



# Overview and Frequently Asked Questions

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**September 2009**

## OVERVIEW

On 20 July 2009, Avaya announced its intention to purchase Nortel's Enterprise Solutions business. On 16 September 2009, Avaya was approved to pursue the acquisition of Nortel Enterprise Solutions. Further regulatory review and approvals are required prior to closing the deal but this marks an important step in significantly strengthening Avaya's leadership in business communications and positioning the company to effectively deliver industry leading solutions and services to customers around the globe.

Until the deal closes, each company will continue to operate independently, and it is business as usual.

This acquisition enables Avaya to offer expanded global reach, a strong channel partner ecosystem and a strong portfolio of products and technologies in Enterprise Communications. The combined company will focus on bringing innovation to customers that delivers high impact, intuitive experiences that are simple, personalized and transform the way the business user communicates and runs his/her business.

The company will provide comprehensive manufacturer support in partnership with the channel to enable customers to leverage and maximize their existing investments.

Avaya has received an endorsement from the International Nortel Users Association (INNUA) and various customers and partners worldwide.

Nortel and Avaya share a commitment to open standards rather than proprietary

architectures and have been leaders in SIP innovation. The Avaya Aura™ SIP based architecture offers customers the opportunity to save significant costs in the deployment of business communications. It offers a simplified operational framework. It also provides seamless integration to other SIP solutions from other manufacturers and can provide the ability for customers of both companies to migrate to the benefits of SIP within a global multi-vendor environment whenever they are ready, leveraging existing investments in Nortel and Avaya solutions.

Although the deal awaits regulatory approval, Avaya is committed to integrating the Nortel Enterprise Solutions business as quickly as possible upon closing. We know that employees, customers, partners and suppliers are eagerly awaiting the details of how we will integrate after the transaction is consummated. We are diligently working and are mindful of the needs of all our constituents. While we cannot provide that detail at this time, it is the intention of both Avaya and Nortel to maintain the business momentum of both companies during this integration planning phase.

Customer's desire innovation that reduces their costs, simplifies their operation, increases their business agility and improves the interactions with their customers. Customers also want those capabilities to be delivered with security, reliability and scale-ability. Avaya and Nortel each have strong histories in delivering upon these attributes and will continue to deliver the enterprise-class solutions they deserve.

## TRANSACTION

**Q1. What was announced today?**

A1. On September 16, 2009, bankruptcy courts approved Avaya to pursue the acquisition of Nortel Enterprise Solutions for US \$900 million and an additional pool of \$15 million reserved for an employee retention program. The deal includes substantially all of the assets of Nortel's Enterprise Solutions business as well as the shares of Nortel Government Solutions Incorporated and DiamondWare, Ltd.

**Q2. What happens next in the acquisition process? When is the deal expected to close?**

A2. The transaction remains subject to regulatory review and other customary closing conditions. The parties are targeting to close in early December, though that timeline remains subject to change based on regulatory approval and other closing conditions.

A joint integration planning team comprised of representatives from Avaya's and Nortel's major functional areas is diligently involved in integration planning, including assessments of the companies' portfolios. This team will release information as soon

as possible while adhering to regulatory and transactional guidelines.

**Q3. Is Avaya financially healthy enough to fund this transaction?**

A3. Yes. Avaya is financially healthy. The company has demonstrated strong business momentum during the past 18 months. Avaya expects to maintain the same operational and fiscal discipline moving forward.

**Q4. Can Avaya associates or partners work jointly with Nortel associates or partners now that Avaya has been awarded the bid?**

A5. No. Keep in mind that until the transaction closes, Avaya and Nortel are separate companies and remain separate competitors. Avaya will not integrate operations or work together until the transaction is final.

All parties must continue to treat Avaya and Nortel as separate, independent competitors. Confidential business information (e.g., pricing, product plans, and customer information) of Avaya should remain confidential and should not be shared with Nortel, and vice versa.

## DEAL RATIONALE

**Q5. Why is Avaya pursuing Nortel's enterprise business?**

A5. The addition of Nortel Enterprise Solutions will expand Avaya's global coverage, enlarge our portfolio of systems and services and increase our expertise and specialization. This is a strategic opportunity to acquire talent, product and complementary assets and position the combined company for growth and

success. We are committed to protecting the communications investments of the customers of Avaya and Nortel and to effectively executing the integration of Nortel Enterprise Solutions and Avaya post-closing.

**Q6. How will this deal benefit both Avaya and Nortel?**

A6. Avaya believes that the acquisition of Nortel Enterprise Solutions will drive value for our business, partners, customers, and employees.

The enterprise communications industry is undergoing a dramatic transition as customers embrace the power of unified communications (UC). In this dynamic industry, Avaya believes the acquisition provides strategic opportunities in three areas:

1. **Expanded Global Coverage:** The combined businesses will increase global presence in Asia, Middle East, India, and Canada as well as across industries in Healthcare, Education, and Government. The channel partner ecosystem will also be enhanced through stronger relationships with system integrators and service providers as well as an extensive channel network selling to small and medium enterprises.
2. **Expanded Portfolio of Systems and Service:** The portfolio will be strengthened through the combination of Nortel's SME portfolio as well as Avaya's existing Avaya Aura™ technology that helps enable multi-vendor integration, application enablement through SIP session standards, and reduced cost through reduction in transport costs,

consolidation of servers, and decrease in administrative/operational overhead. Support services will also bring together the best of both worlds to provide a powerful value proposition, as recognized by JD Power and Associates.

3. **Increased Expertise & Specialization:** Avaya will recruit and maintain the best talent to create a company with the most experienced experts in the industry. With the combined, strong talent, Avaya expect to maintain the same operational and fiscal discipline moving forward.

By combining complementary expertise, the company will be able to bring better products to market more quickly.

### **Q7. How will Nortel's Government Solutions affect Avaya's business?**

A7. The combination of Nortel Government Solutions (NGS) and Avaya Federal Solutions (AFS) will enhance Avaya's ability to provide valuable solutions to the federal government.

Avaya Federal Solutions and Nortel Government Solutions will provide an increased set of products, services, and solutions for the US Federal Government, its employees, troops, and citizens.

## OPERATIONS

### **Q8. Now that Avaya has been selected as the winning bidder in the auction, what will happen to Avaya and Nortel's existing line of products and services? Which products and services will stay and which will go?**

A8. The Avaya/Nortel integration planning team is laser focused on ensuring that both Avaya and Nortel customers have their technology investments protected at

closing. The two companies' product portfolios will become a best-of-breed integrated portfolio together with a unified product evolution roadmap.

There will be compelling evolutionary paths to the integrated portfolio with a clear increase in value for both customer bases.

Avaya is committed to its core communications architecture, Avaya

Aura™. Nortel customers should consider Avaya Aura™ technology as a means to migrate to SIP while integrating with their existing Nortel investments. Avaya Aura™ solutions provide flexible SIP routing across Alcatel-Lucent, Cisco, Mitel, NEC, Nortel, ShoreTel, Siemens and other vendors' systems, allowing new, leading-edge capabilities and interoperability.

**Avaya expects to communicate the target portfolio and roadmap within 30 days of transaction close.** Any comments prior to the completion of that integration process would be premature.

Upon closing, Avaya looks to provide continuity for Nortel Enterprise Solutions and Avaya customers. Currently, Avaya expects to:

- continue to ship existing products for approximately 12-18 months post close;
- provide customer support for all customer contracts acquired in the transaction pursuant to their respective terms;
- utilize the vertical and professional services expertise of both companies to drive realizable value and navigate complex architectural evolution;
- honor product life cycle support as set forth in customer contracts acquired in the transaction; and
- adopt, for data products, the Nortel roadmap and investment plan.

All of the above items remain subject to change given the integration planning efforts currently underway, but they underscore Avaya's commitment to providing continuity to customers.

### **Q9. What are Avaya's plans for Nortel's data business?**

A9. Avaya views Nortel's data business as complementary to its core business and intends to protect customer investments in Nortel's data products, after closing. To this end, for data products, Avaya currently expects to adopt the Nortel roadmap and investment plan.

### **Q10. How will customer maintenance be affected by the acquisition?**

A10. Avaya has long delivered exceptional services to the market and has been recognized for services delivery. Customers of both organizations can expect the same high-quality services and maintenance.

During integration, Avaya will work to minimize disruptions and to ensure continuity for Nortel & Avaya customers. Avaya expects to honor product life cycle support as set forth in customer contracts acquired in the transaction.

### **Q11. How will R&D be affected by the acquisition?**

A12. The combination of Avaya with Nortel Enterprise Solutions will significantly increase the revenue base from which the company draws funding for research and development. In addition, we gain access to the considerable technical skills and talent of the Nortel Enterprise development team, which will help Avaya develop better products more quickly.

## CUSTOMERS

**Q12. How will Nortel's and Avaya's customers benefit?**

A13. Customers will benefit from the enhanced product and support service capabilities that come from increased global coverage, portfolio of systems and services, and expertise and specialization as a result of the two companies. Customers will also benefit from the strengthening of the supply chain and the commitment to provide a compelling evolutionary path for both Avaya and Nortel customer bases to the target portfolio.

Avaya Federal Solutions and Nortel Government Solutions customers will benefit from an increased set of products, services, and solutions for the US federal government, its employee, troops, and citizens.

Nortel and Avaya share a commitment to open standards rather than proprietary architectures. Customers of both companies will be able to protect their business communication investments through Avaya Aura™, Avaya's open standards-based technology. The Avaya Aura™ architecture is compatible with Nortel's open architecture, allowing customers a smooth evolution within a global multi-vendor environment, whenever they are ready.

Additionally, Avaya has long delivered exceptional services to the market and has been recognized for services delivery. Customers of both organizations can expect the same high-quality services and maintenance. In addition, we will use the vertical and professional services expertise of both companies to drive value and navigate complex architectural evolution.

Finally, the complementary research and development resources of the two companies will help the combined company bring better products to market more quickly.

**Q13. Will service levels change?**

A14. No. We do not expect for there to be any material disruptions or changes from the high-quality service levels you are accustomed to. We will provide you with further updates as we move forward.

**Q14. How is this acquisition expected to impact any existing Avaya projects, deployments, or services engagements?**

A16. It will be business as usual with no impacts to existing projects, deployments, or service engagements.

With the auction now complete, the joint integration planning team is now undertaking an intensive initiative designed to enable seamless integration and maximize the value of this important asset.

**Q15. What should I do if I have questions?**

A17. Reach out to your Avaya account manager or partner. Customers in the US can go to *avaya.com* and *Contacts* to reach the sales team and determine your account manager. Partners can be found on the main *avaya.com* page by going to *Find a Partner*.

Customers in other countries should visit the local country's Avaya site to determine the local contact information.

**PARTNERS****Q16. How will Nortel and Avaya partners benefit?**

A18. Avaya is committed to partners' success and profitability. Avaya and Nortel partners will benefit from the:

- Expanded partner ecosystem and a broader portfolio and revenue base that will enhance their position against a set of global competitors
- Expanded ability to drive innovation from the combined portfolio of solutions and services to better satisfy customers business needs
- A strong supply chain and investment protection
- Enhanced global support from Avaya and Nortel support services

- Addition of strong relationships with system integrators and service providers which sell to large customers and an extensive channel network which sells to small and mid-size companies

Avaya is continuing its investment in a channel-centric, go-to-market model. This model was launched last year and continues to gain in value for our partners.

**Q17. What should I do if I have questions?**

A22. Reach out to your Avaya Channel Account Manager or partner if you have questions.

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