurred by the combined company to cancel that contractual obligation.

Pension and Postretirement Benefit Obligations

The Company sponsors non-contributory defined benefit pension plans covering a portion of its U.S. employees and retirees, and postretirement benefit plans covering a portion of its U.S. retirees that include healthcare benefits and life insurance coverage. Certain non-U.S. operations have various retirement benefit programs covering substantially all of their employees. Some of these programs are considered to be defined benefit pension plans for accounting purposes.

The Company's pension and postretirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions, including the discount rate and expected long-term rate of return on plan assets. Material changes in pension and postretirement benefit costs may occur in the future due to changes in these assumptions, changes in the number of plan participants, changes in the level of benefits provided, changes in asset levels and changes in legislation.

The discount rate is subject to change each year, consistent with changes in rates of return on high-quality fixed-income investments currently available and expected to be available during the expected benefit payment period. The Company selects the assumed discount rate for its U.S. pension and postretirement plans by applying the rates from the Aon Hewitt AA Only and

Aon Hewitt AA Only Above Median yield curves to the expected benefit payment streams and develops a rate at which it is believed the benefit obligations could be effectively settled. The Company follows a similar process for its non-U.S. pension plans by applying the Aon Hewitt Euro AA corporate bond yield curve. Based on the published rates as of September 30, 2015, the Company used a weighted average discount rate of 4.23% for the U.S. pension plans, 2.53% for the non-U.S. pension plans, and 4.35% for the postretirement plans. For the U.S. pension plans, non-U.S. pension plans, and the postretirement plans, every one-percentage-point increase or decrease in the discount rate reduces or increases our benefit obligation by approximately $397 million, $82 million and $43 million, respectively.

The market-related value of the Company's plan assets as of the measurement date is developed using a 5-year smoothing technique. First, a preliminary market-related value is calculated by adjusting the market-related value at the beginning of the year for payments to and from plan assets and the expected return on assets during the year. The expected return on assets represents the expected long-term rate of return on plan assets adjusted up to plus or minus 2% based on the actual 10-year average rate of return on plan assets. A final market-related value is determined as the preliminary market-related value, plus 20% of the difference between the actual return and expected return for each of the past five years.

These pension and other postretirement benefits are accounted for in accordance with FASB ASC Topic 715, "Compensation—Retirement Benefits" ("ASC 715"). ASC 715 requires that plan assets and obligations be measured as of the reporting date and the over-funded, under-funded or unfunded status of plans be recognized as of the reporting date as an asset or liability in the Consolidated Balance Sheets. In addition, ASC 715 requires costs and related obligations and assets arising from pensions and other postretirement benefit plans to be accounted for based on actuarially-determined estimates.

The plans use different factors, including years of service, eligible compensation and age, to determine the benefit amount for eligible participants. The Company funds its U.S. pension plans in compliance with applicable laws. See Note 14, "Benefit Obligations," to our audited Consolidated Financial Statements for a discussion of the Company's pension and postretirement plans.

Effective October 1, 2015, the Company changed its estimate of the service and interest cost components of net periodic benefit cost for its U.S. pension and other postretirement benefit plans. Previously, the Company estimated the service and interest cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation. The new estimate utilizes a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their underlying projected cash flows. The new estimate provides a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows and their corresponding spot rates. The change does not affect the measurement of the Company's U.S. pension and postretirement benefit obligations and it is accounted for as a change in accounting estimate, which is applied prospectively. For fiscal 2016, the change in estimate is expected to reduce U.S. pension and postretirement net periodic benefit plan cost by $30 million to $35 million when compared to the prior estimate.

Commitments and Contingencies

In the ordinary course of business we are subject to legal proceedings related to environmental, product, employment, intellectual property, licensing and other matters. In addition, we are subject to indemnification and liability sharing claims by Lucent Technologies Inc. (now Alcatel-Lucent) under the terms of the Contribution and Distribution Agreement. In order to determine the amount of reserves required, we assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of reserves required for these contingencies is made after analysis of each individual issue. The estimates of required reserves may change in the future due to new developments in each matter or changes in approach such as a change in settlement strategy. Assessing the adequacy of any reserve for matters for which we may have to indemnify Alcatel-Lucent is especially difficult, as we do not control the defense of those matters and have limited information.

Share-based Compensation

The Company accounts for share-based compensation in accordance with FASB Topic ASC 718, "Compensation—Stock Compensation" ("ASC 718"), which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including stock options, restricted stock units and stock purchases based on estimated fair values. The determination of the fair value of share-based payment awards on the date of grant using an option pricing model is affected by the fair market value of our Parent's stock (as defined in Avaya Holdings Corp's Amended and Restated 2007 Equity Incentive Plan) as well as a number of highly complex and subjective assumptions.

New Accounting Guidance Recently Adopted

Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists

In the first quarter of fiscal 2015, the Company adopted Accounting Standards Update ("ASU") No. 2013-11 "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward

Exists." The standard requires the netting of unrecognized tax benefits (“UTBs”) against a deferred tax asset for a loss or other carryforward that would apply in settlement of the uncertain tax positions. UTBs are required to be netted against all available same-jurisdiction loss or other tax carryforwards that would be utilized, rather than only against carryforwards that are created by the UTBs. The relevant presentation and disclosures have been applied prospectively.

Imputation of Interest

In April 2015, the FASB issued ASU 2015-03 “Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.” The standard requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. The Company adopted this guidance in the second quarter of fiscal 2015, which has been applied retrospectively. As a result of the adoption of this standard, unamortized debt issuance costs of $13 million originally included in other current assets and $42 million originally included in other assets, were reclassified as a reduction of debt maturing within one year and long-term debt, respectively, in the Consolidated Balance Sheet as of September 30, 2014.

Recent Accounting Guidance Not Yet Effective

In May 2014, the FASB issued ASU No. 2014-09 “Revenue from Contracts with Customers.” The standard supersedes most of the current revenue recognition guidance under U.S. GAAP and is intended to improve and converge with international standards the financial reporting requirements for revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. New disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers are also required. This accounting guidance is effective for the Company beginning in the first quarter of fiscal 2018; early adoption is not permitted. The ASU may be applied retrospectively (a) to each reporting period presented or (b) with the cumulative effect in retained earnings at the beginning of the adoption period. The Company is currently evaluating the method of adoption and the impact that the adoption of this accounting guidance may have on its Consolidated Financial Statements.

In August 2014, the FASB issued ASU No. 2014-15 "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." The standard requires management to evaluate, at each annual and interim reporting period, the company's ability to continue as a going concern within one year of the date the financial statements are issued and provide related disclosures. This accounting guidance is effective for the Company on a prospective basis beginning in the first quarter of fiscal 2017 and is not expected to have a material effect on the its Consolidated Financial Statements.

In January 2015, the FASB issued ASU No. 2015-01 "Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items." The standard eliminated from GAAP the concept of extraordinary items. This accounting guidance is effective for the Company on a prospective basis beginning in the first quarter of fiscal 2016 and is not expected to have a material effect on its Consolidated Financial Statements.

In April 2015, the FASB issued ASU 2015-05 “Intangibles-Goodwill and Other-Internal-Use Software.” The standard amended the existing accounting standards for intangible assets and provides explicit guidance to customers in determining the accounting for fees paid in a cloud computing arrangement, wherein the arrangements that do not convey a software license to the customer are accounted for as service contracts. This standard is effective for the Company beginning in the first quarter of fiscal 2017. The Company is currently evaluating the impact that the adoption of this standard may have on its Consolidated Financial Statements.

In July 2015, the FASB issued ASU 2015-11 “Simplifying the Measurement of Inventory.” The standard simplifies the measurement of inventory, by requiring that inventory be measured at the lower of cost and net realizable value as opposed to lower of cost or market. This standard is effective for the Company beginning in the first quarter of fiscal 2018. The Company is currently evaluating the impact that the adoption of this standard may have on its Consolidated Financial Statements.

In September 2015, the FASB issued ASU 2015-16 "Business Combinations Simplifying the Accounting for Measurement-Period Adjustments." The standard requires that an acquirer recognize measurement-period adjustments in the period in which the adjustments are determined. The income effects of such measurement-period adjustments are to be recorded in the same period’s financial statements but calculated as if the accounting had been completed as of the acquisition date. The impact of measurement-period adjustments to earnings that relate to prior period financial statements are to be presented separately on the income statement or disclosed by line item. This accounting guidance is effective for the Company on a prospective basis beginning in the first quarter of fiscal 2017 and is not expected to have a material effect on its Consolidated Financial Statements.

Cautionary Note Regarding Forward Looking Statements

This Annual Report on Form 10-K contains "forward-looking statements." In some cases, these statements may be identified by the use of forward-looking terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "our vision," "plan," "potential," "predict," "should," "will" or "would" or other similar words. These statements discuss future expectations, contain projections of results of operations or of financial condition, or state trends and known uncertainties or other forward-looking information. You are cautioned that forward-looking statements are inherently uncertain. Each forward-looking statement contained in this report is subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statement. We refer you to the section entitled "Risk Factors" in this Form 10-K for identification of important factors with respect to these risks and uncertainties. We caution readers not to place considerable reliance on such statements. Our business is subject to substantial risks and uncertainties, including those identified in this report. The information contained in this report is provided by us as of the date of this Form 10-K, and we do not undertake any obligation to update any forward-looking statements contained in this document as a result of new information, future events or otherwise. Forward-looking statements include, without limitation, statements regarding:

- our expectations regarding our revenue, cost of revenue, selling, general and administrative expenses, research and development expenses, amortization of acquired intangible assets and interest expense;
- our expectations regarding the demand for our next-generation business collaboration products and the market trends contributing to such demand;
- our strategy for worldwide growth, including our ability to develop and sell collaboration and communications products and services, including unified communications, networking products and contact center products;
- the strength of our current intellectual property portfolio and our intention to obtain patents and other intellectual property rights used in connection with our business;
- our anticipated competition as the business collaboration market evolves;
- our future cash requirements, including our primary cash requirements for the period October 1, 2015 through September 30, 2016;
- the intention to use the net proceeds of any initial public offering conducted by Parent, among other things, to repay a portion of our existing indebtedness;
- our future sources of liquidity, including any future refinancing of our existing debt or issuance of additional securities;
- the uncertainties regarding our liquidity, including our ability to generate revenue, reduce costs, make future acquisitions and defend against litigation;
- the impact of new accounting pronouncements; and
- our expectations regarding the impact of legal proceedings, including antitrust, intellectual property or employment litigation.

Many factors could cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Some of the key factors that could cause actual results to differ from our expectations include:

- our ability to develop and sell advanced business collaboration and communications products and services, including unified communications, networking products and contact center products;
- our reliance on our indirect sales channel;
- economic conditions and the willingness of enterprises to make technology investments;
- the markets for our products and services;
- our ability to remain competitive in the markets we serve;
- our use of software from open source code sources;
- our ability to retain and attract key employees;
- our degree of leverage and its effect on our ability to raise additional capital and to react to changes in the economy or our industry;
- our ability to integrate acquired businesses;

- our ability to successfully transition toward or integrate the products of acquired businesses into our portfolio;
- our ability to manage our supply chain and logistics functions;
- the ability to protect our intellectual property and avoid claims of infringement;
- our ability to maintain adequate security over information systems, products and services;
- environmental, health and safety laws, regulations, costs and other liabilities, and climate change risks;
- our ability to realize the benefits we expect from our cost reduction initiatives;
- fluctuations in foreign currency exchange rates;
- our ability to detect and fix design defects and "bugs";
- an adverse result in any significant litigation, including antitrust, intellectual property or employment litigation;
- risks relating to the transaction of business internationally; and
- pension and post-retirement healthcare and life insurance liabilities.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

Foreign Currency Exchange Risk

Recorded Transactions—The Company utilizes foreign currency forward contracts to hedge fluctuations associated with certain monetary assets and liabilities, primarily accounts receivable, accounts payable and certain intercompany obligations. However we do not attempt to hedge all our foreign currency exposures and are subject to remeasurement gain (loss) that is recorded in other income (expense), net in the Consolidated Statement of Operations.

The fair value of foreign currency forward contracts is sensitive to changes in foreign currency exchange rates. A 10% upward shift in the value of the foreign currencies that we trade against from the prevailing market rates would have had a negative impact of $5 million, $16 million, and $8 million for fiscal 2015, 2014 and 2013, respectively. A 10% downward shift in the value of the foreign currencies that we trade against from the prevailing market rates would have had a positive impact of $4 million, $14 million and $13 million for fiscal 2015, 2014 and 2013, respectively.

Interest Rate Risk

From time to time, the Company has entered into interest rate swap agreements to hedge against the variability of cash flows related to changes in benchmark interest rates associated with certain borrowings under the senior secured credit facility. As of September 30, 2013 each of these agreements had matured and there are no outstanding interest rate swap agreements.

As of September 30, 2015, if 3 month LIBOR remains below 1.00%, a 25 bps increase in interest rates results in a change in our annual interest expense of $2 million and if 3 month LIBOR is greater than 1.00%, a 25 bps increase in interest rates results in a change in our annual interest expense of $8 million.

See Note 11, “Foreign Currency Forward Contracts and Interest Rate Swaps,” to our audited Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for further details.

Item 8. ***Financial Statements and Supplementary Data***

Avaya Inc.
Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder of Avaya Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of comprehensive loss, of changes in stockholder’s deficiency and of cash flows present fairly, in all material respects, the financial position of Avaya Inc. and its subsidiaries (the “Company”) at September 30, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2 to the Consolidated Financial Statements, the Company changed the timing of their annual impairment testing date for goodwill and indefinite-lived intangibles in 2014 and the manner in which it presents debt issuance costs in 2015.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
November 23, 2015

Avaya Inc.
Consolidated Statements of Operations
(In millions)

	Fiscal years ended September 30,		
	2015	2014	2013
REVENUE			
Products	$ 2,029	$ 2,196	$ 2,337
Services	2,052	2,175	2,241
	4,081	4,371	4,578
COSTS			
Products:			
Costs (exclusive of amortization of acquired technology intangible assets)	744	854	963
Amortization of acquired technology intangible assets	35	56	63
Services	872	962	1,022
	1,651	1,872	2,048
GROSS PROFIT	2,430	2,499	2,530
OPERATING EXPENSES			
Selling, general and administrative	1,432	1,531	1,511
Research and development	338	379	445
Amortization of acquired intangible assets	226	227	228
Restructuring charges, net	62	165	200
Acquisition-related costs	1	—	1
	2,059	2,302	2,385
OPERATING INCOME	371	197	145
Interest expense	(452)	(459)	(467)
Loss on extinguishment of debt	(6)	(5)	(6)
Other income (expense), net	13	25	(14)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(74)	(242)	(342)
(Provision for) benefit from income taxes of continuing operations	(70)	(51)	35
LOSS FROM CONTINUING OPERATIONS	(144)	(293)	(307)
Income (loss) from discontinued operations, net of income taxes	—	62	(57)
NET LOSS	$ (144)	$ (231)	$ (364)

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Avaya Inc.
Consolidated Statements of Comprehensive Loss
(In millions)

	Fiscal years ended September 30,		
	2015	**2014**	**2013**
Net loss	$ (144)	$ (231)	$ (364)
Other comprehensive (loss) income:			
Pension, postretirement and postemployment benefit-related items, net of provision for income taxes of $0, $0 and $121 for fiscal 2015, 2014 and 2013, respectively	(218)	(201)	160
Cumulative translation adjustment, net of (provision for) benefit from income taxes of $(12), $0 and $4 for fiscal 2015, 2014 and 2013, respectively	34	7	(43)
Change in interest rate swaps, net of benefit from income taxes of $7 for fiscal 2013	—	—	20
Income tax benefit reclassified into earnings upon the expiration of certain interest rate swaps	—	—	(17)
Other comprehensive (loss) income	(184)	(194)	120
Comprehensive loss	$ (328)	$ (425)	$ (244)

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Avaya Inc.
Consolidated Balance Sheets
(In millions, except per share and shares amounts)

	September 30, 2015	September 30, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 323	$ 322
Accounts receivable, net	678	745
Inventory	174	197
Deferred income taxes, net	26	24
Other current assets	171	211
TOTAL CURRENT ASSETS	1,372	1,499
Property, plant and equipment, net	282	281
Deferred income taxes, net	34	52
Acquired intangible assets, net	970	1,224
Goodwill	4,074	4,047
Other assets	130	99
TOTAL ASSETS	**$ 6,862**	**$ 7,202**
LIABILITIES		
Current liabilities:		
Debt maturing within one year	$ 7	$ 19
Accounts payable	379	416
Payroll and benefit obligations	229	228
Deferred revenue	665	668
Business restructuring reserve, current portion	90	86
Other current liabilities	282	254
TOTAL CURRENT LIABILITIES	1,652	1,671
Long-term debt	5,960	5,949
Pension obligations	1,690	1,535
Other postretirement obligations	194	273
Deferred income taxes, net	262	249
Business restructuring reserve, non-current portion	67	119
Other liabilities	415	475
TOTAL NON-CURRENT LIABILITIES	8,588	8,600
Commitments and contingencies		
STOCKHOLDER'S DEFICIENCY		
Common stock, par value $.01 per share; 100 shares authorized, issued and outstanding	—	—
Additional paid-in capital	2,981	2,962
Accumulated deficit	(4,975)	(4,831)
Accumulated other comprehensive loss	(1,384)	(1,200)
TOTAL STOCKHOLDER'S DEFICIENCY	(3,378)	(3,069)
TOTAL LIABILITIES AND STOCKHOLDER'S DEFICIENCY	**$ 6,862**	**$ 7,202**

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Avaya Inc.
Consolidated Statements of Changes in Stockholder's Deficiency
(In millions)

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholder's Deficiency
Balance as of October 1, 2012	**$ —**	**$ 2,926**	**$ (4,236)**	**$ (1,126)**	**$ (2,436)**
Share-based compensation		11			11
Net loss			(364)		(364)
Other comprehensive income				120	120
Balance as of September 30, 2013	**—**	**2,937**	**(4,600)**	**(1,006)**	**(2,669)**
Share-based compensation		25			25
Net loss			(231)		(231)
Other comprehensive loss				(194)	(194)
Balance as of September 30, 2014	**—**	**2,962**	**(4,831)**	**(1,200)**	**(3,069)**
Share-based compensation		19			19
Net loss			(144)		(144)
Other comprehensive loss				(184)	(184)
Balance as of September 30, 2015	**$ —**	**$ 2,981**	**$ (4,975)**	**$ (1,384)**	**$ (3,378)**

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Avaya Inc.
Consolidated Statements of Cash Flows
(In millions)

	Fiscal years ended September 30, 2015	2014	2013
OPERATING ACTIVITIES:			
Net loss	$ (144)	$ (231)	$ (364)
Income (loss) from discontinued operations, net of income taxes	—	62	(57)
Loss from continuing operations	(144)	(293)	(307)
Adjustments to reconcile loss from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	371	434	455
Share-based compensation	19	25	11
Amortization of debt issuance costs	13	14	17
Accretion of debt discount	7	5	4
Non-cash charge for debt issuance costs upon redemption of term loans	3	3	5
Third-party fees expensed in connection with the debt modification	8	2	18
Premium on issuance of senior secured term B-5 loans	—	—	3
Payment of paid-in-kind interest	(1)	(9)	—
Provision for uncollectible receivables	—	—	1
Deferred income taxes	29	22	(101)
Gain on sale of investments and long-lived assets, net	(1)	—	(1)
Gain on sale of TBU business	—	(14)	—
Impairment of long-lived assets	—	—	1
Pension curtailments	—	—	(9)
Unrealized gain on foreign currency exchange	(4)	(15)	(23)
Changes in operating assets and liabilities:			
Accounts receivable	70	(51)	72
Inventory	14	46	9
Accounts payable	(27)	19	(29)
Payroll and benefit obligations	(85)	(177)	(60)
Business restructuring reserve	(30)	42	38
Deferred revenue	13	24	80
Other assets and liabilities	(40)	(41)	(53)
NET CASH PROVIDED BY CONTINUING OPERATING ACTIVITIES	215	36	131
NET CASH PROVIDED BY DISCONTINUED OPERATING ACTIVITIES	—	4	20
NET CASH PROVIDED BY OPERATING ACTIVITIES	215	40	151
INVESTING ACTIVITIES:			
Capital expenditures	(124)	(134)	(110)
Capitalized software development costs	—	(1)	(14)
Acquisition of businesses, net of cash acquired	(24)	(16)	(2)
Proceeds from sale of long-lived assets	—	101	23
Proceeds from sale-leaseback transactions	22	—	—
Proceeds from sale of TBU business	—	26	—
Proceeds from sale of investments	1	1	1
Purchase of investment	(1)	(10)	—
Advance to Parent	—	—	(10)
Other investing activities, net	(3)	—	(1)
NET CASH USED FOR CONTINUING INVESTING ACTIVITIES	(129)	(33)	(113)
NET CASH PROVIDED BY DISCONTINUED INVESTING ACTIVITIES	—	101	—
NET CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES	(129)	68	(113)
FINANCING ACTIVITIES:			
Proceeds from Term B-7 Loans	2,100	—	—
Repayment of Term B-3 Loans	(1,473)	—	—
Repayment of Term B-6 Loans	(581)	—	—
Proceeds from Term B-6 Loans	—	1,136	—
Proceeds from 9% senior secured notes	—	—	290
Repayment of Term B-5 Loans	—	(1,138)	(284)
Proceeds from Term B-5 Loans	—	—	589
Repayment of Term B-1 Loans	—	—	(584)
Proceeds from Foreign ABL	60	—	—
Repayment of Foreign ABL	(40)	—	—
Proceeds from Domestic ABL	75	40	—
Repayment of Domestic ABL	(60)	—	—
Proceeds from borrowings on revolving loans under the Senior Secured Credit Agreement	50	100	—
Repayments of borrowings on revolving loans under the Senior Secured Credit Agreement	(122)	(10)	—
Repayment of senior unsecured cash pay notes	—	(58)	—
Repayment of senior unsecured PIK toggle notes	—	(83)	—
Debt issuance and third-party debt modification costs	(14)	(10)	(49)
Repayment of long-term debt	(32)	(38)	(38)
Payments related to sale-leaseback transactions	(12)	—	—
Other financing activities, net	(4)	1	(3)
NET CASH USED FOR FINANCING ACTIVITIES	(53)	(60)	(79)
Effect of exchange rate changes on cash and cash equivalents	(32)	(14)	(8)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1	34	(49)
Cash and cash equivalents at beginning of year	322	288	337
Cash and cash equivalents at end of year	$ 323	$ 322	$ 288

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

1. Background and Basis of Presentation

Background

Avaya Inc. together with its consolidated subsidiaries (collectively, the "Company" or "Avaya") is a leading provider of contact center, unified communications and networking products and services. The Company's products and services portfolio spans software, hardware, networking technology and professional services. The Company conducts its business operations in three segments. Two of those segments, Global Communications Solutions and Avaya Networking, make up Avaya's Enterprise Collaboration Solutions product portfolio. The third segment contains Avaya's services portfolio and is called Avaya Global Services.

The Company sells directly through its worldwide sales force and through its global network of channel partners. As of September 30, 2015, Avaya had approximately 9,300 channel partners, including distributors, service providers, dealers, value-added resellers, system integrators and business partners that provide sales and service support.

Merger

On June 4, 2007, Avaya entered into an Agreement and Plan of Merger (the "Merger Agreement") with Avaya Holdings Corp. (formerly Sierra Holdings Corp.), a Delaware corporation ("Parent"), and Sierra Merger Corp., a Delaware corporation and wholly owned subsidiary of Parent ("Merger Sub"), pursuant to which Merger Sub was merged with and into the Company, with the Company continuing as the surviving corporation and a wholly owned subsidiary of Parent (the "Merger"). Parent was formed by affiliates of two private equity firms, Silver Lake Partners ("Silver Lake") and TPG Capital ("TPG") (collectively, the "Sponsors"), solely for the purpose of entering into the Merger Agreement and consummating the Merger.

Acquisition of Enterprise Solutions Business of Nortel Networks Corporation

On December 18, 2009, Avaya acquired certain assets and assumed certain liabilities of the enterprise solutions business ("NES") of Nortel Networks Corporation ("Nortel") out of bankruptcy court proceedings, for an adjusted purchase price of $933 million. The terms of the acquisition did not include any significant contingent consideration arrangements.

Acquisition of RADVISION Ltd.

On June 5, 2012, Avaya acquired RADVISION Ltd. ("Radvision") a global provider of videoconferencing and telepresence technologies over internet protocol and wireless networks for $230 million in cash.

Divestiture of IT Professional Services Business

On March 31, 2014, the Company completed the sale of its IT Professional Services ("ITPS") business for a final sales price of $101 million, inclusive of $3 million of working capital adjustments and net of $2 million in costs to sell. See Note 5, "Divestitures - IT Professional Services Business," for further details.

Basis of Presentation

As a result of the divestiture of the ITPS business, the results of operations and cash flows of this business have been classified as discontinued operations in all periods presented.

2. Summary of Significant Accounting Policies

Use of Estimates

The Consolidated Financial Statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the periods reported. These estimates include assessing the collectability of accounts receivable, sales returns and allowances, the use and recoverability of inventory, the realization of deferred tax assets, business restructuring reserves, pension and postretirement benefit costs, the fair value of equity compensation, the fair value of assets and liabilities acquired in business combinations, the recoverability of long-lived assets, and useful lives and impairment of tangible and intangible assets including goodwill, the amount of exposure from potential loss contingencies, and fair value measurements, among others. The markets for the Company's products are characterized by intense competition, rapid technological development and frequent new product introductions, all of which could affect the future recoverability of the Company's assets. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the

Consolidated Financial Statements in the period they are determined to be necessary. Actual results could differ from these estimates.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Avaya and its subsidiaries. In the event that the Company is a primary beneficiary of a variable interest entity, the assets, liabilities, and results of operations of the variable interest entity will be included in the Company's Consolidated Financial Statements. All intercompany transactions and balances have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current presentation.

Acquisition Accounting

The Company accounts for business combinations using the acquisition method, which requires an allocation of the purchase price of an acquired entity to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. Goodwill represents the excess of the purchase price over the net tangible and intangible assets acquired.

Revenue Recognition

The Company derives revenue primarily from the sale of products, software, and services for communications systems and applications. The Company's products are sold directly through its worldwide sales force and indirectly through its global network of distributors, service providers, dealers, value-added resellers, systems integrators and business partners. Services include (i) supplemental maintenance service, including services provided under contracts to monitor and optimize customers' communications network performance; (ii) professional services for implementation and integration of converged voice and data networks, network security and unified communications; and (iii) Cloud or managed services. Maintenance contracts have terms that range from one to five years. Contracts for professional services typically have terms that range from four to six weeks for standard products and from six months to one year for customized products. Contracts for Cloud and managed services have terms that range from one to seven years.

In accordance with GAAP, revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured. For arrangements that require acceptance of the product, system, or solution as specified by the customer, revenue is deferred until the acceptance criteria have been met.

The Company's indirect sales to channel partners are generally recognized at the time of shipment if all contractual obligations have been satisfied. The Company accrues a provision for estimated sales returns and other allowances, including promotional marketing programs and other incentives as a reduction of revenue at time of sale. When estimating returns, the Company considers customary inventory levels held by third-party distributors.

The Company enters into multiple deliverable arrangements, which may include various combinations of products, software and services. Most product and service deliverables qualify as separate units of accounting and can be sold on a standalone basis. A deliverable constitutes a separate unit of accounting when it has standalone value and, where return rights exist, delivery or performance of the undelivered items is considered probable and substantially within the Company's control. When the Company sells products with implementation services, they are generally combined as one or more units of accounting, depending on the nature of the services and the customer's acceptance requirements.

Most of the Company's products have both software and non-software components that function together to deliver the products' essential functionality. For these multiple deliverable arrangements, the Company allocates revenue to the deliverables based on their relative selling prices. To the extent that a deliverable is subject to specific guidance on whether and/or how to allocate the consideration in a multiple element arrangement, that deliverable is accounted for in accordance with such specific guidance. The Company limits the amount of revenue recognition for delivered items to the amount that is not contingent on the future delivery of products or services or meeting other future performance obligations.

The Company allocates revenue based on a selling price hierarchy of vendor-specific objective evidence, third-party evidence, and then estimated selling price. Vendor-specific objective evidence is based on the price charged when the deliverable is sold separately. Third-party evidence is based on largely interchangeable competitor products or services in standalone sales to similarly situated customers. As the Company is unable to reliably determine what competitors products' selling prices are on a standalone basis, the Company is not typically able to determine third-party evidence. Estimated selling price is based on the Company's best estimates of what the selling prices of deliverables would be if they were sold regularly on a standalone basis. Estimated selling price is established considering multiple factors including, but not limited to, pricing practices in different geographies and through different sales channels, major product and services groups, and customer classifications.

Once the Company allocates revenue to each deliverable, the Company recognizes revenue in accordance with its policies when all revenue recognition criteria are met. Product revenue is generally recognized upon delivery and maintenance services revenue is generally recognized ratably over the period during which the services are performed, whereas revenue from Cloud and managed services is generally recognized based on usage, subject to contractual minimums. However, revenue for professional services arrangements is generally recognized upon completion of performance and revenue for arrangements that require acceptance of the product, system or solution, is recognized when the acceptance criteria have been met.

Standalone or subsequent sales of software or software-related items are recognized in accordance with the software revenue recognition guidance. For multiple deliverable arrangements that only include software items, the Company generally uses the residual method to allocate the arrangement consideration. Under the residual method, the amount of consideration allocated to the delivered items equals the total arrangement consideration, less the fair value of the undelivered items. Where vendor-specific objective evidence of fair value for the undelivered items cannot be determined, the Company generally defers revenue until all items are delivered and services have been performed, or until such evidence of fair value can be determined for the undelivered items.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less when purchased, and are stated at cost, which approximates market value.

Concentrations of Risk

The Company's cash and cash equivalents are invested in various investment grade institutional money market accounts and bank term deposits. Deposits held at banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions with reputable credit and therefore bear minimal credit risk. The Company seeks to mitigate such risks by spreading its risk across multiple counterparties and monitoring the risk profiles of these counterparties.

The Company enters into foreign currency forward contracts with high credit quality financial institutions to manage short-term exchange rate risk and is exposed to losses in the event of nonperformance by the counterparties to these contracts. To date, no such counterparty has failed to meet its obligations to the Company.

The Company relies on a limited number of contract manufacturers and suppliers to provide manufacturing services for its products. The inability of a contract manufacturer or supplier to fulfill supply requirements of the Company could materially impact future operating results.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded net of reserves for sales returns and allowances and provisions for doubtful accounts. The Company performs ongoing credit evaluations of its customers and generally does not require collateral from its customers. The allowances are based on analyses of historical trends, aging of accounts receivable balances and the creditworthiness of customers as determined by credit checks, analyses, and payment history. At September 30, 2015, one distributor accounted for approximately 14% of accounts receivable and on September 30, 2014, a different distributor accounted for approximately 11% of accounts receivable.

Inventory

Inventory includes goods awaiting sale (finished goods), equipment that is being installed at customer locations for various installations that are not yet complete and goods to be used in connection with providing maintenance services. Inventory is stated at the lower of cost or market, determined on a first-in, first-out method. Reserves to reduce the inventory cost to market value are based on current inventory levels, assumptions about future demand and product life cycles for the various inventory types.

As discussed in detail in Note 19, "Commitments and Contingencies-Purchase Commitments and Termination Fees," the Company has outsourced the manufacturing of substantially all of its products and may be obligated to purchase certain excess inventory levels from its outsourced manufacturers if actual sales of product vary from forecast, in which case additional inventory provisions may need to be recorded in the future.

Research and Development Costs

Research and development costs are charged to expense as incurred. The costs incurred for the development of communications software that will be sold, leased or otherwise marketed, however, are capitalized when technological feasibility has been established in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 985, "Software" ("ASC 985"). These capitalized costs are subject to an ongoing assessment of recoverability based on anticipated future revenues and costs and changes in hardware and software technologies. Costs that are capitalized include direct labor and related overhead.

Amortization of capitalized software development costs begins when the product is available for general release to customers. Amortization is recognized on a product-by-product basis generally on the straight-line method over a period of up to two years. Unamortized software development costs determined to be in excess of net realizable value of the product are expensed immediately. Included in other assets at September 30, 2015 and 2014 is unamortized software development costs of $1 million and $8 million, respectively.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is determined using a straight-line method over the estimated useful lives of the assets. Estimated lives range from three to ten years for machinery and equipment, up to five years for rental equipment and up to 40 years for buildings. Improvements that extend the useful life of assets are capitalized and maintenance and repairs are charged to expense as incurred. Upon retirement or disposal of assets, the cost and related accumulated depreciation are removed from the Consolidated Balance Sheets and any gain or loss is reflected in the Consolidated Statements of Operations.

Internal Use Software

The Company capitalizes costs associated with software developed or obtained for internal use when the preliminary project stage is completed and it is determined that the software will provide enhanced capabilities and modifications. Internal use software is amortized on a straight-line basis generally over three to seven years. Costs capitalized include payroll and related benefits, third party development fees and acquired software and licenses. General and administrative costs, overhead, maintenance and training, and the cost of the software that does not add functionality to existing systems, are expensed as incurred. The Company had unamortized internal use software costs included in Property, Plant and Equipment, net in the Consolidated Balance Sheets of $71 million and $51 million as of September 30, 2015 and 2014, respectively.

Goodwill

Goodwill is not amortized but is subject to periodic testing for impairment in accordance with FASB ASC Topic 350, “Intangibles-Goodwill and Other” (“ASC 350”) at the reporting unit level which is one level below the Company’s operating segments. The assessment of goodwill impairment is conducted by estimating and comparing the fair value of the Company’s reporting units, as defined in ASC 350, to their carrying value as of that date. The fair value is estimated using an income approach whereby the fair value of the reporting unit is based on the future cash flows that each reporting unit’s assets can be expected to generate. Future cash flows are based on forward-looking information regarding market share and costs for each reporting unit and are discounted using an appropriate discount rate. Future discounted cash flows can be affected by changes in industry or market conditions or the rate and extent to which anticipated synergies or cost savings are realized with newly acquired entities.

In fiscal 2013 and prior, Avaya performed its annual impairment test of goodwill on September 30th, its fiscal year end date. During fiscal 2014, the Company adopted a change in accounting principle whereby the annual impairment assessment of goodwill will be performed as of July 1st each year. The change in the testing date allows more time for analysis and is in line with the timing of the Company's annual strategic planning process. This change in accounting principle does not delay, accelerate or avoid an impairment charge. Accordingly, the Company believes that the change described above is preferable. The Company will continue to test for impairment more frequently if events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

Intangible and Long-lived Assets

Intangible assets include technology, customer relationships, trademarks and trade-names and other intangibles. Intangible assets with finite lives are amortized using the straight-line method over the estimated economic lives of the assets, which range from two to fifteen years. Long-lived assets, including intangible assets with finite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable in accordance with FASB ASC Topic 360, “Property, Plant, and Equipment.” Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the estimated fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or estimated fair value less costs to sell. Intangible assets determined to have indefinite useful lives are not amortized but are tested for impairment annually and more frequently if events occur or circumstances change that indicate an asset may be impaired.

In fiscal 2013 and prior, Avaya performed its annual impairment test of indefinite-lived intangible assets on September 30th, its fiscal year end date. During fiscal 2014, the Company adopted a change in accounting principle whereby the annual impairment assessment of indefinite-lived intangible assets will be performed as of July 1st each year. The change in the testing date allows more time for analysis and is in line with the timing of the Company's annual strategic planning process. This change in accounting principle does not delay, accelerate or avoid an impairment charge. Accordingly, the Company believes that the change described above is preferable. The Company will continue to test for impairment more frequently if events occur or circumstances change that indicate an asset may be impaired.

Financial Instruments

The Company uses foreign currency forward contracts to manage and reduce risk to the Company by generating cash flows that offset the cash flows of certain transactions in foreign currencies in relation to their amounts and timing. The foreign currency forward contracts are used as risk management tools and not for speculative or trading purposes. As permitted under FASB ASC Topic 815 "Derivatives and Hedging" ("ASC 815"), the Company has elected not to designate its foreign currency forward contracts as hedges thereby precluding the use of hedge accounting for these instruments.

The fair value of each interest rate swap that is designated and qualifies as a cash flow hedge under ASC 815 is reflected as an asset or liability in the Consolidated Balance Sheets, reported as a component of other comprehensive loss and reclassified to earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on derivative instruments representing hedge ineffectiveness are recognized in current earnings. The fair value of each interest rate swap is estimated as the net present value of their projected cash flows at the balance sheet date.

The Company also utilizes non-derivative financial instruments including letters of credit and commitments to extend credit.

Restructuring Programs

The Company accounts for exit or disposal of activities in accordance with FASB ASC Topic 420, "Exit or Disposal Cost Obligations" ("ASC 420"). In accordance with ASC 420, a business restructuring is defined as an exit or disposal activity that includes but is not limited to a program that is planned and controlled by management and materially changes either the scope of a business or the manner in which that business is conducted. Business restructuring charges include (i) one-time termination benefits related to employee separations, (ii) contract termination costs and (iii) other costs associated with exit or disposal activities including, but not limited to, costs for consolidating or closing facilities and relocating employees.

A liability is recognized and measured at its fair value for one-time termination benefits once the plan of termination is communicated to affected employees and it meets all of the following criteria: (i) management commits to a plan of termination, (ii) the plan identifies the number of employees to be terminated and their job classifications or functions, locations and the expected completion date, (iii) the plan establishes the terms of the benefit arrangement and (iv) it is unlikely that significant changes to the plan will be made or the plan will be withdrawn. Contract termination costs include costs to terminate a contract or costs that will continue to be incurred under the contract without benefit to the Company. A liability is recognized and measured at its fair value when the Company either terminates the contract or ceases using the rights conveyed by the contract. A liability is recognized and measured at its fair value for other associated costs in the period in which the liability is incurred.

Pension and Postretirement Benefit Obligations

The Company sponsors non-contributory defined benefit pension plans covering a portion of its U.S. employees and retirees, and postretirement benefit plans covering a portion of its U.S. retirees that include healthcare benefits and life insurance coverage. Certain non-U.S. operations have various retirement benefit programs covering substantially all of their employees. Some of these programs are considered to be defined benefit pension plans for accounting purposes.

The Company's pension and postretirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions, including the discount rate and expected long-term rate of return on plan assets. Material changes in pension and postretirement benefit costs may occur in the future due to changes in these assumptions, changes in the number of plan participants, changes in the level of benefits provided, changes in asset levels and changes in legislation.

The market-related value of the Company's plan assets as of the measurement date is developed using a five-year smoothing technique. First, a preliminary market-related value is calculated by adjusting the market-related value at the beginning of the year for payments to and from plan assets and the expected return on assets during the year. The expected return on assets represents the expected long-term rate of return on plan assets adjusted up to plus or minus 2% based on the actual ten-year average rate of return on plan assets. A final market-related value is determined as the preliminary market-related value, plus 20% of the difference between the actual return and expected return for each of the past five years.

These pension and other postretirement benefits are accounted for in accordance with FASB ASC Topic 715, "Compensation—Retirement Benefits" ("ASC 715"). ASC 715 requires that plan assets and obligations be measured as of the reporting date and the over-funded, under-funded or unfunded status of plans be recognized as of the reporting date as an asset or liability in the Consolidated Balance Sheets. In addition, ASC 715 requires costs and related obligations and assets arising from pensions and other postretirement benefit plans to be accounted for based on actuarially-determined estimates.

The plans use different factors, including years of service, eligible compensation and age, to determine the benefit amount for eligible participants. The Company funds its U.S. qualified pension plans in compliance with applicable laws. See Note 14, "Benefit Obligations," for further details on the Company's pension and postretirement plans.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising costs were $57 million, $68 million and $54 million in fiscal 2015, 2014 and 2013, respectively.

Share-based Compensation

The Company accounts for share-based compensation in accordance with FASB Topic ASC 718, "Compensation—Stock Compensation" ("ASC 718"), which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including stock options, restricted stock units and stock purchases based on estimated fair values.

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Consolidated Statements of Operations in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that such assets will not be realized. Additionally, the accounting for income taxes requires the Company to evaluate and make an assertion as to whether undistributed foreign earnings will be indefinitely reinvested or repatriated.

FASB ASC Subtopic 740-10, "Income Taxes—Overall" ("ASC 740-10") prescribes a comprehensive model for the financial statement recognition, measurement, classification, and disclosure of uncertain tax positions. ASC 740-10 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, based on the technical merits of the position. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement.

Significant judgment is required in evaluating uncertain tax positions and determining the provision for income taxes. Although the Company believes its reserves are reasonable, no assurance can be given that the final tax outcome of these matters will not be different from that which is reflected in the historical income tax provision and accruals. The Company adjusts these reserves in light of changing facts and circumstances.

As part of the Company's accounting for business combinations, some of the purchase price is allocated to goodwill and intangible assets. Impairment expenses associated with goodwill are generally not tax deductible and will result in an increased effective income tax rate in the fiscal period any impairment is recorded. The income tax benefit from future releases of the acquisition date valuation allowances or income tax contingencies, if any, are reflected in the income tax provision in the consolidated statements of operations, rather than as an adjustment to the purchase price allocation.

Deferred Financing Costs

Deferred financing costs, which are recorded as a reduction of debt maturing within one year and long-term debt, are amortized using the effective interest method as interest expense over the contractual lives of the related credit facilities. As discussed in in Note 3, "Recent Accounting Pronouncements - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs," the Company adopted a new accounting pronouncement which requires debt issuance costs related to a debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability.

Foreign Currency Translation

Assets and liabilities of non-U.S. subsidiaries that operate in a local currency environment, where the local currency is the functional currency, are translated from foreign currencies into U.S. dollars at period-end exchange rates while income and expenses are translated at the spot rate. Translation gains or losses related to net assets located outside the U.S. are shown as a component of accumulated other comprehensive loss in the Consolidated Statements of Changes in Stockholder's Deficiency. Gains and losses resulting from foreign currency transactions, which are denominated in currencies other than Avaya's functional currency, are included in other income (expense), net in the Consolidated Statements of Operations.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) is recorded directly to a separate section of stockholder's deficiency in accumulated other comprehensive loss and primarily includes unrealized gains and losses excluded from the Consolidated Statements of Operations. These unrealized gains and losses consist of changes in foreign currency translation, interest rate swaps, and changes in unamortized pension, postretirement and postemployment actuarial gains and losses.

3. Recent Accounting Pronouncements

New Standards Recently Adopted

Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exist

In the first quarter of fiscal 2015, the Company adopted Accounting Standards Update ("ASU") No. 2013-11 "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." The standard requires the netting of unrecognized tax benefits ("UTBs") against a deferred tax asset for a loss or other carryforward that would apply in settlement of the uncertain tax positions. UTBs are required to be netted against all available same-jurisdiction loss or other tax carryforwards that would be utilized, rather than only against carryforwards that are created by the UTBs. The relevant presentation and disclosures have been applied prospectively.

Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued ASU 2015-03 "Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." The standard requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. The Company adopted this guidance in the second quarter of fiscal 2015, which has been applied retrospectively. As a result of the adoption of this standard, unamortized debt issuance costs of $13 million originally included in other current assets and $42 million originally included in other assets, were reclassified as a reduction of debt maturing within one year and long-term debt, respectively, in the Consolidated Balance Sheet as of September 30, 2014.

Recent Standards Not Yet Effective

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09 "Revenue from Contracts with Customers." The standard supersedes most of the current revenue recognition guidance under GAAP and is intended to improve and converge with international standards the financial reporting requirements for revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. New disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers are also required. This new guidance is effective for the Company beginning in the first quarter of fiscal 2019. Early adoption is permitted in the first quarter of fiscal 2018. The ASU may be applied retrospectively (a) to each reporting period presented or (b) with the cumulative effect in retained earnings at the beginning of the adoption period. The Company is currently evaluating the method of adoption and the impact that the adoption of this standard may have on its Consolidated Financial Statements.

In August 2014, the FASB issued ASU No. 2014-15 "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." The standard requires management to evaluate, at each annual and interim reporting period, the company's ability to continue as a going concern within one year of the date the financial statements are issued and provide related disclosures. This standard is effective for the Company beginning in the first quarter of fiscal 2017 and is not expected to have a material effect on its Consolidated Financial Statements.

In January 2015, the FASB issued ASU No. 2015-01 "Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items." The standard eliminated from GAAP the concept of extraordinary items. This standard is effective for the Company beginning in the first quarter of fiscal 2016 and is not expected to have a material effect on its Consolidated Financial Statements.

In April 2015, the FASB issued ASU 2015-05 "Intangibles-Goodwill and Other-Internal-Use Software." The standard amended the existing accounting standards for intangible assets and provides explicit guidance to customers in determining the accounting for fees paid in a cloud computing arrangement, wherein the arrangements that do not convey a software license to the customer are accounted for as service contracts. This standard is effective for the Company beginning in the first quarter of fiscal 2017. The Company is currently evaluating the impact that the adoption of this standard may have on its Consolidated Financial Statements.

In July 2015, the FASB issued ASU 2015-11 "Simplifying the Measurement of Inventory." The standard simplifies the measurement of inventory, by requiring that inventory be measured at the lower of cost and net realizable value as opposed to lower of cost or market. This standard is effective for the Company beginning in the first quarter of fiscal 2018. The Company is currently evaluating the impact that the adoption of this standard may have on its Consolidated Financial Statements.

In September 2015, the FASB issued ASU 2015-16 "Business Combinations Simplifying the Accounting for Measurement-Period Adjustments." The standard requires that an acquirer recognize measurement-period adjustments in the period in which the adjustments are determined. The income effects of such measurement-period adjustments are to be recorded in the same period's financial statements but calculated as if the accounting had been completed as of the acquisition date. The impact of measurement-period adjustments to earnings that relate to prior period financial statements are to be presented separately on the income statement or disclosed by line item. This standard is effective for the Company on a prospective basis beginning in the first quarter of fiscal 2017 and is not expected to have a material effect on its Consolidated Financial Statements.

4. Business Combinations

IT Navigator Ltd.

On October 1, 2013, Avaya acquired IT Navigator, Ltd. ("IT Navigator"), a global provider of Cloud, social media and management products and services. The integration of the Avaya and IT Navigator portfolios has added key management reporting and social media capabilities and enhanced Avaya's Cloud as well as its unified communication and contact center products. These audited Consolidated Financial Statements include the operating results of IT Navigator since October 1, 2013.

RADVISION Ltd.

On June 5, 2012, Avaya acquired Radvision for $230 million in cash. The purchase price was funded with (i) a capital contribution to Avaya from Parent in the amount of $196 million from Parent's issuance of Series B preferred stock and warrants to purchase common stock of Parent and (ii) approximately $34 million of Avaya's cash. The acquisition of Radvision has been accounted for under the acquisition method, which requires an allocation of the purchase price of the acquired entity to the assets acquired and liabilities assumed based on their estimated fair values from a market-participant perspective at the date of acquisition.

Other Acquisitions

During fiscal 2015, 2014 and 2013, the Company completed several other acquisitions primarily to enhance the Company's technology portfolio which had an aggregate purchase price of $37 million, $2 million and $2 million, respectively.

Acquired intangible assets among other acquisitions were $13 million, $2 million and $1 million during fiscal 2015, 2014 and 2013, respectively. The acquired intangible assets are being amortized over a weighted average useful life of 4 years, on a straight-line basis. No in-process research and development was acquired in the acquisitions.

The excess of the purchase price over the assessment of the net tangible and intangible assets acquired in connection with these other acquisitions resulted in $30 million of goodwill in fiscal 2015, no goodwill in fiscal 2014 and less than $1 million in fiscal 2013, respectively. The premiums paid by the Company in the transactions are largely attributable to the acquisition of assembled workforces and the synergies and economies of scale provided to a market participant, particularly as it pertains to marketing efforts and customer base. None of the goodwill is deductible for tax purposes.

These Consolidated Financial Statements include the operating results of the acquired entities since their respective acquisition dates. The revenues and expenses specific to these businesses and their pro forma results are not material to these Consolidated Financial Statements.

5. Divestitures

IT Professional Services Business

On March 31, 2014, the Company completed the sale of the ITPS business of its wholly-owned subsidiary, Avaya Government Solutions Inc. for a final sales price of $101 million, inclusive of $3 million of working capital adjustments and net of $2 million in costs to sell. The ITPS business, which was part of the Avaya Global Services segment, provides specialized information technology services exclusively to government customers in the U.S. The Company retained its Federal product sales and services teams and continues to sell unified communications, collaboration, contact center and networking products and services to Federal, state and municipal governments under the name Avaya Government Solutions.

Discontinued Operations

Summarized financial information relating to the Company's discontinued operations are as follows:

In millions	Fiscal years ended September 30, 2014	2013
SERVICES REVENUE	$ 53	$ 130
OPERATING INCOME (LOSS) FROM DISCONTINUED OPERATIONS	$ 7	$ (67)
Gain on sale of ITPS business	52	—
INCOME (LOSS) FROM DISCONTINUED OPERATIONS BEFORE INCOME TAXES	59	(67)
Benefit from income taxes from discontinued operations	3	10
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF INCOME TAXES	**$ 62**	**$ (57)**

Operating loss from discontinued operations for fiscal 2013 includes a goodwill impairment charge of $89 million. During the three months ended March 31, 2013, the ITPS reporting unit experienced a decline in revenues as a result of reduced government spending in anticipation of sequestration and budget cuts. Additionally, there was uncertainty regarding how the U.S. government sequestration cuts would be implemented and the impact they would have on contractors supporting the government. As a result of these events, the Company determined that an interim impairment test of the reporting unit's goodwill should be performed.

The results of step one of the goodwill impairment test indicated that the estimated fair value of the ITPS reporting unit was less than the respective carrying value of its net assets (including goodwill) and as such, the Company performed step two of the impairment test.

As a result of the application of step two of the goodwill impairment test, the Company estimated the implied fair value of the goodwill to be $44 million as compared with a carrying value of $133 million and recorded an impairment to goodwill of $89 million associated with the ITPS reporting unit.

Prior to the goodwill testing discussed above, the Company tested the intangible assets and other long-lived assets of the ITPS reporting unit for impairment during the three months ended March 31, 2013 and no impairment was identified.

Technology Business Unit

On July 31, 2014, Avaya completed the sale of assets and liabilities associated with the Technology Business Unit ("TBU") for $26 million, subject to working capital and other customary adjustments. As a result of the sale, a $14 million gain was recognized and included in other income (expense), net in the Consolidated Statements of Operations during fiscal 2014. TBU, which was acquired as part of the Radvision acquisition, is a software development business that licenses technologies to developers for their use and integration into their own products and includes protocol stacks, client framework solutions, and network testing and monitoring tools.

6. Goodwill

Goodwill is not amortized but is subject to periodic testing for impairment at the reporting unit level which is one level below the Company’s operating segments. In fiscal 2013 and prior, Avaya performed its annual impairment test of goodwill on September 30th, its fiscal year end date. As discussed in Note 2, "Summary of Significant Accounting Policies-Goodwill," during fiscal 2014, the Company adopted a change in accounting principle whereby the annual impairment assessment of goodwill will be performed as of July 1st each year. The Company continues to test for impairment more frequently if events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

The impairment test for goodwill is a two-step process. Step one consists of a comparison of the fair value of a reporting unit with its carrying amount, including the goodwill allocated to that reporting unit. The Company estimated the fair value of each reporting unit using an income approach which values the unit based on the future cash flows expected from that reporting unit. Future cash flows are based on forward-looking information regarding market share and costs for each reporting unit and are discounted using an appropriate discount rate. Future discounted cash flows can be affected by changes in industry or market conditions or the rate and extent to which anticipated synergies or cost savings are realized with newly acquired entities. In step one of the test, a market approach was used as a reasonableness test but was not given significant weighting in the final determination of fair value.

The discounted cash flows model used in the Company's income approach relies on assumptions regarding revenue growth rates, gross profit, projected working capital needs, selling, general and administrative expenses, research and development expenses, business restructuring costs, capital expenditures, income tax rates, discount rates and terminal growth rates. To estimate fair value, the Company discounts the expected cash flows of each reporting unit. The discount rate Avaya uses represents the estimated weighted average cost of capital, which reflects the overall level of inherent risk involved in its reporting unit operations and the rate of return an outside investor would expect to earn. To estimate cash flows beyond the final year of its model, Avaya uses a terminal value approach. Under this approach, Avaya applies a perpetuity growth assumption and discounts by a perpetuity discount factor to determine the terminal value. Avaya incorporates the present value of the resulting terminal value into its estimate of fair value.

The Company forecasted cash flows for each of its reporting units and took into consideration current economic conditions and trends, estimated future operating results, Avaya's view of growth rates and anticipated future economic conditions. Revenue growth rates inherent in this forecast are based on input from internal and external market intelligence research sources that compare factors such as growth in global economies, regional trends in the telecommunications industry and product evolution from a technological segment basis. Macroeconomic factors such as changes in economies, product evolutions, industry consolidations and other changes beyond Avaya's control could have a positive or negative impact on achieving its targets.

At July 1, 2015, July 1, 2014 and September 30, 2013, the Company performed its annual goodwill impairment test and determined that the respective book values of the Company's reporting units did not exceed their estimated fair values and therefore no impairment existed. However, if market conditions deteriorate, it may be necessary to record impairment charges in the future.

The changes in the carrying amount of goodwill by operating segment are as follows:

In millions	Global Communications Solutions	Networking	Avaya Global Services	Total
Balance as of October 1, 2013	**$ 1,508**	**$ —**	**$ 2,540**	**$ 4,048**
Acquisitions	13	—	—	13
Sale of TBU business	(7)	—	(2)	(9)
Adjustments	(5)	—	—	(5)
Balance as of September 30, 2014	**1,509**	**—**	**2,538**	**4,047**
Acquisitions	30	—	—	30
Adjustments	(3)	—	—	(3)
Balance as of September 30, 2015	**$ 1,536**	**$ —**	**$ 2,538**	**$ 4,074**
Balance as of September 30, 2015				
Goodwill	$ 2,670	$ —	$ 2,538	$ 5,208
Accumulated Impairment	(1,134)	—	—	(1,134)
	$ 1,536	**$ —**	**$ 2,538**	**$ 4,074**

"Adjustments" substantially pertain to the reversal of business restructuring reserves, tax valuation allowances and the impact of foreign currency fluctuations.

7. Acquired Intangible Assets

Acquired intangible assets include acquired technology, customer relationships, trademarks and trade-names and other intangibles. Acquired intangible assets with finite lives are amortized using the straight-line method over the estimated economic lives of the assets, which range from two to fifteen years.

The Company's acquired intangible assets consist of:

In millions	Acquired technology and patents	Customer relationships and other intangibles	Trademarks and trade names	Total
Balance as of September 30, 2015				
Gross Carrying Amount	$ 1,421	$ 2,306	$ 546	$ 4,273
Accumulated Amortization	(1,361)	(1,752)	—	(3,113)
Accumulated Impairment	—	—	(190)	(190)
	$ 60	**$ 554**	**$ 356**	**$ 970**
Balance as of September 30, 2014				
Gross Carrying Amount	$ 1,419	$ 2,302	$ 546	$ 4,267
Accumulated Amortization	(1,330)	(1,523)	—	(2,853)
Accumulated Impairment	—	—	(190)	(190)
	$ 89	**$ 779**	**$ 356**	**$ 1,224**

Long-lived assets, including intangible assets with finite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Intangible assets determined to have indefinite useful lives are not amortized but are tested for impairment annually, or more frequently if events or changes in circumstances indicate the asset may be impaired.

The Company's trademarks and trade names are expected to generate cash flows indefinitely. Consequently, these assets were classified as indefinite-lived intangibles and accordingly are not amortized but reviewed for impairment annually, or sooner under certain circumstances. Prior to the goodwill testing discussed above, the Company tested its intangible assets with indefinite lives. The test for impairment requires the Company to compare the fair value of its indefinite-lived intangible assets to the carrying value of those assets. In situations where the carrying value exceeds the fair value of the intangible asset, an impairment loss equal to the difference is recognized. The Company estimates the fair value of its indefinite-lived intangible assets using an income approach; specifically, based on discounted cash flows.

In fiscal 2013 and prior, Avaya performed its annual impairment test of indefinite-lived intangible assets on September 30th, its fiscal year end date. As discussed in Note 2, "Summary of Significant Accounting Policies-Intangible and Long-lived Assets," during fiscal 2014, the Company adopted a change in accounting principle whereby the annual impairment assessment of indefinite-lived intangible assets will be performed as of July 1st each year. The Company continues to test for impairment more frequently if events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

At July 1, 2015, July 1, 2014 and September 30, 2013, the Company performed its annual test of recoverability of indefinite-lived intangible assets. The Company determined that the respective book values of the Company's indefinite-lived intangible assets did not exceed their estimated fair values and therefore no impairment existed.

Future amortization expense of acquired intangible assets for the years ending September 30 is as follows:

In millions	
2016	$ 256
2017	224
2018	41
2019	30
2020 and thereafter	63
Total	**$ 614**

8. Supplementary Financial Information

Consolidated Statements of Operations Information

	Fiscal years ended September 30,		
In millions	2015	2014	2013
DEPRECIATION AND AMORTIZATION			
Amortization of software development costs included in costs	$ 7	$ 22	$ 34
Amortization of acquired intangible assets	261	283	291
Depreciation and amortization of property, plant and equipment and internal use software included in costs and operating expenses	103	129	130
Total depreciation and amortization	**$ 371**	**$ 434**	**$ 455**
OTHER INCOME (EXPENSE), NET			
Interest income	$ 1	$ 2	$ 2
Gain on foreign currency transactions and forward contracts	14	18	5
Third party fees incurred in connection with debt modification	(8)	(2)	(18)
Gain on sale of TBU business	—	14	—
Venezuela hyperinflationary and devaluation charges	—	(2)	(1)
Change in certain tax indemnifications	9	(4)	—
Other, net	(3)	(1)	(2)
Total other income (expense), net	**$ 13**	**$ 25**	**$ (14)**

Consolidated Balance Sheet Information

	Fiscal years ended September 30,		
In millions	2015	2014	2013
VALUATION AND QUALIFYING ACCOUNTS			
Allowance for Accounts Receivable:			
Balance at beginning of year	$ 31	$ 28	$ 24
Charged to expense	(3)	2	6
(Deductions) additions	(2)	1	(2)
Balance at end of year	**$ 26**	**$ 31**	**$ 28**
Deferred Tax Asset Valuation Allowance:			
Balance at beginning of year	$ 1,628	$ 1,491	$ 1,451
Charged to expense	289	132	(54)
Additions	49	5	94
Balance at end of year	**$ 1,966**	**$ 1,628**	**$ 1,491**

	September 30,	
In millions	2015	2014
PROPERTY, PLANT AND EQUIPMENT, NET		
Land and improvements	$ 1	$ 1
Buildings and improvements	181	165
Machinery and equipment	248	302
Rental equipment	240	203
Assets under construction	11	22
Internal use software	213	174
Total property, plant and equipment	894	867
Less: Accumulated depreciation and amortization	(612)	(586)
Property, plant and equipment, net	**$ 282**	**$ 281**

Included in buildings and improvements is $9 million under a capital lease related to an office facility acquired in the acquisition of NES. Included in machinery and equipment is $16 million related to equipment acquired under capital leases.

Supplemental Cash Flow Information

	Fiscal years ended September 30,		
In millions	2015	2014	2013
OTHER PAYMENTS			
Interest payments	$ 417	$ 452	$ 473
Income tax payments	$ 56	$ 50	$ 39
NON-CASH INVESTING AND FINANCING ACTIVITIES			
Exchange of debt [(1)]	$ —	$ —	$ 1,384
Acquisition of equipment under capital lease	$ —	$ 42	$ —

[(1)] Represents exchange of $642 million of senior unsecured cash-pay notes and $742 million of senior unsecured paid-in-kind toggle notes each originally due November 1, 2015 for $1,384 million of 10.50% senior secured notes due March 1, 2021. See Note 10, "Financing Arrangements."

9. Business Restructuring Reserves and Programs

Fiscal 2015 Restructuring Program

During fiscal 2015, the Company continued to identify opportunities to streamline operations and generate costs savings which included eliminating employee positions. Restructuring charges recorded during fiscal 2015 associated with these initiatives, net of adjustments to previous periods, were $62 million. These charges included employee separation costs of $52 million primarily associated with employee severance actions in the U.S. and Europe, Middle East and Africa ("EMEA"), for which the related payments are expected to be completed in fiscal 2019. The separation charges include, but are not limited to, social pension fund payments and health care and unemployment insurance costs to be paid to or on behalf of the affected employees. As the Company continues to evaluate opportunities to streamline its operations, it may identify cost savings globally and take additional restructuring actions in the future and the costs of those actions could be material.

In millions	Employee Separation Costs	Lease Obligations	Total
2015 restructuring charges	$ 52	$ 2	$ 54
Cash payments	(20)	—	(20)
Impact of foreign currency fluctuations	(1)	—	(1)
Balance as of September 30, 2015	**$ 31**	**$ 2**	**$ 33**

Fiscal 2014 Restructuring Program

During fiscal 2014, the Company continued to identify opportunities to streamline operations and generate costs savings which included exiting facilities and eliminating employee positions. Restructuring charges recorded during fiscal 2014 associated with these initiatives, net of adjustments to previous periods, were $165 million. These charges included employee separation costs of $155 million, primarily associated with employee severance actions of $123 million in EMEA and $24 million in the U.S. The EMEA charges include approved plans in the third and fourth quarters of fiscal 2014 for the elimination of 121 and 165 positions and resulted in a charge of $26 million and $39 million, respectively, for which the related payments are expected to be completed in fiscal 2019. The separation charges include, but are not limited to, social pension fund payments and health care and unemployment insurance costs to be paid to or on behalf of the affected employees. The charges in the U.S. included an enhanced separation plan that was offered to certain employees that will result in the elimination of 172 positions and a restructuring charge of $10 million, for which the related payments are expected to be completed in fiscal 2016.

Restructuring charges also included $9 million of lease obligations primarily in the U.S. The future lease obligations, net of estimated sublease income, related to operating lease obligations for unused space in connection with vacating or consolidating facilities during fiscal 2014 are expected to continue through fiscal 2022.

The following table summarizes the components of the fiscal 2014 restructuring program:

In millions	Employee Separation Costs	Lease Obligations	Total
2014 restructuring charges	$ 155	$ 9	$ 164
Cash payments	(34)	(2)	(36)
Impact of foreign currency fluctuations	(6)	—	(6)
Balance as of September 30, 2014	**115**	**7**	**122**
Cash payments	(42)	(4)	(46)
Adjustments [1]	(1)	4	3
Impact of foreign currency fluctuations	(11)	—	(11)
Balance as of September 30, 2015	**$ 61**	**$ 7**	**$ 68**

(1) Included in adjustments are changes in estimates, whereby all increases and decreases in costs related to the fiscal 2014 restructuring program are recorded to the restructuring charges line item in operating expenses in the period of the adjustment.

Fiscal 2013 Restructuring Program

During fiscal 2013, the Company continued to identify opportunities to streamline operations and generate cost savings which included exiting facilities and eliminating employee positions. Restructuring charges recorded during fiscal 2013 associated with these initiatives, net of adjustments to previous periods, were $200 million and included separation costs primarily associated with employee severance actions in EMEA and the U.S. In EMEA an approved plan provided for the elimination of 234 positions and resulted in a charge of $48 million, for which the related payments are expected to be completed in fiscal 2016. The separation charges include, but are not limited to, social pension fund payments and health care and unemployment insurance costs to be paid to or on behalf of the impacted employees. Enhanced separation plans were offered to certain management employees in the U.S. in the first and third quarters of fiscal 2013 and resulted in the elimination of 196 and 447 positions and restructuring charges of $9 million and $20 million, respectively for which the related payments were completed in fiscal 2014.

Restructuring charges also included $52 million of future lease obligations, which included $32 million of lease obligations associated with the Frankfurt, Germany facility vacated during fiscal 2014. The Company also recorded restructuring charges related to facilities vacated in the United Kingdom and the U.S. The future rental payments, net of estimated sublease income, related to operating lease obligations for unused space in connection with vacating or consolidating of facilities during fiscal 2013 are expected to continue through fiscal 2021.

The following table summarizes the components of the fiscal 2013 restructuring program :

In millions	Employee Separation Costs	Lease Obligations	Total
2013 restructuring charges	$ 142	$ 52	$ 194
Cash payments	(78)	(7)	(85)
Impact of foreign currency fluctuations	—	1	1
Balance as of September 30, 2013	**64**	**46**	**110**
Cash payments	(55)	(11)	(66)
Adjustments [1]	(3)	3	—
Impact of foreign currency fluctuations	—	(3)	(3)
Balance as of September 30, 2014	**6**	**35**	**41**
Cash payments	(4)	(9)	(13)
Adjustments [1]	1	3	4
Impact of foreign currency fluctuations	(1)	(3)	(4)
Balance as of September 30, 2015	**$ 2**	**$ 26**	**$ 28**

(1) Included in adjustments are changes in estimates, whereby all increases and decreases in costs related to the fiscal 2013 restructuring program are recorded to the restructuring charges line item in operating expenses in the period of the adjustment.

Fiscal 2008 through 2012 Restructuring Programs

During fiscal 2008 through 2012, the Company identified opportunities to streamline operations and generate cost savings which included exiting facilities and eliminating employee positions. The payments related to the headcount reductions identified in those programs are expected to be completed in fiscal 2018. Future rental payments, net of estimated sublease income, related to operating lease obligations for unused space in connection with the closing or consolidation of facilities are expected to continue through fiscal 2021.

The following table aggregates the remaining components of the fiscal 2008 through 2012 restructuring programs:

In millions	Employee Separation Costs	Lease Obligations	Total
Balance as of October 1, 2012	**$ 71**	**$ 64**	**$ 135**
Cash payments	(59)	(18)	(77)
Adjustments [(1)]	(5)	5	—
Impact of foreign currency fluctuations	2	—	2
Balance as of September 30, 2013	**9**	**51**	**60**
Cash payments	(7)	(13)	(20)
Adjustments [(1)]	—	1	1
Impact of foreign currency fluctuations	1	—	1
Balance as of September 30, 2014	**3**	**39**	**42**
Cash payments	(1)	(10)	(11)
Adjustments [(1)]	—	1	1
Impact of foreign currency fluctuations	(1)	(3)	(4)
Balance as of September 30, 2015	**$ 1**	**$ 27**	**$ 28**

(1) Included in adjustments are changes in estimates, whereby all increases and decreases in costs related to the fiscal 2009, through 2012 restructuring programs are recorded to the restructuring charges in operating expenses in the period of the adjustment. Also included in adjustments are changes in estimates whereby all increases in costs related to the fiscal 2008 restructuring reserve are recorded in the restructuring charges in operating expenses in the period of the adjustment and decreases in costs are recorded as adjustments to goodwill.

As a result of restructuring programs noted above and cost saving initiatives to consolidate facilities, the Company sold facilities in both fiscal 2014 and 2013, respectively. The Company is leasing portions of these facilities under separate agreements from the sales. The Company changed its estimates of the salvage values and useful lives of these buildings to reflect the sales prices and the closing dates of the sales. The changes to the estimated salvage values and the useful lives resulted in additional depreciation expense of $35 million and $21 million for fiscal 2014 and 2013, respectively.

10. Financing Arrangements

In connection with the Merger, on October 26, 2007, the Company entered into financing arrangements consisting of (a) a senior secured credit facility (the "Senior Secured Credit Agreement"), (b) a senior unsecured credit facility, which later became senior unsecured notes, and (c) a senior secured asset-based revolving credit facility (the "Domestic ABL"). The Senior Secured Credit Agreement consists of senior secured term loans and a senior secured multi-currency revolver. The financing arrangements were subsequently amended through a series of refinancing transactions and in connection with an acquisition as discussed below.

Principal amounts of long term debt and long term debt net of discounts and issuance costs consists of the following:

In millions	September 30, 2015 Principal Amount	September 30, 2015 Net of Discounts and Issuance Costs	September 30, 2014 Principal Amount	September 30, 2014 Net of Discounts and Issuance Costs
Variable rate revolving loans under the Senior Secured Credit Agreement due October 26, 2016	$ 18	$ 18	$ 90	$ 88
Variable rate revolving loans under the Domestic ABL due June 4, 2020 (1)	55	55	40	40
Variable rate revolving loans under the Foreign ABL due June 4, 2020 (2)	20	20	—	—
Variable rate Term B-3 Loans due October 26, 2017	616	611	2,102	2,079
Variable rate Term B-4 Loans due October 26, 2017	1	1	1	1
Variable rate Term B-6 Loans due March 31, 2018	537	532	1,128	1,113
Variable rate Term B-7 Loans due May 29, 2020	2,112	2,077	—	—
7% senior secured notes due April 1, 2019	1,009	999	1,009	996
9% senior secured notes due April 1, 2019	290	286	290	285
10.50% senior secured notes due March 1, 2021	1,384	1,368	1,384	1,366
Total debt	**$ 6,042**	5,967	**$ 6,044**	5,968
Debt maturing within one year		(7)		(19)
Non-current portion of long-term debt		**$ 5,960**		**$ 5,949**

(1) On June 4, 2015, the Company amended the Domestic ABL which, among other things, extended the stated maturity from October 26, 2016 to June 4, 2020 subject to certain conditions specified in the Domestic ABL.
(2) Maturity date is subject to certain conditions specified in the Foreign ABL.

Senior Secured Credit Agreement

As of October 1, 2012, the Senior Secured Credit Agreement consisted of (a) a senior secured multi-currency revolver allowing for borrowings of up to $200 million, (b) senior secured term B-1 loans ("term B-1 loans") with an outstanding principal amount of $1,434 million, and (c) senior secured term B-3 loans ("term B-3 loans") with an outstanding principal amount of $2,152 million.

On October 29, 2012, Avaya Inc. entered into Amendment No. 4 to the Senior Secured Credit Agreement which (i) extended the maturity of $135 million of term B-1 loans from October 26, 2014 to October 26, 2017 by converting such loans into a new tranche of senior secured term B-4 loans ("term B-4 loans"), (ii) provided the issuance of Incremental Replacement Secured Notes and Junior Secured Debt as described below under the heading “Domestic ABL” (except, pursuant to the Senior Secured Credit Agreement, such Incremental Replacement Secured Notes and Junior Secured Debt must be secured by a lien on the Collateral (as defined in the Senior Secured Credit Agreement) ranking junior to the lien securing the obligations under the Senior Secured Credit Agreement) and (iii) provided for the issuance of indebtedness to refinance a portion of the term loans outstanding under the Senior Secured Credit Agreement and to secure such indebtedness by a lien on the Collateral (as defined in the Senior Secured Credit Agreement) ranking junior to the lien securing the obligations under the Senior Secured Credit Agreement, subject to certain other conditions and limitations set forth in the Senior Secured Credit Agreement.

On December 21, 2012, Avaya Inc. entered into Amendment No. 5 to the Senior Secured Credit Agreement which (i) extended the maturities of $713 million term B-1 loans from October 26, 2014 to March 31, 2018 and $134 million term B-4 loans from October 26, 2017 to March 31, 2018, in each case, by converting such loans into a new tranche of senior secured of term B-5 loans ("term B-5 loans") and (ii) provided for the net proceeds from Credit Agreement Refinancing Indebtedness (as defined in the Senior Secured Credit Agreement) incurred or issued on December 21, 2012 to refinance, at the Company's election, any class or classes of senior secured term loans, including the new term B-5 loans.

Additionally, as discussed below, on December 21, 2012, the Company completed a private placement of $290 million senior secured notes (the "9% Senior Secured Notes"), the net proceeds of which were used to repay $284 million of term B-5 loans. Funds affiliated with TPG were holders of $22 million of term B-5 loans repaid with the proceeds of the 9% Senior Secured Notes.

On February 13, 2013, Avaya Inc. entered into Amendment No. 6 to the Senior Secured Credit Agreement which permitted the Company to refinance all the 9.75% senior unsecured notes (the "cash-pay notes") due 2015 and 10.125%/10.875% senior unsecured paid-in-kind ("PIK") toggle notes due 2015 (collectively, the "Old Notes") with indebtedness secured by a lien on the Collateral (as defined in the Senior Secured Credit Agreement) ranking junior to the lien on the Collateral securing the obligations under the Senior Secured Credit Agreement, subject to certain other conditions and limitations set forth in the Senior Secured Credit Agreement.

On March 12, 2013, Avaya Inc. entered into Amendment No. 7 to the Senior Secured Credit Agreement pursuant to which the Company refinanced all term B-1 loans with the cash proceeds from the issuance of $589 million aggregate principal amount of term B-5 loans.

The holders of the term B-1 loans, term B-3 loans, term B-5 loans and/or revolving credit commitments under the Senior Secured Credit Agreement who consented to each amendment during fiscal 2013 received in aggregate a consent fee of $15 million.

On February 5, 2014, Avaya Inc. entered into Amendment No. 8 to the Senior Secured Credit Agreement pursuant to which the Company refinanced all of the term B-5 loans with the cash proceeds from the issuance of $1,136 million aggregate principal amount of senior secured term B-6 loans ("term B-6 loans").

On May 15, 2014, the Company borrowed $100 million under the senior secured multi-currency revolver, the proceeds of which were used to fund the partial redemption of the Old Notes due 2015.

On May 29, 2015, Avaya Inc. entered into Amendment No. 9 to the Senior Secured Credit Agreement pursuant to which the Company refinanced a portion of the term B-3, term B-4 and term B-6 loans in exchange for and with the proceeds from the issuance of $2,125 million in principal amount of senior secured term B-7 loans ("term B-7 loans") maturing May 29, 2020.

On June 5, 2015, the Company permanently reduced the senior secured multi-currency revolver from $200 million to $18 million and all letters of credit under the Senior Secured Credit Agreement were transferred to the Domestic ABL, as discussed below.

Borrowings under the Senior Secured Credit Agreement are guaranteed by Parent and substantially all of the Company's U.S. subsidiaries. The Senior Secured Credit Agreement is secured by substantially all assets of Parent, the Company and the subsidiary guarantors.

The term B-3 loans, term B-4 loans, term B-6 loans and term B-7 loans each bear interest at a rate per annum equal to either a base rate (subject to a floor of 2.25% in the case of the term B-4 loans and 2.00% in the case of the term B-6 loans and term B-7 loans) or a LIBOR rate (subject to a floor of 1.25% in the case of the term B-4 loans and 1.00% in the case of the term B-6 loans and term B-7 loans), in each case plus an applicable margin. Subject to the floor described in the immediately preceding sentence the base rate is determined by reference to the higher of (1) the prime rate of Citibank, N.A. and (2) the federal funds effective rate plus 1/2 of 1%. The applicable margin for borrowings of term B-3 loans, term B-4 loans, term B-6 and term B-7 loans is 3.50%, 5.25%, 4.50% and 4.25% per annum, respectively, with respect to base rate borrowings and 4.50%, 6.25%, 5.50% and 5.25%, per annum, respectively, with respect to LIBOR borrowings. The applicable margin on the term B-4 loans, term B-6 loans and term B-7 loans is subject to increase pursuant to the Senior Secured Credit Agreement in connection with the making of certain refinancing, extended or replacement term loans under the Senior Secured Credit Agreement with an Effective Yield (as defined in the Senior Secured Credit Agreement) greater than the applicable Effective Yield payable in respect of the applicable loans at such time plus 50 basis points.

During fiscal 2015, 2014 and 2013, the Company paid $32 million, $38 million and $38 million, respectively in aggregate quarterly principal payments on the senior secured term loans under the Senior Secured Credit Agreement. In addition, the Company is required to prepay outstanding term loans based on its annual excess cash flow, as defined in the Senior Secured Credit Agreement. No such excess cash payments were required in fiscal 2015, 2014 and 2013, based on the Company's cash flows. In addition to paying interest on outstanding principal, the Company is required to pay a commitment fee of 0.50% per annum in respect of unutilized commitments under the senior secured multi-currency revolver.

Senior Unsecured Notes

In fiscal 2009, the Company issued $700 million cash-pay notes with interest at 9.75% and $750 million PIK toggle notes with interest rates at 10.125% per annum for the cash interest and 10.875% for the PIK interest per annum. As discussed below, on March 7, 2013, the Company completed an exchange offer (the “Exchange Offer”) in which $642 million of cash-pay notes and $742 million of PIK toggle notes were exchanged for $1,384 million 10.50% senior secured notes due March 1, 2021.

On May 15, 2014, the Company redeemed all remaining Old Notes plus accrued and unpaid interest for $150 million. The redemption represents a debt extinguishment for accounting purposes and a loss on extinguishment of debt of $1 million was recognized during fiscal 2014.

Domestic ABL

The Company’s Domestic ABL allows for borrowings of up to $335 million, subject to availability under a borrowing base. The borrowing base at any time equals the sum of 85% of eligible accounts receivable plus 85% of the net orderly liquidation value of eligible inventory, subject to certain reserves and other adjustments. The Company and substantially all of its U.S. subsidiaries are borrowers under this facility, and borrowings are guaranteed by Parent, the Company and substantially all of the Company's U.S. subsidiaries. The facility is secured by substantially all assets of Parent, the Company and the subsidiary guarantors.

On October 29, 2012 Avaya Inc. entered into Amendment No. 2 to the Domestic ABL pursuant to which the Company modified terms to include permission to issue or incur, as applicable, secured indebtedness in the form of (1) Incremental Replacement Secured Notes in an aggregate principal amount not to exceed $100 million, plus the amount by which unused Commitments (as defined in the Domestic ABL) have been previously reduced pursuant to the Domestic ABL, less the amount of all Revolving Commitment Increases effected at or prior to the time of issuance of such notes, and (2) Junior Secured Debt not to exceed $750 million. Any such Incremental Replacement Secured Notes or Junior Secured Debt (a) must be (x) issued or incurred, as applicable, in connection with a modification, refinancing, refunding, renewal, replacement, exchange or extension of senior unsecured indebtedness and (y) secured by a lien on the Collateral (as defined in the Domestic ABL) ranking junior to the lien securing the obligations under the Domestic ABL and (b) will be subject to certain other conditions and limitations set forth in the Domestic ABL.

On February 13, 2013, Avaya Inc. entered into Amendment No. 3 to the Domestic ABL pursuant to which the Company was permitted to refinance all of the Old Notes with indebtedness secured by a lien on the Collateral (as defined in the Domestic ABL) ranking junior to the lien on the Collateral securing the obligations under the Domestic ABL, subject to certain other conditions and limitations set forth in the Domestic ABL. Further, the terms of the amendment permit certain other obligations of the Company and certain of its subsidiaries to be secured by the ABL Priority Collateral (as defined in the Domestic ABL) on a junior-priority basis.

On May 15, 2014, Avaya Inc. borrowed $40 million under the Domestic ABL, the proceeds of which were used to fund, in part, the redemption of the Old Notes.

On June 4, 2015, Avaya Inc. entered into Amendment No. 4 to the Domestic ABL which, among other things (i) extended the stated maturity of the facility from October 26, 2016 to June 4, 2020 (subject to certain conditions specified in the Domestic ABL), (ii) increased the sublimit for letter of credit issuances under the Domestic ABL from $150 million to $200 million, and (iii) amended certain covenants and other provisions of the existing agreement.

Borrowings under the Domestic ABL bear interest at a rate per annum equal to, at the Company's option, either (a) a LIBOR rate plus a margin of 1.75% or (b) a base rate plus a margin of 0.75%. At September 30, 2015 and 2014, the Company had aggregate outstanding borrowings of $55 million and $40 million, issued and outstanding letters of credit of $119 million and $79 million with aggregate remaining revolver availability of $83 million and $207 million.

In addition to paying interest on outstanding principal under the Domestic ABL, the borrowers are required to pay a commitment fee of 0.25% per annum in respect of the unutilized commitments thereunder.

Foreign ABL

On June 4, 2015, Avaya Inc. and certain foreign subsidiaries of the Company (the "Foreign Borrowers"), entered into the Foreign ABL which matures June 4, 2020 (subject to certain conditions specified in the Foreign ABL).

The Foreign ABL allows senior secured financing of up to $150 million, subject to availability under the respective borrowing bases of the Foreign Borrowers. The total borrowing base for all Foreign Borrowers at any time equals the sum of (i) 85% of eligible accounts receivable of the Foreign Borrowers, plus (ii) 85% of the net orderly liquidation value of eligible inventory of the Canadian Foreign Borrower and Irish Foreign Borrower, subject to certain reserves and other adjustments. The Foreign ABL includes borrowing capacity available for letters of credit and for Canadian or European swingline loans, and is available in Euros, Canadian dollars and British pound sterling in addition to U.S. dollars.

Under the Foreign ABL the Foreign Borrowers have the right to request up to $30 million of additional commitments. The lenders under the Foreign ABL are not under any obligation to provide any such additional commitments. Any increase in commitments is subject to certain conditions precedent and any borrowing in respect of such increased commitments would be subject to the borrowing base under the Foreign ABL at such time. At September 30, 2015, the Company had aggregate outstanding borrowings of $20 million, outstanding letters of credit of $22 million and remaining availability of $101 million under the Foreign ABL.

Borrowings under the Foreign ABL are guaranteed by Parent, substantially all of the Company's U.S. subsidiaries and certain foreign subsidiaries.

Borrowings under the Foreign ABL bear interest at a rate per annum equal to, at the Foreign Borrowers' option depending upon the currency and type of the applicable borrowing, (a) a base rate determined by reference to the highest of (1) the prime rate of Citibank, (2) the federal funds effective rate plus 0.50%, and (3) the sum of 1.00% plus the LIBOR rate for a thirty day interest period as determined on such day, (b) a Canadian prime rate determined by reference to the higher of (1) the base rate of Citibank, Canadian branch, and (2) the sum of 1.00% plus the CDOR rate for a thirty day interest period as determined on such day, (c) a LIBOR rate, (d) a CDOR Rate, (e) a EURIBOR rate or (f) an overnight LIBOR rate, in each case plus an applicable margin. The initial applicable margin for borrowings under the Foreign ABL on June 4, 2015 was equal to (1) 0.75% per annum with respect to base rate and Canadian prime rate borrowings and (2) 1.75% per annum with respect to LIBOR, CDOR or EURIBOR borrowings. The applicable margin for borrowings under the Foreign ABL is subject to a step down based on average historical excess availability under the Foreign ABL. Swingline loans bear interest at a rate per annum equal to, in the case of swingline loans to the Canadian Foreign Borrower, the base rate if denominated in U.S. Dollars or the Canadian prime rate if denominated in Canadian dollars and, in the case of swingline loans to the UK Foreign Borrower, the Irish Foreign Borrower or the German Foreign Borrowers, the base rate if denominated in U.S. Dollars or the overnight LIBOR rate if denominated in Euros or British pound sterling. In addition to paying interest on outstanding principal under the Foreign ABL, the Foreign Borrowers are required to pay a commitment fee of 0.25% per annum in respect of the unutilized commitments thereunder. The Foreign Borrowers must also pay customary letter of credit fees equal to the applicable margin on LIBOR, CDOR and EURIBOR loans and agency fees.

7% Senior Secured Notes

On February 11, 2011, the Company completed a private placement of $1,009 million of senior secured notes (the "7% Senior Secured Notes"). The 7% Senior Secured Notes bear interest at a rate of 7% per annum, mature on April 1, 2019, the proceeds from which were used to repay in full the senior secured incremental term B-2 loans outstanding under the Company's Senior Secured Credit agreement and to pay related fees and expenses.

The 7% Senior Secured Notes are redeemable at 103.5% of the principal amount redeemed, which decreases to 101.75% on April 1, 2016 and to 100% on or after April 1, 2017. Upon the occurrence of specific kinds of changes of control, the Company will be required to make an offer to purchase the 7% Senior Secured Notes at 101% of their principal amount. If the Company or any of its restricted subsidiaries engages in certain asset sales, under certain circumstances the Company will be required to use the net proceeds to make an offer to purchase the 7% Senior Secured Notes at 100% of their principal amount.

Substantially all of the Company’s U.S. subsidiaries are guarantors of the 7% Senior Secured Notes. The 7% Senior Secured Notes are secured by substantially all of the assets of the Company and the subsidiary guarantors (other than with respect to real estate). The notes and the guarantees are secured equally and ratably with the Senior Secured Credit Agreement and any future first lien obligations by (i) a first-priority lien on substantially all of the Company’s and the guarantors’ assets, other than (x) any real estate and (y) collateral that secures the Domestic ABL on a first-priority basis (the “ABL Priority Collateral”), and (ii) a second-priority lien on the ABL Priority Collateral, in each case, subject to certain customary exceptions.

9% Senior Secured Notes

On December 21, 2012, the Company completed a private placement of $290 million 9% Senior Secured Notes. The 9% Senior Secured Notes bear interest at a rate of 9% per annum, mature on April 1, 2019, the proceeds from which were used to repay $284 million aggregate principal amount of term B-5 loans and to pay related fees and expenses.

The 9% Senior Secured Notes are redeemable at 104.5% of the principal amount redeemed, which decreases to 102.25% on April 1, 2016 and to 100% on or after April 1, 2017. Upon the occurrence of specific kinds of changes of control, the Company will be required to make an offer to purchase the 9% Senior Secured Notes at 101% of their principal amount. If the Company or any of its restricted subsidiaries engages in certain asset sales, under certain circumstances the Company will be required to use the net proceeds to make an offer to purchase the 9% Senior Secured Notes at 100% of their principal amount.

Substantially all of the Company's U.S. subsidiaries are guarantors of the 9% Senior Secured Notes. The 9% Senior Secured Notes are secured by substantially all of the assets of the Company and the subsidiary guarantors (other than with respect to real estate). The notes and the guarantees are secured equally and ratably with the Senior Secured Credit Agreement, the 7% Senior Secured Notes due 2019 and any future first lien obligations by (i) a first-priority lien on substantially all of the Company’s and the guarantors’ assets, other than (x) any real estate and (y) collateral that secures the Domestic ABL on a first-priority basis (the “ABL Priority Collateral”), and (ii) a second-priority lien on the ABL Priority Collateral, in each case, subject to certain customary exceptions.

10.50% Senior Secured Notes

On March 7, 2013, the Company completed an Exchange Offer in which $1,384 million of Old Notes were exchanged for $1,384 million of senior secured notes (the "10.50% Senior Secured Notes"). The 10.50% Senior Secured Notes bear interest at a rate of 10.50% per annum and mature on March 1, 2021.

The 10.50% Senior Secured Notes are redeemable at 107.875% of the principal amount redeemed commencing March 1, 2017, which decreases to 105.250% on March 1, 2018, to 102.625% on March 1, 2019 and to 100% on or after March 1, 2020. The Company may redeem all or part of the notes at any time prior to March 1, 2017 at 100% of the principal amount redeemed plus a “make-whole” premium. In addition, the Company may redeem up to 35% of the original aggregate principal amount of the notes at any time prior to March 1, 2016 with the net proceeds of certain equity offerings at 110.5% of the aggregate principal amount redeemed. Upon the occurrence of specific kinds of changes of control, the Company will be required to make an offer to purchase the 10.50% Senior Secured Notes at 101% of their principal amount. If the Company or any of its restricted subsidiaries engages in certain asset sales, under certain circumstances the Company will be required to use the net proceeds to make an offer to purchase the 10.50% Senior Secured Notes at 100% of their principal amount.

Substantially all of the Company's U.S. subsidiaries are guarantors of the 10.50% Senior Secured Notes. The 10.50% Senior Secured Notes are secured by substantially all of the assets of the Company and substantially all of the assets of the Company and the subsidiary guarantors (other than with respect to real estate). The notes and the corresponding guarantees are secured on a junior priority basis to the Company's Domestic ABL, the Company's Senior Secured Credit Agreement, the Company's existing 7% Senior Secured Notes due 2019, the Company's existing 9% Senior Secured Notes due 2019 and any future senior obligations by a junior priority lien on substantially all of the Company's and the guarantors' assets, other than any real estate.

The 7% Senior Secured Notes, the 9% Senior Secured Notes, and the10.50% Senior Secured Notes (collectively, the "Senior Secured Notes") were sold at par through a private placement to qualified institutional buyers persuant to Rule 144A (and outside the United States in reliance on Regulation S) under the Securities Act of 1933, as amended and have not been, and will not be, registered under the Securities Act or applicable state or foreign securities laws and may not be offered or sold absent such registration.

Loss on Extinguishment of Debt and Debt Issuance and Modification Costs

The aforementioned refinancing transactions were accounted for as a modification of debt to the extent the original debt was refinanced with new debt to the same creditor and an extinguishment of debt to the extent original debt was refinanced with new debt issued to new creditors. Accordingly, for the portion accounted for as debt extinguishment, the difference between the reacquisition price and the carrying value of the original debt (including any unamortized discount and issuance costs) was recognized as a loss on extinguishment of debt. Third party expenses associated with the issuance of the new debt were recorded as a discount to the face value of the debt and are being accreted over the term of the debt as interest expense. Third party expenses associated with the modification of debt were expensed as incurred and included in other income, net.

The Company’s Senior Secured Credit Agreement, Domestic ABL, Foreign ABL, Senior Secured Notes and indentures governing its notes contain a number of covenants that, among other things and subject to certain exceptions, restrict the Company’s ability and the ability of certain of its subsidiaries to (a) incur or guarantee additional debt and issue or sell certain preferred stock, (b) pay dividends on, redeem or repurchase capital stock, (c) make certain acquisitions or investments, (d) incur or assume certain liens, (e) enter into transactions with affiliates, (f) merge or consolidate with another company, (g) transfer or otherwise dispose of assets, (h) redeem subordinated debt, (i) incur obligations that restrict the ability of the Company’s subsidiaries to make dividends or other payments to the Company or Parent, and (j) create or designate unrestricted subsidiaries. They also contain customary affirmative covenants and events of default. As of September 30, 2015 and September 30, 2014, the Company was not in default under any of these agreements.

The weighted average contractual interest rate of the Company’s outstanding debt as of September 30, 2015 and 2014 was 7.3% and 6.9%, respectively.

Annual maturities of long-term debt for the next five years ending September 30th and thereafter, consist of:

In millions	
2016	$ 25
2017	43
2018	1,179
2019	1,324
2020	2,087
2021 and thereafter	1,384
	$ 6,042

Capital Lease Obligations

Included in other liabilities is $61 million and $59 million of capital lease obligations as of September 30, 2015 and 2014, respectively.

On August 20, 2014, the Company entered into an agreement to outsource certain delivery services associated with the Avaya Private Cloud Services business. That agreement also included the sale of specified assets owned by the Company which are being leased-back by Avaya and accounted for as a capital lease. Under the terms of the agreement, additional financing is also available to Avaya and its subsidiaries of up to $24 million per year for the sale of equipment used in the performance of services under the agreement, provided that no material adverse change with respect to the Company has occurred or is continuing as of the date any such financing is requested. During fiscal 2015, the Company received $22 million in cash proceeds in connection with the sale of equipment used in the performance of services under this agreement. As of September 30, 2015 and 2014, capital lease obligations associated with this agreement were $48 million and $40 million, respectively.

11. Foreign Currency Forward Contracts and Interest Rate Swaps

Foreign Currency Forward Contracts

The Company utilizes foreign currency forward contracts primarily to manage short-term exchange rate exposures on certain receivables, payables and intercompany loans of foreign subsidiaries, which are denominated in currencies other than the subsidiary's functional currency. When those items are revalued into the subsidiaries' functional currencies at the month-end exchange rates, the effects of the changes in the exchange rates are recognized in the Consolidated Statements of Operations as other income (expense), net. Changes in the fair value of the Company's foreign currency forward contracts used to offset these exposed items are also recognized in the Consolidated Statements of Operations as other income (expense), net in the period in which the exchange rates change.

The losses from foreign currency forward contracts included in other income (expense), net were $5 million, $4 million and $10 million for fiscal 2015, 2014 and 2013, respectively.

The notional amount of the Company's financial instruments represents the face amount of the contractual arrangements and the basis on which U.S. dollars are to be exchanged. It is not a measure of market or credit exposure. The following table summarizes these notional amounts that principally represent the equivalent in U.S. dollars for contracts in their respective currencies:

	September 30,	
In millions	2015	2014
Indian rupee	$ 5	$ 66
Japanese yen	—	28
Euros	94	21
Swiss franc	13	10
British pound sterling	6	19
Chinese yuan	2	24
All other foreign currencies	24	55
	$ 144	**$ 223**

The fair value of foreign currency forward contracts and the location of those values in the Consolidated Balance Sheets are disclosed in Note 12, "Fair Value Measures."

Interest Rate Swaps

The Company has entered into interest rate swap agreements to hedge against variability of cash flows related to changes in benchmark interest rates for certain borrowings under the Senior Secured Credit Agreement. As of September 30, 2013, each of these agreements reached maturity and there are no outstanding interest rate swap agreements. The following table presents the (gains) and losses on the interest rate contracts qualifying and designated as cash flow hedging instruments for fiscal 2013:

In millions	
(Gain) loss on interest rate swaps	
Recognized in other comprehensive loss	$ (13)
Reclassified from accumulated other comprehensive loss into interest expense	$ 13
Recognized in operations (ineffective portion)	$ —

12. Fair Value Measures

Pursuant to the accounting guidance for fair value measurements, fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the

Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Fair Value Hierarchy

The accounting guidance for fair value measurements also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The inputs are prioritized into three levels that may be used to measure fair value:

Level 1: Inputs that reflect quoted prices for identical assets or liabilities in active markets that are observable.

Level 2: Inputs that reflect quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3: Inputs that are unobservable to the extent that observable inputs are not available for the asset or liability at the measurement date.

Asset and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2015 and 2014 were as follows:

	September 30, 2015				September 30, 2014			
	Fair Value Measurements Using				Fair Value Measurements Using			
In millions	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Other Non-Current Assets:								
Investments	$ 1	$ 1	$ —	$ —	$ 1	$ 1	$ —	$ —
Other Current Liabilities:								
Foreign currency forward contracts	$ 1	$ —	$ 1	$ —	$ 2	$ —	$ 2	$ —

Foreign Currency Forward Contracts

Foreign currency forward contracts classified as Level 2 assets and liabilities are priced using quoted market prices for similar assets or liabilities in active markets.

Investments

Investments classified as Level 1 assets and liabilities are priced using quoted market prices for identical assets which are subject to infrequent transactions (i.e. a less active market).

Fair Value of Financial Instruments

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, to the extent the underlying liability will be settled in cash, approximate carrying values because of the short-term nature of these instruments.

The estimated fair values of the amounts borrowed under the Company's revolving credit facilities were estimated based on a Level 2 input using discounted cash flow techniques. Significant inputs to the discounted cash flow model include projected future cash flows based on projected LIBOR rates, and the average margin for companies with similar credit ratings and similar maturities. The estimated fair values of all other amounts borrowed under the Company's financing arrangements at September 30, 2015 and 2014 were estimated based on a Level 2 input using quoted market prices for the Company's debt which is subject to infrequent transactions (i.e. a less active market).

The estimated fair values of the Company’s debt at September 30, 2015 and 2014 are as follows:

	September 30, 2015		September 30, 2014	
In millions	Principal Amount	Fair Value	Principal Amount	Fair Value
Variable rate revolving loans under the Senior Secured Credit Agreement due October 26, 2016	$ 18	$ 17	$ 90	$ 86
Variable rate revolving loans under the Domestic ABL due June 4, 2020 (1)	55	42	40	38
Variable rate revolving loans under the Foreign ABL due June 4, 2020 (2)	20	15	—	—
Variable rate Term B-3 Loans due October 26, 2017	616	532	2,102	2,002
Variable rate Term B-4 Loans due October 26, 2017	1	1	1	1
Variable rate Term B-6 Loans due March 31, 2018	537	461	1,128	1,116
Variable rate Term B-7 Loans due May 29, 2020	2,112	1,666	—	—
7% senior secured notes due April 1, 2019	1,009	800	1,009	975
9% senior secured notes due April 1, 2019	290	242	290	294
10.50% senior secured notes due March 1, 2021	1,384	644	1,384	1,204
Total	**$ 6,042**	**$ 4,420**	**$ 6,044**	**$ 5,716**

(1) On June 4, 2015, the Company amended the Domestic ABL which, among other things, extended the stated maturity from October 26, 2016 to June 4, 2020 subject to certain conditions specified in the Domestic ABL.
(2) Maturity date is subject to certain conditions specified in the Foreign ABL.

13. Income Taxes

The (provision for) benefit from income taxes of continuing operations is comprised of U.S. federal, state and foreign income taxes. The following table presents the U.S. and foreign components of loss from continuing operations before income taxes and the (provision for) benefit from income taxes of continuing operations:

	Fiscal years ended September 30,		
In millions	2015	2014	2013
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES:			
U.S.	$ (41)	$ (173)	$ (296)
Foreign	(33)	(69)	(46)
Loss from continuing operations before income taxes	**$ (74)**	**$ (242)**	**$ (342)**
(PROVISION FOR) BENEFIT FROM INCOME TAXES OF CONTINUING OPERATIONS:			
CURRENT			
Federal	$ —	$ 1	$ (1)
State and local	1	10	1
Foreign	(42)	(40)	(66)
	(41)	(29)	(66)
DEFERRED			
Federal	(13)	(12)	81
State and local	—	(1)	18
Foreign	(16)	(9)	2
	(29)	(22)	101
(Provision for) benefit from income taxes of continuing operations	**$ (70)**	**$ (51)**	**$ 35**

Deferred income taxes are provided for the effects of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of September 30, 2015 and 2014 are as follows:

In millions	September 30, 2015	September 30, 2014
DEFERRED INCOME TAX ASSETS:		
Benefit obligations	$ 744	$ 667
Net operating losses / credit carryforwards	1,300	1,215
Property, plant and equipment	47	34
Valuation allowance	(1,966)	(1,628)
Deferred income tax assets	125	288
DEFERRED INCOME TAX LIABILITIES:		
Goodwill and intangible assets	(263)	(351)
Other	—	(19)
Accrued liabilities	(70)	(94)
Deferred income tax liabilities	(333)	(464)
Net deferred income tax liabilities	**$ (208)**	**$ (176)**

During the first quarter of fiscal 2015, the Company recorded a correction to the prior period valuation allowance on deferred tax assets which decreased the provision for income taxes of continuing operations by $6 million. During the third quarter of fiscal 2014, the Company recorded a correction to prior period deferred tax assets and liabilities for certain foreign legal entities which decreased the provision for income taxes of continuing operations by $6 million. The Company evaluated each correction in relation to the period of adjustment, as well as the periods in which the adjustments originated, and concluded that each adjustment was not material to fiscal 2015 and 2014 or any fiscal quarter or year.

A reconciliation of the Company's loss from continuing operations before income taxes at the U.S. federal statutory rate to the (provision for) benefit from income taxes of continuing operations is as follows:

In millions	Fiscal years ended September 30, 2015	2014	2013
Income tax benefit computed at the U.S. federal statutory rate of 35%	$ 26	$ 85	$ 119
State and local income taxes, net of federal income tax effect	1	10	29
Tax differentials on foreign earnings	(18)	(26)	(27)
Loss on foreign subsidiaries	303	1	—
Taxes on unremitted foreign earnings and profits	3	26	(22)
Adjustment to deferred taxes	(20)	28	—
Audit settlements and accruals	(6)	2	(21)
Credits and other taxes	(9)	(13)	(10)
Rate changes	2	(6)	(5)
U.S. tax on foreign source income	(42)	(29)	(23)
Other differences, net	(5)	18	—
Valuation allowance	(305)	(147)	(5)
(Provision for) benefit from income taxes of continuing operations	**$ (70)**	**$ (51)**	**$ 35**

In fiscal 2015, the Company recorded for statutory purposes only in Luxembourg, impairments related to its wholly owned subsidiaries. Pursuant to Luxembourg tax law, the impairment charge resulted in a tax effected NOL of $370 million, offset by $67 million of a deferred tax liability, subject to a valuation allowance of $303 million.

In assessing the realization of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Primarily as a result of significant book taxable losses incurred subsequent to the Merger, the Company's deferred tax assets exceed its deferred tax liabilities, exclusive of the U.S. deferred tax liabilities associated with indefinite-lived intangible assets. The Company considered the scheduled reversal of deferred tax assets and liabilities, projected future taxable income, and certain tax planning strategies in assessing the realization of its deferred tax assets. Based on this assessment, the Company determined that it is more likely than not that the deferred tax assets in certain significant jurisdictions, including the U.S., Israel, Ireland, Germany, Luxembourg and France, will not be realized to the extent they exceed the scheduled reversal of deferred tax liabilities.

In fiscal 2015, 2014 and 2013 the Company's valuation allowance increased $338 million, $137 million and $40 million, respectively, primarily due to valuation allowances established for additional net operating losses ("NOLs") and the tax effects related to other comprehensive income. In fiscal 2013, as a result of tax charges to other comprehensive income the Company recognized an income tax benefit to the Consolidated Statement of Operations as less valuation allowance was required against the Company's deferred tax assets. At September 30, 2015, the valuation allowance of $1,966 million is comprised of $1,138 million, $263 million, $507 million and $58 million related to the U.S., Germany, Luxembourg, and other foreign subsidiaries, respectively. The recognition of valuation allowances will continue to adversely affect the Company's effective income tax rate.

As of September 30, 2015, the Company has an outside basis difference of $290 million with a deferred tax liability of $46 million with respect to earnings and profits of $106 million. The Company is permanently reinvested on the remaining basis difference and estimates the unrecorded deferred tax liability to be $71 million.

As of September 30, 2015, the Company had tax-effected NOLs of $1,221 million, comprised of $389 million for U.S. federal, state and local taxes and $833 million for foreign taxes, including $191 million and $610 million in Germany and Luxembourg, respectively. There are $502 million of tax-effected NOLs in Luxembourg associated with impairment of intercompany balances in wholly owned subsidiaries. These NOLs, under the current operating structure of the Company, can only be utilized against future increases in value of the aforementioned intercompany balances.

The U.S. federal and state NOLs expire through the year 2032, with the majority expiring in excess of 10 years. The majority of foreign NOLs have no expiration. Additionally, the Company has various other tax credit carry-forwards totaling $79 million, of which $42 million expire within 5 to 20 years while the remaining have no expiration.

As a result of the Merger in October 2007, a significant change in the ownership of the Company occurred which, pursuant to Section 382 of the Internal Revenue Code, will limit on an annual basis the Company's ability to utilize its pre-Merger U.S. federal NOLs and U.S. federal tax credits. The Company's NOLs and credits will continue to be available to offset taxable income and tax liabilities (until such NOLs and credits are either used or expire) subject to the Section 382 annual limitation. If the annual limitation amount is not fully utilized in a particular tax year, then the unused portion from that particular tax year will be added to the annual limitation in subsequent years. On June 9, 2011, Parent filed with the Securities and Exchange Commission a registration statement on Form S-1 (as updated from time to time) relating to a proposed initial public offering of its common stock. The Company does not believe that this share issuance will itself, or when aggregated with other prior shareholder ownership changes during the applicable testing period, cause an ownership change that would further limit, on an annual basis, its ability to utilize its current U.S. federal net operating losses and U.S. federal tax credits.

As of September 30, 2015 there were $252 million of unrecognized tax benefits ("UTBs") associated with uncertain tax positions and an additional $16 million of accrued interest and penalties related to these amounts. The Company estimates $81 million of UTBs would affect the effective tax rate if recognized. At this time, the Company is unable to make a reasonably reliable estimate of the timing of payments in connection with these tax liabilities. The Company's policy is to include interest and penalties related to its uncertain tax positions within the (provision for) benefit from income taxes. Included in the (provision for) benefit from income taxes of continuing operations in fiscal 2015, 2014 and 2013 is interest (benefit) expense of $(4) million, $2 million and $1 million, respectively. The Company files corporate income tax returns with the federal government in the U.S. and with multiple U.S. state and local jurisdictions and foreign tax jurisdictions. In the ordinary course of business these income tax returns will be examined by the tax authorities. Various state, local, and foreign income tax returns, such as Brazil, Italy, Germany, India, Ireland, Israel, and Netherlands are under examination by taxing authorities for tax years ranging from 2001 through 2014. It is reasonably possible that the total amount of UTB will decrease in the next 12 months as a result of these examinations by an estimated $7 million.

The following table summarizes the changes in the gross UTB liability for fiscal 2015, 2014 and 2013:

In millions		
Gross UTB balance at October 1, 2012	$	245
Additions based on tax positions relating to the period		21
Change to tax positions relating to prior periods		4
Settlements with taxing authorities		(1)
Statute of limitations expirations		(5)
Gross UTB balance at September 30, 2013		**264**
Additions based on tax positions relating to the period		23
Change to tax positions relating to prior periods		(27)
Statute of limitations expirations		(3)
Gross UTB balance at September 30, 2014		**257**
Additions based on tax positions relating to the period		24
Change to tax positions relating to prior periods		(16)
Statute of limitations expirations		(13)
Gross UTB balance at September 30, 2015	**$**	**252**

14. Benefit Obligations

Pension, Postretirement and Postemployment Benefits

The Company sponsors non-contributory defined benefit pension plans covering a portion of its U.S. employees and retirees, and postretirement benefit plans covering a portion of its U.S. retirees that include healthcare benefits and life insurance coverage. Certain non-U.S. operations have various retirement benefit programs covering substantially all of their employees. Some of these programs are considered to be defined benefit pension plans for accounting purposes.

The Company froze benefit accruals and additional participation in the pension and postretirement benefit plans for its U.S. management employees effective December 31, 2003. The Company also subsequently amended the postretirement benefit plan for its U.S. management employees as follows: Effective January 1, 2013, to terminate retiree dental coverage, and to cease providing medical and prescription drug coverage to a retiree, dependent, or lawful spouse who has attained age 65; effective January 1, 2015, to reduce the Company's maximum contribution toward the cost of providing benefits under the plan; and effective January 1, 2016, to replace coverage through the Company's group plan, with coverage through the private insurance marketplace. The latest amendment will allow retirees to choose insurance from the marketplace while still receiving financial support from the Company toward the cost of coverage through a Health Reimbursement Arrangement.

Effective November 25, 2013 and January 31, 2014, the Company entered into a 2-year contract extension with the Communications Workers of America ("CWA") and the International Brotherhood of Electrical Workers ("IBEW"), respectively. With the contract extension, the contract with the CWA and the contract with the IBEW now terminate on June 13, 2016. The contract extensions did not affect the Company's obligation for pension and postretirement benefits available to U.S. employees of the Company who are represented by the CWA or IBEW.

In September 2015, the Company approved a change to the postretirement medical plan for represented retirees who are retired as of October 15, 2015 and their eligible dependents ("existing retirees"). The change, which is effective January 1, 2017, will replace medical coverage the existing retirees receive through the Company's group plan, with medical coverage through the private and public insurance marketplace. The change will allow the existing retirees to choose insurance from the marketplace while still receiving financial support from the Company toward the cost of coverage through a Health Reimbursement Arrangement. The impact of this change, as measured at September 30, 2015, was a $62 million reduction to the accumulated postretirement benefit obligation.

The Company's general funding policy with respect to the qualified pension plans is to contribute amounts at least sufficient to satisfy the minimum amount required by applicable law and regulations, or to directly pay benefits where appropriate. Contributions to the U.S. pension plans were $95 million, $160 million and $108 million in fiscal 2015, 2014 and 2013, respectively. The contributions to the U.S. pension plans were $6 million, $7 million and $6 million for certain pension benefits that were not pre-funded, and cash contributions of $89 million, $153 million and $102 million to satisfy the minimum statutory funding requirements in fiscal 2015, 2014 and 2013, respectively. Contributions to the non-U.S. pension plans were $25 million, $27 million and $25 million in fiscal 2015, 2014 and 2013, respectively. In fiscal 2016, the Company estimates that it will make payments totaling $7 million for certain U.S. pension benefits that are not pre-funded, contributions totaling $87 million to satisfy the minimum statutory funding requirements in the U.S. and contributions totaling $26 million for non-U.S. plans.

Most post-retirement medical benefits are not pre-funded. Consequently, the Company makes payments directly to the claims administrator as retiree medical benefit claims are disbursed. These payments are funded by the Company up to the maximum contribution amounts specified in the plan documents and contract with the CWA and IBEW, and contributions from the participants, if required. As a result, payments for retiree medical and dental benefits were $28 million, $45 million and $52 million in fiscal 2015, 2014 and 2013 respectively. The Company estimates it will make payments for retiree medical and dental benefits totaling $35 million during fiscal 2016.

A reconciliation of the changes in the benefit obligations and fair value of assets of the defined benefit pension and postretirement plans, the funded status of the plans, and the amounts recognized in the Consolidated Balance Sheets is provided in the table below:

	Pension Benefits U.S.		Pension Benefits Non-U.S.		Postretirement Benefits	
	September 30,		September 30,		September 30,	
In millions	2015	2014	2015	2014	2015	2014
CHANGE IN BENEFIT OBLIGATION						
Benefit obligation as of beginning of year	$ 3,333	$ 3,174	$ 616	$ 596	$ 486	$ 500
Service cost	5	5	7	7	2	2
Interest cost	136	145	15	21	19	22
Employee contributions	—	—	—	—	13	13
Amendments	—	—	(1)	—	(62)	(3)
Actuarial loss (gain)	205	249	6	57	(14)	14
Benefits paid	(235)	(240)	(25)	(26)	(56)	(62)
Exchange rate movements	—	—	(67)	(39)	—	—
Curtailments, settlements and other	—	—	3	—	—	—
Benefit obligation as of end of year	**$ 3,444**	**$ 3,333**	**$ 554**	**$ 616**	**$ 388**	**$ 486**
CHANGE IN PLAN ASSETS						
Fair value of plan assets as of beginning of year	$ 2,321	$ 2,176	$ 60	$ 51	$ 173	$ 164
Actual return on plan assets	37	226	6	12	1	13
Employer contributions	95	160	25	27	28	45
Employee contributions	—	—	—	—	13	13
Benefits paid	(235)	(240)	(25)	(26)	(56)	(62)
Exchange rate movements	—	—	(6)	(4)	—	—
Curtailments, settlements and other	—	(1)	(1)	—	—	—
Fair value of plan assets as of end of period	**$ 2,218**	**$ 2,321**	**$ 59**	**$ 60**	**$ 159**	**$ 173**
AMOUNT RECOGNIZED IN THE CONSOLIDATED BALANCE SHEETS CONSISTS OF:						
Noncurrent assets	$ —	$ —	$ 1	$ 1	$ —	$ —
Accrued benefit liability, current	(7)	(7)	(25)	(27)	(35)	(40)
Accrued benefit liability, noncurrent	(1,219)	(1,005)	(471)	(530)	(194)	(273)
Net amount recognized	**$ (1,226)**	**$ (1,012)**	**$ (495)**	**$ (556)**	**$ (229)**	**$ (313)**
AMOUNT RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE LOSS (PRE-TAX) CONSISTS OF:						
Net prior service cost (credit)	$ 3	$ 4	$ —	$ —	$ (101)	$ (52)
Net actuarial loss (gain)	1,304	1,054	136	142	70	81
Net amount recognized	**$ 1,307**	**$ 1,058**	**$ 136**	**$ 142**	**$ (31)**	**$ 29**

Effective September 30, 2015, to reflect its best estimate of future mortality for its U.S. pension and postretirement benefit plans, the Company updated its mortality rate assumptions to the Society of Actuaries Retirement Plans-2014 base table at 2006, projected with improvement scale Mortality Projection-2015. The change resulted in a $189 million increase in the Company's U.S. pension obligation and a $1 million decrease in the Company's U.S. postretirement benefit obligation.

The following table provides the accumulated benefit obligation for all defined benefit pension plans and information for pension plans with an accumulated benefit obligation in excess of plan assets:

	U.S. Plans		Non - U.S. Plans	
	September 30,		September 30,	
In millions	2015	2014	2015	2014
Accumulated Benefit Obligation for all plans	$ 3,444	$ 3,333	$ 542	$ 599
Plans with Accumulated Benefit Obligation in Excess of Plan Assets				
Projected Benefit Obligation	$ 3,444	$ 3,333	$ 549	$ 612
Accumulated Benefit Obligation	$ 3,444	$ 3,333	$ 537	$ 595
Fair Value of Plan Assets	$ 2,218	$ 2,321	$ 53	$ 54

Estimated future benefits expected to be paid in each of the next five fiscal years, and in aggregate for the five fiscal years thereafter, are presented below:

	Pension Benefits		Other Benefits	Federal Prescription Drug Subsidy Receipts
In millions	US	Non-U.S.		
2016	$ 218	$ 26	$ 40	$ 2
2017	217	24	25	1
2018	216	24	20	—
2019	216	25	20	—
2020	216	23	20	—
2021-2025	1,072	128	103	1
Total	**$ 2,155**	**$ 250**	**$ 228**	**$ 4**

The components of net periodic benefit cost (credit) for the pension plans are provided in the table below:

	Pension Benefits - U.S.			Pension Benefits - Non-U.S.		
	Year ended September 30,			Year ended September 30,		
In millions	2015	2014	2013	2015	2014	2013
Components of net periodic benefit cost (credit)						
Service cost	$ 5	$ 5	$ 6	$ 7	$ 7	$ 7
Interest cost	136	145	137	15	21	21
Expected return on plan assets	(179)	(168)	(162)	(2)	(2)	(2)
Amortization of prior service cost	1	1	1	—	—	—
Amortization of actuarial loss	97	82	120	7	4	5
Curtailment, settlement loss	—	—	2	—	—	—
Net periodic benefit cost	**$ 60**	**$ 65**	**$ 104**	**$ 27**	**$ 30**	**$ 31**

The components of net periodic benefit cost (credit) for the postretirement plans are provided in the table below:

	Postretirement Benefits - U.S.		
	Year ended September 30,		
In millions	2015	2014	2013
Components of net periodic benefit cost (credit)			
Service cost	$ 2	$ 2	$ 3
Interest cost	19	22	20
Expected return on plan assets	(10)	(11)	(10)
Amortization of prior service cost	(13)	(13)	(14)
Amortization of actuarial loss	5	4	7
Curtailment, settlement gain	—	—	(11)
Net periodic benefit cost (credit)	**$ 3**	**$ 4**	**$ (5)**

As a result of restructuring initiatives during fiscal 2013, the U.S. pension and postretirement plans for salaried employees experienced a curtailment. A $2 million loss was recognized with respect to curtailment of the pension plan, and $11 million gain was recognized with respect to curtailment of the postretirement plan.

Effective October 1, 2015, the Company changed its estimate of the service and interest cost components of net periodic benefit cost for its U.S. pension and other postretirement benefit plans. Previously, the Company estimated the service and interest cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation. The new estimate utilizes a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their underlying projected cash flows. The new estimate provides a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows and their corresponding spot rates. The change does not affect the measurement of the Company's U.S. pension and postretirement benefit obligations and it is accounted for as a change in accounting estimate, which is applied prospectively. For fiscal 2016, the change in estimate is expected to reduce U.S. pension and postretirement net periodic benefit plan cost by $30 million to $35 million when compared to the prior estimate.

Other changes in plan assets and benefit obligations recognized in other comprehensive loss are provided in the table below:

	Pension Benefits - U.S.		Pension Benefits - Non-U.S.		Postretirement Benefits	
	Year ended September 30,		Year ended September 30,		Year ended September 30,	
In millions	2015	2014	2015	2014	2015	2014
Net loss (gain)	$ 347	$ 193	$ 2	$ 49	$ (6)	$ 12
Prior service cost (credit)	—	—	(1)	—	(62)	(3)
Amortization of prior service cost (credit)	(1)	(1)	—	—	13	13
Amortization of actuarial gain	(97)	(82)	(7)	(4)	(5)	(4)
Total recognized in other comprehensive loss	**$ 249**	**$ 110**	**$ (6)**	**$ 45**	**$ (60)**	**$ 18**
Total recognized in net periodic benefit cost and other comprehensive loss	**$ 309**	**$ 175**	**$ 21**	**$ 75**	**$ (57)**	**$ 22**

The estimated amounts to be amortized from accumulated other comprehensive income/loss into net periodic benefit cost during fiscal 2016 are provided in the table below:

In millions	Pension Benefits - U.S.	Pension Benefits - Non-U.S.	Postretirement Benefits
Amortization of prior service cost	$ 1	$ —	$ (20)
Recognized net actuarial loss	113	6	4
	$ 114	**$ 6**	**$ (16)**

The weighted average assumptions used to determine the benefit obligation for the pension and postretirement plans are provided in the table below:

	Pension Benefits - U.S.		Pension Benefits - Non-U.S.		Postretirement Benefits	
	September 30,		September 30,		September 30,	
	2015	2014	2015	2014	2015	2014
Discount rate	4.23%	4.21%	2.53%	2.63%	4.35%	4.17%
Rate of compensation increase	4.00%	4.00%	3.19%	2.96%	4.00%	4.00%

The weighted average assumptions used to determine the net periodic benefit cost for the pension and postretirement plans are provided in the tables below:

	Pension Benefits - U.S.			Pension Benefits - Non-U.S.		
	Year ended September 30,			Year ended September 30,		
	2015	2014	2013	2015	2014	2013
Discount rate	4.21%	4.75%	3.94%	2.63%	3.61%	3.61%
Expected return on plan assets	8.00%	8.00%	8.00%	3.49%	4.19%	4.25%
Rate of compensation increase	4.00%	4.00%	4.00%	2.96%	3.44%	3.37%

	Postretirement Benefits		
	Year ended September 30,		
	2015	2014	2013
Discount rate	4.17%	4.62%	3.81%
Expected return on plan assets	5.90%	6.90%	7.00%
Rate of compensation increase	4.00%	4.00%	4.00%

The discount rate is subject to change each year, consistent with changes in rates of return on high-quality fixed-income investments currently available and expected to be available during the expected benefit payment period. The Company selects the assumed discount rate for its U.S. pension and postretirement benefit plans by applying the rates from the Aon Hewitt AA Only and Aon Hewitt AA Only Above Median yield curves to the expected benefit payment streams and develops a rate at which it is believed the benefit obligations could be effectively settled. The Company follows a similar process for its non-U.S. pension plans by applying the Aon Hewitt Euro AA corporate bond yield curve. Based on the published rates as of September 30, 2015, the Company used a weighted average discount rate of 4.23% for the U.S. pension plans, 2.53% for the non-U.S. pension plans, and 4.35% for the postretirement plans, an increase of 2 basis points and 18 basis points from the prior year for the U.S. pension plans and postretirement benefit plans, respectively, and a 10 basis point decrease from the prior year for the non-U.S. pension plans. As of September 30, 2015, this had the effect of reducing the projected U.S. pension benefit obligation $8 million, reducing the postretirement obligation by approximately $8 million and increasing the non-U.S. pension benefit obligation $13 million. For fiscal 2016, this will have the effect of increasing the U.S. pension and postretirement service cost by less than $1 million.

The expected long-term rate of return on U.S. pension and postretirement benefit plan assets is selected by applying forward-looking capital market assumptions to the strategic asset allocation approved by the governing body for each plan. The forward-looking capital market assumptions are developed by an investment adviser and reviewed by the Company for reasonableness. The return and risk assumptions consider such factors as anticipated long-term performance of individual asset classes, risk premium for active management based on qualitative and quantitative analysis, and correlations of the asset classes that comprise the asset portfolio.

Based on an analysis of the U.S. qualified pension plans completed in fiscal 2015, the expected long-term rate of return for fiscal 2016 will be 8.0%, unchanged from fiscal 2015. A 25 basis point change in the expected long-term rate of return will result in approximately a $6 million change in pension cost.

Based on an analysis of the postretirement plans completed in fiscal 2015, the expected long-term rate of return for fiscal 2016 will remain unchanged at 5.9%. A 25 basis point change in the expected long-term rate of return will result in a change in postretirement expense of less than $1 million.

The assumed health care cost trend rates for postretirement benefit plans were as follows:

	September 30,	
	2015	2014
Health care cost trend rate assumed for next year	8.1%	7.2%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	2025	2025

The Company's cost for postretirement healthcare claims is capped and the projected postretirement healthcare claims exceed the cap. Therefore, a one-percentage-point increase or decrease in the Company's healthcare cost trend rates will not impact the postretirement benefit obligation and the service and interest cost components of net periodic benefit cost.

The weighted-average asset allocation of the pension and postretirement plans by asset category and target allocation is as follows:

	Pension Plan Assets - U.S.			Pension Plan Assets - Non-U.S.		Postretirement Plan Assets		
	September 30,		Long-term	September 30,		September 30,		Long-term
Asset Category	2015	2014	Target	2015	2014	2015	2014	Target
Equity Securities	42 %	28 %	44 %	2 %	6 %	40 %	39 %	45 %
Debt Securities	38 %	49 %	39 %	82 %	78 %	60 %	61 %	55 %
Hedge Funds	8 %	8 %	8 %	— %	— %	— %	— %	— %
Private Equity	3 %	4 %	3 %	— %	— %	— %	— %	— %
Real Estate	4 %	4 %	4 %	— %	— %	— %	— %	— %
Commodities	2 %	2 %	2 %	— %	— %	— %	— %	— %
Other [(1)]	3 %	5 %	— %	16 %	16 %	— %	— %	— %
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

(1) The other category for U.S. pension plan assets includes cash/cash equivalents and derivative financial instruments, and payables/receivables for pending transactions. The other category for non-U.S. pension assets includes insurance contracts with a guaranteed interest credit and assets held in asset allocation funds other than equity and debt securities.

The Company's asset management strategy focuses on the dual objectives of improving the funded status of the pension plans and reducing the impact of changes in interest rates on the funded status. To improve the funded status of the pension plans, assets are invested in a diversified mix of asset classes designed to generate higher returns over time, than the pension benefit obligation discount rate assumption. To reduce the impact of interest rate changes on the funded status of the pension plans, assets are invested in a mix of fixed income investments (including long-term debt) that are selected based on the characteristics of the benefit obligation of the pension plans. Strategic asset allocation is the principal method for achieving the Company's investment objectives, which are determined in the course of periodic asset-liability studies. The most recent asset-liability study was completed in fiscal 2015 for the pension plans.

As part of the Company's asset management strategy, investments are professionally-managed and diversified across multiple asset classes and investment styles to minimize exposure to any one specific investment. Derivative instruments (such as forwards, futures, swaptions and swaps) may be held as part of the Company's asset management strategy. However, the use of derivative financial instruments for speculative purposes is prohibited by the Company's investment policy.

Also, as part of the Company's investment strategy, the U.S. pension plans invest in hedge funds, real estate funds, private equity and commodities to provide additional uncorrelated returns. All funds are broadly diversified to minimize exposure to any one specific investment.

The fair value of plan assets is determined by the trustee, and reviewed by the Company, following the accounting guidance for fair value measurements and the fair value hierarchy discussed in Note 12, "Fair Value Measures." Because of the inherent uncertainty of valuation, estimated fair values determined using Level 2 and Level 3 inputs may differ significantly from the fair values that would have been used had quoted prices in an active market existed.

The following tables summarize the fair value measurements of the U.S. pension plans assets by asset class:

	As of September 30, 2015				As of September 30, 2014			
In millions	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents [(a)]	$ 11	$ —	$ —	$ 11	$ 1	$ 5	$ —	$ 6
U.S. Government debt securities [(b)]	—	173	—	173	—	247	—	247
Corporate debt securities:[(c)]								
Investment grade	—	2	—	2	—	300	—	300
High-yield	—	—	—	—	—	86	—	86
Other debt securities	—	—	—	—	—	7	—	7
Equity securities:[(d)]								
U.S. large/mid-cap	—	—	—	—	82	—	—	82
U.S. small cap	—	—	—	—	30	—	—	30
Non-U.S. equity	—	—	—	—	74	—	—	74
Real estate[(e)]	—	9	84	93	—	8	77	85
Private equity[(f)]	—	—	60	60	—	—	80	80
Investment funds:[(g)]								
Cash and cash equivalents	—	56	—	56	—	126	—	126
Long duration fixed income	—	574	—	574	—	—	—	—
Investment grade corporate debt	—	—	—	—	—	328	—	328
High-yield debt	—	93	—	93	47	—	—	47
Emerging market debt	—	—	—	—	—	120	—	120
U.S. equity	—	488	—	488	—	215	—	215
Non-U.S. equity	—	345	—	345	—	154	—	154
Commodities	—	41	—	41	—	—	—	—
Emerging market equity	—	98	—	98	—	97	—	97
Multi-strategy hedge funds[(h)]	—	176	8	184	—	173	11	184
Commodities[(i)]	—	—	—	—	—	56	—	56
Derivative instruments[(j)]	—	—	—	—	—	5	—	5
Other plan liabilities, net	—	—	—	—	—	(8)	—	(8)
Total plan assets at fair value	**$ 11**	**$ 2,055**	**$ 152**	**$ 2,218**	**$ 234**	**$ 1,919**	**$ 168**	**$ 2,321**

(a) Includes cash collateral, certificates of deposit, commercial paper, securities issued or guaranteed by the U.S. government or its agencies with less than one year to maturity, and repurchase agreements which are valued at cost plus accrued interest.

(b) Includes U.S. treasury bonds, notes and inflation linked bonds, as well as Federal National Mortgage Association pools, which are generally valued using institutional bid evaluations from various contracted pricing vendors. Institutional bid evaluations are estimated prices that represent the price a dealer would pay for a security. Pricing inputs to the institutional bid evaluation vary by security, and include benchmark yields, reported trades, unadjusted broker/dealer quotes, issuer spreads, bids, offers or other observable market data.

(c) Includes corporate bonds diversified across various business sectors, as well as collateralized mortgage obligations and asset backed securities, which are generally valued using institutional bid evaluations from various contracted pricing vendors. Institutional bid evaluations are estimated prices that represent the price a dealer would pay for a security. Pricing inputs to the institutional bid evaluation vary by security, and include benchmark yields, reported trades, unadjusted broker/dealer quotes, issuer spreads, bids, offers or other observable market data.

(d) Includes U.S. and non-U.S. corporate stocks, which are generally valued using the composite close price from an active exchange. The composite close price is the last trade of the day and can come from any exchange on which the security trades. Generally, the last trade of the day comes from the primary exchange; therefore, the composite close and the primary close price are generally the same.

(e) Includes open ended real estate commingled funds, close ended real estate limited partnerships, and insurance company separate accounts that invest primarily in U.S. office, lodging, retail and residential real estate. The insurance company separate accounts and the commingled funds account for their portfolio of assets at fair value and calculate the net asset value per share/unit ("NAV") on either a monthly or quarterly basis. Shares can be redeemed at the NAV on a quarterly basis, provided a written redemption request is received in advance (generally 45 - 91 days) of the redemption date. Therefore, the undiscounted NAV is used as the fair value measurement. For limited partnerships, the fair value of the underlying assets and the capital account for each investor is determined by the General Partner ("GP"). The valuation techniques used by the GP generally consist of unobservable inputs such as discounted cash flow analysis, analysis of recent comparable sales transactions, actual sale negotiations and bona fide purchase offers received from third parties. The partnerships are typically funded over time as capital is needed to fund asset purchases, and distributions from the partnerships are received as the partnerships liquidate their underlying asset holdings. Therefore, the life cycle for a typical investment in a real estate limited partnership is expected to be approximately 10 years from initial funding.

(f) Includes limited partner interests in various limited partnerships ("LP"s) that invest primarily in U.S. and non-U.S. investments either directly, or through other partnerships or funds with a focus on venture capital, buyouts, expansion capital, or companies undergoing financial distress or significant restructuring. The fair value of the net assets of the LPs and of the capital account of each investor is determined by the GP of each LP. Marketable securities held by the LPs are valued based on the closing price on the valuation date on the exchange where they are principally traded and may be adjusted for legal restrictions, if any. Investments without a public market are valued based on assumptions made and valuation techniques used by the GP, which consist of unobservable inputs. Such valuation techniques may include discounted cash flow analysis, analysis of recent comparable sales transactions, actual sale negotiations and bona fide purchase offers received from third parties. The LPs are typically funded over time as capital is needed to fund purchases, and distributions are received as the partnerships liquidate their underlying asset holdings. There have not been any new commitments to private equity since 2007, and no new commitments are expected under current asset allocation targets. Since some partnerships are not yet in the liquidation phase, a reasonable estimate cannot be provided as to when full liquidation of all existing partnerships will be completed.

(g) Includes open-end funds and unit investment trusts that invest in various asset classes including: U.S. and non-U.S. corporate debt, U.S. equity, non-U.S developed and emerging markets equity, and commodities. The funds account for their portfolio of assets at fair value and calculate the NAV of the fund on a daily basis, and shares can be redeemed at the NAV. Therefore, the undiscounted NAV as reported by the funds is used as the fair value measurement.

(h) Includes hedge fund of funds and hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The funds account for their portfolio of assets at fair value and calculate the NAV of their fund on a monthly basis. The funds limit the frequency of redemptions to manage liquidity and protect the interests of the fund and its shareholders. Several of the funds, with a fair value totaling $8 million as of September 30, 2015, are in the process of liquidation and cannot provide an estimate as to when the liquidation will be completed. However, since trades (purchases and redemptions) are executed using the NAV as calculated on the trade date, the undiscounted NAV as reported by the fund is used as the fair value measurement.

(i) Consists of partnership interests in limited liability companies ("LLC") that invest in long-only, unleveraged portfolios of exchange-traded, U.S. dollar-denominated futures and forward contracts in tangible commodities. The NAV of each LLC is determined at the end of each month. The underlying futures and forward contracts are valued based upon the settlement price on the exchanges where they are traded, and where there is no settlement price, value is based upon the last trade price. An investor can withdraw all or any portion of its capital account effective as of the last day of the calendar month. The capital account was fully liquidated during fiscal 2015 and replaced by an investment in a commodity collective trust fund.

(j) Includes futures, options and swap agreements. Futures and options are generally valued using the last trade price at which a specific contract/security was last traded on the primary exchange, which is provided by a contracted vendor. If pricing is not available from the contracted vendor, then pricing is obtained from other sources such as Bloomberg, broker bid, ask/ offer quotes or the investment manager. Swaps and Swaptions are generally valued by one of several contracted pricing vendors who use inputs such as interdealer broker rates and benchmark yields to create a swap yield curve and determine price based on the terms of the swap. If pricing is not available through one of the contracted vendors, then pricing is obtained from another source such as the investment manager, who obtains the mark -to-market value from the counterparty and applies this value to the current face of the trade to determine price.

The following table summarizes the changes in fair value of Level 3 U.S. pension plan assets for fiscal 2015 and 2014:

In millions	Real Estate	Private Equity	Hedge Funds	Total
Balance as of October 1, 2013	$ 73	$ 100	$ 8	$ 181
Realized gains/(losses)	—	(1)	—	(1)
Unrealized gains relating to investments still held at the end of the period	12	13	1	26
Purchases, sales and settlements (net)	(8)	(32)	(3)	(43)
Transfers in/(out)	—	—	5	5
Balance as of September 30, 2014	**77**	**80**	**11**	**168**
Realized gains/(losses)	1	(5)	1	(3)
Unrealized gains/(losses) relating to investments still held at the end of the period	8	10	(1)	17
Purchases, sales and settlements (net)	(2)	(25)	(3)	(30)
Transfers in/(out)	—	—	—	—
Balance as of September 30, 2015	**$ 84**	**$ 60**	**$ 8**	**$ 152**

The following table summarizes the fair value of the non-U.S. pension plan assets by asset class:

	As of September 30, 2015				As of September 30, 2014			
In millions	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment funds:								
Equity securities	$ —	$ 1	$ —	$ 1	$ —	$ 4	$ —	$ 4
Debt securities	—	2	—	2	—	2	—	2
Asset allocation	—	2	—	2	—	—	—	—
Insurance contracts[(a)]	—	54	—	54	—	54	—	54
Total plan assets at fair value	**$ —**	**$ 59**	**$ —**	**$ 59**	**$ —**	**$ 60**	**$ —**	**$ 60**

(a) Most non-U.S. pension plans are funded through insurance contracts, which provide for a guaranteed interest credit, and a profit-sharing adjustment based on the actual performance of the underlying investment assets of the insurer. The fair value of the contract is determined by the insurer based on the premiums paid by the Company plus interest credits plus the profit-sharing adjustment less benefit payments. The underlying assets of the insurer are invested in compliance with local rules or law, which tend to require a high allocation to fixed income securities. For example, in the Netherlands, where the pension plan assets account for 77% of the Company's total non-U.S. pension assets, the insurer's underlying asset allocation at September 30, 2015 was 100% fixed income securities.

The following table summarizes the fair value of the postretirement plans assets by asset class:

	As of September 30, 2015				As of September 30, 2014			
In millions	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment funds:								
Blended asset fund[(a)]	$ —	$ —	$ —	$ —	$ 11	$ —	$ —	$ 11
Group life insurance contracts[(b)]	—	159	—	159	—	162	—	162
Total plan assets at fair value	**$ —**	**$ 159**	**$ —**	**$ 159**	**$ 11**	**$ 162**	**$ —**	**$ 173**

(a) An investment in a broadly diversified registered investment company (mutual fund). As of September 30, 2014, the fund asset allocation was approximately 70% fixed income securities, 21% U.S. equity and 9% non-U.S. equity. The fund values its security holdings each business day as of the close of regular trading on the New York Stock Exchange and computes a NAV by dividing the total fair value of its assets minus liabilities by the number of fund shares outstanding. The fair value of the Plan's investment in the fund is calculated by multiplying the NAV by the number of shares held by the Plan.

(b) The group life insurance contracts are held in a reserve of an insurance company that provides for investment of pre-funding amounts in a family of pooled separate accounts. The fair value of each group life insurance contract is primarily determined by the value of the units it owns in the pooled separate accounts that back the policy. Each of the pooled separate accounts provides a unit NAV on a daily basis, which is based on the fair value of the underlying assets owned by the account. The postretirement benefit plans can transact daily at the unit NAV without restriction. As of September 30, 2015, the asset allocation of the pooled separate accounts in which the contracts invest was approximately 60% fixed income securities, 22% U.S. equity securities and 18% non-U.S. equity securities.

Savings Plans

Substantially all of the Company's U.S. employees are eligible to participate in savings plans sponsored by the Company. The plans allow employees to contribute a portion of their compensation on a pre-tax and after-tax basis in accordance with specified guidelines. Avaya matches a percentage of employee contributions up to certain limits. The Company's expense related to these savings plans was $6 million, $7 million and $10 million in fiscal 2015, 2014 and 2013, respectively.

15. Share-based Compensation

The Avaya Holdings Corp. Second Amended and Restated 2007 Equity Incentive Plan (the "2007 Plan") governs the issuance of equity awards, including restricted stock units ("RSUs") and stock options, to eligible plan participants. Key employees, directors, and consultants of the Company may be eligible to receive awards under the 2007 Plan. Each stock option, when vested and exercised, and each RSU, when vested, entitles the holder to receive one share of Parent's common stock, subject to certain restrictions on their transfer and sale as defined in the 2007 Plan and related award agreements. On August 12, 2015, the Compensation Committee approved an amendment to the 2007 Plan, which was approved by the stockholders of Parent effective November 16, 2015, to make an additional 5,379,467 shares available for issuance, increasing the total amount of shares of Parent common stock available for issuance under the 2007 Plan to 61,236,872.

Option Awards

Under the 2007 Plan, stock options may not be granted with an exercise price of less than the fair market value of the underlying stock of Parent on the date of grant. Share-based compensation expense recognized in the Consolidated Statements of Operations is based on awards ultimately expected to vest. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates in accordance with the authoritative guidance. All options awarded under the 2007 Plan expire the earlier of ten years from the date of grant or upon cessation of employment, in which event there are limited exercise provisions allowed for vested options.

During the period from October 27, 2007 through September 30, 2009, the Company granted time-based, performance-based "EBITDA," and market-based "multiple-of-money" options to purchase common stock of Parent. Options granted during the period October 27, 2007 through September 30, 2008 have an exercise price of $5.00, and options granted during the year ended September 30, 2009 have an exercise price of $3.80, which was the fair market value (as defined under the 2007 Plan) of the underlying shares at the time granted.

In November 2009, the Compensation Committee of Parent's Board of Directors approved a stock option exchange program through which individuals holding stock options having exercise prices of $5.00 and $3.80 per share could exchange them on a one-option-for-one-option basis, for replacement options with an exercise price of $3.00 per share, the fair market value (as defined under the 2007 Plan) of the underlying shares at the time of exchange, and with new vesting terms. The replacement options issued to participants in the exchange program include time-based and market-based multiple-of-money options.

During the period November 18, 2009 through October 1, 2012, the Company granted time-based and multiple-of-money options to purchase common stock of Parent.

On February 25, 2013, the Compensation Committee of Parent's Board of Directors approved a stock option exchange program through which individuals holding multiple-of-money and EBITDA stock options could exchange them on a three-for-one basis for RSUs. The tender offer was closed on April 30, 2013 and 45,500 EBITDA and 10,159,189 multiple-of-money options were tendered for exchange. In connection with the exchange offer, 3,401,654 replacement RSUs were granted which have an effective grant date of May 6, 2013. The replacement RSUs vested in full in December 2013.

Subsequent to October 1, 2012, the Company granted time-based options to purchase common stock of Parent. As a result of the stock option exchange programs offered in November 2009 and February 2013, outstanding stock options at September 30, 2015 consist of time-based stock options and those EBITDA and multiple-of-money stock options that were not tendered for exchange.

Time-based options vest over their performance periods and are payable in shares of Parent's common stock upon vesting and exercise. The performance period for time-based options is generally three to four years, with the exception of 5,850,000 time-based options granted during fiscal 2010 which vested 20% on December 18, 2009, the date on which the closing of the NES acquisition was completed, and 20% annually thereafter for the following four years. Compensation expense equal to the fair value of the option measured on the grant date is recognized utilizing graded attribution over the requisite service period.

EBITDA options vest in equal installments each year over a four-year period assuming annual EBITDA targets are met. In the event that any annual EBITDA target is not met, cumulative targets would permit catch-up vesting in subsequent years should these annual EBITDA targets be achieved on a cumulative basis. The fair value of EBITDA options was measured on the date of grant. Compensation expense is recorded utilizing graded attribution over the requisite service period. Vesting, and therefore compensation expense, is estimated at the time that the achievement of the annual or cumulative EBITDA targets become probable. Compensation expense is adjusted for subsequent changes in the expected outcome of the annual and cumulative EBITDA targets until the vesting date.

Multiple-of-money options vest upon the achievement of defined returns on the Sponsors' initial investment in Parent. Because vesting of the multiple-of-money market-based options is outside the control of the Company and the award recipients, compensation expense relative to the multiple-of-money options must be recognized upon the occurrence of a triggering event (e.g., sale or initial public offering of Parent). Achievement of defined returns on the Sponsors' initial investment may also cause any unvested portion of the EBITDA options to vest.

The following table summarizes option awards under the 2007 Plan (excluding the continuation options, as discussed below):

Options (in 000s)	Time-based	EBITDA	Multiple-of-Money	Total	Weighted Average Exercise Price	Fair Value at Date of Grant (in 000s)
Outstanding—October 1, 2014	25,551	23	481	26,055	$ 2.95	$ 46,548
Granted	4,955	—	—	4,955	$ 2.49	7,665
Exercised	—	—	—	—	$ —	—
Forfeited	(4,301)	(5)	(169)	(4,475)	$ 3.09	(8,097)
Outstanding—September 30, 2015	**26,205**	**18**	**312**	**26,535**	$ 2.84	**$ 46,116**

For fiscal 2015, 2014 and 2013, the weighted-average grant-date fair value of options granted during the year was $1.55, $1.55 and $1.39, respectively. The fair value of option awards is determined at the date of grant utilizing the Cox-Ross-Rubinstein ("CRR") binomial option pricing model which is affected by the fair value of Parent's common stock as well as a number of complex and subjective assumptions. Expected volatility is based primarily on a combination of the historical volatility and estimates of implied volatility of the Company's peer group. The peer group is periodically reviewed by management and the Compensation Committee of Parent's Board of Directors for consistency with the Company's business strategy, the businesses and markets in which the Company operates, and the Company's competitive landscape. The risk-free interest rate assumption was derived from reference to the U.S. Treasury Spot rates for the expected term of the stock options. The dividend yield assumption is based on Parent's current intent not to issue a dividend under its dividend policy. The expected holding period assumption was estimated based on the Company's historical experience.

The underlying weighted-average assumptions used in the valuations were as follows:

	Fiscal years ended September 30,		
	2015	2014	2013
Stock price	$2.49	$2.38	$2.81
Expected term (in years)	5	5	5
Volatility	76.16%	81.87%	62.76%
Risk-free rate	1.62%	1.38%	0.74%
Dividend yield	—%	—%	—%

For fiscal 2015, 2014 and 2013, the Company recognized share-based compensation associated with these options of $9 million, $8 million and $3 million, respectively, which is included in costs and operating expenses. At September 30, 2015, there was $7 million of unrecognized share-based compensation that the Company expects to recognize as expense over the next four years associated with 2007 Plan options. The expected expense does not include any compensation associated with the multiple-of-money and EBITDA awards. At September 30, 2015 there are 15,997,403 vested and exercisable options outstanding. These options have a weighted average exercise price of $3.00, had a fair value at the date of grant of $30 million, no intrinsic value and a weighted average remaining contractual term of 6 years. At September 30, 2015, there are 26,535,628 options that are vested and exercisable or expected to vest over the next four years. These options have a weighted average exercise price of $2.84, a fair value at the date of grant of $46 million, no intrinsic value and a weighted average remaining contractual term of 7 years.

During fiscal 2015 and 2014, there were no options exercised. During fiscal 2013, 89,250 options were exercised with an intrinsic value of less than $1 million.

Restricted Stock Units

The Company has issued RSUs each of which represents the right to receive one share of Parent's common stock when fully vested. The fair value of the common stock underlying the RSUs was estimated by the Compensation Committee of Parent's Board of Directors at the date of grant.

During fiscal 2015, the Company awarded 5,521,521 time-based RSUs in the ordinary course of business with an aggregate fair value at the date of grant of $14 million. For fiscal 2015, 2014 and 2013, the Company recognized compensation expense associated with RSUs of $10 million, $17 million and $8 million, respectively. As of September 30, 2015, there was $16 million of unrecognized share based compensation associated with RSUs that the Company expects to recognize as expense through October 2018.

The following table summarizes the RSUs granted under the 2007 Plan:

Nonvested Shares	Shares
Non-vested shares at October 1, 2012	1,920,887
Granted	6,541,439
Forfeited	(710,743)
Vested	(1,416,680)
Non-vested shares at September 30, 2013	**6,334,903**
Granted	9,764,906
Forfeited	(1,201,823)
Vested	(8,124,854)
Non-vested shares at September 30, 2014	**6,773,132**
Granted	5,521,521
Forfeited	(858,710)
Vested	(3,714,069)
Non-vested shares at September 30, 2015	**7,721,874**

Continuation Awards

At the time of the closing of the Merger, fully vested options to purchase shares of Avaya Inc. held by certain members of management that were not exercised before the Merger were substituted for fully-vested stock options to purchase 1,592,970 shares of Parent common stock having the same intrinsic value of $6 million ("continuation options"). The continuation options have an exercise price of $1.25. As of September 30, 2015, 1,474,618 of these continuation options had been exercised, with the remaining 118,352 continuation options expiring unexercised.

Additionally, following the closing of the Merger, fully vested performance based RSUs of Avaya Inc. held by certain members of management were substituted for 1,391,155 fully-vested RSUs of Parent, having the same intrinsic value of $7 million ("continuation units"). Prior to October 2012, 592,054 continuation units were canceled and during October 2012, shares of Parent's common stock were distributed with respect to the remaining 799,101 continuation units.

In accordance with the 2007 Plan, the continuation options and continuation units do not detract from the authorized shares under the 2007 Plan.

16. Reportable Segments

Avaya conducts its business operations in three segments. Two of those segments, Global Communications Solutions ("GCS") and Avaya Networking ("Networking"), make up Avaya's Enterprise Collaboration Solutions product portfolio. The third segment contains Avaya's services portfolio and is called Avaya Global Services ("AGS").

The GCS segment primarily develops, markets, and sells contact center and unified communications products by integrating multiple forms of communications, including telephone, e-mail, instant messaging and video. The Networking segment offers integrated networking products which are scalable across customer enterprises. The AGS segment develops, markets and sells comprehensive end-to-end global service offerings that allow customers to evaluate, plan, design, implement, monitor, manage and optimize complex enterprise communications networks.

For internal reporting purposes, the Company's chief operating decision maker makes financial decisions and allocates resources based on segment profit information obtained from the Company's internal management systems. Management does not include in its segment measures of profitability selling, general, and administrative expenses, research and development expenses, amortization of acquired intangible assets, and certain discrete items, such as charges relating to restructuring actions, impairment charges and acquisition-related costs as these costs are not core to the measurement of segment management's performance, but rather are controlled at the corporate level.

Summarized financial information relating to the Company's reportable segments is shown in the following tables:

	Fiscal year ended September 30,		
In millions	2015	2014	2013
REVENUE			
Global Communications Solutions	$ 1,796	$ 1,953	$ 2,096
Avaya Networking	233	243	242
Enterprise Collaboration Solutions	2,029	2,196	2,338
Avaya Global Services	2,052	2,175	2,241
Unallocated Amounts(1)	—	—	(1)
	$ 4,081	**$ 4,371**	**$ 4,578**
GROSS PROFIT			
Global Communications Solutions	$ 1,189	$ 1,241	$ 1,276
Avaya Networking	97	107	101
Enterprise Collaboration Solutions	1,286	1,348	1,377
Avaya Global Services	1,180	1,220	1,223
Unallocated Amounts(1)	(36)	(69)	(70)
	2,430	2,499	2,530
OPERATING EXPENSES			
Selling, general and administrative	1,432	1,531	1,511
Research and development	338	379	445
Amortization of acquired intangible assets	226	227	228
Restructuring charges, net	62	165	200
Acquisition-related costs	1	—	1
	2,059	2,302	2,385
OPERATING INCOME	371	197	145
INTEREST EXPENSE, LOSS ON EXTINGUISHMENT OF DEBT AND OTHER INCOME (EXPENSE), NET	(445)	(439)	(487)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	**$ (74)**	**$ (242)**	**$ (342)**

(1) Unallocated Amounts in Gross Profit include the effect of the amortization of acquired technology intangible assets and costs that are not core to the measurement of segment management's performance, but rather are controlled at the corporate level. Unallocated Amounts in Revenue and Gross Profit also include the impacts of certain fair value adjustments recorded in purchase accounting in connection with acquisitions.

	September 30, 2015	September 30, 2014
ASSETS:		
Global Communications Solutions	$ 1,609	$ 1,590
Avaya Networking	14	26
Enterprise Collaboration Solutions	1,623	1,616
Avaya Global Services	2,625	2,628
Unallocated Assets(2)	2,614	2,958
Total	**$ 6,862**	**$ 7,202**

(2) Unallocated Assets consist of cash and cash equivalents, accounts receivable, deferred income tax assets, property, plant and equipment, acquired intangible assets and other assets. Unallocated Assets are managed at the corporate level and are not identified with a specific segment.

Geographic Information

Financial information relating to the Company's revenue and long-lived assets by geographic area is as follows:

	Revenue(1)		
	Years ended September 30,		
In millions	2015	2014	2013
U.S.	$ 2,203	$ 2,267	$ 2,430
International:			
EMEA	1,073	1,234	1,239
APAC—Asia Pacific	425	445	457
Americas International—Canada and Latin America	380	425	452
Total International	1,878	2,104	2,148
Total revenue	**$ 4,081**	**$ 4,371**	**$ 4,578**

	Long-Lived Assets(2)	
	September 30,	
In millions	2015	2014
U.S.	$ 180	$ 162
International:		
EMEA	72	81
APAC—Asia Pacific	18	24
Americas International—Canada and Latin America	12	14
Total International	102	119
Total	**$ 282**	**$ 281**

(1) Revenue is attributed to geographic areas based on the location of customers.
(2) Represents property, plant and equipment, net.

17. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss are summarized as follows:

In millions	Change in unamortized pension, postretirement and postemployment benefit-related items	Foreign Currency Translation	Unrealized loss on term loan interest rate swap	Other	Accumulated Other Comprehensive Loss
Balance as of October 1, 2012	$ (1,109)	$ (13)	$ (3)	$ (1)	$ (1,126)
Other comprehensive loss before reclassifications	193	(47)	—	—	146
Amounts reclassified to earnings	88	—	13	—	101
(Provision for) benefit from income taxes	(121)	4	(10)	—	(127)
Balance as of September 30, 2013	**(949)**	**(56)**	**—**	**(1)**	**(1,006)**
Other comprehensive loss before reclassifications	(251)	7	—	—	(244)
Amounts reclassified to earnings	50	—	—	—	50
Balance as of September 30, 2014	**(1,150)**	**(49)**	**—**	**(1)**	**(1,200)**
Other comprehensive loss before reclassifications	(287)	46	—	—	(241)
Amounts reclassified to earnings	69	—	—	—	69
(Provision for) benefit from income taxes	—	(12)	—	—	(12)
Balance as of September 30, 2015	**$ (1,368)**	**$ (15)**	**$ —**	**$ (1)**	**$ (1,384)**

The amounts reclassified out of accumulated other comprehensive loss into the Consolidated Statements of Operations prior to the impact of income taxes, with line item location, were as follows:

In millions	Fiscal years ended September 30, 2015	2014	2013	Line item in Statements of Operations
Change in unamortized pension, postretirement and postemployment benefit-related items	$ 18	$ 13	$ 21	Costs - Products
	18	13	21	Costs - Services
	28	20	36	Selling, general and administrative
	5	4	10	Research and development
	69	50	88	
Unrealized loss on term loan interest rate swap	—	—	13	Interest expense
Total amounts reclassified	**$ 69**	**$ 50**	**$ 101**	

18. Related Party Transactions

Management Services Agreement and Consulting Services

The Company and Parent are party to a Management Services Agreement with Silver Lake Management Company, L.L.C., an affiliate of Silver Lake, and TPG Capital Management, L.P., an affiliate of TPG, collectively "the Managers," pursuant to which the Managers provide management and financial advisory services to the Company. Pursuant to the Management Services Agreement, the Managers receive a monitoring fee of $7 million per annum and reimbursement on demand for out-of-pocket expenses incurred in connection with the provision of such services. In the event of a financing, acquisition, disposition or change of control transaction involving the Company during the term of the Management Services Agreement, the Managers have the right to require the Company to pay a fee equal to customary fees charged by internationally-recognized investment banks for serving as a financial advisor in similar transactions. The Management Services Agreement may be terminated at any time by the Managers, but otherwise has an initial term ending on December 31, 2017 that automatically extends each December 31st for an additional year unless terminated earlier by the Company or the Managers. The term has been automatically extended eight times since the execution of the agreement such that the current term is December 31, 2025. In the event that the Management Services Agreement is terminated, the Company is required to pay a termination fee equal to the net present value of the monitoring fees that would have been payable during the remaining term of the Management Services Agreement. Therefore, if the Management Services Agreement were terminated at September 30, 2015, the termination fee would be calculated using the current term ending December 31, 2025. In accordance with the Management Services Agreement, the Company recorded $7 million of monitoring fees per year during fiscal 2015, 2014 and 2013.

In December 2013, the Company and TPG Capital Management, L.P. executed a letter agreement reducing the portion of the monitoring fees owed to TPG Capital Management, L.P. by $1,325,000 for fiscal 2014 and thereafter on an annual basis by $800,000. The Company agreed to pay Messrs. Mohebbi and Rittenmeyer in aggregate $800,000 annually.

Notes Receivable with Parent

On October 3, 2011 and October 3, 2012, the Company advanced $8 million and $10 million, respectively, to Parent, each in exchange for a note receivable. The proceeds of such notes were used by Parent to fund, in part, an acquisition of all outstanding shares of a unified communications solutions provider. Immediately upon completing the acquisition, Parent merged the acquired entity with and into Avaya Inc., with Avaya Inc. surviving the merger.

The principal amount of these notes plus any accrued and unpaid interest are due in full January 24, 2019 (as modified) and October 28, 2017 (as modified) with interest at the rate of 1.65% (as modified) and 1.85% (as modified) per annum, respectively. These notes are included in other assets in the Company's Consolidated Balance Sheets.

Transactions with Other Sponsor Portfolio Companies

The Sponsors are private equity firms that have investments in companies that do business with Avaya. For fiscal 2015, 2014 and 2013, the Company recorded $30 million, $27 million and $6 million, respectively, associated with sales of the Company's products and services to companies in which one or both of the Sponsors have investments. For fiscal 2015, 2014 and 2013, the Company purchased goods and services of $11 million, $8 million and less than $1 million, respectively from companies in which one or both of the Sponsors have investments. In September 2015, a company in which a Sponsor has an investment merged with a commercial real estate services firm that began providing management services associated with the Company's leased properties during fiscal 2015. The Company incurred $4 million of management services provided by this commercial real estate services firm during fiscal 2015.

Term Loans Held by Sponsors

During fiscal 2013, affiliates of TPG held some of the Company's outstanding term loans under the Senior Secured Credit Agreement. Certain of the term B-1 loans held by those affiliates were converted to term B-5 loans, $22 million of which were repaid in connection with the issuance of the 9% Senior Secured Notes. Based on the amount of the term loans that were held during fiscal 2013, and consistent with the terms of the loan, those affiliates received payments of principal and interest (inclusive of amounts paid by the Company in connection with the issuance of the 9% Senior Secured Notes) aggregating approximately $23 million.

During fiscal 2013, an affiliate of Silver Lake held some of the Company's outstanding term loans under the Senior Secured Credit Agreement. The outstanding term B-1 loans held by such affiliate were converted to term B-5 loans. Based on the amount of the term loans that were held by such affiliate during fiscal 2013 and consistent with the terms of the loan, that affiliate received payments of principal and interest aggregating approximately $5 million.

On October 29, 2012, December 21, 2012 and February 13, 2013, the Company amended the terms of its credit facilities in connection with certain refinancing transactions. Affiliates of Silver Lake and TPG received less than $1 million in each of these transactions during fiscal 2013.

As of September 30, 2015 and 2014 affiliates of Silver Lake and TPG held no outstanding principal amounts of term loans under the Senior Secured Credit Agreement. See Note 10, "Financing Arrangements" for further details regarding the Company's financing arrangements.

Preferred Stock Ownership by Sponsors

In connection with the financing of the acquisition of NES, our Parent issued shares of its non-voting Series A Preferred Stock to affiliates of TPG and Silver Lake. As of September 30, 2015 and 2014, affiliates of TPG owned 38,864.13 shares of Parent's Series A Preferred Stock and affiliates of Silver Lake owned 38,864.13 shares of Parent's Series A Preferred Stock.

In connection with the financing of the Radvision acquisition, Parent issued shares of its convertible non-voting Series B Preferred Stock to affiliates of TPG and Silver Lake. As of September 30, 2015 and 2014, affiliates of TPG owned 32,649 shares of Parent's Series B Preferred Stock and affiliates of Silver Lake owned 32,649 shares of Parent's Series B Preferred Stock.

Arrangements Involving our Directors and Executive Officers

Charles Giancarlo is a Director of the Company and Parent and held the positions of Special Advisor and Managing Partner of Silver Lake until September 30, 2015 and December 31, 2013, respectively. Mr. Giancarlo also serves as a Director of Accenture, Plc ("Accenture"), a management consulting business. During fiscal 2015, 2014 and 2013 sales of the Company's products and services to Accenture were $1 million, $1 million and $3 million, respectively. During fiscal 2015, 2014 and

2013 the Company purchased goods and services from Accenture of less than $1 million, less than $1 million and $4 million, respectively.

Greg Mondre is a Director of the Company and Parent and holds the positions of Managing Partner and Managing Director of Silver Lake. Mr. Mondre is related to the Vice Chairman and Co-Chief Executive Officer of C3/Customer Contact Channels Holdings L.P. ("C3 Holdings"), a provider of outsourced customer management solutions. During fiscal 2015, 2014 and 2013 sales of the Company's products and services to C3 Holdings were $1 million, $2 million and less than $1 million, respectively.

John W. Marren is a Director of the Company and Parent and holds the position of Partner of TPG and serves on the Board of Directors of Sungard Data Systems, Inc. ("Sungard"), a software and technology services company. In each of fiscal 2015, 2014 and 2013 the Company purchased goods and services from Sungard of $1 million.

Afshin Mohebbi is a Director of the Company and Parent and holds the position of Senior Advisor of TPG.

Ronald A. Rittenmeyer is a Director of the Company and Parent and serves in these capacities as a director designated by TPG. Mr. Rittenmeyer serves on the Board of Directors of Tenet Healthcare Corporation ("Tenet Healthcare"), a healthcare services company, and served as Chairman, President and Chief Executive Officer of Expert Global Solutions, Inc. (formerly known as NCO Group, Inc.) ("Expert Global Solutions"), a global provider of business process outsourcing services until June 2014. During fiscal 2015, 2014 and 2013 sales of the Company's products and services to Tenet Healthcare were $1 million, less than $1 million and $1 million, respectively. During fiscal 2015, 2014 and 2013 sales of the Company's products and services to Expert Global Solutions were $8 million, $9 million and $9 million, respectively.

Kiran Patel is a Director of the Company and Parent and held the position of Executive Vice President and General Manager, Small Business Group of Intuit, Inc. ("Intuit"), a provider of financial software solutions for consumers and small businesses until September 2013. During fiscal 2015, 2014 and 2013 sales of the Company's products and services to Intuit were $1 million, $2 million and $2 million, respectively.

Marc Randall is the Senior Vice President and General Manager of the Company and Parent and serves on the Board of Directors of Xirrus, Inc. ("Xirrus"), a provider of wireless access network solutions. In March 2014, the Company entered a strategic partnership with Xirrus whereby the Company owns less than 6% of the outstanding voting securities of Xirrus on a fully diluted basis. The Company also has one seat on the board of directors held by Mr. Randall. During fiscal 2015 and 2014, the Company purchased goods and services from Xirrus of $10 million and $5 million, respectively. Purchases during fiscal 2013 were not material.

19. Commitments and Contingencies

Legal Proceedings

In the ordinary course of business, the Company is involved in litigation, claims, government inquiries, investigations and proceedings, including, but not limited to, those identified below, relating to intellectual property, commercial, employment, environmental and regulatory matters.

The Company believes that it has meritorious defenses in connection with its current lawsuits and material claims and disputes, and intends to vigorously contest each of them.

Based on the Company's experience, management believes that the damages amounts claimed in a case are not a meaningful indicator of the potential liability. Claims, suits, investigations and proceedings are inherently uncertain and it is not possible to predict the ultimate outcome of cases.

Other than as described below, in the opinion of the Company's management based upon information currently available to the Company, while the outcome of these lawsuits, claims and disputes is uncertain, the likely results of these lawsuits, claims and disputes are not expected, either individually or in the aggregate, to have a material adverse effect on the Company's financial position, results of operations or cash flows, although the effect could be material to the Company's results of operations or cash flows for any interim reporting period.

Antitrust Litigation

In 2006, the Company instituted an action in the U.S. District Court, District of New Jersey, against defendants Telecom Labs, Inc., TeamTLI.com Corp. and Continuant Technologies, Inc. ("TLI/Continuant") and subsequently amended its complaint to include certain individual officers of these companies as defendants. Defendants purportedly provide maintenance services to customers who have purchased or leased the Company's communications equipment. The Company asserted in its amended complaint that, among other things, defendants, or each of them, engaged in tortious conduct by improperly accessing and utilizing the Company's proprietary software, including passwords, logins and maintenance service permissions, to perform certain maintenance services on the Company's customers' equipment. TLI/Continuant filed counterclaims against the Company alleging that the Company has violated the Sherman Act's prohibitions against anticompetitive conduct through the manner in which the Company sells its products and services. TLI/Continuant sought to recover the profits they claim they would have earned from maintaining Avaya's products, and asked for injunctive relief prohibiting the conduct they claim is anticompetitive.

The trial commenced on September 9, 2013. On January 8, 2014, the Court issued an opinion dismissing the Company's affirmative claims. With respect to TLI/Continuant's counterclaims, on March 27, 2014, a jury found against the Company on two of eight claims and awarded damages of $20 million. Under the federal antitrust laws, the jury's award is subject to automatic trebling, or $60 million.

Following the jury verdict, TLI/Continuant sought an injunction regarding the Company's ongoing business operations. On June 30, 2014, a federal judge rejected the demands of TLI/Continuant's proposed injunction and stated that "only a narrow injunction is appropriate." Instead, the judge issued an order relating to customers who purchased an Avaya PBX system between January 1, 1990 and April 30, 2008 only. Those customers and their agents will have free access to the on demand maintenance commands that were installed on their systems at the time of the purchase transaction. The court specified that this right "does not extend to access on a system purchased after April 30, 2008." Consequently, the injunction affects only systems sold prior to April 30, 2008. The judge denied all other requests TLI/Continuant made in its injunction filing. The Company is complying with the injunction.

The Company and TLI/Continuant filed post-trial motions seeking to overturn the jury's verdict, which motions were denied. In September 2014, the Court entered judgment in the amount of $63 million, which included the jury's award of $20 million, subject to automatic trebling, or $60 million, plus prejudgment interest in the amount of $3 million. On October 10, 2014, the Company filed a Notice of Appeal, and on October 23, 2014, TLI/Continuant filed a Notice of Conditional Cross-Appeal. On October 23, 2014, the Company filed its supersedeas bond with the Court in the amount of $63 million, which includes an amount for post-judgment interest and stays execution of the judgment while the matter is on appeal. The Company secured posting of the bond through the issuance of a letter of credit under its existing credit facilities. On November 10, 2014, TLI/Continuant made an application for attorney's fees, expenses and costs, which the Company is contesting. TLI/Continuant's current application for attorneys' fees, expenses and costs is approximately $65 million and represents activity through September 11, 2014. Once the initial application is resolved by the Court, the Company expects that TLI/Continuant will make a supplemental application for activity beyond September 11, 2014. Once required, and in order to stay the enforcement of any award for attorney's fees, expenses and costs, on appeal or otherwise, the Company will post a bond in the amount of the award for attorney's fees, expenses and costs, plus interest. The Company expects to secure posting of the bond through existing resources and may use any or a combination of the issuance of one or more letters of credit under its existing credit facilities and cash on hand.

The Company continues to believe that TLI/Continuant's claims are without merit and unsupported by the facts and law, and the Company intends to defend this matter, including by filing its appeal to the United States Court of Appeals for the Third Circuit. The Company filed its initial appellate brief with the Third Circuit on June 12, 2015 and briefing by the parties is now complete. The Third Circuit has tentatively scheduled oral argument for January 18, 2016, after which the Third Circuit will issue a written opinion. No loss reserve has been provided for this matter.

In the event TLI/Continuant ultimately succeed on appeal, any potential loss could be material. At this time an outcome cannot be predicted and, as a result, the Company cannot be assured that this case will not have a material adverse effect on the manner in which it does business, its financial position, results of operations, or cash flows.

Intellectual Property and Commercial Disputes

In the ordinary course of business, the Company is involved in litigation alleging it has infringed upon third parties' intellectual property rights, including patents and copyrights; some litigation may involve claims for infringement against customers, distributors and resellers by third parties relating to the use of Avaya's products, as to which the Company may provide indemnifications of varying scope to certain parties. The Company is also involved in litigation pertaining to general commercial disputes with customers, suppliers, vendors and other third parties including royalty disputes. These matters are on-going and the outcomes are subject to inherent uncertainties. As a result, the Company cannot be assured that any such matter will not have a material adverse effect on its financial position, results of operations or cash flows.

SNMP Research International, Inc. and SNMP Research, Inc. (collectively, "SNMP-RI") brought a complaint, on November 2, 2011, against Avaya and Nortel Networks, Inc. ("Nortel") (and others) in the Nortel Chapter 11 bankruptcy proceeding captioned In re Nortel Networks, Inc., 09-10138 (KG) (Bankr. D. Del.). In the complaint, SNMP-RI alleges that Avaya is liable to SNMP-RI for copyright and trade secret infringement with respect to Nortel products acquired by Avaya that incorporate SNMP-RI products. No trial date has been set. In a separate case pending in the United States District Court for the District of Delaware, SNMP-RI alleged that (i) Avaya either underreported or failed to report royalties owed to SNMP-RI under a license agreement and (ii) Avaya's use of SNMP-RI software in certain ways constitutes copyright and trade secret infringement. Trial of this matter is currently scheduled to begin May 9, 2016.

In late 2014 SNMP-RI also brought two separate complaints against several of Avaya's resellers or distributors, alleging essentially the same facts as in the matters described above; these two cases are now stayed following motions filed by Avaya.

Avaya believes it has meritorious defenses but at this time an outcome cannot be predicted and, as a result, the Company cannot be assured that this case will not have a material adverse effect on the manner in which it does business, its financial position, results of operations, or cash flows.

Other

In October 2009, a group of former employees of Avaya's former Shreveport, Louisiana manufacturing facility brought suit in Louisiana state court, naming as defendants Alcatel-Lucent USA, Inc., Lucent Technologies Services Company, Inc., and AT&T Technologies, Inc. The former employees allege hearing loss due to hazardous noise exposure from the facility dating back over forty years, and stipulate that the total amount of each individual's damages does not exceed fifty thousand dollars. In February 2010 plaintiffs amended their complaint to add the Company as a named defendant. There are 101 plaintiffs in the case. In light of the Louisiana Supreme Court's holding in another hearing loss case ("Graphic Packaging"), in which the Court held that noise induced hearing loss qualifies as an occupational injury or disease subject to Workers' Compensation claims, in October 2015 Avaya filed dispositive motions seeking dismissal of this matter.

At this time an outcome cannot be predicted however, because the amounts of the claims individually and in the aggregate are not material, the Company believes the outcome of this matter will not have a material adverse effect on the manner in which it does business, its financial position, results of operations, or cash flows.

General

The Company records accruals for legal contingencies to the extent that it has concluded it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. No estimate of the possible loss or range of loss in excess of amounts accrued, if any, can be made at this time regarding the matters specifically described above because the inherently unpredictable nature of legal proceedings may be exacerbated by various factors, including: (i) the damages sought in the proceedings are unsubstantiated or indeterminate; (ii) discovery is not complete; (iii) the proceeding is in its early stages; (iv) the matters present legal uncertainties; (v) there are significant facts in dispute; (vi) there are a large number of parties (including where it is uncertain how liability, if any, will be shared among multiple defendants); or (vii) there is a wide range of potential outcomes.

Product Warranties

The Company recognizes a liability for the estimated costs that may be incurred to remedy certain deficiencies of quality or performance of the Company's products. These product warranties extend over a specified period of time generally ranging up to two years from the date of sale depending upon the product subject to the warranty. The Company accrues a provision for estimated future warranty costs based upon the historical relationship of warranty claims to sales. The Company periodically reviews the adequacy of its product warranties and adjusts, if necessary, the warranty percentage and accrued warranty reserve, which is included in other current and non-current liabilities in the Consolidated Balance Sheets, for actual experience.

In millions		
Balance as of October 1, 2013	$	16
Reductions for payments and costs to satisfy claims		(13)
Accruals for warranties issued during the period		10
Balance as of September 30, 2014		**13**
Reductions for payments and costs to satisfy claims		(12)
Accruals for warranties issued during the period		8
Balance as of September 30, 2015	**$**	**9**

Guarantees of Indebtedness and Other Off-Balance Sheet Arrangements

Letters of Credit

As of September 30, 2015, the Company had $177 million of outstanding letters of credit which ensure the Company's performance or payment to third parties. Included in this amount is $119 million issued under the Domestic ABL, $22 million of letters of credit issued under the Foreign ABL and $36 million of letters of credit issued under uncommitted facilities.

Surety Bonds

The Company arranges for the issuance of various types of surety bonds, such as license, permit, bid and performance bonds, which are agreements under which the surety company guarantees that the Company will perform in accordance with contractual or legal obligations. These bonds vary in duration although most are issued and outstanding from three months to three years. These bonds are backed by $71 million of the Company's letters of credit and include the $63 million supersedeas bond filed with the Court in the TLI/Continuant matter discussed above. If the Company fails to perform under its obligations, the maximum potential payment under these surety bonds is $76 million as of September 30, 2015.

Purchase Commitments and Termination Fees

The Company purchases components from a variety of suppliers and uses several contract manufacturers to provide manufacturing services for its products. During the normal course of business, in order to manage manufacturing lead times and to help assure adequate component supply, the Company enters into agreements with contract manufacturers and suppliers that allow them to produce and procure inventory based upon forecasted requirements provided by the Company. If the Company does not meet these specified purchase commitments, it could be required to purchase the inventory, or in the case of certain agreements, pay an early termination fee. Historically, the Company has not been required to pay a charge for not meeting its designated purchase commitments with these suppliers, but has been obligated to purchase certain excess inventory levels from its outsourced manufacturers due to actual sales of product varying from forecast and due to transition of manufacturing from one vendor to another.

The Company's outsourcing agreements with its most significant contract manufacturers automatically renew in July and September for successive periods of twelve months each, subject to specific termination rights for the Company and the contract manufacturers. All manufacturing of the Company's products is performed in accordance with either detailed requirements or specifications and product designs furnished by the Company, and is subject to rigorous quality control standards.

Long-Term Cash Incentive Bonus Plan

Parent has established a long-term incentive cash bonus plan ("LTIP"). Under the LTIP, Parent will make cash awards available to compensate certain key employees upon the achievement of defined returns on the Sponsors' initial investment in Parent (a "triggering event"). Parent has authorized LTIP awards covering a total of $60 million, of which $37 million in awards were outstanding as of September 30, 2015. The Company will begin to recognize compensation expense relative to the LTIP awards upon the occurrence of a triggering event (e.g., a sale or initial public offering). As of September 30, 2015, no compensation expense associated with the LTIP has been recognized.

Credit Facility Indemnification

In connection with its obligations under the credit facilities described in Note 10, "Financing Arrangements," the Company has agreed to indemnify the third-party lending institutions for costs incurred by the institutions related to changes in tax law or other legal requirements. While there have been no amounts paid to the lenders pursuant to this indemnity in the past, there can be no assurance that the Company will not be obligated to indemnify the lenders under this arrangement in the future.

Transactions with Alcatel-Lucent

Pursuant to the Contribution and Distribution Agreement effective October 1, 2000, Lucent Technologies, Inc. (now Alcatel-Lucent) contributed to the Company substantially all of the assets, liabilities and operations associated with its enterprise networking businesses (the "Company's Businesses") and distributed the Company's stock pro-rata to the shareholders of Lucent ("distribution"). The Contribution and Distribution Agreement, among other things, provides that, in general, the Company will indemnify Alcatel-Lucent for all liabilities including certain pre-distribution tax obligations of Alcatel-Lucent relating to the Company's Businesses and all contingent liabilities primarily relating to the Company's Businesses or otherwise assigned to the Company. In addition, the Contribution and Distribution Agreement provides that certain contingent liabilities not allocated to one of the parties will be shared by Alcatel-Lucent and the Company in prescribed percentages. The Contribution and Distribution Agreement also provides that each party will share specified portions of contingent liabilities based upon agreed percentages related to the business of the other party that exceed $50 million. The Company is unable to determine the maximum potential amount of other future payments, if any, that it could be required to make under this agreement.

The Tax Sharing Agreement governs Alcatel-Lucent's and the Company's respective rights, responsibilities and obligations after the distribution with respect to taxes for the periods ending on or before the distribution. Generally, pre-distribution taxes or benefits that are clearly attributable to the business of one party will be borne solely by that party and other pre-distribution taxes or benefits will be shared by the parties based on a formula set forth in the Tax Sharing Agreement. The Company may be subject to additional taxes or benefits pursuant to the Tax Sharing Agreement related to future settlements of audits by state and local and foreign taxing authorities for the periods prior to the Company's separation from Alcatel-Lucent.

Leases

The Company leases land, buildings and equipment under agreements that expire in various years through 2026. Rental expense under operating leases, excluding any lease termination costs incurred related to the Company's restructuring programs, was $99 million, $107 million and $107 million for fiscal 2015, 2014 and 2013, respectively.

The table below sets forth future minimum lease payments, net of sublease income, due under non-cancelable operating leases, of which $62 million of such payments have been accrued for as of September 30, 2015 in accordance with GAAP pertaining to restructuring and exit activities.

In millions		
2016	$	84
2017		70
2018		62
2019		50
2020		38
2021 and thereafter		54
Future minimum lease payments	**$**	**358**

The table below sets forth future minimum lease payments, due under non-cancelable capitalized leases as of September 30, 2015.

In millions		
2016	$	26
2017		21
2018		15
2019		5
Future minimum lease payments		67
Less: Imputed interest		(6)
Present value of net minimum lease payments	**$**	**61**

20. Quarterly information (unaudited)

In millions		First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Total
Fiscal Year Ended September 30, 2015										
Revenue	$	1,079	$	995	$	999	$	1,008	$	4,081
Gross profit		638		592		584		616		2,430
Operating income		104		83		84		100		371
(Provision for) benefit from income taxes		(3)		6		(3)		(70)		(70)
Net income (loss)	$	3	$	(22)	$	(49)	$	(76)	$	(144)
Fiscal Year Ended September 30, 2014										
Revenue	$	1,131	$	1,060	$	1,054	$	1,126	$	4,371
Gross profit		640		597		607		655		2,499
Operating income		87		—		48		62		197
(Provision for) benefit from income taxes		(26)		(1)		8		(32)		(51)
Net loss	$	(54)	$	(96)	$	(62)	$	(19)	$	(231)

Avaya Inc.
Schedule II—Valuation and Qualifying Accounts

Information required by this item is incorporated by reference to Note 8, "Supplementary Financial Information," to our audited Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

a) *Evaluation of Disclosure Controls and Procedures.*

As of the end of the period covered by this report, our management, under the supervision and with the participation of the principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on this evaluation, our principal executive officer and principal financial officer have concluded (1) that the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (2) that the disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

b) *Management's Report on Internal Control Over Financial Reporting.*

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Management (with the participation of our principal executive officer and principal financial officer) conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of September 30, 2015 based on criteria in *Internal Control—Integrated Framework (2013)* issued by COSO.

The Company's internal control over financial reporting as of September 30, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of September 30, 2015.

c) *Changes in Internal Control Over Financial Reporting.*

There were no changes in the Company's internal control over financial reporting during the fourth quarter of fiscal 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. *Other Information*

Pursuant to Section 15(d) of the Securities Exchange Act of 1934, the Company's obligations to file periodic and current reports ended as of October 1, 2010. Nevertheless, the Company continues to file periodic reports and current reports with the SEC voluntarily to comply with the terms of the indenture governing its senior secured notes due March 1, 2021.

Subsequent to the quarter ended September 30, 2015, there were no events that took place that are required to be disclosed in a report on Form 8-K that have not yet been reported.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The following table sets forth the name, age and position of each of our executive officers and directors as of November 1, 2015:

Name	Age	Position
Pierre-Paul Allard	56	Senior Vice President, Worldwide Sales and President Global Field Operations
Gary E. Barnett	62	Senior Vice President and General Manager, Avaya Collaboration
James M. Chirico, Jr.	57	Executive Vice President, Business Operations
Fariborz Ebrahimi	54	Senior Vice President and Chief Information Officer
Amy Fliegelman Olli	51	Senior Vice President and General Counsel
Roger C. Gaston	59	Senior Vice President, Human Resources
Jaroslaw S. Glembocki	59	Senior Vice President, Quality Program Office
Kevin J. Kennedy	60	Director, President and Chief Executive Officer
Morag Lucey	54	Senior Vice President, Chief Marketing Officer
Laurent Philonenko	56	Senior Vice President, Corporate Strategy, Development and Technology
Marc J. Randall	54	Senior Vice President and General Manager, Avaya Networking
Michael M. Runda	59	Senior Vice President and President, Avaya Client Services
David Vellequette	59	Senior Vice President, Chief Financial Officer
Directors		
Charles H. Giancarlo	57	Chairman of the Board of Directors
Mary Henry	56	Director
John W. Marren	52	Director
Afshin Mohebbi	52	Director
Greg K. Mondre	41	Director
Kiran Patel	67	Director
Ronald Rittenmeyer	68	Director
Gary B. Smith	55	Director

***Pierre-Paul Allard,** Senior Vice President, Worldwide Sales and President, Global Field Operations*

Mr. Allard has been our Senior Vice President, Worldwide Sales and President, Global Field Operations since July 2013. He served as Senior Vice President, Corporate Strategy and Development since May 7, 2012. Previously, he spent 19 years at Cisco Systems, Inc. ("Cisco"), a provider of communications and networking products and services. Most recently, from August 2007 until February 2012, he served as Vice President, Sales and Operations, Global Enterprise at Cisco. Prior to joining Cisco, he spent 12 years at International Business Machines Corporation ("IBM"), a global provider of information technology products and services. Since September 2008, Mr. Allard has served on the Board of Directors of EXFO Inc., a provider of next-generation test and service assurance solutions for wireless and wireline network operators and equipment manufacturers in the global telecommunications industry.

Gary E. Barnett, Senior Vice President and General Manager, Avaya Collaboration

Mr. Barnett has been our Senior Vice President and General Manager, Avaya Collaboration since December 20, 2011. Prior to that time, from August 2011 until December 2011, he served as our Vice President and General Manager of UC Applications and from April 2011 until August 2011, he served as our Vice President of CC Applications. Previously, from October 2005 until April 2011, he served as Executive Vice President and Chief Technology Officer of Aspect Software, Inc., a provider of unified communications and contact center software and services.

James M. Chirico, Jr., Executive Vice President, Business Operations

Mr. Chirico has been our Executive Vice President, Business Operations since June 14, 2010. Previously, from February 3, 2009 until June 14, 2010, he served as our Chief Restructure Officer and President, Operations. From January 2, 2008 until February 3, 2009, he served as our Senior Vice President and President, Operations. Prior to that time, from February 1998 to

November 2007, Mr. Chirico held various senior management positions at Seagate Technology, a designer, manufacturer and marketer of hard disc drives, including Executive Vice President, Global Disc Storage Operations, from February 2006 until November 2007, and Senior Vice President and General Manager, Asia Operations, from September 2000 to February 2006.

Fariborz Ebrahimi, Senior Vice President and Chief Information Officer

Mr. Ebrahimi has been our Senior Vice President and Chief Information Officer since February 18, 2013. Previously, he was employed by Verizon Communications Inc., a leading provider of communications, information and entertainment products and services to consumers, businesses and governmental agencies. From January 2006 until December 2012 he served as Senior Vice President and CIO for Corporate Network and Technology, which included Verizon's Wireline network, as well as Verizon Shared Services Operations ("VSO"), which included the finance operations, real estate and supply chain services supporting all Verizon companies.

Amy Fliegelman Olli, Senior Vice President and General Counsel

Ms. Fliegelman Olli has been our Senior Vice President and General Counsel since June 2014. Previously, she was the General Counsel of CA Technologies, Inc. from September 2006 to June 2014 where she held a similar position of responsibility covering all legal, governance, compliance, internal audit, security, risk management and controls. Ms. Fliegelman Olli also spent 18 years with IBM Corporation, ultimately serving as Vice President and General Counsel for the Americas and Europe.

Roger C. Gaston, Senior Vice President, Human Resources

Mr. Gaston has been our Senior Vice President, Human Resources since May 2006. In his role, Mr. Gaston is responsible for employee compensation and benefits, employee communications, workforce relations, organizational development and transformation, recruitment, talent management and labor relations.

Jaroslaw S. Glembocki, Senior Vice President, Quality Program Office

Mr. Glembocki has served as our Senior Vice President, Quality Program Office since November 7, 2011. Previously he served as Chief Operating Officer of Solexant Corp., a developer of third-generation ultrathin-film PV technology, from March 2011 until October 2011. From June 2009 until March 2011, Mr. Glembocki was engaged in various consulting projects. Prior to that, Mr. Glembocki served as Senior Vice President of Recording Heads and Media Operations at Seagate Technology HDD Holdings, a designer, manufacturer and marketer of hard disc drives, from October 2000 until May 2009.

Kevin J. Kennedy, Director, President and Chief Executive Officer

Mr. Kennedy has been our President and Chief Executive Officer and a member of our Board of Directors since December 22, 2008. Previously, from September 2003 until December 2008, he served as Chief Executive Officer of JDS Uniphase Corporation ("JDSU"), a provider of optical communications products, and from March 2004 until December 2008, he also served as President of JDSU. He was a member of JDSU's Board of Directors from November 2001 until August 2012 and served as Vice Chairman of their Board of Directors from December 2008 until August 2012. Mr. Kennedy is also on the Board of Directors of KLA-Tencor Corporation, a supplier of process control and yield management solutions for the semiconductor industry, and Digital Realty Trust, Inc., which owns, acquires, develops and manages technology-related real estate.
Mr. Kennedy served on the Boards of Directors of Rambus Inc., a developer of a high-speed chip-to-chip interface technology, from April 2003 until July 2008 and Polycom Inc., a provider of telepresence, voice and video conferencing solutions, from May 2008 until January 2009. Mr. Kennedy was selected to serve as a director in light of his role as Chief Executive Officer, the management perspective he brings to board deliberations, his extensive management experience and his experience on multiple pubic company boards. Mr. Kennedy is also currently a Presidential Advisory Member of the National Security Telecommunications Advisory Committee.

Morag Lucey, Senior Vice President, Chief Marketing Officer

Ms. Lucey has been our Senior Vice President, Chief Marketing Officer since October 5, 2015. Ms. Lucey leads our global marketing efforts, including marketing communications and branding. Immediately before coming to Avaya she served as the Chief Executive Officer of VirtualCMO Limited, a marketing consulting firm focused on generating short term profitability and long term stability, from November 2014 until September 2015. Ms. Lucey previously worked at Avaya from 2002 to 2007 as Vice President of EMEA Marketing and Vice President of Global Marketing and Channel Marketing for small and midmarket business solutions. In addition, Ms. Lucey worked at BAE Systems from March 2013 to November 2014, serving as Chief Marketing Officer, and at Convergys from May 2009 to June 2012, serving as Senior Vice President of Global Marketing and Product Management

Laurent Philonenko, Senior Vice President, Corporate Strategy, Development and Technology

Mr. Philonenko has been our Senior Vice President, Corporate Strategy, Development and Technology since November 2014. He served as Vice President, Corporate Development and Strategy since November 2013. Prior to joining Avaya, Mr. Philonenko served as Chief Technology Officer for Cisco's Collaboration Technology Group from November 2012 to October

2013 and he was a Vice President and General Manager of three business units at Cisco from June 2004 to November 2012. He also served as the COO of Genesys Telecommunications Laboratories from July 2002 to December 2003 and CEO from December 2003 to May 2004. Mr. Philonenko is a graduate of Ecole Polytechnique in Paris and earned his master's degree in Management Science from Paris University.

Marc J. Randall, Senior Vice President and General Manager, Avaya Networking

Mr. Randall has been our Senior Vice President and General Manager, Avaya Networking since December 20, 2011. From January 31, 2011 until December 16, 2011, he served as Vice President and General Manager of Cisco Systems, Inc., a provider of communications and networking products and services. Previously, from 2008 to 2010, he served as Senior Vice President of Products and Offerings of Brocade, Inc., a provider of network solutions. Prior to that time, from 2003 until 2008, he served as President, CEO and a Director of Force10 Networks, a provider of data center networking.

Michael M. Runda, Senior Vice President and President, Avaya Client Services

Mr. Runda has been our Senior Vice President and President, Avaya Client Services since May 2012. From October 2011 until May 2012, he served as our Vice President, Global Support Services. Prior to that time, from 2010 until 2011, he served as Chief Executive Officer of KCS Academy, where he was responsible for the startup of the KCS Academy, a subsidiary of the Consortium for Service Innovation. The Academy develops and delivers executive legal and technical support and consulting practices. From 2006 until 2010, he served as the Vice President of Global Support for Intuit Corporation. From 2004 until October 2015, he served in various positions on the Board of Directors for the Consortium for Service Innovation. He also joined the Board of Directors for the KCS Academy in 2011 and he currently serves as the President of that board.

David Vellequette, Senior Vice President, Chief Financial Officer

Mr. Vellequette has been our Senior Vice President, Chief Financial Officer since October 1, 2012. From July 2004 until September 2012, he worked for JDS Uniphase Corporation ("JDSU"), a provider of optical communications products. During his time with JDSU, he served as Executive Vice President and Chief Financial Officer from June 2005 until August 2012 and Vice President and Operations Controller from July 2004 until June 2005.

Charles H. Giancarlo, Chairman of the Board of Directors

Mr. Giancarlo has been a member of our Board of Directors since June 30, 2008 and has been our Chairman of the Board of Directors since December 22, 2008. He served as our President and Chief Executive Officer from June 30, 2008 until December 22, 2008. Mr. Giancarlo was previously a Senior Advisor of Silver Lake from January 2014 until September 30, 2015 and prior to that was Managing Director of Silver Lake since 2007. Mr. Giancarlo is also on the Boards of Directors of Accenture plc, a management consulting business; Artista Networks, Inc., a data center switching company; ServiceNow, an enterprise IT cloud company; Imperva, Inc., a data security company; and various private companies. He served on the Board of Directors of Netflix, Inc., an online movie rental subscription service, from April 2007 until May 2012. Mr. Giancarlo's related industry experience, experience in financial matters, service as an executive officer and director of other companies, prior service as our Chief Executive Officer, experience in working with companies controlled by private equity sponsors, and affiliation with Silver Lake, which has the right to select three of our directors, led to the conclusion that he should serve as a director of our Company.

Mary Henry, Director

Ms. Henry has been a member of our Board of Directors since July 1, 2014. Ms. Henry was a partner and managing director of Goldman Sachs, employed there from August 1986 to November 2004, primarily in the firm's Investment Research Division. Ms. Henry is also on the boards of directors of various private companies. Ms. Henry's experience with public companies, finance matters and her independence from the Company led to the conclusion that she should serve as a director of the Company.

John W. Marren, Director

Mr. Marren has been a member of our Board of Directors since August 24, 2012 and he previously served as a member of our Board of Directors from October 26, 2007 to April 15, 2011. Mr. Marren joined TPG Capital in 2000 as Partner and co-leads TPG's technology team. Mr. Marren has served on the Board of Directors of Freescale Semiconductor, Ltd. since 2007 and on the Boards of Directors of various private companies. In addition, Mr. Marren served as Chairman of the Board of MEMC Electronic Materials, Inc. (now known as SunEdison, Inc.), a provider in the semiconductor and solar industries from 2001 to 2012. Mr. Marren's related industry experience, in working with companies controlled by private equity sponsors, and affiliation with TPG, which has the right to select three of our directors, led to the conclusion that he should serve as a director our Company.

Afshin Mohebbi, Director

Mr. Mohebbi has been a member of our Board of Directors since April 2011. Mr. Mohebbi has been a Senior Advisor to TPG since 2004. Previously, Mr. Mohebbi held various executive positions at Qwest Communications International Inc., British Telecom Plc., SBC Communications Inc. and Pacific Telesis Group. Mr. Mohebbi currently serves on the Board of Directors of DISH Network Corporation, as well as on the boards of directors of various private companies. Mr. Mohebbi's related industry experience, service as an executive officer and director of other companies, experience in working with companies controlled by private equity sponsors, and affiliation with TPG, which has the right to select three of our directors, led to the conclusion that he should serve as a director our Company.

Greg K. Mondre, Director

Mr. Mondre has been a member of our Board of Directors since October 26, 2007. Mr. Mondre has been a Managing Partner of Silver Lake since 2012 and a Managing Director of Silver Lake since 2005. Prior to joining Silver Lake in 1999, he was a principal at TPG and an investment banker at Goldman, Sachs & Co., a global investment banking and securities firm. Mr. Mondre is on the board of directors of Sabre Corporation, a technology solutions provider to the global travel industry. Mr. Mondre is also on the boards of directors of various private companies. Mr. Mondre's experience in financial matters, service as a director of other companies, experience in working with companies controlled by private equity sponsors and affiliation with Silver Lake, which has the right to select three of our directors, led to the conclusion that he should serve as a director of our Company.

Kiran Patel, Director

Kiran Patel has been a member of our Board of Directors since October 1, 2013. Mr. Patel served as Executive Vice President and General Manager, Small Business Group of Intuit, a provider of financial software solutions for consumers and small businesses, from December 2008 to September 2013. He was Senior Vice President and General Manager, Consumer Tax Group from June 2007 to December 2008 and Chief Financial Officer from September 2005 to January 2008. Mr. Patel also serves on the Board of Directors of KLA-Tencor Corporation and is a trustee of The Charles Schwab Family of Funds. Mr. Patel’s experience as a Chief Financial Officer, his experience with software, the Cloud and global management, as well as his independence from the Company led to the conclusion that he should serve as a director of the Company.

Ronald Rittenmeyer, Director

Ronald Rittenmeyer has been a member of our Board of Directors since October 1, 2013. Mr. Rittenmeyer is the former Chairman, President and Chief Executive Officer of Expert Global Solutions, Inc. (formerly known as NCO Group, Inc.), a global provider of business process outsourcing services, serving from 2011 to June 2014. Mr. Rittenmeyer is also the former Chairman, Chief Executive Officer and President of Electronic Data Systems Corporation, serving from 2005 to 2008. Mr. Rittenmeyer is currently a director of American International Group, Inc. and Tenet Healthcare Corporation. Mr. Rittenmeyer’s service as an executive officer and director of other companies and his designation by TPG, which has the right to select three of our directors, led to the conclusion that he should serve as a director of our Company.

Gary B. Smith, Director

Mr. Smith has been a Director of the Company since December 6, 2011. Mr. Smith currently serves as President, Chief Executive Officer and Director of Ciena Corporation ("Ciena") a network infrastructure company. Mr. Smith began serving as Chief Executive Officer of Ciena in May 2001, in addition to his existing responsibilities as president and director, positions he has held since October 2000. Mr. Smith also serves on the Board of Directors of CommVault Systems, Inc., a provider of data and information management software applications and related services, a position he has held since May 2004. Mr. Smith's nearly 30 years of experience in the global telecommunications industry and independence from the Company, led to the conclusion that he should serve as a director of the Company.

Corporate Governance

Code of Ethics and Business Conduct

Our Code of Conduct, *Operating with Integrity*, is designed to help directors and employees worldwide to resolve ethical issues in an increasingly complex global business environment. The Code of Conduct applies to all directors and employees, including, without limitation, the Chief Executive Officer, the Chief Financial Officer, the Corporate Controller and any other employee with any responsibility for the preparation and filing of documents with the SEC. The Code of Conduct covers a variety of topics, including those required to be addressed by the SEC. Topics covered include, but are not limited to, conflicts of interest, confidentiality of information and compliance with applicable laws and regulations. Directors and employees of the Company receive periodic updates regarding policies governed by and changes to the Code of Conduct. The Code of Conduct is available at our Investor Relations website located at www.avaya.com/investors/overview. We will post amendments to or waivers of the provisions of the Code of Conduct made with respect to any of our directors and executive officers on that website within four business days. The information contained on, or accessible through, our website is not part of this Annual Report, and is therefore not incorporated by reference. During fiscal 2015, no amendments to or waivers of the provisions of the Code of Conduct were made with respect to any of our Directors or executive officers.

Director Selection

A stockholders' agreement between Parent and its shareholders (other than management shareholders) contains agreements among the parties with respect to the election of Directors of Parent. The Directors of our Parent also serve as our Directors.

In addition, Mr. Kennedy's employment agreement provides that, for so long as he is the Company's Chief Executive Officer, our Sponsors shall vote to elect him as a Director of Avaya and of Parent.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act is inapplicable to the Company.

Committee Matters

The Audit Committee is comprised of Messrs. Patel (Chairman), Mondre and Rittenmeyer and Ms. Henry. The Board of Directors, after reviewing all of the relevant facts, circumstances and attributes, has determined that each of Mr. Mondre, Mr. Patel and Mr. Rittenmeyer is an “audit committee financial expert” as defined in applicable SEC rules. The Compensation Committee is comprised of Messrs. Marren (Chairman), Giancarlo and Smith. The Nominating and Governance Committee is comprised of Messrs. Mohebbi (Chairman), Giancarlo, Kennedy and Smith. See Item 13, “Certain Relationships and Related Party Transactions and Director Independence,” to this Annual Report on Form 10-K for more information regarding Director independence.

Item 11. *Executive Compensation*

Introduction

The fiscal year 2015 Compensation Discussion and Analysis ("CD&A") outlines the design and overall philosophy of our executive compensation program, the objectives and principles upon which it is based, and our fiscal 2015 pay decisions for our named executive officers ("NEOs"). Under SEC rules, our NEOs for fiscal 2015 are:

Our Fiscal 2015 NEOs

- Kevin J. Kennedy, President and Chief Executive Officer ("CEO")
- David Vellequette, Senior Vice President and Chief Financial Officer ("CFO")
- James M. Chirico, Jr., Executive Vice President, Business Operations
- Roger Gaston, Senior Vice President, Human Resources
- Amy Fliegelman Olli, Senior Vice President and General Counsel

Overview

The objectives of our executive compensation program are to:

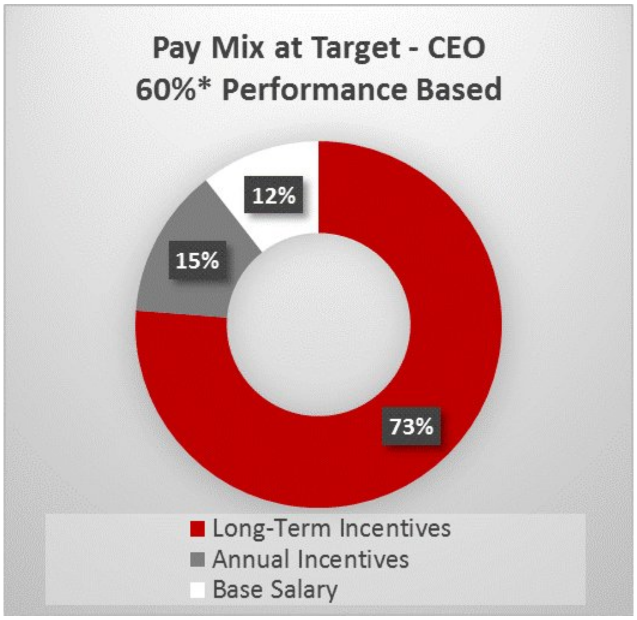
- Attract and retain executives with the skills and experience necessary to execute a fundamental business transformation by providing a competitive pay package that reflects the market in which we compete for talent;
- Align executive officer compensation with performance by providing executives with opportunities to earn performance-based compensation based on both Company performance as well as individual performance; and
- Align executive officer compensation with the stated objective of transforming Avaya into a premier software and services company.

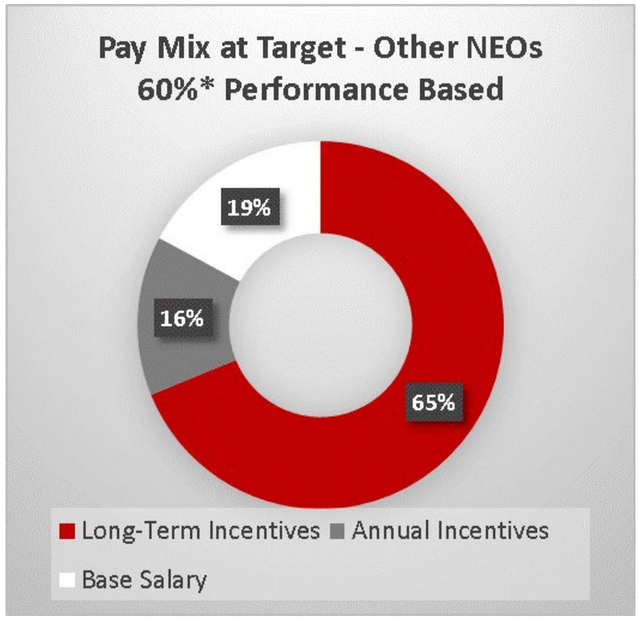
We have designed our executive compensation program to help achieve these objectives by using a combination of fixed pay and variable incentive compensation opportunities, which for fiscal 2015 included the following elements, together with our rationale for providing them:

Element of Compensation	*Overview of Program Element*
Base Salary	• Provide executive officers with base salaries that are market competitive and reflect the skills and experience required for their roles.
Short-Term and Deferred Cash Incentive Compensation	• Executive Committee Discretionary Annual Incentive Plan ("*EC DAIP*"): Provide executive officers with a semi-annual discretionary incentive opportunity intended to reward both Company and individual performance. • Executive Committee Performance Recognition Program ("*EC LTIP*"): A legacy incentive plan created in fiscal 2011 and revised in fiscal 2014 to provide executive officers with an additional annual deferred incentive opportunity based on financial and individual performance.
Long-Term Cash Compensation	• A legacy incentive plan adopted in fiscal 2013 to provide executive officers with a degree of value assurance relative to our equity plans due to the uncertainty regarding a liquidity event for our parent company, Avaya Holdings Corp ("Parent").
Long-Term Incentive Compensation ("LTI")	• Provide executive officers with market competitive annual long-term incentive grants comprised of a combination of cash-based performance awards, restricted stock units ("RSUs") and stock options.

Our determinations of NEO target compensation level and the mix of compensation elements are linked to short and long-term performance as evaluated by our Compensation Committee based on market practices and the Compensation Committee's assessment of each executive officer's skills, contributions and performance, each assessed without a specific weighting. The Compensation Committee recognizes that decisions regarding any one element of compensation may impact how the Company relies upon or makes use of another element. As a result, the Compensation Committee does not review each element in isolation and instead reviews them in total when making compensation decisions, without any particular weighting assigned to any individual element.

For fiscal 2015, the pay mix at target levels was as follows:





*For purposes of the above, performance-based compensation includes the target value of EC DAIP (defined above) and stock option and RSU awards.

Actual pay will vary from these targets based on the Compensation Committee's assessment of Company and individual performance, as well as the change in the value of the equity of our Parent, over time.

Compensation Governance

Our process for determining executive officer compensation (including for our NEOs) is as follows:

Compensation Committee

Our Compensation Committee is a committee of the Board of Directors of our Parent. In accordance with its charter, the Compensation Committee approves all elements of compensation for our executive officers. The role of the Compensation Committee is to discharge the Board's responsibilities relating to executive compensation matters. In this regard the Compensation Committee is responsible for the development and administration of our executive compensation and benefits programs. In furtherance of this purpose, the Compensation Committee has the authority and responsibility to:

- Develop, in partnership with management, an overarching compensation philosophy upon which our executive pay programs are built;
- Review and approve corporate goals and objectives relevant to the compensation of our CEO, evaluate the performance of our CEO in light of these goals and objectives, and determine and approve the compensation of our CEO based on this evaluation;
- Review the appropriateness of our peer group;
- Set executive officer compensation and make recommendations to the Board with respect to incentive compensation and equity-based plans, administer and make awards under such plans and review the cumulative effect of its actions;
- Review and approve the compensation of all executive officers;
- At its discretion, retain a compensation consultant to advise the Compensation Committee on executive pay matters; and
- Review and assist with the development of executive officer succession plans.

Compensation Consultant

We are advised on executive compensation matters by Semler Brossy Consulting Group ("Semler Brossy"). Semler Brossy was retained by management but provides advice and guidance to the Compensation Committee on a variety of topics including executive compensation program design, determination of our peer group, benchmarking and competitive assessment of our compensation.

Management

Our CEO, supported by our Human Resources team and with input from Semler Brossy, makes recommendations to the Compensation Committee regarding setting target compensation levels and determining amounts payable under performance-based awards for all executives other than himself. Pay decisions for our CEO are reviewed separately by the Compensation Committee and are independent of our CEO's input. Semler Brossy provides comparative market data and recommendations on CEO pay to the Compensation Committee directly.

Peer Group

To ensure that our compensation program remains competitive and aligned with our overall philosophy and objectives, the Compensation Committee compares our compensation and benefit practices and levels of pay to a peer group consisting of technology-oriented businesses that compete with us for talent and:

- are primarily information technology service businesses;
- have similar revenue bases and sizes to reflect business complexity; and
- are companies for which comparative executive compensation data are readily available.

Using these principles as our guide, the following 16 companies were used as the peer group for fiscal 2015 pay related decisions (the "Peer Group"):

Adobe Systems Inc.	EMC Corp.
Autodesk, Inc.	Juniper Networks Inc.
Broadcom Corp.	Motorola Solutions
Brocade Communications Systems Inc.	Symantec Corp.
CA, Inc.	Teradata Corp.
Citrix Systems Inc.	Unisys Corp.
Cognizant Technology Solutions Corp.	NetApp, Inc.
Computer Sciences Corp.	VMWare

In August 2015, the Compensation Committee conducted its annual assessment of our Peer Group with guidance from Semler Brossy. Semler Brossy recommended that we remove EMC Corp. from our Peer Group due to its size. The revised Peer Group of 15 companies was used to assess executive officer compensation for fiscal 2016.

In addition to the Peer Group, the Compensation Committee also reviews pay data from the Radford Global Compensation Survey, with a focus on technology companies with revenues of approximately $5 billion. This data is used to supplement the pay data from the Peer Group and also provides the Compensation Committee with market data for executives whose positions are not listed in Peer Group public filings. The Compensation Committee generally targets executive officer total target direct compensation, including long-term incentive grants, between the median and the seventy-fifth percentile of the market data, but actual pay positioning for each NEO is determined based on a number of factors including the role, contribution, and level of experience of each executive and the retention needs of the Company, and each is evaluated by the Compensation Committee in its judgment without any formula or weighting. We do not set specific targets relative to market for individual components of compensation such as base salary or target levels of annual or long-term incentives, but rather review the components in total.

Fiscal 2015 Compensation Elements and Pay Decisions

We continue to evolve from a traditional telecommunications hardware company into a software and services company to meet the demands of today's customers. Today a significant portion of our revenues are generated from the sale of software and services. We believe that improvements in our products and services have enhanced our leadership in the market and provided future growth opportunities. Fiscal 2015 marked our second year of a multi-year sales transformation initiative, and we continue to see indications of our progress across various business measures such as increases in Net Promoter Score (NPS) and growth in sales of key products and services. Our total direct compensation program for our NEOs and other executive officers was built to incentivize senior leadership to help achieve these and other go-to-market objectives by emphasizing pay-for-performance. We use base salaries and short-term cash-based incentives to reward achievement of shorter-term individual and Company performance goals and cash and equity-based long-term incentives to reward achievement of longer-term performance goals.

The Compensation Committee and Board regularly evaluated individual contributions and achievements in order to make organizational and compensation decisions. This included in-depth discussions of CEO and executive officer performance and an annual 360 degree review process that is facilitated by a third party advisor, including self-assessments. Individual performance for the executive officers was measured by our CEO using an assessment scale evaluating four performance metrics including overall impact, teamwork and attitude, results and performance, and leadership ("Performance Metrics").

The Compensation Committee participated in this process to develop an informed point of view which established the basis of their decisions for determining awards under all of the fiscal 2015 incentive programs.

Our approach to long-term incentives changed beginning in fiscal 2014. During the Compensation Committee meeting in November 2013, Semler Brossy presented their annual competitive assessment of CEO and executive officer compensation relative to our Peer Group and the market. The assessment indicated that while pay opportunities were competitive when viewed in combination with the addition of one-time programs, such as the EC LTIP, short-term cash awards, Segment Transformation Growth Incentive, Long-Term Cash Award Program and Quarterly Sales Transformation Incentive Plan, which are described below or under footnote 4 to the Summary Compensation Table, the transition to a standardized approach to total direct compensation (total target cash compensation plus long-term incentives) through an annual grant strategy under our long-term incentive program met market competitiveness in a simpler form. For fiscal 2015, the primary elements of our executive compensation program are described below.

Base Salary

Base salaries are evaluated at the beginning of each fiscal year following an assessment using market and Peer Group data performed by Semler Brossy. Assessment-based recommendations are made by our CEO and the Company's Executive Compensation team and presented to the Compensation Committee for further evaluation based on individual performance.

No changes were made to the base salaries for our executive officers during fiscal 2015. Please see the Summary Compensation Table for information on fiscal 2015 base salaries.

Short-Term and Deferred Cash Incentive Compensation

Executive Committee Discretionary Annual Incentive Plan ("EC DAIP")

On October 15, 2013 the Compensation Committee approved a new short-term incentive plan for executive officers, the EC DAIP. The EC DAIP was established based on a competitive assessment of our CEO and executive officer compensation relative to the market and our Peer Group at that time.

The EC DAIP was designed to balance the need for a competitive incentive opportunity that is tied to performance, with the necessity of providing our Compensation Committee with the ability to exercise judgment at the end of each performance period to consider other factors in determining awards, including:

- Overall Company performance; and
- Executive officer and function performance over time.

Similar to our short term incentive plan for employees, the EC DAIP provides two payout opportunities each fiscal year based on financial performance during the previous six month period (October 1 to March 31 and April 1 to September 30). During our annual competitive assessment, the Compensation Committee establishes a target for each NEO based on a percentage of their respective base salary, using market and Peer Group data to assist in determining the appropriate percentage. There is no guarantee for any individual award and individual awards may not exceed more than 200% of an individual's target.

As described in the "Compensation Governance" and "Fiscal 2015 Compensation Elements and Pay Decisions" sections above, the Compensation Committee reviews our NEO pay as compared to our Peer Group and market data, as reflected in the Radford Global Compensation Survey, based on a presentation by our compensation consultant, Semler Brossy. The Compensation Committee then determines the target award for each NEO under the EC DAIP and other pay elements generally by reference to the median and 75th percentiles of the Peer Group and market data.

Named Executive Officer	Fiscal 2015 EC DAIP Target Award Opportunity (% of Base Salary)	Fiscal 2015 EC DAIP Maximum Award Opportunity (% of Base Salary)
Kevin J. Kennedy	125%	250%
David Vellequette	90%	180%
James M. Chirico, Jr.	85%	170%
Roger Gaston	75%	150%
Amy Fliegelman Olli	80%	160%

Please see the Summary Compensation Table footnote 4(a) and Grants of Plan-Based Awards Table for additional details about this plan, including actual payouts for fiscal 2015.

The EC DAIP is a discretionary incentive plan, which means there is no specific quantitative achievement of Company performance required for the plan to be funded. Plan funding and individual awards are determined at the end of each period by the Compensation Committee in its discretion based on a number of factors, including overall Company performance, the executive's target, the Compensation Committee's evaluation of the Performance Metrics and our CEO's recommendations for the executive officers, other than for himself.

Executive Committee Performance Recognition Plan ("EC LTIP")

The EC LTIP is a five-year program that was created in fiscal 2011 and revised in fiscal 2014 to provide executive officers with an additional annual deferred incentive opportunity. In fiscal 2014, the program was amended to (i) reflect a single financial target of Adjusted EBITDA (which is defined in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of the audited Consolidated Financial Statements included in this Annual Report on Form 10-K) on a pre-short-term incentive plan basis (i.e., before taking into account any payment under the Company's short-term incentive plans for employees generally), or "Pre-STIP Adjusted EBITDA," and (ii) provide the Compensation Committee with full discretion to determine awards, provided that no individual award could exceed 160% of the individual's target. No more awards will be granted under this program.

Our actual Pre-STIP Adjusted EBITDA result was approximately 95% achievement relative to the target established by the Compensation Committee in November 2014. Notwithstanding that, the Compensation Committee determined to use a 90% level of attainment in connection with compensation matters due to enhancements to our results tied to foreign exchange rate movements during the fiscal year. Individual awards were decided based upon this 90% achievement level and were further adjusted based on the Performance Metrics.

Please see Summary Compensation Table footnote 4(e) for additional details, including target and actual payouts for fiscal 2015.

Long-Term Incentive Compensation

At the beginning of fiscal 2014, we established a framework for providing annual grants of long-term incentive opportunities to our executive officers, which we followed in fiscal 2015. These awards are intended to be competitive with practices among our Peer Group by providing annual equity-based and cash-based awards that vest over a multi-year timeframe. These awards also include both time-vesting and performance-based features. The awards' multi-year vesting is designed to encourage retention and performance of our executive officers. In fiscal 2013 and 2014, these awards were granted to vest ratably on an annual basis over a three-year period. Beginning in fiscal 2015, the awards vest over a four-year period, with one-fourth vesting on the first anniversary of the grant date of the award, and one-sixteenth vesting on each quarterly anniversary thereafter. This change was made to enhance the retentive impact of these awards by spreading the vesting over a longer period.

The specific mix of long-term incentive vehicles provided in fiscal 2015 is shown in the table below.

Vehicle	Cash	Restricted Stock Units	Stock Options
% of Annual Grant Value	50%	30%	20%
Performance Upside	50% of total cash grant value	Not Applicable	Not Applicable

The mix includes long-term cash in addition to equity-based awards both to recognize the limited liquidity of our Parent's stock as a private company and to limit the dilution of the interests of our current shareholders given the concentrated ownership of the Company.

Cash Component

Fifty percent of the long-term incentive award is allocated in cash. The cash portion of the award also contains an additional performance-based upside provision providing up to an additional 50% of one-fourth of the cash grant value at the end of each performance year if a pre-established financial target is achieved. The pre-established financial metric for fiscal 2015 grants was Pre-STIP Adjusted EBITDA. Our actual Pre-STIP Adjusted EBITDA result was approximately 95% achievement relative to this target. Since this target was not achieved, NEOs did not receive any performance-based upside cash awards based on fiscal 2015 results.

Restricted Stock Units

RSUs are the most prevalent form of equity-based compensation used by companies in our industry and among our Peer Group. Thirty percent of the value of the annual long-term incentive grant was delivered in RSUs, with the actual number of units being determined based on our Parent's common stock price, as determined by our Compensation Committee, at the time the grant was approved. In fiscal 2015, the RSU awards did not contain a performance-based upside provision which had been part of certain previous RSU awards.

Stock Options

Although the use of stock options is fairly uncommon among our Peer Group, we believe that as a private company delivering 20% of the annual long-term incentive grant through stock options is appropriate, particularly in balancing the mix of risk and reward for our executive officers. The actual number of stock options was determined using a Cox Ross Rubenstein value of our Parent's common stock at the time the grant was approved.

Name	Fiscal 2015 LTI Award	Cash Award (50%) Dollar Value of Award	Restricted Stock Units (30%) Dollar Value of Award	Stock Options (20%) Dollar Value of Award	Cash Award Potential Upside ($)	Restricted Stock Units (# of shares)	Stock Options (# of shares)
Kevin J. Kennedy	$ 7,500,000	$ 3,750,000	$ 2,250,000	$ 1,500,000	$ 1,875,000	900,000	937,500
David Vellequette	$ 2,750,000	$ 1,375,000	$ 825,000	$ 550,000	$ 687,500	330,000	343,750
James M. Chirico, Jr.	$ 2,750,000	$ 1,375,000	$ 825,000	$ 550,000	$ 687,500	330,000	343,750
Roger Gaston	$ 1,000,000	$ 500,000	$ 300,000	$ 200,000	$ 250,000	120,000	125,000
Amy Fliegelman Olli	$ 1,500,000	$ 750,000	$ 450,000	$ 300,000	$ 375,000	180,000	187,500

As noted above under "Stock Options" and in footnote 3 to the Summary Compensation Table, amounts indicated for Stock Awards and Option Awards represent the fair value of the awards at the date of grant as calculated in accordance with FASB Codification topic 718, without regard to forfeiture assumptions.

Fiscal 2016 Compensation Elements and Pay Decisions

At the November 2015 meeting of our Compensation Committee, Semler Brossy presented their findings from the fiscal 2016 competitive assessment of CEO and executive officer pay relative to the market and our Peer Group. The assessment indicated that overall, our total target direct compensation, with the addition of the annual long-term incentive grants, generally targeted our NEOs between the median and the seventy-fifth percentile of Peer Group. There were no additional awards provided under any of the legacy long-term incentive plans described in footnote 4 to the Summary Compensation Table.

For fiscal 2016, the Compensation Committee increased the target pay opportunities for several of our NEOs compared to fiscal 2015, including for our CEO. These pay increases were based on the Compensation Committee's assessment of competitive pay relative to market and a detailed assessment of past and potential future realizable pay opportunities under our various legacy and ongoing incentive plans. In addition, for NEOs other than the CEO, the Compensation Committee took into consideration the recommendations of the CEO for ongoing pay.

In assessing pay for the NEOs, the Compensation Committee noted in particular that a significant portion of our total compensation going forward is in the form of stock and options, which are currently not liquid assets and which therefore are not fully comparable to the stock awards of our publicly-traded peers. In addition, with the end of several of our legacy retention and incentive plans in fiscal 2015, which were cash awards, the Compensation Committee identified that a significant reduction in cash compensation opportunities would occur for several of our NEOs beginning in fiscal 2016. To partially offset this reduction in cash and to provide a more competitive total compensation opportunity going forward relative to market, the Compensation Committee made the following changes to total compensation for fiscal 2016:

Named Executive Officer	Fiscal 2016 Base Salary	Fiscal 2016 EC DAIP Target Award Opportunity (% of Base Salary)	Fiscal 2016 Target LTI Award	Fiscal 2016 Target Total Direct Compensation	Fiscal 2015 to Fiscal 2016 % Change in Target Total Direct Compensation
Kevin J. Kennedy	$ 1,250,000	150%	$ 9,000,000	$ 12,125,000	18%
David Vellequette	$ 650,000	100%	$ 2,750,000	$ 4,050,000	3%
James M. Chirico, Jr.	$ 750,000	100%	$ 3,250,000	$ 4,750,000	19%
Roger Gaston	$ 450,000	75%	$ 1,000,000	$ 1,788,000	3%
Amy Fliegelman Olli	$ 650,000	80%	$ 1,800,000	$ 2,970,000	0%

These pay increases emphasize long-term incentives both to enhance retention incentives and to allow the Compensation Committee more flexibility in the future to alter awards based on changing circumstances of the Company over time. In addition, the Compensation Committee awarded Mr. Chirico a cash retention award pursuant to which he will receive $500,000 at the end of fiscal 2016 and 2017, provided he is employed by the Company at such times.

Long-Term Incentives in Fiscal 2016

On August 12, 2015, the Compensation Committee amended the Avaya Holdings Corp. Second Amended and Restated 2007 Equity Incentive Plan ("2007 Plan"), which was approved by the stockholders of Parent effective November 16, 2015. The 2007 Plan was amended to make an additional 5,379,467 shares available for issuance, increasing the total amount of shares of Parent common stock available for issuance under the 2007 Plan to 61,236,872.

The foregoing description of the 2007 Plan and the First Amendment to the Plan is qualified in its entirety by reference to the full text of the 2007 Plan and the First Amendment, which were a filed as exhibits to the Company's Annual Reports on Form 10-K for fiscal 2014 and 2015, respectively.

At the November 2015 meeting, the Compensation Committee made the following long-term incentive awards to our NEOs for fiscal 2016 based on market competitiveness and the Compensation Committee's assessment of each executive's criticality in supporting our transformation:

Name	Fiscal 2016 LTI Awards	Cash Award (50%) Dollar Value of Award	Restricted Stock Units (30%) Dollar Value of Award	Stock Options (20%) Dollar Value of Award	Cash Award Potential Upside ($)	Restricted Stock Units (# of shares)	Stock Options (# of shares)	Total # of Shares
Kevin J. Kennedy	$ 9,000,000	$ 4,500,000	$ 2,700,000	$ 1,800,000	$ 2,250,000	1,350,000	1,384,615	2,734,615
David Vellequette	$ 2,750,000	$ 1,375,000	$ 825,000	$ 550,000	$ 687,500	412,500	423,077	835,577
James M. Chirico, Jr.	$ 3,250,000	$ 1,625,000	$ 975,000	$ 650,000	$ 812,500	487,500	500,000	987,500
Roger Gaston	$ 1,000,000	$ 500,000	$ 300,000	$ 200,000	$ 250,000	150,000	153,846	303,846
Amy Fliegelman Olli	$ 1,800,000	$ 900,000	$ 540,000	$ 360,000	$ 450,000	270,000	276,923	546,923

Awards vest one-fourth on the first anniversary of the date of grant and one-sixteenth on each quarterly anniversary of the date of grant thereafter. The numbers of RSUs and Stock Options is based upon the fair market value of a share of our common stock which was $2.00 on the date of grant and a fair value of $1.30 per share using a Cox Ross Rubenstein value.

Other Compensation

Executive Benefits and Perquisites

We provide certain benefits and perquisites to our executive officers to ensure our compensation and benefits package remains competitive. The Compensation Committee reviews these benefits and perquisites periodically to evaluate their value and market prevalence based on data provided by Semler Brossy. Please see the Summary Compensation Table footnote 5 for additional details about benefits paid in fiscal 2015.

Savings Plans

We offer a qualified 401(k) savings plan for all U.S. salaried employees, the Avaya Inc. Savings Plan for Salaried Employees ("ASPSE"). Effective January 1, 2013, our matching allocation is determined on a quarterly basis, once a Company financial performance threshold is met. The matching formula is 50% for the first 5% of pre-tax eligible compensation contributed by a participant, up to $3,000 annually.

We also offer an unfunded, non-qualified deferred compensation plan, the Avaya Inc. Savings Restoration Plan ("ASRP") to restore savings opportunities lost under the ASPSE due to Internal Revenue Code (the "Code") limitations. There is no Company match provided for this plan.

Severance Plan

We offer a severance plan to our executive officers, the Avaya Inc. Separation Plan for Senior Officers. The plan provides specific payments and benefit enhancements if an executive officer's employment is terminated involuntarily under the Avaya Force Management Program Guidelines. For additional details, please refer to the Potential Payments on Occurrence of Change of Control and Other Events section.

Because our common stock is not currently publicly traded, executive compensation paid during fiscal 2015 was not subject to the provisions of Section 162(m) of the Internal Revenue Code, which limits to $1 million the deductibility of compensation paid to any of certain named executive officers of a public company, with exceptions for qualifying performance-based compensation and certain other exceptions. At such time as we become subject to the deduction limitation under Section 162(m) of the Internal Revenue Code, we expect that the Compensation Committee will consider the impact of Section 162(m) of the Internal Revenue Code when structuring our executive compensation arrangements with our NEOs. However, the Compensation Committee will retain flexibility to approve compensation arrangements that in its view promote the objectives of our compensation program but that may not qualify for full or partial tax deductibility.

Committee Report on Executive Compensation

The Compensation Committee of Parent's Board of Directors reviewed and discussed with management the information included in the Company's Compensation Discussion and Analysis for fiscal 2015. Based on these reviews and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Annual Report on Form 10-K for the fiscal year ended September 30, 2015.

COMPENSATION COMMITTEE:

John W. Marren, Chairman

Charles H. Giancarlo

Gary B. Smith

Summary Compensation Table

The Summary Compensation Table contains values calculated and disclosed according to SEC reporting requirements. Salary, Bonus and Non-Equity Incentive Compensation values are reflective of compensation earned during fiscal 2015, 2014 and 2013, respectively. Stock Award and Option Award values are reflective of the total fair value, regardless of vesting conditions for earning the awards, for grants received during the applicable fiscal year.

Name	Year	Salary ($) (1)	Bonus ($)(2)	Stock Awards ($)(3)	Option Awards ($)(3)	Non-Equity Incentive Plan Comp. ($)(4)	All Other Comp. ($)(5)	Total ($)
Kevin J. Kennedy President and Chief Executive Officer	2015	$ 1,250,000	—	$ 2,250,000	$1,500,000	$ 9,134,375	$ 42,004	$ 14,176,379
	2014	$ 1,250,000	$ 2,000,000	$ 2,250,000	4,704,000	$ 5,460,938	$ 41,996	$ 15,706,934
	2013	$ 1,250,000	$ 1,592,382	$ 2,575,001	—	3,532,000	$ 17,571	$ 8,966,954
David Vellequette Senior Vice President and Chief Financial Officer	2015	$ 625,000	—	$ 825,000	$ 550,000	$ 1,712,500	$ 24,837	$ 3,737,337
	2014	$ 625,000	$ 200,000	$ 675,000	$ 529,200	$ 1,358,750	$ 24,881	$ 3,412,831
	2013	$ 587,500	$ 200,000	$ 1,006,251	$ 585,000	$ 1,071,250	$ 7,718	$ 3,457,719
James M. Chirico, Jr. Executive Vice President, Business Operations	2015	$ 675,000	—	$ 825,000	$ 550,000	$ 4,275,000	$ 23,321	$ 6,348,321
	2014	$ 675,000	—	$ 675,000	$ 529,200	$ 2,905,750	$ 23,189	$ 4,808,139
	2013	$ 653,269	—	$ 708,127	—	$ 2,085,250	$ 7,819	$ 3,454,465
Roger Gaston Senior Vice President, Human Resources	2015	$ 425,000	—	$ 300,000	$ 200,000	$ 1,916,667	$114,952	$ 2,956,619
	2014	$ 425,000	—	$ 299,999	$ 235,200	$ 1,575,000	$ 23,884	$ 2,559,083
Amy Fliegelman Olli Senior Vice President and General Counsel	2015	$ 650,000	$ 250,000	$ 450,000	$ 300,000	$ 951,667	$ 87,846	$ 2,689,513

(1) Amounts shown for fiscal 2013 for Mr. Chirico reflect the impact of participation in the Company's mandatory one-week furlough program.

(2) Amounts shown for fiscal 2015 reflect for Ms. Fliegelman Olli, the second installment of a sign-on payment made in connection with her offer of employment. Amounts shown for fiscal 2014 reflect: (i) for Mr. Kennedy, a cash bonus in recognition of his performance and efforts to transform our business, including amounts that he otherwise would have received under the EC LTIP, and (ii) for Mr. Vellequette, the second installment of a sign-on payment made in connection with his offer of employment. Amounts shown for fiscal 2013 reflect: (i) for Mr. Kennedy, a cash recognition award, and (ii) for Mr. Vellequette, the first installment of a sign-on payment made in connection with his offer of employment.

(3) Amounts indicated for "Stock Awards" and "Option Awards" represent the fair value of the awards at the date of grant as calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, "Compensation-Stock Compensation," or ASC 718, without regard to forfeiture assumptions. For fiscal 2014 the fair value of stock options for Mr. Kennedy and Mr. Vellequette vary from the amounts reported in Forms 8-K on November 15, 2013 and December 11, 2013 as those amounts were estimated using the June 30, 2013 fair value of the securities and not the fair value on the date of grant as subsequently determined under ASC 718.

Included in fiscal 2013 is the incremental fair value of replacement RSUs awarded under a stock option exchange program whereby individuals holding previously granted performance-based stock options could exchange them on a three-for-one basis for RSUs. Not included in fiscal 2013 are any amounts attributable to previously granted performance-based stock options as it is not possible to determine if the performance condition (e.g., sale or initial public offering of Parent) will be satisfied until such event actually occurs. For options granted to Mr. Vellequette in fiscal 2013, assuming the highest level of achievement, the aggregate grant date fair value for fiscal 2013 would have been $410,375.

For more information regarding the valuation of stock-based awards (including assumptions made in such valuation), refer to Note 15, "Share-based Compensation," to our audited Consolidated Financial Statements included elsewhere in this Annual Report.

(4) Mr. Kennedy's fiscal 2013 compensation includes all compensation elements reported in the Company's fiscal 2013 Form 10-K as well as additional elements reported on the Company's Form 8-K filed dated December 11, 2013.

Non-Equity Incentive Plan Compensation reflects amounts earned under each of the following programs:

Name	Year	EC DAIP Awards (a)	Short Term Cash Award (b)	Segment Transformation Growth Incentive (c)	Long Term Cash Award (d)	EC Long Term Incentive Plan (e)	Cash Long Term Incentive (f)	Total ($)
Kevin J. Kennedy	2015	$ 859,375	—	—	$ 5,900,000	$1,125,000	$1,250,000	$9,134,375
	2014	$ 804,688	$ 1,250,000	$ 750,000	$ 1,656,250	$1,000,000	—	$5,460,938
	2013	$ 725,000	$ 1,563,000	$ 250,000	$ 994,000	—	—	$3,532,000
David Vellequette	2015	$ 270,000	—	—	$ 517,500	$ 550,000	$ 375,000	$1,712,500
	2014	$ 265,000	—	$ 618,750	—	$ 475,000	—	$1,358,750
	2013	$ 217,000	—	$ 206,250	$ 173,000	$ 475,000	—	$1,071,250
James M. Chirico, Jr.	2015	$ 300,000	—	—	$ 3,000,000	$ 600,000	$ 375,000	$4,275,000
	2014	$ 290,000	$ 575,000	$ 618,750	$ 872,000	$ 550,000	—	$2,905,750
	2013	$ 231,000	$ 650,000	$ 206,250	$ 523,000	$ 475,000	—	$2,085,250
Roger Gaston	2015	$ 125,000	—	—	$ 1,325,000	$ 300,000	$ 166,667	$1,916,667
	2014	$ 135,000	$ 300,000	$ 337,500	$ 492,500	$ 310,000	—	$1,575,000
Amy Fliegelman Olli	2015	$ 235,000	—	—	—	$ 550,000	$ 166,667	$ 951,667

(a) Represents EC DAIP award payments for both performance periods of fiscal 2015.

Name	Target	Maximum	Midyear Payout	Year-End Payout	Total	% of Target
Kevin J. Kennedy	$ 1,562,500	$ 3,125,000	$ 390,625	$ 468,750	$ 859,375	55%
David Vellequette	$ 562,500	$ 1,125,000	$ 130,000	$ 140,000	$ 270,000	48%
James M. Chirico, Jr.	$ 573,750	$ 1,147,500	$ 130,000	$ 170,000	$ 300,000	52%
Roger Gaston	$ 318,750	$ 637,500	$ 60,000	$ 65,000	$ 125,000	39%
Amy Fliegelman Olli	$ 520,000	$ 1,040,000	$ 105,000	$ 130,000	$ 235,000	45%

(b) Represents aggregate short-term cash awards paid in fiscal 2013 and 2014 under the Short-Term Cash Award Program which was created in fiscal 2013 as part of a broad-based retention program targeted at approximately 3,000 of the Company's highest performing employees to recognize and reward progress despite missing financial targets for other performance-based incentive programs. The award amounts, which were determined as a percentage of base salary and were relative to the amount of variable pay opportunity for each corporate level, were determined considering an employee's corporate-level and individual performance. For NEOs, the program considered individual opportunity under two specific performance-based incentive programs: the then-current short-term incentive plan under which executives were eligible for awards and the EC LTIP. Award amounts were determined based on an assessment of each NEO's individual performance and progress in furthering our transformation. For information regarding the performance assessment process for these awards, please see "Fiscal 2014 Compensation Elements and Pay Decisions" in the Compensation Discussion and Analysis in our Annual Report on Form 10-K for fiscal 2014. Awards were payable in three installments in December 2012, March 2013 and December 2013, provided the executive was employed by us on the date of payment. No further awards are planned under this program.

Name	Aggregate Award Amount
Kevin J. Kennedy	$ 2,813,000
David Vellequette[1]	$ —
James M. Chirico, Jr.	$ 1,225,000
Roger Gaston	$ 625,000

[1] Mr. Vellequette joined the Company on October 1, 2012, three months after the July 2012 competitive assessment was completed and was therefore not a participant in this program.

(c) Represents the cash portion of the Segment Transformation Growth Incentive ("STGI") Program earned for the fiscal year indicated. No amounts were earned or payable in fiscal 2015. The STGI Program, which was created in fiscal 2013 and payable in fiscal 2014, addressed gaps identified between our executive officers' total direct compensation and market and then Peer Group total direct compensation during a critical stage of our business transformation strategy.

Awards were established as a percentage of base salary and were delivered through a mix of cash and RSUs. The cash portion of each executive officer's award vested monthly over a 12 month period from July 1, 2013 to June 30, 2014, provided the award recipient was employed by the Company as of the last day of the applicable month. Equity awards were fully vested and paid in fiscal 2014, as further described in the Options Exercised and Stock Vested Table and accompanying footnotes below. No further awards are planned under this program.

Name	Total Award Amount	Cash Award Amount	RSU Award Amount	Number of RSUs	Election % Cash	Election % RSUs
Kevin J. Kennedy	$ 2,000,000	$ 1,000,000	$ 1,000,000	444,444	50%	50%
David Vellequette	$ 1,100,000	$ 825,000	$ 275,000	122,222	75%	25%
James M. Chirico, Jr.	$ 1,100,000	$ 825,000	$ 275,000	122,222	75%	25%
Roger Gaston	$ 600,000	$ 450,000	$ 150,000	66,667	75%	25%

(d) Represents Long-Term Cash Award payments in fiscal 2013, 2014 and 2015 under the Long-Term Cash Award Program which was approved in fiscal 2013 after a competitive assessment was completed in July 2012. No new awards were granted under this program in fiscal 2015. No further awards are planned under this program.

These long-term cash awards were retention awards designed to provide a degree of value assurance relative to our equity plans for executive officers due to the uncertainty regarding the timing of a liquidity event for our Parent. The awards are generally payable in three installments over either a three- or five-year period, depending on executive officer tenure. For executives with more than five years' tenure when the award was made, the first installments were paid in fiscal 2013, the second installments were paid in fiscal 2014 and the third installment will be paid in fiscal 2016. For executives with less than five years' tenure when the award was made, the first installments were paid in fiscal 2013, the second installments were paid in fiscal 2015 and the third installment will be paid in fiscal 2018. The aggregate amount of the awards for NEOs under this plan (using the lower end of the third installment range) was designed to approximately equal five times the individual's base salary over a five-year period, with the exception of Ms. Fliegelman Olli. Since Ms. Fliegelman Olli joined the Company in June 2014, after these awards were approved in fiscal 2013, she is only eligible for one payment to be made at the time of the payments in fiscal 2018 and her aggregate award under this plan (using the lower end of her payment range) was designed to equal two times her base salary. The aggregate award for each NEO (other than Ms. Fliegelman Olli) was divided into different installment payments, as shown below and as set forth in an individual award letter which each NEO received. For each NEO, the upper end of the third installment range (or in Ms. Fliegelman Olli's case, her one payment range) equals 150% of the lower end of such range.

Name	Cash Payment (First Installment)[1]	Cash Payment (Second Installment)[2]	Cash Payment Target Range (Third Installment)[3]
Kevin J. Kennedy	$ 993,750	$ 1,656,250	$3,975,000 - $7,287,500
David Vellequette	$ 172,500	$ 517,500	$1,660,000 - $2,835,500
James M. Chirico, Jr.	$ 523,000	$ 872,000	$2,093,000 - $3,836,000
Roger Gaston	$ 296,000	$ 492,500	$1,182,000 - $2,167,000
Amy Fliegelman Olli[4]	$ —	$ —	$1,300,000 - $1,950,000

1 First installments were paid in fiscal 2013.

2 Second installments were paid in fiscal 2014 or 2015.

3 Third installments will be paid in fiscal 2016 or 2018. The third installment range for Mr. Vellequette reflects revisions to such range which were approved by the Compensation Committee on June 28, 2013.

4 Ms. Fliegelman Olli joined the Company on June 9, 2014, and therefore is only eligible for one payment payable at the time of the fiscal 2018 payments.

The amount of the third installment (or in Ms. Fliegelman Olli's case, her one payment) will be determined based upon the NEO's achievement under the EC LTIP over a five-year period from fiscal 2011 through 2015. In addition, the third installment payment may be adjusted, in the Compensation Committee's discretion, based on the executive's performance through the payment date.

The third installment payment (or in Ms. Fliegelman Olli's case, her one payment) for each award recipient will then be adjusted downward (i) to reflect shares of Parent common stock previously owned and sold by that individual and (ii) if Parent's common stock is then publicly traded, to reflect the value of certain shares of Parent common stock that individual owns (including vested stock units) or could receive upon exercise of stock options, in each case excluding shares relating to continuation stock options, continuation stock units and cash invested in connection with the going-private transaction of Avaya Inc.

Below are details regarding the third installment payment to be paid to Messrs. Kennedy, Chirico and Gaston in fiscal 2016:

Name[1]	Cash Payment Target Range (Third Installment)	Total EC LTIP Earned 2011-2015	Cash Payment (Third Installment)[2]
Kevin J. Kennedy	$3,975,000 - $7,287,500	$ 3,750,000	$ 5,900,000
James M. Chirico, Jr.	$2,093,000 - $3,836,000	$ 2,562,500	$ 3,000,000
Roger Gaston	$1,182,000 - $2,167,000	$ 1,320,000	$ 1,325,000

[1] Since the third installment payment for Mr. Vellequette and the one payment for Ms. Fliegelman Olli will not be paid until fiscal 2018, the Compensation Committee has not yet determined the amounts of such payments.

[2] After consideration of the third installment payment ranges and the total payments made to these executives under the EC LTIP, as well as each executive's attainment under the EC LTIP over the five-year period from fiscal 2011 through 2015 as compared to their aggregate target EC LTIP award during such period, the Compensation Committee exercised its discretion in recognition of the contributions of each of these executives to determine the third installment payments shown above. For NEOs other than the CEO, the Compensation Committee also took into consideration the recommendations of the CEO regarding such awards. In addition, since we do not expect our stock to be publicly traded when these third installments are due to be paid to these longer tenured NEOs, we do not expect these third payments to be adjusted downward due to sales of shares of Parent common stock or based on the price of Parent common stock.

(e) Represents cash incentives earned under the EC LTIP in fiscal 2015.

Name	Target	Year-End Payout	% of Target
Kevin J. Kennedy	$ 1,250,000	$ 1,125,000	90%
David Vellequette	$ 625,000	$ 550,000	88%
James M. Chirico, Jr.	$ 675,000	$ 600,000	89%
Roger Gaston	$ 425,000	$ 300,000	71%
Amy Fliegelman Olli	$ 650,000	$ 550,000	85%

(f) The amounts indicated in fiscal 2015 represent the first vesting of the LTI Cash awards granted in fiscal 2014. Based on fiscal 2015 results, the NEOs did not receive any performance-based upside cash awards for the LTI Cash awards granted in fiscal 2013 or 2014.

(5) During fiscal 2015, NEOs received certain perquisites provided by or paid for by the Company pursuant to Company policies. For all NEOs, amounts include life insurance premiums paid for by the Company and a financial planning allowance. For Mr. Chirico, includes a Company health spending account match that is provided through the Company's standard medical benefit plans. For Mr. Gaston, includes $90,115 in relation to relocation expenses. For Ms. Fliegelman Olli, includes $69,130 in relation to relocation expenses.

Grants of Plan-Based Awards in Fiscal 2015

The following table sets forth information concerning non-equity and equity incentive awards granted in fiscal 2015 to each of the NEOs. The equity incentive awards were made under the 2007 Plan described below.

Name	Grant Date		Estimated Future Payouts under Non-Equity Incentive Plan Awards Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (4)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($) (5)	Grant Date Fair Value of Stock and Options ($) (6)
Kevin J. Kennedy		(1)		$ 1,562,500	$ 3,125,000				
		(2)		$ 1,250,000					
	11/20/2014	(3)		$ 3,750,000	$ 5,625,000				
	11/20/2014					900,000			$ 2,250,000
	11/20/2014						937,500	$ 2.50	$ 2,343,750
David Vellequette		(1)		$ 562,500	$ 1,125,000				
		(2)		$ 625,000					
	11/20/2014	(3)		$ 1,375,000	$ 2,062,500				
	11/20/2014					330,000			$ 825,000
	11/20/2014						343,750	$ 2.50	$ 859,375
James M. Chirico, Jr.		(1)		$ 573,750	$ 1,147,500				
		(2)		$ 675,000					
	11/20/2014	(3)		$ 1,375,000	$ 2,062,500				
	11/20/2014					330,000			$ 825,000
	11/20/2014						343,750	$ 2.50	$ 859,375
Roger Gaston		(1)		$ 318,750	$ 637,500				
		(2)		$ 425,000					
	11/20/2014	(3)		$ 500,000	$ 750,000				
	11/20/2014					120,000			$ 300,000
	11/20/2014						125,000	$ 2.50	$ 312,500
Amy Fliegelman Olli		(1)		$ 520,000	$ 1,040,000				
		(2)		$ 650,000					
	11/20/2014	(3)		$ 750,000	$ 1,125,000				
	11/20/2014					180,000			$ 450,000
	11/20/2014						187,500	$ 2.50	$ 468,750

(1) Represents the fiscal 2015 target and maximum amounts payable under the EC DAIP, which is discussed above under “Fiscal 2015 Compensation Elements and Pay Decisions - EC DAIP”.

(2) Represents the fiscal 2015 target under the EC LTIP, which is discussed above under “Fiscal 2015 Compensation Elements and Pay Decisions -EC LTIP”.

(3) Represents the target and maximum, including the 4-year performance-based value that could be earned of the cash portion of the fiscal 2015 LTI grant. The target value of the awards granted to executive officers vest one-fourth on the first anniversary of the grant date and one-sixteenth on each quarterly anniversary thereafter. If earned, the performance value of fifty percent of one-fourth of the cash grant value will be paid promptly after determination. See “Fiscal 2015 Compensation Elements and Pay Decisions - Long-Term Incentive Compensation” for additional details.

(4) Number of units reported as “All Other Stock Awards” represents the RSU portion of the fiscal 2015 LTI grant, which vests one-fourth on the first anniversary of the grant date and one-sixteenth on each quarterly anniversary until fully vested on the fourth anniversary of the grant date. See “Fiscal 2015 Compensation Elements and Pay Decisions - Long-Term Incentives” for additional details.

(5) Under the terms of the 2007 Plan (defined above), the exercise price for an award cannot be less than the fair market value of a share of our common stock on the date of grant. The exercise prices indicated represent the fair market value of our Parent’s common stock on the applicable grant dates, as determined by the Compensation Committee, the administrator under the 2007 Plan.

(6) Amounts shown represent the grant date fair value of each award as calculated in accordance with ASC 718, without regard to forfeiture assumptions, and assumes a price of $2.50 per share of Parent's common stock, which was the fair market value on the date of grant of the respective award.

Description of Equity Plan

Executive officers, including our NEOs, and other employees, directors and consultants are eligible to participate in the 2007 Plan. As of September 30, 2015, 55,857,405 shares of Parent common stock were authorized for issuance under the 2007 Plan. The 2007 Plan was amended by the Compensation Committee on August 12, 2015, and approved by the stockholders of Parent effective November 16, 2015 to make an additional 5,379,467 shares available for issuance, increasing the total amount of shares of Parent common stock available for issuance under the 2007 Plan to 61,236,872. Parent's common stock is not publicly traded. See "Management's Discussion and Analysis-Use of Estimates and Critical Accounting Policies-Share-based Compensation" for information on the methodology to value Parent's common stock.

Prior to fiscal 2015, awards granted to executive officers generally vest one-third on the first anniversary of the grant date and one-twelfth on each quarterly anniversary thereafter. Starting in fiscal 2015, awards granted to executive officers vested one-fourth on the first anniversary of the grant date and one-sixteenth on each quarterly anniversary thereafter.

RSUs

Each RSU awarded under the 2007 Plan, when vested, entitles the holder to receive one share of Parent's common stock, subject to certain restrictions on their transfer and sale as provided for in the 2007 Plan and the related award agreements.

Stock Options

Each stock option, when vested and exercised, entitles the holder to receive one share of Parent common stock, subject to certain restrictions on transfer and sale as provided for in the 2007 Plan and the related award agreements. All stock options awarded under the 2007 Plan expire ten years from the date of grant or upon cessation of employment, in which event there are limited exercise periods associated with vested stock options.

To the extent an individual acquires shares of Parent common stock upon the exercise of a stock option or vesting of an RSU, those shares are subject to the restrictions on transfer and other provisions contained in a management stockholders' agreement and, in the case of certain executive officers, including certain of our NEOs, a registration rights agreement. See "Certain Relationships and Related Transactions and Director Independence."

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth the outstanding equity awards at the end of fiscal 2015 for each of the NEOs:

	OPTION AWARDS					STOCK AWARDS			
Name	Number of Securities Underlying Unexercised Options # Exercisable (1)	Number of Securities Underlying Unexercised Options # Unexercisable (2)(3)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested ($) (4)	Market Value of Shares or Units of Stock That Have Not Vested ($) (5)	Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights that have not vested (#) (6)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights that have not vested ($) (6)
Kevin J. Kennedy	3,250,000	—		$ 3.00	11/17/2019				
	650,000	—		$ 3.00	11/19/2019				
	1,166,668	833,332		$ 2.25	12/11/2023				
	700,001	499,999		$ 2.25	12/11/2023				
	—	937,500		$ 2.50	11/20/2024				
						1,316,668	$ 2,962,503		$ 375,000
David Vellequette	243,750	81,250		$ 4.00	10/1/2022				
	210,001	149,999		$ 2.25	11/15/2023				
	—	343,750		$ 2.50	11/20/2024				
						492,500	$ 1,108,125		$ 112,500
James M. Chirico, Jr.	650,000	—		$ 3.00	11/17/2019				
	162,500	—		$ 3.00	11/17/2019				
	260,000	—		$ 3.00	11/19/2019				
	210,001	149,999		$ 2.25	11/15/2023				
	—	343,750		$ 2.50	11/20/2024				
						455,000	$ 1,023,750		$ 112,500
Roger Gaston	416,000	—		$ 3.00	11/17/2019				
	292,500	—		$ 3.00	11/19/2019				
	93,335	66,665		$ 2.25	11/15/2023				
	—	125,000		$ 2.50	11/20/2024				
						175,555	$ 394,999		$ 50,000
Amy Fliegelman Olli	100,000	200,000		$ 2.75	6/9/2024				
	—	187,500		$ 2.50	11/20/2024				
						361,818	$ 814,091		$ —

(1) Represents the exercisable portion of stock options granted and outstanding.

(2) Represents the unvested and un-exercisable portion of stock options granted and outstanding.

(3) The stock option awards are scheduled to vest as follows:

Name	Number of Securities Underlying Options	Grant Date	Vesting Description
Kevin Kennedy	2,000,000	12/11/2013	1/3 on 1st anniversary; 1/12 quarterly thereafter
	1,200,000	12/11/2013	1/3 on 1st anniversary; 1/12 quarterly thereafter
	937,500	11/20/2014	1/4 on 1st anniversary: 1/16 quarterly thereafter
David Vellequette	325,000	10/1/2012	25% annually
	360,000	11/15/2013	1/3 on 1st anniversary; 1/12 quarterly thereafter
	343,750	11/20/2014	1/4 on 1st anniversary: 1/16 quarterly thereafter
James Chirico	360,000	11/15/2013	1/3 on 1st anniversary; 1/12 quarterly thereafter
	343,750	11/20/2014	1/4 on 1st anniversary: 1/16 quarterly thereafter
Roger Gaston	160,000	11/15/2013	1/3 on 1st anniversary; 1/12 quarterly thereafter
	125,000	11/20/2014	1/4 on 1st anniversary: 1/16 quarterly thereafter
Amy Fliegelman Olli	300,000	6/9/2014	1/3 annually
	187,500	11/20/2014	1/4 on 1st anniversary: 1/16 quarterly thereafter

(4) The RSU awards are scheduled to vest as follows:

Name	RSU Award	Grant Date	RSU's Vested	RSU's Cancelled	RSU's Unvested	Vesting Description
Kevin J. Kennedy	1,000,000	12/11/2013	583,332	—	416,668	1/3 on 1st anniversary; 1/12 quarterly thereafter
	900,000	11/20/2014		—	900,000	1/4 on 1st anniversary; 1/16 quarterly thereafter
David Vellequette	150,000	10/1/2012	112,500	—	37,500	25% annually
	300,000	11/15/2013	175,000	—	125,000	1/3 on 1st anniversary; 1/12 quarterly thereafter
	330,000	11/20/2014		—	330,000	1/4 on 1st anniversary; 1/16 quarterly thereafter
James M. Chirico, Jr.	300,000	11/15/2013	175,000	—	125,000	1/3 on 1st anniversary; 1/12 quarterly thereafter
	330,000	11/20/2014		—	330,000	1/4 on 1st anniversary; 1/16 quarterly thereafter
Roger Gaston	133,333	11/15/2013	77,778	—	55,555	1/3 on 1st anniversary; 1/12 quarterly thereafter
	120,000	11/20/2014		—	120,000	1/4 on 1st anniversary; 1/16 quarterly thereafter
Amy Fliegelman Olli	272,727	6/9/2014	90,909	—	181,818	1/3 annually
	180,000	11/20/2014		—	180,000	1/4 on 1st anniversary; 1/16 quarterly thereafter

(5) Determined using the fair market value of Parent's common stock as of the last day of the fiscal year, which was $2.25 per share.

(6) Represents the performance-based potential upside value of the RSU portion of the fiscal 2014 LTI grant which may be earned based on fiscal 2016 results. If earned, the upside value will be converted to RSUs promptly after determination using the fair market value of Parent's common stock as of the date of such determination and such RSUs will be fully vested upon grant. See "Fiscal 2014 Compensation Elements & Pay Decisions - Long-Term Incentives" in our Annual Report on Form 10-K for fiscal 2014 for additional details.

Options Exercised and Stock Vested

During fiscal 2015, there were no exercises of stock options by any of the NEOs. The following table sets forth information about the RSU awards that vested in fiscal 2015:

		Option Awards		Stock Awards	
Name		Number of Shares Acquired on Exercise (#)	Value realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value realized on Vesting ($) (1)
Kevin Kennedy		—	$0	583,333	$1,437,500
David Vellequette	(2)	—	$0	212,500	$525,000
James Chirico		—	$0	175,000	$431,250
Roger Gaston		—	$0	77,778	$191,666
Amy Fliegelman Olli		—	$0	90,909	$227,273

(1) The amounts included in the table have been determined using a per share value of our Parent's common stock ranging from $2.25 to $2.50, which was the fair market value of one share of our Parent's common stock on each of their respective vesting dates.

(2) Of the shares listed in this table, Mr. Vellequette has deferred receipt of 37,500 shares, which had a value realized on vesting of $93,750, until October 2017.

Nonqualified Deferred Compensation

The table below sets forth information concerning all nonqualified deferred compensation earned by each of the NEOs during fiscal 2015.

All information represents data from the ASRP, a nonqualified defined contribution plan designed to restore lost tax-deferred savings opportunities for executive officers unavailable under the ASPSE, the Company's qualified savings plan, due to Code limitations. Executive officers may contribute from 1-25% of eligible compensation (including base pay, short-term disability payments, short-term incentive compensation and marketing/sales compensation paid after the executive officer reaches the maximum contribution and/or compensation limit established by the Code). Effective March 1, 2009, the Company suspended matching contributions to this plan. Earnings are based on the individual fund allocations selected by each participant from among the variety of different investment fund choices available; investment elections can be changed daily, subject to certain funds' trading restrictions. All participants are fully vested in their accounts under this plan.

Name	Executive Contributions in the Last Fiscal Year	Registrant Contributions in the Last Fiscal Year	Aggregate Earnings in the Last Fiscal Year	Aggregate Withdrawals/ Distributions in the Last Fiscal Year	Aggregate Balance at the Last Fiscal Year End
Kevin J. Kennedy	$ 71,588	$ —	$ 10,474	$ —	$ 459,257
David Vellequette	$ —	$ —	$ —	$ —	$ —
James M. Chirico, Jr.	$ 55,725	$ —	$ 1,651	$ —	$ 443,534
Roger Gaston	$ 35,400	$ —	$ (3,528)	$ —	$ 308,775
Amy Fliegelman Olli	$ —	$ —	$ —	$ —	$ —

Potential Payments on Occurrence of Change of Control and Other Events

General

The sections below indicate amounts that could have been received by each of the NEOs following, or in connection with, an involuntary separation, resignation and retirement. The sections assume that the triggering event happened as of September 30, 2015. It should be noted that each of the sections below represents the various amounts that could have been received by the NEOs under alternative scenarios, and they are not cumulative in nature.

Involuntary Separation

Cash and Benefits

During fiscal 2015, the NEOs were participants under the Avaya Inc. Involuntary Separation Plan for Senior Officers, or the Senior Officer Plan. The Plan is designed to provide a specific payment and certain benefit enhancements to eligible senior officers of

Avaya and its affiliated companies and subsidiaries in the event that their employment is involuntarily terminated under certain conditions.

The Senior Officer Plan covers our CEO and each other officer of the Company who is elected by the Company's Board at a level above vice president and who is designated “At Risk” under the Avaya Force Management Program Guidelines. Each NEO is a participant in this plan.

The Senior Officer Plan provides that a senior officer is “At Risk” if there is a Company initiated termination other than for “cause,” defined as: (i) a material breach of duties and responsibilities as an executive officer of the Company (other than as a result of incapacity due to physical or mental illness) which is demonstrably willful and deliberate, which is committed in bad faith or without reasonable belief that such breach is in the best interests of the Company and which is not remedied in a reasonable period of time after receipt of written notice from the Company specifying such breach; (ii) conviction (including a plea of guilty or nolo contendere) of a felony involving moral turpitude; (iii) the commission of theft, fraud, breach of trust or any act of dishonesty involving the Company or its subsidiaries; or (iv) any significant violation of the Company's Code of Conduct or any statutory or common law duty of loyalty to the Company or its subsidiaries.

In the event that a senior officer (other than Mr. Kennedy) is terminated by the Company other than for “cause,” that senior officer is entitled to receive under the Senior Officer Plan, upon executing a termination agreement and release, a payment equal to 100% of final annual base salary, along with certain other benefits to continue for a period of time post-termination of employment, including certain medical benefits as prescribed by applicable law, and outplacement services. With respect to Mr. Kennedy, the terms of his employment agreement provide that his involuntary termination would be governed by the same plan, but he would be entitled to a payment equal to 200% of his base salary plus 200% of his target bonus under the Company’s short-term incentive plan for the year of termination, in addition to the other benefits offered generally to Senior Officers under the Senior Officer Plan.

Under the terms of the EC LTIP, if a participant’s employment was terminated involuntarily without cause as of September 30, 2015, such participant’s account would have been credited for any amount earned during fiscal 2015 and subsequently paid on December 31, 2016.

The table below represents amounts that could have been received by each of the NEOs as of September 30, 2015, assuming an involuntary separation occurred on that date.

Name	Cash Payment Based on Salary(1)	Cash Payment Based on Target Bonus(2)	Outplacement Services (3)	Total (4)
Kevin J. Kennedy	$ 2,500,000	$ 3,125,000	$ 7,000	$ 5,632,000
David Vellequette	$ 625,000	$ 562,500	$ 7,000	$ 1,194,500
James M. Chirico, Jr.	$ 675,000	$ 573,750	$ 7,000	$ 1,255,750
Roger Gaston	$ 425,000	$ 318,750	$ 7,000	$ 750,750
Amy Fliegelman Olli	$ 650,000	$ 520,000	$ 7,000	$ 1,177,000

(1) Amounts represent two times annual base salary for Mr. Kennedy, and one times annual base salary for each of Messrs. Vellequette, Chirico and Gaston and Ms. Fliegelman Olli, each as of September 30, 2015.

(2) Amount for Mr. Kennedy is equal to two times his target EC DAIP award as per his employment agreement. Amounts for NEOs other than Mr. Kennedy assume that the last date of employment was September 30, 2015 and that the Company paid EC DAIP at target. Amounts reflect total target EC DAIP opportunity for the fiscal year, regardless of whether or not actually earned - e.g., regardless of actual results for fiscal 2015 as set forth above under “Fiscal 2015 Compensation Elements and Pay Decisions - EC Discretionary Annual Incentive Plan (“EC DAIP”).” See “Summary Compensation Table” for actual EC DAIP payments earned in fiscal 2015.

(3) Represents an estimated cost to the Company for outplacement services based upon historical experience.

(4) Excludes amounts earned in the EC LTIP Plan for fiscal 2015. See "Summary Compensation Table" and chart in footnote 4.

Stock Options

Termination without Cause (Outside of the Change in Control Context)

If an employee is terminated without “cause,” generally there would be an acceleration of vesting of time-based stock options as follows: one quarter of the shares that otherwise would have vested at the end of the vesting year had the termination not occurred will vest for each partial or full quarter in which the optionee was employed during that vesting year. “Vesting year” means a twelve-month period beginning on the date of grant or an anniversary of the date of grant, as applicable, and ending on the first anniversary of such beginning date.

Generally, the employee would have 90 days post-termination of employment to exercise any vested stock options, and any unvested stock options would be forfeited as of the date of termination. However, Mr. Kennedy's employment agreement would allow him 12 months to exercise his vested stock options in such an event. The number of stock options for which vesting would be accelerated due to an involuntary termination as of September 30, 2015 and the value of the accelerated options are represented in the table below. Pursuant to the terms of the 2007 Plan, if the exercise price of an option is equal to or greater than the fair market value of a share of Parent common stock, those stock options are not exercisable. The fair market value of a share of Parent's common stock on September 30, 2015 was $2.25. Where the fair market value of $2.25 is less than or equal to the respective exercise prices for those awards, no value has been attributed to them.

Name	Number of Time-based Stock Options Accelerated Vesting	Exercise Price	Value of Accelerated Vesting Options
Kevin J. Kennedy	234,375	$ 2.50	$ —
	266,667	$ 2.25	—
David Vellequette	81,250	$ 4.00	$ —
	85,938	$ 2.50	$ —
	30,000	$ 2.25	—
James M. Chirico, Jr.	85,938	$ 2.50	$ —
	30,000	$ 2.25	$ —
Roger Gaston	31,250	$ 2.50	$ —
	13,333	$ 2.25	$ —
Amy Fliegelman Olli	50,000	$ 2.75	$ —
	46,875	$ 2.50	$ —

Termination without Cause (Change in Control Context)

Stock option award agreements also contain certain provisions that are triggered upon a change in control. Under the 2007 Plan, "change in control" is defined to mean the acquisition by a person or group of at least forty percent (40%) of the issued and outstanding shares of common stock or securities representing at least forty percent (40%) of the voting power of Parent.

With respect to time-based stock options, if an employee is terminated without cause within one-year following a change in control, then, unless the stock option has been terminated, exercised or exchanged for other current or deferred cash or property in connection with the change in control, the time-based stock option is treated as having vested in full immediately prior to such termination of employment. For these purposes, "cause" is defined for our NEOs as in the Senior Officer Plan, as described above. Generally, a terminated employee would have 90 days post-termination of employment to exercise any of such vested time-based stock options. Mr. Kennedy's employment agreement would allow him 12 months to exercise all of his stock options in such an event. Mr. Kennedy's 2008 employment agreement allows for potential tax gross-up payments in certain circumstances. The number of stock options for which vesting would be accelerated due to an involuntary termination, or within the one-year period following, a change in control occurring on September 30, 2015 and the value of the accelerated options are represented in the table below. Pursuant to the terms of the 2007 Plan, if the exercise price of a grant is equal to or greater than the fair market value of a share of Parent common stock at the time of exercise, those stock options are not exercisable. The fair market value of a share of Parent's common stock on September 30, 2015 was $2.25. Where the fair market value of $2.25 is less than or equal to the respective exercise prices for those awards, no value has been attributed to them.

Name	Number of Time-based Stock Options Accelerated Vesting	Exercise Price	Value of Accelerated Vesting Options
Kevin J. Kennedy	937,500	$ 2.50	$ —
	1,333,331	$ 2.25	$ —
David Vellequette	81,250	$ 4.00	$ —
	343,750	$ 2.50	$ —
	149,999	$ 2.25	$ —
James M. Chirico, Jr.	343,750	$ 2.50	$ —
	149,999	$ 2.25	$ —
Roger Gaston	66,665	$ 2.25	$ —
	125,000	$ 2.50	$ —
Amy Fliegelman Olli	200,000	$ 2.75	$ —
	187,500	$ 2.50	$ —

Restricted Stock Units

RSU awards issued under the 2007 Plan, including the RSU portions of the STGI awards, generally provide for accelerated vesting upon death or disability or upon a termination without cause, or a resignation with good reason, within one year following a change in control (each as defined in the 2007 Plan). The number and value of RSUs that would be accelerated assuming a change in control occurred on September 30, 2015 is represented in the table below.

Name	Number of Restricted Stock Units Accelerated Vesting	Fair Market Value at September 30, 2015	Value of Accelerated Vesting Units
Kevin J. Kennedy	1,316,668	$ 2.25	$ 2,962,503
David Vellequette	492,500	$ 2.25	$ 1,108,125
James M. Chirico, Jr.	455,000	$ 2.25	$ 1,023,750
Roger Gaston	175,555	$ 2.25	$ 394,999
Amy Fliegelman Olli	361,818	$ 2.25	$ 814,091

In addition to the amounts shown above, to the extent that receipt of shares underlying previously vested RSUs has been deferred, those shares would be distributed upon the earlier of a change in control, death or disability (each as defined in the 2007 Plan), termination of employment or five (5) years from the grant date. The number of shares and value of previously vested and deferred shares is represented in the table below.

Name	Number of Restricted Stock Units Deferred Distribution	Fair Market Value at September 30, 2015	Value of Deferred Distribution Units
Kevin J. Kennedy	1,144,445	$ 2.25	$ 2,575,001
David Vellequette	255,556	$ 2.25	$ 575,001
James M. Chirico, Jr.	314,723	$ 2.25	$ 708,127
Roger Gaston	127,167	$ 2.25	$ 286,126
Amy Fliegelman Olli	—	$ 2.25	$ —

Resignation/Retirement

Cash and Benefits

Mr. Kennedy's employment agreement provides that, in the event he resigns for “good reason,” he would be entitled to receive the same amount as set forth under “Involuntary Separation - Cash and Benefits” above. Under the agreement, “good reason” means: a material reduction by the Company in his base salary; a material breach of the agreement by the Company which shall include a material reduction or material negative change by the Company in the type or level of compensation and benefits (other than base salary) to which he is entitled under the agreement, other than any such reduction or change that is part of and consistent with a general reduction or change applicable to all senior officers of the Company; a material failure by the Company to pay or provide to him any compensation or benefits to which he is entitled; a change in Mr. Kennedy's status, positions, titles, offices or responsibilities that constitutes a material and adverse change from his status, positions, titles, offices or responsibilities as in effect immediately before such change; the assignment to him of any duties or responsibilities that are materially and adversely inconsistent with his status, positions, titles, offices or responsibilities as in effect immediately before such assignment; any removal of Mr. Kennedy from or failure to reappoint or reelect him to any of such positions, titles or offices; the Company changing the location of its principal executive offices to a location more than 50 miles from its current principal office; any material breach by Parent or the Company of the agreement or any other agreement between Parent or the Company and Mr. Kennedy incorporated by reference in the agreement; or the provision of notice by the Company of its intention not to renew the agreement.

In all other contexts, upon resignation or retirement, there would be no continuation of benefits (other than certain medical benefits as prescribed by applicable law) and no additional payments made under any of the Company's defined contribution (qualified and nonqualified) plans to any of the NEOs, other than as set forth under the "Nonqualified Deferred Compensation Plans" table.

With respect to the EC LTIP, if a participant's employment was terminated due to retirement as of September 30, 2015, such participant's account would have been credited for any amount earned during fiscal 2015 and subsequently paid on December 31, 2016. If a Change of Control had occurred on September 30, 2015 and a participant's employment was voluntarily terminated with "good reason" within one year of the Change of Control event, such participant's account would have been credited for any amount earned during fiscal 2015.

Equity Awards

Generally, each of the NEOs has up to 30 days subsequent to a resignation to exercise vested stock options, and any unvested stock options and/or RSUs as of the date of termination of employment are forfeited. If the resignation is for "good reason" (as defined in the 2007 Plan), then each of the NEOs would have 90 days from the date of such termination to exercise any vested stock options. However, Mr. Kennedy's employment agreement provides that, with respect to his stock option awards, he would have 12 months following his termination of employment to exercise those stock options.

In addition, with respect to time-based stock options and time-based RSUs, if the resignation is for "good reason" and it occurs within one-year following a change in control (as defined under the 2007 Plan), then, unless the time-based equity award has been terminated, exercised or exchanged for other current or deferred cash or property in connection with the change in control, the time-based equity award is treated as having vested in full immediately prior to such termination of employment. For these purposes, "good reason" means any of the following events or conditions which occur without the individual's consent and which the Company does not cure within 30 days of being notified of such event or condition: (i) a material reduction in base compensation; (ii) material diminution of the NEO's position with the Company involving a substantial reduction in the scope, nature and function, commonly demonstrated by a reduction in compensation and/or title; (iii) a change of thirty miles or more in the geographic location of the NEO's principal office; or (iv) a material reduction in employee benefits except for across-the-board changes for senior executives at the Company. For a summary of the time-based equity awards held by each of the Named Executive Officers, please see "Outstanding Equity Awards at Fiscal Year-End." The number and value of the shares accelerated on resignation for "good reason" is identical to the information provided in the section above labeled "*Termination without Cause (Change in Control Context).*"

Confidentiality; Non-Compete; Non-Solicitation; Recoupment of Profits

All of the Company's senior officers, including the NEOs, have signed confidentiality agreements as a requirement for receiving certain stock-based compensation. The agreements stipulate that these officers will not misappropriate or disclose the Company's proprietary information.

The agreements generally provide that, during the term of their employment and for a period of twelve months from the date of termination of employment, the officers will not directly or indirectly: (i) subject to certain exceptions, work for or provide services to, in any capacity, whether as an employee, independent contractor or otherwise, whether with or without compensation, a material competitor of the Company; (ii) hire or solicit for hire any employee of the Company or seek to persuade or induce any employee of the Company to discontinue employment with the Company; (iii) hire or engage any independent contractor providing services to the Company, or solicit, encourage or induce any independent contractor providing services to the Company to terminate or diminish in any substantial respect its relationship with the Company; and (iv) subject to certain limitations, (a) solicit, encourage or induce any customer of the Company to terminate or diminish in any substantial respect its relationship with the Company or (b) seek to persuade or induce any such customer or prospective customer of the Company to conduct with anyone else any substantial business or activity which such customer or prospective customer conducts or could conduct with the Company.

If the officers breach the provisions of these agreements, then the Company shall, in addition to any other remedies available to it, have the right to institute legal proceedings to enjoin the offending conduct. In addition, the Company generally has the immediate right to call and repurchase any shares of stock that have been issued under any stock options that have been awarded to the optionee by the Company at a purchase price that is the lesser of cost or fair market value.

Mr. Kennedy's Employment Agreement

Mr. Kennedy is party to an employment agreement with the Company under which he agrees to serve as the Company's President and CEO. The agreement, which became effective December 22, 2008, has an initial three-year term that is automatically renewed for subsequent one-year periods unless notice of non-renewal is delivered by the Company.

Effective December 22, 2008, Mr. Kennedy also received 400,000 RSUs, which are now fully vested and for which the underlying shares have been distributed to him. Prior to an initial public offering, (i) if Mr. Kennedy's employment is terminated other than for cause, (ii) if he voluntarily resigns for any reason or (iii) upon his death or disability, Mr. Kennedy has the right to require Parent to purchase from him any or all of the shares of common stock subject to those vested RSUs at fair market value, unless fair market value is less than $10 per share, in which case the purchase price shall be $10 per share. Further, in the event that certain “drag-along” or “tag-along” provisions under the management stockholders' agreement are exercised and Mr. Kennedy sells shares of common stock underlying those vested RSUs in certain transactions and receives less than $10 per share, then Parent is obligated to pay to Mr. Kennedy the difference between $10 per share and the amount realized by Mr. Kennedy in such transaction.

In addition, the agreement provides that, for so long as Mr. Kennedy is the Company's CEO, the Sponsors shall ensure that their affiliates vote to elect him as a member of our board of directors.

Director Compensation

In August 2011, Parent's Board of Directors approved a non-affiliate director compensation program. Effective October 1, 2013, Parent's Board of Directors revised the program. The program consists of an initial grant of RSUs with a market value of $200,000 upon joining Parent's Board and an annual retainer of $100,000 in cash plus RSUs with a market value of $150,000. Each independent director who serves on the Audit Committee, Compensation Committee and Nominating and Governance Committee of Parent's Board receives an additional $10,000 as part of his or her annual retainer in lieu of meeting attendance fees. The Audit Committee Chairperson receives an additional $20,000 as part of his annual retainer and each of the Compensation Committee Chairperson and the Nominating and Governance Committee Chairperson receives an additional $15,000 as part of their annual retainer. Eligible directors may elect to receive some or all of their cash retainers in the form of RSUs. Each RSU granted under the program vests immediately upon issuance and is distributed to a director upon his resignation or removal from Parent's Board. The market value of all RSUs granted under the program is established based on the fair market value of a share of Parent's common stock on the date of each initial or annual grant, as applicable.

In August 2015, the Compensation Committee confirmed continuing this Director Compensation program with no changes.

In December 2013 we executed letter agreements with each of Messrs. Mohebbi and Rittenmeyer agreeing to pay them director fees in cash. We agreed to pay Mr. Mohebbi $450,000 for fiscal 2013 and $500,000 for each fiscal year thereafter and Mr. Rittenmeyer $75,000 for fiscal 2013 and $300,000 for each fiscal year thereafter.

Below is a summary of the compensation received by our directors for their services as directors of Parent and the Company during fiscal 2015. Except as indicated below, none of our other directors received compensation from us for service on Parent's Board during fiscal 2015.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)[1]	Total ($)
Mary Henry[2]	$ 110,000	$ 150,000	$ 260,000
Afshin Mohebbi	$ 500,000	$ —	$ 500,000
Kiran Patel[3]	$ 130,000	$ 150,000	$ 280,000
Ronald Rittenmeyer	$ 300,000	$ —	$ 300,000
Gary Smith[4]	$ 120,000	$ 150,000	$ 270,000

(1) Amounts indicated for "Stock Awards" represent the fair value of the awards at the date of grant as calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, "Compensation-Stock Compensation," or ASC 718, without regard to forfeiture assumptions. For more information regarding the valuation of stock-based awards (including assumptions made in such valuation), refer to Note 15, "Share-based Compensation," to our audited Consolidated Financial Statements included elsewhere in this report.

(2) Includes Ms. Henry's annual grant of RSUs and annual retainers, all of which she elected to receive in the form of RSUs. In fiscal 2015 she received RSUs for 44,000 shares in lieu of cash for her annual retainers. As of September 30, 2015, Ms. Henry held vested RSUs for an aggregate of 241,274 shares.

(3) Includes Mr. Patel's annual grant of RSUs and annual retainers, all of which he elected to receive in the form of RSUs. In fiscal 2015 he received RSUs for 52,000 shares in lieu of cash for his annual retainers. As of September 30, 2015, Mr. Patel held vested RSUs for an aggregate of 323,717 shares.

(4) Includes Mr. Smith's annual grant of RSUs and annual retainers which he elected to receive in the form of cash. As of September 30, 2015, Mr. Smith held vested RSUs for an aggregate of 289,849 shares.

Compensation Committee Interlocks and Insider Participation

During fiscal 2015, Mr. Giancarlo served as a member of the Compensation Committee. Mr. Giancarlo served as our President and Chief Executive Officer from June 20, 2008 until December 22, 2008. In addition, each of the Compensation Committee members is a party to a relationship with the Company as more fully set forth in Item 13 of this Annual Report on Form 10-K.

Item 12. *Security Ownership of Certain Beneficial Owners and Management*

All of Avaya's outstanding stock is owned by Avaya Holdings Corp., our Parent. The following table sets forth certain information with respect to the beneficial ownership of our Parent's common stock at November 1, 2015 for:

- each person whom we know beneficially owns more than five percent of our common stock;
- each of our directors;
- each of our named executive officers; and
- all of our directors and executive officers as a group.

The number of shares beneficially owned by each stockholder is determined under rules issued by the SEC.

The percentage of common stock beneficially owned by each person is based on 493,193,901 shares of common stock outstanding as of November 1, 2015. Shares of common stock that may be acquired within 60 days following November 1, 2015 pursuant to the exercise of options or warrants are deemed to be outstanding for the purpose of computing the percentage ownership of such holder but are not deemed to be outstanding for computing the percentage ownership of any other person shown in the table. Beneficial ownership representing less than one percent is denoted with an "*."

Name	Common Stock of Avaya Holdings Corp. Beneficially Owned	Percentage of Outstanding Shares Beneficially Owned
Silver Lake Funds and affiliates (1)	419,814,172	72.3%
TPG Funds and affiliates (2)	419,814,172	72.3%
James M. Chirico, Jr. (3)(4)(5)	1,955,923	*
Amy Fliegelman Olli (3)(5)	251,920	*
Roger C. Gaston (3)(4)(5)	1,280,139	*
Kevin J. Kennedy (3)(4)(5)(6)	8,731,020	1.7%
David Vellequette (3)(4)(5)	1,085,431	*
Mary Henry(4)	241,274	*
John W. Marren (2)(7)	—	*
Charles H. Giancarlo (1)(3)(4)(8)	383,334	*
Afshin Mohebbi (2)(9)	—	*
Greg K. Mondre (1)(10)	—	*
Kiran Patel (4)	323,717	*
Ronald Rittenmeyer (2)(11)	—	*
Gary B. Smith (4)	289,849	*
Directors and executive officers as a group, (21 Persons) (3)(4)(5)(6)(7)(8)(9)(10)(11)	19,270,148	3.8%

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(1) The shares of our Parent's common stock that are attributed to Silver Lake Funds (as defined below) and affiliates consist of an aggregate of 332,450,000 shares of our Parent's common stock, 32,649 shares of our Parent's common stock issuable upon conversion of shares of our Parent's convertible Series B Preferred Stock and 87,331,523 warrants to purchase shares of our Parent's common stock. Of the warrants owned by Silver Lake Funds and affiliates, 71,007,030 warrants have an exercise price of $3.25 per share and are exercisable at any time prior to December 18, 2019, and 16,324,493 warrants have an exercise price of $4.00 per share and are exercisable at any time prior to May 29, 2022. Excluding warrants and shares issuable upon conversion of Series B Preferred Stock, the shares of our Parent's common stock that are attributed to Silver Lake Funds and affiliates represent 67.4% of all shares of our Parent's common stock outstanding as of November 1, 2015. The 32,649 shares of our Parent's convertible non-voting Series B Preferred Stock owned by Silver Lake Funds and affiliates represents 66.7% of all shares of our Parent's Series B Preferred Stock outstanding as of November 1, 2015. In addition, funds affiliated with Silver Lake own an aggregate of 38,864 shares of our Parent's non-voting Series A Preferred Stock (representing 31.1% of the issued and outstanding shares of Series A Preferred Stock) that are not convertible into our Parent's common stock and are excluded from the table above. The warrants expiring on December 18, 2019 and the Series A Preferred Stock were issued in connection with the financing of the NES acquisition, while the warrants expiring on May 29, 2022 and the Series B Preferred Stock were issued in connection with the financing of the Radvision acquisition (see Note 10, "Financing

Arrangements,” to our audited Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for more information).

The shares of common stock, Series B Preferred Stock and warrants (rounded to the nearest whole share) that are attributed to the Silver Lake Funds and their affiliates in this table represent direct holdings by the following entities:

	Common Stock	Series B Preferred	Warrants
Silver Lake Partners II, L.P., or SLP II	39,815,641	4,319	9,855,464
Silver Lake Partners III, L.P., or SLP III	109,624,955	11,892	27,135,186
Silver Lake Technology Investors II, L.P., or SLTI II	184,359	20	45,634
Silver Lake Technology Investors III, L.P., or SLTI III	375,045	40	92,834
Sierra Co-Invest, LLC, or Sierra Co-Invest	182,450,000	—	—
Sierra Co-Invest II, LLC, or Sierra Co-Invest II	—	—	42,014,060
Sierra Co-Invest III, LLC, or Sierra Co-Invest III	—	16,376	8,188,344
Total fractional shares held by Silver Lake Funds and Affiliates	—	2	1
Total	332,450,000	32,649	87,331,523

For ease of reference, we refer to SLP II, SLP III, SLTI II and SLTI III collectively as the Silver Lake Funds. The general partner of each of SLP II and SLTI II is Silver Lake Technology Associates II, L.L.C., whose managing member is Silver Lake Group, L.L.C. The general partner of each of SLP III and SLTI III is Silver Lake Technology Associates III, L.P., whose general partner is SLTA III (GP), L.L.C., whose managing member is Silver Lake Group, L.L.C.

The managing member of Sierra Co-Invest, Sierra Co-Invest II and Sierra Co-Invest III is Sierra Manager Co-Invest, LLC ("Sierra Manager"). Pursuant to Sierra Manager's limited liability company operating agreement, each of TPG GenPar V, L.P. and Silver Lake Technology Associates III, L.P. has the right to designate one of the two members of Sierra Manager's management committee. Greg Mondre currently serves as Silver Lake's designee.

The mailing address for Greg Mondre and for each of the Silver Lake Funds and their direct and indirect general partners is c/o Silver Lake, 2775 Sand Hill Road, Suite 100, Menlo Park, CA 94025. Charles Giancarlo, who was previously a Senior Advisor for Silver Lake, from January 2014 until September 30, 2015 can also be contacted care of Silver Lake's mailing address.

(2) The shares of our Parent's common stock that are attributed to the TPG Funds (as defined below) and affiliates in this table consist of an aggregate of 332,450,000 shares of our Parent's common stock, 32,649 shares of our Parent's common stock issuable upon conversion of shares of our Parent's convertible Series B Preferred Stock and 87,331,523 warrants to purchase shares of our Parent's common stock. Of the warrants owned by TPG Funds and affiliates, 71,007,030 warrants have an exercise price of $3.25 per share and are exercisable at any time prior to December 18, 2019, and 16,324,493 warrants have an exercise price of $4.00 per share and are exercisable at any time prior to May 29, 2022. Excluding warrants and shares issuable upon conversion of Series B Preferred Stock, the shares of our Parent's common stock that are attributed to the TPG Funds and affiliates represent 67.4% of all shares of our Parent's common stock outstanding as of November 1, 2015. The 32,649 shares of our Parent's convertible non-voting Series B Preferred Stock owned by TPG Funds and affiliates represents 66.7% of all shares of our Parent's Series B Preferred Stock outstanding as of November 1, 2015. In addition, funds affiliated with TPG own an aggregate of 38,864 shares of our Parent's non-voting Series A Preferred Stock (representing 31.1% of the issued and outstanding shares of Series A Preferred Stock) that are not convertible into common stock and are excluded from the table above. The warrants expiring on December 18, 2019 and the Series A Preferred Stock were issued in connection with the financing of the NES acquisition, while the warrants expiring on May 29, 2022 and the Series B Preferred Stock were issued in connection with the financing of the Radvision acquisition (see Note 10, “Financing Arrangements,” to our audited Consolidated Financial Statements).

The shares of our Parent's common stock and warrants (rounded to the nearest whole share) that are attributed to TPG Partners V, L.P., a Delaware limited partnership ("Partners") TPG FOF V-A, L.P., a Delaware limited partnership ("FOF A") and TPG FOF V-B, L.P., a Delaware limited partnership ("FOF B") which, together with Partners and FOF A, are collectively referred to as the TPG Funds, and their affiliates in this table represent direct holdings by the following entities:

	Common Stock	Series B Preferred	Warrants
Partners	149,294,510	16,195	36,954,491
FOF A	390,556	42	96,673
FOF B	314,933	34	77,954
Sierra Co-Invest	182,450,000	—	—
Sierra Co-Invest II	—	—	42,014,060
Sierra Co-Invest III	—	16,376	8,188,344
Total fractional shares held by TPG Funds and Affiliates	1	2	1
Total	332,450,000	32,649	87,331,523

The general partner of each of the TPG Funds is TPG GenPar V, L.P., a Delaware limited partnership ("GenPar") whose general partner is TPG GenPar V Advisors, LLC, a Delaware limited liability company ("GenPar Advisors") whose sole member is TPG Holdings I, L.P., a Delaware limited partnership ("Holdings I") whose general partner is TPG Holdings I-A, LLC, a Delaware limited liability company ("Holdings I GP") whose sole member is TPG Group Holdings (SBS), L.P., a Delaware limited partnership ("Group Holdings") whose general partner is TPG Group Holdings (SBS) Advisors, Inc., a Delaware corporation ("Group Advisors") which, together with the TPG Funds, GenPar, GenPar Advisors, Holdings I, Holdings I GP and Group Holdings we collectively refer to as (the "TPG Entities"). The managing member of Sierra Co-Invest, Sierra Co-Invest II and Sierra Co-Invest III is Sierra Manager. Pursuant to the Sierra Manager's limited liability company operating agreement, each of GenPar and Silver Lake Technology Associates III, L.P. has the right to designate one of the two members of the management committee of Sierra Manager. John Marren currently serves as GenPar's designee.

Because of these relationships, Group Advisors may be deemed to beneficially own the shares and warrants directly held by the TPG Funds, Sierra Co-Invest, Sierra Co-Invest II and Sierra Co-Invest III. David Bonderman and James G. Coulter are officers and sole shareholders of Group Advisors. Because of the relationship of Messrs. Bonderman and Coulter to Group Advisors, each of Messrs. Bonderman and Coulter may be deemed to beneficially own the shares and warrants directly held by the TPG Funds, Sierra Co-Invest, Sierra Co-Invest II and Sierra Co-Invest III. Messrs. Bonderman and Coulter disclaim beneficial ownership of the shares and warrants directly held by the TPG Funds, Sierra Co-Invest, Sierra Co-Invest II and Sierra Co-Invest III except to the extent of their pecuniary interest therein.

The mailing address for each of Group Advisors and Messrs. Bonderman, Coulter and John Marren is c/o TPG Global, LLC, 301 Commerce Street, Suite 3300, Fort Worth, TX 76102. The mailing address for each of Sierra Co-Invest, Sierra Co-Invest II, and Sierra Co-Invest III is 301 Commerce Street, Suite 3300, Fort Worth, TX 76102. The mailing address for Sierra Manager is 9 West 57th Street, 32nd Floor, New York, NY 10019.

(3) Includes beneficial ownership of the following numbers of shares of Parent common stock that may be acquired within 60 days of November 1, 2015 pursuant to stock options:

• James J. Chirico, Jr.	1,398,439	• David Vellequette	569,689
• Amy Fliegelman Olli	146,875	• Charles H. Giancarlo	325,000
• Roger C. Gaston	846,418	• Directors and executive officers as a group	11,976,474
• Kevin J. Kennedy	6,267,611		

(4) Includes ownership of the following numbers of shares of Parent common stock underlying RSUs that have vested or that may vest within 60 days of November 1, 2015 for which receipt has been deferred such that, absent an event triggering issuance of the shares in accordance with the terms of the award agreement under which the RSUs were issued, the shares would not be received within 60 days of November 1, 2015.

• James J. Chirico, Jr.	314,723	• Mary Henry	241,274
• Roger C. Gaston	193,834	• Kiran Patel	323,717
• Kevin J. Kennedy	1,144,445	• Gary B. Smith	289,849
• David Vellequette	293,056	• Directors and executive officers as a group	4,422,794
• Charles H. Giancarlo	58,334		

(5) Includes ownership of the following numbers of shares of Parent common stock underlying RSUs that may vest within 60 days of November 1, 2015 for which receipt has not been deferred such that, the shares will be received within 60 days of November 1, 2015.

• James J. Chirico, Jr.	107,500	• Kevin J. Kennedy	308,333
• Amy Fliegelman Olli	45,000	• David Vellequette	107,500
• Roger C. Gaston	41,111	• Directors and executive officers as a group	937,221

(6) Includes 320,000 shares held by Mr. Kennedy and his spouse as trustees under a grantor retained annuity and a family trust.

(7) John Marren is a TPG partner. Mr. Marren has no voting or investment power over and disclaims beneficial ownership of any shares of common stock of our Parent and warrants exercisable for and preferred shares convertible into shares of common stock of our Parent held directly or indirectly by the TPG Entities, Sierra Co-Invest, Sierra Co-Invest II or Sierra Co-Invest III.

(8) Charles Giancarlo was previously a Senior Advisor of Silver Lake Group, L.L.C. from January 2014 until September 30, 2015. Mr. Giancarlo has no voting or investment power over the shares and warrants held directly by the Silver Lake Funds and disclaims beneficial ownership of any shares of our Parent's common stock and warrants exercisable for shares of our Parent's common stock held by the Silver Lake Funds, Sierra Co-Invest, Sierra Co-Invest II or Sierra Co-Invest III.

(9) Afshin Mohebbi is a TPG Senior Advisor. Mr. Mohebbi has no voting or investment power over and disclaims beneficial ownership of any shares of common stock of our Parent and warrants exercisable for and preferred shares convertible into shares of common stock of our Parent held directly or indirectly by the TPG Entities, Sierra Co-Invest, Sierra Co-Invest II or Sierra Co-Invest III.

(10) Greg Mondre is (a) Managing Partner and Managing Director of Silver Lake Group, L.L.C., (b) a member of Sierra Manager's management committee and (c) a vice president of Sierra Manager. Mr. Mondre has no voting or investment power over the shares and warrants held directly by the Silver Lake Funds and disclaims beneficial ownership of any shares of our Parent's common stock and warrants exercisable for shares of our Parent's common stock held by the Silver Lake Funds, Sierra Co-Invest, Sierra Co-Invest II or Sierra Co-Invest III.

(11) Ronald Rittenmeyer is a member of our Board of Directors designated by TPG. Mr. Rittenmeyer has no voting or investment power over and disclaims beneficial ownership of any shares of common stock of our Parent and warrants exercisable for and preferred shares convertible into shares of common stock of our Parent held directly or indirectly by the TPG Entities, Sierra Co-Invest, Sierra Co-Invest II or Sierra Co-Invest III.

Equity Compensation Plan Information

The following table sets forth, as of September 30, 2015, the number of securities outstanding under each of our equity compensation plans, the weighted-average exercise price for our outstanding stock options and the number of securities available for grant under such plans.

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders			
Avaya Holdings Corp. Second Amended and Restated 2007 Equity Incentive Plan	26,535,628	$ 2.84	5,700,989
Equity compensation plans not approved by security holders			
None	—	—	—
Total	**26,535,628**	**$ 2.84**	**5,700,989**

Item 13. *Certain Relationships and Related Transactions and Director Independence*

Arrangements with Our Sponsors

In connection with their investment in our Parent, our Parent entered into certain stockholder agreements and registration rights agreements with the Sponsors and various co-investors. Certain of those agreements were amended in connection with the financing of the NES acquisition and again in connection with the financing of the Radvision acquisition (see Note 10, "Financing Arrangements," to our audited Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for more information). The co-investors include individuals and entities invited by our Sponsors to participate in our Parent's financings, such as affiliated investment funds, individuals employed by affiliates of our Sponsors, limited partners of our Sponsors and members of our management. In addition, our Parent entered into a management services agreement with affiliates of the Sponsors and, from time to time, we may enter into various other contracts with companies affiliated with our Sponsors.

Stockholders' Agreement

In connection with the Merger, our Parent entered into a stockholders' agreement with the Sponsors and certain of their affiliates. This stockholders' agreement was amended and restated in connection with the financing of the NES acquisition and again in connection with the financing of the Radvision acquisition. The stockholders' agreement contains certain restrictions on the Sponsors' and their affiliates' transfer of our Parent's equity securities, contains provisions regarding participation rights, contains standard tag-along and drag-along provisions, provides for the election of our directors and the directors of our Parent, mandates Board of Directors approval of certain matters to include the consent of each Sponsor and generally sets forth the respective rights and obligations of the stockholders who are parties to that agreement. None of our officers or directors are parties to this agreement, although certain of our non-employee directors may have an indirect interest in the agreement to the extent of their affiliations with the Sponsors.

Registration Rights Agreement

In addition, in connection with the Merger, our Parent entered into a registration rights agreement with the Sponsors and certain of their affiliates which was amended and restated in connection with the financing of the NES acquisition and again in connection with the financing of the Radvision acquisition. Pursuant to the registration rights agreement, as amended, our Parent will provide the Sponsors and certain of their affiliates party thereto with certain demand registration rights. In addition, in the event that our Parent registers shares of common stock for sale to the public, our Parent will be required to give notice of such registration to the Sponsors and their affiliates party to the agreement of its intention to effect such a registration, and, subject to certain limitations, the Sponsors and such holders will have piggyback registration rights providing them with the right to require our Parent to include shares of common stock held by them in such registration. Our Parent will be required to bear the registration expenses, other than underwriting discounts and commissions and transfer taxes, if any, associated with any registration of shares by the Sponsors or other holders described above. Our Parent has agreed to indemnify each holder of its common stock covered by the registration rights agreement for violations of federal or state securities laws by it in connection with any registration statement, prospectus or any preliminary prospectus. Each holder of such securities has in turn agreed to indemnify our Parent for federal or state securities law violations that occur in reliance upon written information the holder provides to it in connection with any registration statement in which a holder of such securities is participating. None of our officers or directors is a party to this agreement, although certain of our non-employee directors may have an indirect interest in the agreement to the extent of their affiliations with the Sponsors.

Management Services Agreement and Consulting Services

The Company and Parent are party to a management services agreement with Silver Lake Management Company, L.L.C., an affiliate of Silver Lake, and TPG Capital Management, L.P., an affiliate of TPG, collectively "the Managers," pursuant to which the Managers provide management and financial advisory services to us. Pursuant to the management services agreement, the Managers receive a monitoring fee of $7 million per annum and reimbursement on demand for out-of-pocket expenses incurred in connection with the provision of such services. In the event of a financing, acquisition, disposition or change of control transaction involving us during the term of the management services agreement, the Managers have the right to require us to pay a fee equal to customary fees charged by internationally-recognized investment banks for serving as a financial advisor in similar transactions. The management services agreement may be terminated at any time by the Managers, but otherwise has an initial term ending on December 31, 2017 that automatically extends each December 31 for an additional year unless earlier terminated by us or the Managers. The term has automatically extended eight times since the execution of the agreement such that the current term is December 31, 2025. In the event that the management services agreement is terminated, we are required to pay a termination fee equal to the net present value of the monitoring fees that would have been payable during the remaining term of the management services agreement. Therefore, if the management services agreement were terminated as of September 30, 2015, the termination fee would be calculated using the current term ending December 31, 2025. The management services agreement contains customary exculpation and indemnification provisions in favor of the Managers and their affiliates.

In December 2013, the Company and TPG Capital Management, L.P. executed a letter agreement reducing the portion of the monitoring fees owed to TPG Capital Management, L.P. by $1,325,000 for fiscal 2014 and thereafter on an annual basis by $800,000. The Company agreed to pay Messrs. Mohebbi and Rittenmeyer the fees set forth under Item 11 of this Annual Report on Form 10-K under "Executive Compensation Discussion and Analysis - Director Compensation."

In the course of business, Avaya will enter into arrangements with affiliates of the Sponsors pursuant to which consultants are engaged to provide services to the Company. For each of fiscal 2015, 2014 and 2013, expenses associated with these consulting agreements with affiliates of TPG were less than $1 million.

Notes Receivable with Parent

On October 3, 2011, Parent acquired all outstanding shares of a unified communications solutions provider. Immediately upon completing the acquisition, Parent merged the acquired entity with and into Avaya Inc., with Avaya Inc. surviving the merger. Parent funded the acquisition (including a deferred payment that was made to the former shareholders of the acquired company) in part by using the proceeds from two loans received from Avaya Inc. On October 3, 2011 and October 3, 2012, the Company advanced to Parent $8 million and $9.6 million, respectively, in exchange for a note receivable. The principal amount of these notes plus any accrued and unpaid interest are due in full January 24, 2019 (as modified) and October 28, 2017 (as modified) with interest at the rate of 1.65% (as modified) and 1.85% (as modified), respectively.

Transactions with Other Sponsor Portfolio Companies

The Sponsors are private equity firms that have investments in companies that do business with Avaya. For fiscal 2015, 2014 and 2013, we recorded $30 million, $27 million and $6 million, respectively, associated with sales of the Company's products and services to companies in which one or both of the Sponsors have investments. For fiscal 2015, 2014 and 2013, we purchased goods and services of $11 million, $8 million and less than $1 million, respectively from companies in which one or both of the Sponsors have investments.

Financing

Term Loans Held by Sponsors

During fiscal 2013, affiliates of TPG held a portion of the Company's outstanding term loans under the Senior Secured Credit Agreement. Certain of the term B-1 loans held by those affiliates were reclassified as term B-5 loans, $22 million of which were repaid in connection with the issuance of the 9% Senior Secured Notes. Based on the amount of the term loans that were held during fiscal 2013, and consistent with the terms of the loan, those affiliates received payments of principal and interest (inclusive of amounts paid by the Company in connection with the issuance of the 9% Senior Secured Notes) aggregating approximately $23 million.

During fiscal 2013, an affiliate of Silver Lake held a portion of the Company’s outstanding term loans under the Senior Secured Credit Agreement. The outstanding term B-1 loans held by such affiliate were converted to term B-5 loans. Based on the amount of the term loans that were held by such affiliate during fiscal 2013, and consistent with the terms of the loan, that affiliate received payments of principal and interest aggregating approximately $5 million.

On October 29, 2012, December 21, 2012 and February 13, 2013, the Company amended the terms of its credit facilities in connection with certain refinancing transactions. Lenders who provided consents in connection with the amendments and/or agreed to have loans that they held in one tranche of term loans reclassified as another received certain fees. Affiliates of Silver Lake received less than $1 million in each of these transactions. Affiliates of TPG received less than $1 million in each of these transactions during fiscal 2013.

See Note 10, "Financing Arrangements," to our audited Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for further details on our financing arrangements.

Preferred Stock Ownership by Sponsors

In connection with the financing of the acquisition of NES, our Parent issued shares of its non-voting Series A Preferred Stock to affiliates of TPG and Silver Lake. In connection with the financing of the Radvision acquisition, our Parent issued shares of its convertible non-voting Series B Preferred Stock to affiliates of TPG and Silver Lake. For information regarding the equity holdings of affiliates of TPG and Silver Lake in our Parent, please see “Security Ownership of Certain Beneficial Owners and Management” in Item 12 of this Form 10-K.

Arrangements Involving our Directors and Executive Officers

Sponsor Board Appointments and Director Independence

Charles Giancarlo is a Director of each of the Company and of Parent and he was previously a Senior Advisor of Silver Lake. Greg Mondre is a Director of each of the Company and of Parent and he holds the positions of Managing Partner and Managing Director of Silver Lake. John W. Marren and Afshin Mohebbi are Directors of each of the Company and Parent and they hold the positions of Partner and Senior Advisor, respectively, of TPG. Ronald Rittenmeyer is a Director of each of the Company and Parent and he serves in these capacities as a director designated by TPG.

Each of Messrs. Patel and Smith and Ms. Henry have been determined by the Board of Directors to meet the independence rules of the New York Stock Exchange and Rule 10A-3 of the Exchange Act.

Senior Manager Registration and Preemptive Rights Agreement and Management Stockholders' Agreement

In connection with the Merger, our Parent entered into a senior manager registration and preemptive rights agreement with certain current and former members of our senior management who own shares of our Parent's common stock and options and RSUs convertible into shares of our Parent's common stock, including Messrs, Chirico, Giancarlo and Kennedy. Pursuant to the senior manager registration and preemptive rights agreement, our Parent will provide the senior managers party thereto that hold registrable securities thereunder with certain registration rights upon either (a) the exercise of the Sponsors or their affiliates of demand registration rights under the Sponsors' registration rights agreement discussed above or (b) any request by the Sponsors to file a shelf registration statement for the resale of such shares. Our Parent will be required to bear the registration expenses, other than underwriting discounts and commissions and transfer taxes, if any, associated with any registration of stock by the senior managers as described above. Our Parent has agreed to indemnify each holder of registrable securities covered by this agreement for violations of federal or state securities laws by it in connection with any registration statement, prospectus or any preliminary prospectus. Each holder of such registrable securities has in turn agreed to indemnify our Parent for federal or state securities law violations that occur in reliance upon written information the holder provides to our Parent in connection with any registration statement in which a holder of such registrable securities is participating.

In addition, pursuant to the senior manager registration and preemptive rights agreement, our Parent agreed to provide each senior manager party thereto with certain preemptive rights to participate in any future issuance of shares of its common stock to the Sponsors or their affiliates.

In connection with the Merger, our Parent also entered into a management stockholders' agreement with management stockholders, including all of our named executive officers and Mr. Giancarlo. The stockholders' agreement contains certain restrictions on such stockholders' transfer of our equity securities, contains rights of first refusal upon disposition of shares, contains standard tag-along and drag-along provisions, and generally sets forth the respective rights and obligations of the stockholders who are parties to that agreement.

Transactions with Expert Global Solutions Inc.

Ronald A. Rittenmeyer serves on the Board of Directors of the Company and Parent and served as Chairman, President and Chief Executive Officer of Expert Global Solutions, Inc. (formerly known as NCO Group, Inc.) ("Expert Global Solutions") a global provider of business process outsourcing services until June 2014. During fiscal 2015, 2014 and 2013, sales of the Company's products and services to Expert Global Solutions were $8 million, $9 million and $9 million, respectively.

Transactions with Intuit, Inc.

Kiran Patel serves on the Board of Directors of the Company and Parent, and served until September 2013 as Executive Vice President and General Manager, Small Business Group of Intuit, Inc. ("Intuit") a provider of financial software solutions for consumers and small businesses. During fiscal 2015, 2014 and 2013, sales of the Company's products and services to Intuit were $1 million, $2 million and $2 million, respectively.

Transactions with Ciena Corporation

Gary B. Smith serves on the Board of Directors of the Company and Parent and also currently serves as president, Chief Executive Officer and Director of Ciena Corporation ("Ciena") a network infrastructure company. In each of fiscal 2015, 2014 and 2013 sales of the Company's products and services to Ciena were less than $1 million. In each of fiscal 2015, 2014 and 2013 the Company also purchased goods and services from Ciena of less than $1 million.

Related Party Transaction Policy

In February 2009, the Company's Board of Directors adopted written procedures for the review, approval and/or ratification of "related party transactions," which are those transactions required to be disclosed pursuant to Item 404 of Regulation S-K as promulgated by the SEC.

The procedures give our Audit Committee the power to approve or disapprove existing and potential related party transactions involving our directors and certain of our executive officers. Upon becoming aware of an existing or potential related party transaction, the Audit Committee is required to conduct a full inquiry into the facts and circumstances concerning that transaction and to determine the appropriate actions, if any, for us to take. If the Audit Committee does not approve a transaction that is brought before it, then the matter is automatically forwarded to our full Board of Directors for consideration. A director who is the subject of a potential related party transaction is not permitted to participate in the decision-making process of the Audit Committee or full Board of Directors, as applicable, relating to what actions, if any, shall be taken by us in light of that transaction.

All related party transactions identified above that occurred during fiscal 2015 or that are currently proposed which required approval and/or ratification through the procedures described above were subject to such review procedures (other than those listed under the heading “Arrangements with our Sponsors-Transactions with Other Sponsor Portfolio Companies” which were transacted in the ordinary course of the Company's business).

Item 14. *Principal Accountant Fees and Services*

Fees for Services Provided by Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP (“PwC”)

Fees for all services provided by PwC, our independent registered public accounting firm, for fiscal 2015 and 2014 are as follows:

Audit Fees

Fees for services for fiscal 2015 and 2014 related to the annual financial statement audits and the audit of effectiveness of internal control over financial reporting, reviews of quarterly financial statements filed in the reports on Form 10-Q, services in connection with SEC filings and statutory audits, approximated $7.1 million and $6.6 million, respectively.

Audit-Related Fees

Fees for audit-related services for fiscal 2015 and 2014, primarily related to other audit-related reviews in connection with the debt exchange offerings, and merger-related services approximated $31,000 and $340,000, respectively.

Tax Fees - Compliance

Fees for tax compliance services for fiscal 2015 and 2014 related to services for tax compliance, tax return review and preparation, assistance with tax audits, and transfer pricing assistance, approximated $1.7 million and $2.0 million, respectively.

Tax Fees - Consulting

Fees for tax consulting services for fiscal 2015 and 2014 related to services for tax advice and consultation on various matters including acquisitions and global restructuring approximated $59,000 and $54,000, respectively.

All Other Fees

Fees for other services for fiscal 2015 and 2014 consists of fees not included in the Audit, Audit-Related and Tax categories including management and business process assessments in areas such as operational improvement, restructuring and operational merger integration and assessments, conflict minerals and human resource benchmarking studies, approximated $4.9 million and $3.6 million, respectively.

Engagement of the Independent Auditor

The Audit Committee has the sole and direct authority to engage, appoint, and replace our independent auditor.

Policy Regarding the Independent Auditor

The engagement of PwC to perform audit services on behalf of the Company or any of its subsidiaries requires pre-approval from the Audit Committee before PwC is engaged to provide those services. For fiscal 2015 and 2014, all audit services performed by PwC on behalf of the Company and its subsidiaries were so approved.

In accordance with its charter, the Audit Committee reviews non-audit services, if any, proposed to be provided by PwC to determine whether they would be compatible with maintaining PwC’s independence. The Audit Committee has established policies and procedures for the engagement of PwC to provide non-audit services which required pre-approval from the Audit Committee before PwC is engaged to provide those services. The Audit Committee reviews and pre-approves specific categories for not-audit services (that are detailed as to the particular services) that PwC is to be permitted to provide, which categories do not include any of the prohibited services set forth under applicable SEC rules and regulations. This review includes an evaluation of the possible impact of the provision of such services by PwC on its independence. For fiscal 2015 and 2014, all non-audit services performed by PwC on behalf of the Company and its subsidiaries were so approved.

Pursuant to the Company’s policy regarding the independent auditor, Mr. Patel, as a member of the Audit Committee, was given a delegation of authority by the Audit Committee to approve PwC engagements consistent with the above, subject to certain limitations.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules***

		Corresponding page number in this Annual Report on Form 10-K
	(a)(1) Financial Statements:	
(i)	Consolidated Statements of Operations	84
(ii)	Consolidated Balance Sheets	86
(iii)	Consolidated Statements of Changes in Stockholder's Equity (Deficiency) and Comprehensive Loss	87
(iv)	Consolidated Statements of Cash Flows	88
(v)	Notes to Consolidated Financial Statements	89
	(a)(2) Financial Statement Schedules:	
(i)	Schedule II—Valuation and Qualifying Accounts	134

The schedules listed in Regulation 210.5-04 have been omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or notes thereto.

(a)(3) Exhibits:

See the "Exhibit Index" immediately following the signature page.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Basking Ridge, State of New Jersey, on November 23, 2015.

AVAYA INC.

By: /s/ L. DAVID DELL'OSSO

Name: **L. David Dell'Osso**

Title: **Vice President, Controller & Chief Accounting Officer**

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints David Vellequette and L. David Dell'Osso his attorney-in-fact, each with the full power of substitution, for such person, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might do or could do in person hereby ratifying and confirming all that each of said attorneys-in-fact and agents, or his substitute, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ KEVIN J. KENNEDY **Kevin J. Kennedy**	Director, President and Chief Executive Officer (Principal Executive Officer)	November 23, 2015
/s/ DAVID VELLEQUETTE **David Vellequette**	Senior Vice President, Chief Financial Officer (Principal Financial Officer)	November 23, 2015
/s/ L. DAVID DELL'OSSO **L. David Dell'Osso**	Vice President, Controller and Chief Accounting Officer	November 23, 2015
/s/ CHARLES H. GIANCARLO **Charles H. Giancarlo**	Chairman of the Board of Directors	November 23, 2015
/s/ MARY HENRY **Mary Henry**	Director	November 23, 2015
/s/ JOHN W. MARREN **John W. Marren**	Director	November 23, 2015
/s/ AFSHIN MOHEBBI **Afshin Mohebbi**	Director	November 23, 2015
/s/ GREG K. MONDRE **Greg K. Mondre**	Director	November 23, 2015
/s/ KIRAN PATEL **Kiran Patel**	Director	November 23, 2015
/s/ RONALD RITTENMEYER **Ronald Rittenmeyer**	Director	November 23, 2015
/s/ GARY B. SMITH **Gary B. Smith**	Director	November 23, 2015

The following documents are filed as Exhibits to this Annual Report on Form 10-K or incorporated by reference herein:

EXHIBIT INDEX

Exhibit Number	Exhibit Title
3.1	Amended and Restated Certificate of Incorporation of Avaya Inc. (Incorporated by reference to Exhibit 3.1.1 to the Company's Registration Statement on Form S-4 filed with the SEC on December 23, 2009)
3.2	Amended and Restated By-Laws of Avaya Inc. (Incorporated by reference to Exhibit 3.2.1 to the Company's Registration Statement on Form S-4 filed with the SEC on December 23, 2009)
4.1	Exchange Note Indenture, dated as of October 24, 2008, by and among Avaya Inc., the Guarantors named therein and The Bank of New York Mellon, as Trustee (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-4 filed with the SEC on December 23, 2009)
4.2	Supplemental Indenture, dated as of February 19, 2010, by and among Avaya Government Solutions Inc., Integrated Information Technology Corporation, AC Technologies, Inc. and The Bank of New York Mellon, as Trustee (Incorporated by reference to Exhibit 4.5 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 13, 2010)
4.3	Supplemental Indenture, dated as of July 20, 2012, among RADVision, Inc., AvayaLive Inc. and The Bank of New York Mellon, as Trustee (Incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 14, 2012)
4.4	Supplemental Indenture dated February 15, 2013 between Avaya Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee (Incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the SEC on March 7, 2013)
4.5	Form of 9.75% Senior Unsecured Notes due 2015 (included in the Exchange Note Indenture filed as Exhibit 4.1)
4.6	Form of 10.125%/10.875% Senior PIK Toggle Unsecured Notes due 2015 (included in the Exchange Note Indenture filed as Exhibit 4.1)
4.7	Indenture dated February 11, 2011 by and among Avaya Inc., the Guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee (Incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on February 14, 2011)
4.8	Supplemental Indenture, dated as of July 20, 2012, among RADVision, Inc., AvayaLive Inc. and The Bank of New York Mellon, as Trustee and Collateral Agent (Incorporated by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 14, 2012)
4.9	Pledge and Security Agreement dated February 11, 2011 by and among Avaya Inc., certain subsidiaries of Avaya Inc. from time to time party thereto and The Bank of New York Mellon Trust Company, N.A., as Collateral Agent (Incorporated by reference to Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q filed with the SEC on February 14, 2011)
4.10	Supplement No. 1 dated as of July 20, 2012, to the Pledge and Security Agreement, dated as of February 11, 2011, by and among Avaya Inc., certain subsidiaries of Avaya Inc. from time to time party thereto and The Bank of New York Mellon Trust Company, N.A., as Notes Collateral Agent (Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 14, 2012)
4.11	Form of 7% Senior Secured Note due 2019 (Incorporated by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on February 14, 2011)
4.12	Indenture dated December 21, 2012 by and among Avaya Inc., the Guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on December 21, 2012)

Exhibit Number	Exhibit Title
4.13	Form of 9% Senior Secured Note due 2019 (Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on December 21, 2012)
4.14	Pledge and Security Agreement dated December 21, 2012 by and among Avaya Inc., certain subsidiaries of Avaya Inc. from time to time party thereto and The Bank of New York Mellon Trust Company, N.A., as Notes Collateral Agent (Incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the SEC on December 21, 2012)
4.15	Indenture dated March 7, 2013 by and among Avaya Inc., the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on March 7, 2013)
4.16	Form of 10.50% Senior Secured Note due March 1, 2021 (Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on March 7, 2013)
4.17	Pledge and Security Agreement dated as of March 7, 2013 among Avaya Inc., the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Notes Collateral Agent (Incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed with the SEC on March 7, 2013)
4.18	Amended and Restated Registration Rights Agreement dated as of December 18, 2009, by and among Sierra Holdings Corp. (n/k/a Avaya Holdings Corp.), TPG Partners V, L.P., TPG FOF V-A, L.P., TPG FOF V-B, L.P., Silver Lake Partners II, L.P., Silver Lake Technology Investors II, L.P., Silver Lake Partners III, L.P., Silver Lake Technology Investors III, L.P., Sierra Co-Invest, LLC and Sierra Co-Invest II, LLC(Incorporated by reference to Exhibit 4.11 to Avaya Holdings Corp.'s Registration Statement on Form S-1 filed with the SEC on June 9, 2011)
4.19	Second Amended and Restated Registration Rights Agreement dated as of May 29, 2012, by and among Sierra Holdings Corp., TPG Partners V, L.P., TPG FOF V-A, L.P., TPG FOF V-B, L.P., Silver Lake Partners II, L.P., Silver Lake Technology Investors II, L.P., Silver Lake Partners III, L.P., Silver Lake Technology Investors III, L.P., Sierra Co-Invest, LLC and Sierra Co-Invest II, LLC (Incorporated by reference to Exhibit 4.20 to Avaya Holding Corp.'s Amendment No. 5 to the Registration Statement on Form S-1 filed with the SEC on May 31, 2013)
4.20	Senior Manager Registration and Preemptive Rights Agreement, dated as of October 26, 2007, by and among Sierra Holdings Corp. (n/k/a Avaya Holdings Corp.) and the individual members of management listed on Schedule A thereto (Incorporated by reference to Exhibit 4.12 to Avaya Holdings Corp.'s Registration Statement on Form S-1 filed with the SEC on June 9, 2011)
10.1	Credit Agreement, dated as of October 26, 2007, by and among Avaya Inc., as Borrower, Sierra Holdings Corp. (n/k/a Avaya Holdings Corp.), Citibank, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, the other lenders party thereto, Morgan Stanley Senior Funding, Inc., as Syndication Agent, JPMorgan Chase Bank, N.A., as Documentation Agent, and Citigroup Global Markets Inc., Morgan Stanley Senior Funding, Inc., and J.P. Morgan Securities Inc., as Joint Lead Arrangers and Joint Bookrunners (Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-4 filed with the SEC on December 23, 2009)
10.2	Amendment No. 1 to Credit Agreement, dated as of December 18, 2009, among Avaya Inc., the lenders party thereto and Citibank, N.A., as Administrative Agent (Incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-4 filed with the SEC on December 23, 2009)
10.3	Amendment No. 2 to Credit Agreement dated February 11, 2011, by and among Avaya Inc., Citibank, N.A., as Administrative Agent, and each lender party thereto, amending Credit Agreement, dated as of October 26, 2007, by and among Avaya Inc., Sierra Holdings Corp. (n/k/a Avaya Holdings Corp.), Citibank, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer and each lender party thereto (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on February 14, 2011)
10.4	Amended and Restated Credit Agreement dated February 11, 2011, by and among Avaya Inc., Sierra Holdings Corp. (n/k/a Avaya Holdings Corp.), Citibank N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and each lender from time to time party thereto (Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the SEC on February 14, 2011)

Exhibit Number	Exhibit Title
10.5	Amendment No. 3 to Credit Agreement dated August 8, 2011, by and among Avaya Inc., Citibank, N.A., as Administrative Agent, and each lender party thereto, amending the Amended and Restated Credit Agreement, dated as of February 11, 2011, by and among Avaya Inc., Avaya Holdings Corp., Citibank, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer and each lender party thereto (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 11, 2011)
10.6	Amendment No. 4 to Credit Agreement, dated as of October 29, 2012, among Avaya Inc., Citibank, N.A., as Administrative Agent, and the lenders party thereto (Exhibit A to this agreement is filed as Exhibit 10.13 hereto)(Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on November 2, 2012)
10.7	Second Amended and Restated Credit Agreement, dated as of October 29, 2012, among Avaya Inc., Avaya Holdings Corp., Citibank N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and each lender from time to time party thereto (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on November 2, 2012)
10.8	Amendment No. 5 to Credit Agreement, dated as of December 21, 2012, among Avaya Inc., Citibank, N.A., as Administrative Agent, and the lenders party thereto (Annex 2 to this Agreement is filed as Exhibit 10.2 hereto) (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 21, 2012)
10.9	Third Amended and Restated Credit Agreement, dated as of December 21, 2012, among Avaya Inc., Avaya Holdings Corp., Citibank N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and each lender from time to time party thereto (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on December 21, 2012)
10.10	Amendment No. 6 to Credit Agreement, dated as of February 13, 2013, among Avaya Inc., Citibank, N.A., as Administrative Agent, and the lenders party thereto (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on February 19, 2013)
10.11	Amendment No. 7 to Credit Agreement, dated as of March 12, 2013, among Avaya Inc., Citibank, N.A., as Administrative Agent, and the lenders party thereto (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 14, 2013)
10.12	Amendment No. 8 to Credit Agreement, dated as of February 5, 2014, among Avaya Inc., Citibank N.A., as Administrative Agent, and the lenders party thereto (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 11, 2014)
10.13	Amendment No. 9 to Credit Agreement, dated as of May 29, 2015, among Avaya Inc., Citibank, N.A., as Administrative Agent, the Extending Term B-7 Lenders, the Refinancing Term B-7 Lenders and the Required Lenders (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 3, 2015)
10.14	Pledge and Security Agreement, dated as of October 26, 2007, by and among Avaya Inc., as Borrower, Sierra Holdings Corp. (n/k/a Avaya Holdings Corp.), certain subsidiaries of Avaya Inc. identified therein and Citibank, N.A., as Administrative Agent (Incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-4 filed with the SEC on December 23, 2009)
10.15	Supplement No. 1 dated as of February 15, 2008, to the Pledge and Security Agreement, dated as of October 26, 2007, by and among Avaya Inc., as Borrower, Sierra Holdings Corp. (n/k/a Avaya Holdings Corp.), certain subsidiaries of Avaya Inc. identified therein and Citibank, N.A., as Administrative Agent (Incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 14, 2012)
10.16	Supplement No. 2 dated as of January 29, 2010, to the Pledge and Security Agreement, dated as of October 26, 2007, by and among Avaya Inc., as Parent Borrower, Sierra Holdings Corp. (n/k/a Avaya Holdings Corp.), certain subsidiaries of Avaya Inc. identified therein and Citibank, N.A., as Administrative Agent (Incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 14, 2012)

Exhibit Number	Exhibit Title
10.17	Supplement No. 3 dated as of July 20, 2012, to the Pledge and Security Agreement, dated as of October 26, 2007, by and among Avaya Inc., as Borrower, Avaya Holdings Corp., certain subsidiaries of Avaya Inc. identified therein and Citibank, N.A., as Administrative Agent (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 14, 2012)
10.18	Guaranty, dated as of October 26, 2007, by and among Sierra Holdings Corp. (n/k/a Avaya Holdings Corp.), certain subsidiaries of Avaya Inc. identified therein and Citibank, N.A., as Administrative Agent (Incorporated by reference to Exhibit 10.3 to the Company’s Registration Statement on Form S-4 filed with the SEC on December 23, 2009)
10.19	Supplement No. 1 dated as of February 15, 2008, to the Guaranty, dated as of October 26, 2007, by and among Sierra Holdings Corp. (n/k/a Avaya Holdings Corp.), certain subsidiaries of Avaya Inc. from time to time party thereto and Citibank, N.A., as Administrative Agent (Incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 14, 2012)
10.20	Supplement No. 2 dated as of January 29, 2010, to the Guaranty, dated as of October 26, 2007, by and among Sierra Holdings Corp. (n/k/a Avaya Holdings Corp.), certain subsidiaries of Avaya Inc. from time to time party thereto and Citibank, N.A., as Administrative Agent (Incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 14, 2012)
10.21	Supplement No. 3 dated as of July 20, 2012, to the Guaranty, dated as of October 26, 2007, by and among Avaya Holdings Corp., certain subsidiaries of Avaya Inc. from time to time party thereto and Citibank, N.A., as Administrative Agent (Incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 14, 2012)
10.22	Credit Agreement, dated as of October 26, 2007, by and among Avaya Inc., as Parent Borrower, the several subsidiary borrowers party thereto, Sierra Holdings Corp. (n/k/a Avaya Holdings Corp.), Citicorp USA, Inc., as Administrative Agent and Swing Line Lender, Citibank, N.A., as L/C Issuer, the other lenders party thereto, Morgan Stanley Senior Funding, Inc., as Syndication Agent, JPMorgan Chase Bank, N.A., as Documentation Agent, and Citigroup Global Markets Inc., Morgan Stanley Senior Funding, Inc. and J.P. Morgan Securities Inc., as Joint Lead Arrangers and Joint Bookrunners (Incorporated by reference to Exhibit 10.4 to the Company’s Registration Statement on Form S-4 filed with the SEC on December 23, 2009)
10.23	Amendment No. 1 to Credit Agreement, dated as of August 8, 2011, by and among Avaya Inc., the several subsidiary borrowers party thereto, Citicorp USA, Inc., as Administrative Agent and the lenders party thereto, amending the Credit Agreement, dated as of October 26, 2007, by and among Avaya Inc., the several subsidiary borrowers party thereto, Avaya Holdings Corp., Citicorp USA, Inc., as Administrative Agent and the lenders party thereto (Incorporated by reference to Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q filed with the SEC on August 11, 2011)
10.24	Amendment No. 2 to Credit Agreement, dated as of October 29, 2012, among Avaya Inc., the several Subsidiary Borrowers party thereto, Citicorp USA, Inc., as Administrative Agent, and the lenders party thereto (Exhibit A to this Agreement is filed as Exhibit 10.11 hereto) (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 2, 2012)
10.25	Amended and Restated Credit Agreement, dated October 29, 2012, among Avaya Inc., the several Subsidiary Borrowers party thereto, Avaya Holdings Corp., Citicorp USA, Inc., as Administrative Agent and Swing Line Lender, Citibank, N.A., as L/C Issuer, and each lender from time to time party thereto (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on November 2, 2012)
10.26	Amendment No. 3 to Credit Agreement, dated as of February 13, 2013, among Avaya Inc., the several Subsidiary Borrowers party thereto, Citicorp USA, Inc., as Administrative Agent, and the lenders party thereto (Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on February 19, 2013)
10.27	Amendment No. 4 to Credit Agreement, dated as of June 4, 2015, among Avaya Inc., the subsidiary borrowers party thereto, Citicorp USA, Inc., as administrative agent, and the lenders party thereto (Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on June 10, 2015)

Exhibit Number	Exhibit Title
10.28	Pledge and Security Agreement, dated as of October 26, 2007, by and among Avaya Inc., as Parent Borrower, Sierra Holdings Corp. (n/k/a Avaya Holdings Corp.), certain subsidiaries of Avaya Inc. identified therein, as Subsidiary Borrowers and Citicorp USA, Inc., as Administrative Agent (Incorporated by reference to Exhibit 10.6 to the Company’s Registration Statement on Form S-4 filed with the SEC on December 23, 2009)
10.29	Supplement No. 1 dated as of February 15, 2008, to the Pledge and Security Agreement, dated as of October 26, 2007, by and among Avaya Inc., as Parent Borrower, Sierra Holdings Corp. (n/k/a Avaya Holdings Corp.), certain subsidiaries of Avaya Inc. identified therein, as Subsidiary Borrowers and Citicorp USA, Inc., as Administrative Agent (Incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 14, 2012)
10.30	Supplement No. 2 dated as of January 29, 2010, to the Pledge and Security Agreement, dated as of October 26, 2007, by and among Avaya Inc., as Borrower, Sierra Holdings Corp. (n/k/a Avaya Holdings Corp.), certain subsidiaries of Avaya Inc. identified therein and Citicorp USA, Inc., as Administrative Agent (Incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 14, 2012)
10.31	Supplement No. 3 dated as of July 20, 2012, to the Pledge and Security Agreement, dated as of October 26, 2007, by and among Avaya Inc., as Parent Borrower, Avaya Holdings Corp., certain subsidiaries of Avaya Inc. identified therein, as Subsidiary Borrowers and Citicorp USA, Inc., as Administrative Agent (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 14, 2012)
10.32	Guaranty, dated as of October 26, 2007, by and among Sierra Holdings Corp. (n/k/a Avaya Holdings Corp.), certain subsidiaries of Avaya Inc. from time to time party thereto and Citicorp USA, Inc., as Administrative Agent (Incorporated by reference to Exhibit 10.7 to the Company’s Registration Statement on Form S-4 filed with the SEC on December 23, 2009)
10.33	Credit Agreement, dated as of June 4, 2015, among Avaya Canada Corp., Avaya UK, Avaya International Sales Limited, Avaya Deutschland GmbH and Avaya GmbH & Co., KG, Citibank, N.A., as administrative agent and letter of credit issuer, Citibank, N.A., Canadian Branch, as Canadian swing line lender, Citibank, N.A., London branch, as European swing line lender, the other lenders party thereto, Wells Fargo Bank, National Association, as syndication agent, Bank of America, N.A., as documentation agent, and Citigroup Global Markets, Inc., Bank of America, N.A., and Wells Fargo Bank, National Association, as joint lead arrangers and joint bookrunners (Incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K filed with the SEC on June 10, 2015)
10.34	U.S. Pledge and Security Agreement, dated as of June 4, 2015, among Avaya International Sales Limited, as Irish Borrower, and Citibank, N.A., as administrative agent (Incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 5, 2015)
10.35	U.S. Guaranty (Foreign ABL), dated as of June 4, 2015, among Avaya Inc., the subsidiary guarantors from time to time party thereto, and Citibank, N.A., as administrative agent (Incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 5, 2015)
10.36	Canadian Pledge and Security Agreement, dated as of June 4, 2015, among Avaya Canada Corp., as Canadian Borrower, and Citibank, N.A., as administrative agent (Incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 5, 2015)
10.37	Canadian Guarantee (Foreign ABL), dated as of June 4, 2015, among Avaya Canada Corp., as Canadian Borrower, and Citibank, N.A., as administrative agent (Incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 5, 2015)
10.38	Deed of Hypothec, dated as of June 2, 2015, between Avaya Canada Corp., as grantor, and Citibank, N.A., as the representative (Incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 5, 2015)

Exhibit Number	Exhibit Title
10.39	Deposit Account Control Agreement, dated as of June 4, 2015, among Avaya Canada Corp., as lien grantor, Citibank, N.A., as the secured party, and Citibank, N.A., Canadian branch as depositary bank (Incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 5, 2015)
10.40	Undisclosed Pledge of Receivables, dated as of June 4, 2015, between Avaya International Sales Limited, as pledgor, and Citibank, N.A., in its capacity of administrative agent and as pledgee (Incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 5, 2015)
10.41	(Notarized) Share Pledges over all shares of Avaya Deutschland GmbH, dated as of June 4, 2015, among Avaya GmbH & Co. KG as pledgor, Avaya Deutschland GmbH as company and Citibank, N.A., as administrative agent (Incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 5, 2015)
10.42	Interest Pledges over the general and all limited partnership interests in Avaya GmbH & Co. KG, dated as of June 4, 2015, among Avaya Verwaltungs GmbH, Avaya Germany GmbH and Tenovis Telecom Frankfurt GmbH & Co. KG, as pledgors, Avaya GmbH & Co. KG, as partnership, and Citibank, N.A., as administrative agent (Incorporated by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 5, 2015)
10.43	German Guarantee and Indemnity Agreement, dated as of June 4, 2015, among Avaya GmbH & Co. KG, Avaya Deutschland GmbH, Avaya Verwaltungs GmbH, Avaya Germany GmbH and Tenovis Telecom Frankfurt GmbH & Co. KG, as guarantors, and Citibank, N.A., as administrative agent (Incorporated by reference to Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 5, 2015)
10.44	Account Pledge Agreement, dated as of June 4, 2015, among Avaya Deutschland GmbH and Avaya GmbH & Co. KG, as pledgors, and Citibank, N.A., as administrative agent (Incorporated by reference to Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 5, 2015)
10.45	Global Assignment Agreement, dated as of June 4, 2015, among Avaya Deutschland GmbH and Avaya GmbH & Co. KG, as assignors, and Citibank, N.A., as administrative agent (Incorporated by reference to Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 5, 2015)
10.46	Security Transfer Agreement, dated as of June 4, 2015, among Avaya Deutschland GmbH, Avaya GmbH & Co. KG and Avaya International Sales Limited, as transferors, and Citibank, N.A., as administrative agent (Incorporated by reference to Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 5, 2015)
10.47	Irish Security Deed, dated June 4, 2015, among the companies specified in Schedule 1 thereto, as the original chargors, and Citibank, N.A., as administrative agent (Incorporated by reference to Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 5, 2015)
10.48	Irish Security Trust Deed, dated June 4, 2015, among Citibank, N.A., as administrative agent, and the companies specified in Schedule 1 thereto, as the original chargors (Incorporated by reference to Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 5, 2015)
10.49	Security Agreement, dated as of June 4, 2015, between Avaya UK, Avaya International Sales Limited, Avaya Deutschland GmbH, as chargors, and Citibank, N.A., as administrative agent (Incorporated by reference to Exhibit 10.19 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 5, 2015)
10.50	Share Charge, dated as of June 4, 2015, between Avaya UK Holdings Limited, as chargor, and Citibank, N.A., as administrative agent (Incorporated by reference to Exhibit 10.20 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 5, 2015)
10.51	Security Trust Deed, dated as of June 4, 2015, between Citibank, N.A., as administrative agent, and the companies listed in Schedule 1 thereto, as the original chargors (Incorporated by reference to Exhibit 10.21 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 5, 2015)

Exhibit Number	Exhibit Title
10.52	Purchase Agreement dated December 18, 2012 between Avaya Inc., the Guarantors party thereto and Citigroup Global Markets Inc., as Representative for the several Initial Purchasers identified therein (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on December 21, 2012)
10.53	Executive Employment Agreement, dated as of December 22, 2008, by and among Kevin J. Kennedy, Avaya Inc. and Sierra Holdings Corp. (n/k/a Avaya Holdings Corp.) (Incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-4 filed with the SEC on December 23, 2009)*
10.54	Amendment to Executive Employment Agreement, dated October 12, 2009 among Kevin J. Kennedy, Avaya Inc. and Sierra Holdings Corp. (n/k/a Avaya Holdings Corp.) (Incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-4 filed with the SEC on December 23, 2009)*
10.55	Offer Letter Agreement by and between Avaya Inc. and David Vellequette, effective as of October 1, 2012*
10.56	Offer Letter Agreement by and between Avaya Inc. and James M. Chirico, Jr., effective on or about January 2, 2008*
10.57	Offer Letter Agreement by and between Avaya Inc. and James M. Chirico, Jr., effective as of January 26, 2009*
10.58	Offer Letter Agreement by and between Avaya Inc. and Roger C. Gaston, effective on or about May 1, 2006*
10.59	Offer Letter Agreement by and between Avaya Inc. and Amy Fliegelman Olli, effective on or about June 9, 2014*
10.60	Avaya Inc. Involuntary Separation Plan for Senior Officers, as amended (Incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-4 filed with the SEC on December 23, 2009)*
10.61	Form of Indemnity Agreement between Sierra Holdings Corp. (n/k/a Avaya Holdings Corp.), Avaya Inc. and certain directors of the Registrant (Incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-4 filed with the SEC on December 23, 2009)*
10.62	Form of Indemnity Agreement between Sierra Holdings Corp. (n/k/a Avaya Holdings Corp.), Avaya Inc. and certain officers of the Registrant (Incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-4 filed with the SEC on December 23, 2009)*
10.63	Form of Indemnification Agreement among Avaya Holdings Corp., Avaya Inc. and directors and officers of Avaya Holdings Corp. and Avaya, Inc.*
10.64	Avaya Inc. Savings Restoration Plan, as amended (Incorporated by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-4 filed with the SEC on December 23, 2009)*
10.65	Avaya Inc. Short Term Incentive Plan (Incorporated by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-4 filed with the SEC on December 23, 2009)*
10.66	Management Services Agreement, dated as of October 2, 2007, by and among Sierra Holdings Corp. (n/k/a Avaya Holdings Corp.), Avaya Inc. (as successor by merger to Sierra Merger Corp.), TPG Capital Management, L.P. and Silver Lake Management Company III, L.L.C. (Incorporated by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-4 filed with the SEC on December 23, 2009)
10.67	Letter Agreement, dated as of December 12, 2013, by and among Avaya Holdings Corp., Avaya Inc., and TPG Capital Management, L.P. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 17, 2013)

Exhibit Number	Exhibit Title
10.68	Letter Agreement, dated December 16, 2013, between Avaya Holdings Corp. and Mr. Afshin Mohebbi (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on December 17, 2013)*
10.69	Letter Agreement, dated December 16, 2013, between Avaya Holidngs Corp. and Mr. Ronald Rittenmeyer (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on December 17, 2013)*
10.70	Avaya Holdings Corp. Second Amended and Restated 2007 Equity Incentive Plan (Incorporated by reference to Exhibit 10.41 to the Company's Annual Report on Form 10-K filed with the SEC on November 26, 2014)*
10.71	Amendment No. 1 to Avaya Holdings Corp. Second Amended and Restated 2007 Equity Incentive Plan, effective as of November 16, 2015*
10.72	Avaya Holdings Corp. Second Amended and Restated 2007 Equity Incentive Plan Restricted Stock Unit Award Agreement (Incorporated by reference to Exhibit 10.42 to the Company's Annual Report on Form 10-K filed with the SEC on November 26, 2014)*
10.73	Avaya Holdings Corp. Second Amended and Restated 2007 Equity Incentive Plan Non-Statutory Stock Option Award Agreement (Incorporated by reference to Exhibit 10.43 to the Company's Annual Report on Form 10-K filed with the SEC on November 26, 2014)*
10.74	Avaya Holdings Corp. Second Amended and Restated 2007 Equity Incentive Plan Restricted Stock Unit Award Agreement for Independent Directors*
10.75	Avaya Inc. Executive Committee 2011-2013 Performance Recognition Plan (Incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q filed with the SEC on May 12, 2011)*
10.76	Avaya Inc. Executive Committee Performance Recognition Plan as amended and restated effective as of October 1, 2013 (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on December 17, 2013)*
10.77	Form of Award Agreement for the Avaya Inc. Executive Committee Performance Recognition Plan for 2011-2013 (Incorporated by reference to Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q filed with the SEC on May 12, 2011)*
10.78	Form of Award Agreement for the Avaya Inc. Executive Committee Performance Recognition Plan for 2014-2015 (Incorporated by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K filed with the SEC on December 12, 2012)*
10.79	Executive Committee Discretionary Annual Incentive Plan, effective as of October 15, 2013 (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 21, 2013)*
10.80	Management Stockholders’ Agreement, dated as of October 26, 2007, by and among Sierra Holdings Corp., (n/k/a Avaya Holdings Corp.) the Majority Stockholders (as defined therein) and the individuals listed on Schedule A thereto (Incorporated by reference to Exhibit 10.25 to Avaya Holdings Corp.’s Registration Statement on Form S-1 filed with the SEC on June 9, 2011)
10.81	Form of Award Agreement for 2012 Sales Incentive Program (Incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K filed with the SEC on December 9, 2011)*
10.82	Form of Segment Transformation Growth Incentive cash award agreement dated July 2013 (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2013)*
10.83	Form of Segment Transformation Growth Incentive restricted stock unit award agreement dated July 2013 (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2013)*

Exhibit Number	Exhibit Title
10.84	Stock Purchase Agreement, dated as of February 16, 2014, by and among Avaya Inc., Avaya Government Solutions, Inc., Avaya Federal Solutions, Inc., and Camber Corporation (Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on February 21, 2014)
21.1	List of Subsidiaries
31.1	Certification of Kevin J. Kennedy pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of David Vellequette pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Kevin J. Kennedy pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of David Vellequette pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from Avaya Inc.'s Annual Report on Form 10-K for the year ended September 30, 2015, formatted in XBRL (eXtensible Business Reporting Language); (i) Consolidated Balance Sheets at September 30, 2015 and September 30, 2014, (ii) Consolidated Statements of Operations for the fiscal years ended September 30, 2015, 2014 and 2013, (iii) Consolidated Statements of Comprehensive Loss for the fiscal years ended September 30, 2015, 2014 and 2013, (iv) Consolidated Statements of Cash Flows for the fiscal years ended September 30, 2015, 2014 and 2013, (v) Consolidated Statements of Changes in Stockholder's Equity (Deficiency) for the fiscal years ended September 30, 2015, 2014 and 2013, and (vi) Notes to Consolidated Financial Statements**

* Management contract or compensation plan or arrangement required to be filed as an exhibit to this form pursuant to Item 15(b) of this report.

** Pursuant to Rule 406 T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those Sections.