UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2014

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

Commission File Number 001-34115

SONUS NETWORKS, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE	**04-3387074**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4 Technology Park Drive, Westford, Massachusetts 01886
(Address of principal executive offices, including zip code)

(978) 614-8100
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.001	The NASDAQ Global Select Market

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 x No o

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 o No x

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 x No o

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 x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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. x

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 x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the common stock held by non-affiliates of the Registrant was approximately $863,783,000 based on the closing price for the Common Stock on the NASDAQ Global Select Market on June 27, 2014, which reflects the one-for-five reverse stock split of our common stock that was made effective on the NASDAQ Global Select Market as of the commencement of trading on January 30, 2015. As of February 13, 2015, there were 49,431,461 shares of common stock, $0.001 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to stockholders in connection with the Registrant's 2015 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

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Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, which are subject to a number of risks and uncertainties. All statements other than statements of historical facts contained in this Annual Report on Form 10-K, including statements regarding our future results of operations and financial position, business strategy, plans and objectives of management for future operations and plans for future product development and manufacturing are forward-looking statements. Without limiting the foregoing, the words "anticipates", "believes", "could", "estimates", "expects", "intends", "may", "plans", "seeks" and other similar language, whether in the negative or affirmative, are intended to identify forward-looking statements, although not all forward looking statements contain these identifying words. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We therefore caution you against relying on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in these forward-looking statements are discussed in Item 1A., "Risk Factors" of Part I and Items 7 and 7A., "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures About Market Risk," respectively, of Part II of this Annual Report on Form 10-K. Also, any forward-looking statement made by us in this Annual Report on Form 10-K speaks only as of the date on which this Annual Report on Form 10-K was first filed. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

References in this Annual Report on Form 10-K to "Sonus," "Sonus Networks," "Company," "we," "us" and "our" are to Sonus Networks, Inc. and its subsidiaries, collectively, unless the context requires otherwise.

PART I

Item 1. Business

Overview

Sonus helps many of the world's leading communications service providers and enterprises embrace the next generation of Session Initiation Protocol ("SIP") and 4G/LTE (Long Term Evolution)-based solutions, including Voice over Internet Protocol ("VoIP"), video and Unified Communications ("UC") through secure, reliable and scalable Internet Protocol ("IP") networks. With customers around the globe and more than 15 years of experience transforming networks to IP, Sonus enables service providers and enterprises to capture and retain users and generate significant related return on investment. Sonus products include session border controllers ("SBCs"), Diameter signaling controllers ("DSCs"), policy/routing servers, media and signaling gateways and network analytics tools. Sonus products are supported by a global services team with experience in design, deployment and maintenance of some of the world's largest IP networks.

Our solutions enable the delivery of real-time communication applications over wireline and wireless IP infrastructure with the same performance and quality level historically delivered from legacy voice time-division multiplexing ("TDM") technologies. Our original flagship product, the GSX9000 VoIP softswitch, helped usher in the VoIP revolution by providing a carrier-class IP telephony switch that would support the transition from circuit-switched to IP-based network communications. Other products soon followed, such as the Sonus ASX Feature Server and the Sonus PSX Centralized Routing & Policy Server, which allowed communications service providers to replace high-cost circuit-based and space-consuming network equipment with smaller and more cost-efficient IP-based servers. We leveraged this expertise in managing and scaling large VoIP networks and introduced one of the industry's first SBCs to address the growing need for secure interconnection between private communications networks and the public Internet.

Today we provide communication solutions to service providers and to enterprises that enable them to protect, secure and unify their real-time communications infrastructures. Our solutions enable our customers to seamlessly link and leverage multivendor, multiprotocol communications systems and applications across their networks, around the world and in a rapidly changing ecosystem of IP-enabled devices such as smartphones and tablets. Our solutions help our customers realize the intended value and benefits of UC platforms by enabling disparate communications environments, commonplace in most enterprises today, to work seamlessly together. Likewise, Sonus solutions facilitate the evolution to cloud-based delivery of UC solutions.

We have traditionally sold our products through a global direct sales force, with additional sales support from regional channel partners throughout the world. In 2012, we launched an expanded channel partner program, the Sonus Partner Assure Program, to expand our coverage of the service provider and enterprise markets. Our service provider customers include AT&T, Belgacom ICS, BT Group, CenturyLink, COLT, KDDI, Level 3, Orange, Softbank Corporation, TalkTalk, Tata Communications, T-Systems Business Services (a division of Deutsche Telekom Group), Verizon, Vonage and XO Communications.

In concert with the Sonus Partner Assure Program, we enhanced our flagship SBC 5200 to be more enterprise- and channel-centric and launched a new SBC, the SBC 5100, to address the requirements for smaller offices and branch offices as a result of their VoIP and SIP deployments. The acquisition of Network Equipment Technologies, Inc. ("NET") in August 2012 also provided Sonus with strong expertise in the Microsoft Lync market and a presence in the U.S. federal government market. Today, Sonus has more Lync-qualified SBCs than any other vendor. In October 2013, we introduced the industry’s first software-based SBC architected with unlimited scalability and advanced features, the Sonus SBC SWe (Software edition). On February 19, 2014, we completed the acquisition of Performance Technologies, Incorporated ("PT"), a Delaware corporation. This acquisition has enabled us to expand and diversify our portfolio with an integrated, virtualized Diameter and SIP-based solution and deliver strategic value to service providers seeking to offer new multimedia services through mobile, cloud-based, real-time communications. On February 24, 2014, we announced our new Sonus SBC 7000 SBC (the "SBC 7000"), which is designed to address scalability requirements for real-time, multimedia communications with the capability to license up to 150,000 sessions. The SBC 7000 is purpose-built to support emerging services such as high definition ("HD") voice and video, Voice over Long-Term Evolution ("VoLTE") and Rich Communications Services ("RCS").

Our SBC products are the fastest-growing segment of our business, addressing the needs of mid- to large-sized enterprises from core infrastructures to branch offices, as well as the full spectrum of communications services providers, both large and small.

In October 2014, we announced our software-based DSC and software-based policy and routing engine ("PSX"). By the end of 2014, we had virtualized our SBC, DSC and PSX products, leading this aspect of the market as evolving network architectures transition to leveraging virtualized network functions as part of software-based, programmable networks.

In December 2014, our stockholders approved an amendment to our Fourth Amended and Restated Certificate of Incorporation, as amended, to effect a reverse stock split of our common stock, with the ratio, implementation and timing of such reverse stock split (within specified parameters) to be determined in the discretion of our Board of Directors. In January 2015, the Reverse Stock Split Special Committee of our Board of Directors set the ratio for the reverse stock split at one-for-five and such reverse stock split was made effective on the NASDAQ Global Select Market as of the commencement of trading on January 30, 2015. As a result of the reverse stock split, the number of our issued and outstanding shares was adjusted such that every five shares of common stock were converted into one share of common stock, reducing the authorized number of shares of our common stock from 600,000,000 to 120,000,000. Proportional adjustments were also made to our equity incentive plans, as well as to any outstanding restricted stock awards and stock options granted under such equity incentive plans to maintain the economic value of the awards. Following the effective date of the reverse stock split, the par value of the common stock remained at $0.001 per share. Unless otherwise indicated, all references herein to shares outstanding and share issuances have been adjusted to give effect to the aforementioned reverse stock split.

Industry Background

The single greatest capital cost for telecommunications service providers has been and continues to be their infrastructures. In order to leverage these capital investments and deliver new services such as triple-play (voice, television and Internet) bundles, service providers must consolidate their infrastructure from the costly, legacy Public Switched Telephone Network ("PSTN") infrastructures into the more efficient and flexible IP-based network models which we believe are driving their revenue-growth objectives. Migrating from the PSTN to IP reduces costs by enabling the consolidation of voice, video and data within a single IP-based networking infrastructure. In an effort to further leverage their capital investments and deliver new IP-based services, the industry is undergoing another major transformation from hardware-centric IP-based networks toward software-centric programmable IP-based networks.

The shift from PSTN- to IP-based communications began around 1996 and was driven by the desire of communications service providers to deliver new IP data services to grow their revenue. For most telecommunications service providers, the move to IP-based network communications presumed a strategic, phased migration. This strategy often involved deploying VoIP-based network equipment to enable the inter-networking between legacy TDM infrastructures and the new IP-based infrastructures. As a result, service providers typically found themselves operating hybrid networks that featured a mix of old (TDM) and new (IP/SIP) technology. The interoperability of these technologies introduced several issues, such as security, call control and quality of service requirements, which had to be addressed over a converged IP network that now carried not just data, but voice and multimedia data streams as well. Our original solution portfolio focused almost exclusively on helping telecommunications service providers successfully transition from TDM to all-IP communications while reducing costs and increasing revenue opportunities. As IP-to-IP communications have become more common, our main product focus has naturally shifted from core network switching to SBCs. As 4G/LTE networks began to displace 3G and older wireless networks, creating additional security risks and network congestion, our product focus has more recently shifted to DSCs.

While we anticipate that TDM-to-IP interoperability will remain a core requirement of communications networks for many years to come, communications service providers and enterprises face a new generation of potentially disruptive market trends, including cloud-based communications, UC, Bring Your Own Device/Application ("BYOD/A"), Software Defined Networking ("SDN") and Network Functions Virtualization ("NFV"). Although hosted communications have been available for years, hosting them in the cloud represents a unique opportunity for service providers. This is a key trend currently affecting both enterprises and service providers. Local and long-distance voice, video, Interactive Voice Response ("IVR") systems and call recording are just a few examples of applications that are beginning to be delivered in this manner. Another key trend affecting enterprises and service providers is the demand by users for the unification of communication modalities such as voice, instant messaging ("IM"), short message service ("SMS"), video and web-sharing. A third key trend primarily impacts enterprises and their ability to support the explosion of communications devices (e.g., tablets, smartphones, laptops) and third-party applications in the workforce. Another key trend, which involves SDN and NFV, is the virtualization of certain products to enable certain network functionality, such as the SBC, PSX (and its derivatives) and DSC to run as software on commercial, off-the-shelf platforms or, alternatively, to be hosted within other network elements. The primary benefit of this trend for service providers is the ability to more rapidly innovate and deploy new applications, service and infrastructure to meet their customers' evolving needs. We believe our software-based SBC, DSC and policy solutions are designed to help enterprises and service providers effectively address these trends.

Network Requirements and the Sonus Solutions

The introduction of the Sonus GSX9000 Open Services Switch helped to change the perception that VoIP was an inferior alternative to the PSTN. That original commitment to quality, found in all of our solutions today, can be summed up in five solution attributes: Security, Reliability, Scalability, Interoperability and Simplicity.

Security. IP communications networks must be secure against both internal and external attacks. Our SBCs and other networking products provide robust network security through a variety of methods including endpoint authentication, signaling and media encryption, prevention of denial-of-service ("DoS") and distributed DoS ("DDoS") attacks, Network Address Translation firewall support and user-defined security policies such as whitelisting and blacklisting.

Reliability. Communications service providers and enterprises operate complex, mission-critical networks. Our products are designed to offer the highest levels of quality and reliability, including:

- Full redundancy, designed for 5-nine's (99.999%) availability;
- Quality of service equal or superior to the PSTN;
- System hardware designed to comply with Network Equipment Building System standards Level 3;
- Interworking between numerous signaling and media formats to support multivendor, global networks; and
- Sophisticated security, network monitoring and analytics capabilities.

Scalability. Communications service providers and enterprises face challenging scalability requirements, with communications networks that may support tens or even hundreds of thousands of simultaneous sessions. To be economically attractive, new infrastructure investments must compare favorably with existing networks in terms of performance, cost per port, space occupation, power consumption and cooling requirements. Our products scale simply and cost-effectively from a handful of sessions to hundreds of thousands of simultaneous sessions. In addition, our equipment offers unparalleled density and requires significantly less space, power and cooling compared to legacy systems and is therefore more cost-efficient to operate.

Interoperability. New network infrastructure equipment and software must often sustain the full range of network communications standards, supporting both data networking protocols as well as telephony protocols. Infrastructure solutions must also integrate seamlessly with existing operations support systems. Our products are designed to be compatible with a wide range of voice and data networking standards and interfaces, including:

- SS7 and other telephony signaling protocols, including numerous country variants, number translations (e.g., ENUM and DNS) and intelligent services routing;
- Call signaling standards such as SS7/SIGTRAN, SIP and its variants: BICC, MGCP and H.323;
- Narrowband and Wideband media encoding/decoding formats and standards such as G.711 and G.722;
- All bearer interfaces over both packet- and circuit-based bearers such as TDM, Optical and Ethernet;
- Management and accounting interfaces such as Radius, Diameter, SNMP and AMA;
- Interoperability with enterprise systems including Private Branch eXchanges ("PBXs"), IVR applications and Microsoft Lync Server; and
- Interoperability between 2G/3G networks and 4G/LTE networks.

Simplicity. Our products are built on the idea of a simple, flexible architecture that allows communications service providers and enterprises to quickly deploy them individually in specific roles (e.g., as a standalone SBC) or collectively in broader solutions such as international gateways, IP-based networks and 4G/LTE networks. This is accomplished through our unique, centralized SIP architecture as well as our commitment to third-party interoperability testing and certification, adherence to industry standards and our industry-leading global services organization.

Sonus Products

At December 31, 2014, our products included the following:

Sonus Session Border Controllers
Our portfolio of SBCs addresses the network requirements for small, medium and large businesses as well as regional and global communications service providers. SBCs are the fastest-growing segment of our business, and today Sonus offers a broad range of SBCs that scale from a handful of SIP sessions to hundreds of thousands of sessions, and collectively represent the largest number of Lync-certified SBCs from any vendor on the market.

We currently offer eight unique SBC products:

- **Sonus SBC 1000** for small businesses and branch offices that require performance of up to 160 concurrent SIP sessions in a standalone SBC;
- **Sonus SBC 2000** for mid-size enterprises, branch offices and regional Points of Presence ("PoPs") that require performance of up to 600 concurrent SIP sessions in a standalone SBC;
- **Sonus SBC 5100** for enterprises and service providers that require performance of up to 10,000 concurrent SIP sessions in a standalone SBC;
- **Sonus SBC 5200** for enterprises and large national/global service providers that require performance of up to 64,000 concurrent SIP sessions in a standalone SBC;
- **Sonus SBC 9000** for large enterprises and service providers that require a hybrid gateway/SBC solution for a mix of TDM and IP voice traffic;
- **SBC VX**, a hybrid solution sold to the U.S. government and its agencies;
- **Sonus SBC SWe (Software edition)**, a software-based SBC for virtual environments, remote deployments and instances where virtualized software-based implementations are required; and
- **Sonus SBC 7000** for real-time, multimedia communications that require performance of up to 150,000 sessions in a single appliance.

Sonus GSX9000 Open Services Switch
The Sonus GSX9000 Open Services Switch (the "GSX9000"), bridges IP and TDM networks by converting any type of voice signal into IP packets and transmitting those IP packets over a data network. It then converts whatever type of signal is necessary to be deposited back onto non-IP networks and delivers such signal to its intended destination. The GSX9000 is designed to deliver voice quality that is equal or superior to that of the legacy circuit-switched public network. Further, it supports multiple voice encoding schemes used in circuit switches and delivers a number of other voice compression algorithms. The GSX9000 scales to very large configurations, such as those required by large national service providers. A single GSX9000 shelf can support up to 22,000 simultaneous calls, while a single GSX9000 in a multiple-shelf configuration can support 100,000 or more simultaneous calls. The GSX9000 also operates with our PSX Policy & Routing Server and with softswitches and network products offered by other vendors.

Sonus Diameter Signaling Controllers
The trend toward 4G/LTE networks and increasingly mobile-centric communications is expected to result in a significant rise in Diameter traffic in service provider networks. To address the anticipated growth of Diameter traffic in the network, Sonus offers its Diameter Signaling Controller, the Sonus DSC 8000. The DSC 8000 is designed to provide high performance, capacity, scalability and interoperability for 4G/LTE networks. The Sonus DSC solution is also available as a software-only product, DSC SWe, which can be run on common-off-the-shelf hardware and in virtual instances for superior price/performance.

Sonus Signal Transfer Points
The Sonus Signal Transfer Protocol ("STP") acts as the switch/router in an SS7 signaling network, managing and controlling all signaling traffic. The STP's vast array of network interfaces provide network planners the ability to design and implement SS7 network architectures that meet both the physical and business requirements of their companies. These interfaces include TDM SS7 Links, Asynchronous Transfer Mode SS7 Links, High Speed "HSL" Annex "A" SS7 Links and the IP-based SISGTRAN Links.

Sonus PSX Policy & Routing Server
The Sonus PSX Policy & Routing Server (the "PSX") is the central routing and policy engine for our softswitch and distributed SBC solutions. The PSX plays an integral role in many of our network deployments, and provides both the call routing intelligence and policy intelligence for SIP sessions across the network. The PSX is unique in that it can act as a central control and provisioning point for hundreds of switches or SBCs, resulting in significant operational savings for our customers. The PSX is based upon a modular architecture that is designed for high performance and scalability, as well as interoperability with third-party gateways, devices and services. The PSX is an all-IP component and can perform most IP-based database lookups natively. The core PSX platform is also extensible through applications to address solutions such as Least Cost Routing, Number Portability and Breakout Gateway Control Functions (for hybrid IP Multimedia Subsystem networks). The PSX can also be deployed in virtualized environments as a software-only instance via the Sonus Virtualized PSX (SWe) product.

Sonus Network Management Solutions
We offer our customers a variety of products to help manage and integrate our networked solutions with internal provisioning and billing systems, including:

- **Sonus NetScore** network performance analysis tool, which provides a real-time assessment of the state of a service provider's or enterprise's network, including quality of service, call delay, network effectiveness, congestion and efficiency;
- **Sonus Performance Assurance Suite**, which provides tools to monitor, analyze and improve network quality and performance through key performance indicators, call detail record ("CDR") analysis, dynamic threshold alarms and more;
- **Sonus Element Management System** for centralized management and provisioning of Sonus network elements; and
- **Sonus DataStream Integrator** for integration of CDRs with back-office billing and accounting systems.

Sonus Global Services

Sonus Global Services offers professional consulting and services that support our industry-leading IP communications solutions. Through a wide range of service offerings, our consultants provide the skill and expertise to help communications service providers and enterprises transform their communications networks, from network engineering and design through network integration and commissioning to network operations. These service offerings accelerate our customers' return on investment, optimize their operational capability, enhance their network's performance and health, and help them generate new revenue. In addition to end-to-end design, integration and deployment services, our Global Services team offers customized engagements, training workshops, interoperability/verification testing and around-the-clock technical support worldwide.

The Sonus Global Services team is an important part of our success, providing our customers with:

- A full-service portfolio including consulting, integration, deployment, migration, operation support, monitoring and managed services;
- Global reach through our worldwide service organization and partner presence in all major global markets;
- Program managers who use a disciplined methodology for all deployment and integration projects; and
- Consistent execution in the design, deployment and support of the world's largest and most advanced networks.

In addition to global support teams, at December 31, 2014, Sonus Global Services maintained regional technical assistance centers located in Westford (Massachusetts), Tokyo (Japan), Prague (Czech Republic), Ottawa (Canada) and Kuala Lumpur (Malaysia), a customer test center located in Richardson (Texas) and customer support centers in Dulles (Virginia) and Bangalore (India).

Sonus Market Strategy

Sonus sees opportunity in the cloud as enterprise-based UC infrastructures increasingly move to cloud-based delivery systems. The trend toward cloud-based communications is driven by many market factors and requires infrastructure investment by the enterprises who buy cloud services as well as the communications service providers that deliver cloud services. Our SBCs, installed in service provider and enterprise networks, enable these customers to deliver high quality real time communication services when delivered across and between multiple infrastructures and heterogeneous IP-PBX corporate environments. Additionally, when installed at the edge of service providers' and enterprise networks, our SBCs allow these customers to securely and seamlessly deliver consolidated voice and data services to enterprises through SIP trunking services.

We expect that communications service providers will look to a variety of ways to monetize their SIP trunking services by offering new cloud services, including hosted and managed UC infrastructure and applications. We also anticipate that service providers will expand their cloud-based real time communication services, further driving a need for SIP and Diameter-based infrastructure equipment. To that end, we are partnering with companies such as BroadSoft whose products allow service providers to increase their cloud application offerings while using our SBCs and policy solutions to facilitate the integration of their networks and offerings.

We currently sell our SBCs to enterprise customers for use at both the core and the edge of their networks, which allows them to set up a secure IP network with their service providers, consolidate dial plans and routing services and evolve from their legacy PBX infrastructures. In adopting cloud-based services, we expect that enterprises will continue to leverage their premise-based assets (e.g., PBXs) and, as such, will continue to need strong interworking and policy management to enable these cloud- and premise-based components to work together seamlessly. We believe that enterprises are also seeking to enable UC solutions in their networks, and expect Microsoft's UC platform to play a key role in their communications productivity. Sonus currently offers the broadest portfolio of Microsoft Lync-qualified SBCs to enable enterprises to integrate Lync with existing PBXs or facilitate their migration from a PBX to Lync. Additionally, we have strong certified channel partners that continue to support customers' migrations to Lync.

As mobile networks continue to accelerate their adoption of LTE and the many services it will bring, our DSC, along with our SBC, provides the critical edge interconnection for deployment in these networks. Providing both protection and interoperability between carriers and service providers, we believe our single vendor solution for data, voice, media and authentication are well positioned for this high growth area. In addition to the Diameter Edge function, our scalable DSC also can be used in the core of the network providing Diameter Routing and load balancing to handle congestion management and reduce network complexity.

We plan to continue developing new solutions internally and through partnerships that allow our customers to stay ahead of the rapid technology shifts in the communications industry. Following are some key principles driving our product evolution:

Expand our solutions to address emerging IP-based markets, such as session border control. The transformation from legacy TDM networks to all-IP networks has created new requirements for security, peering and media manipulation as well as an opportunity for creating IP-to-IP services at the network edge. The requirements for security and peering go far beyond the legacy functionality of SBCs and include not only the operator's requirements for a border gateway to other IP networks, but also a wide variety of requirements associated with the need for enterprises to control their own IP networks. The multimedia nature of these emerging services also provides an opportunity for us to create innovative services at the edge of the network, both individually and with the help of partners such as BroadSoft and Juniper Networks. The evolution of our SBC product family empowers operators to address all of the above requirements and enables them to create unique IP-to-IP services.

Expand and broaden our customer base by targeting specific market segments, such as enterprises and wireless operators. We plan to penetrate additional customer segments and believe that new and incumbent service providers will build out their VoIP infrastructures at different rates. The next-generation communications service providers, who are relatively unencumbered by legacy equipment, have been initial purchasers of our equipment and software. Other newer entrants, including wireless operators, cable operators and Internet service providers ("ISPs"), have also been early adopters of our products. Moreover, incumbents, including interexchange carriers, regional Bell operating companies and international operators, are adopting packet-voice technologies. Large enterprises are often operating voice networks that can be as complex as a small to mid-sized service provider, and we believe that our products are a good match for their needs for secure, reliable and scalable communications. We also continue to expand our SBC portfolio with the needs of the small and medium business customer in mind.

Expand our global sales, marketing, support and distribution capabilities. As a primary supplier of network infrastructure solutions to Tier 1 service providers (a service provider that can reach every other network on the Internet without purchasing IP transit), we require a strong worldwide presence. We have an established sales presence throughout North America, Europe, Asia/Pacific, the Middle East, Africa, and Central/South America. We augment our global direct sales force by working with international partners in key markets around the world. In 2013, we expanded our partner program, the Sonus Partner Assure Program, into a two-tiered structure to better support our growing and diverse community of SBC channel resellers. As of December 31, 2014, we had 443 partners enrolled in the Sonus Partner Assure Program worldwide.

Leverage our technology leadership to attract and retain key communications service providers. As one of the first companies to offer carrier-class IP network solutions, we have worked with many of the world's leading communications service providers to help them develop their next-generation, IP-based multimedia networks. We expect service providers to select vendors that deliver leading technology and can maintain that technology leadership. We believe that our solutions are an integral part of our customers' network architecture and we will continue to help these customers move forward as their networks grow and evolve. By working closely with leading service providers, we gain valuable knowledge about their requirements, and we will continue to use this knowledge to enhance our existing products and create new products that address the most important requirements of network operators globally.

Sonus Customers

Our solutions are deployed in many of the world's leading service provider and enterprise networks, including AT&T, Belgacom, BT Group, Cable & Wireless, CenturyLink, CITIC 1616, Global Crossing, KDDI, KVH, Level 3, NTT Communications, Orange Business Services, Softbank Corporation, TalkTalk, T-Systems Business Services (a division of Deutsche Telekom Group), Verizon and XO Communications. In recent years, we have seen a significant increase in the number of enterprise customers purchasing our SBC product portfolio as a result of our overall channel partner program.

The table below provides information regarding our customer who accounted for 10% or more of our revenue for the years ended December 31, 2014, 2013 and 2012:

	Year ended December 31,		
	2014	2013	2012
AT&T	19%	15%	20%

Sales and Marketing

We sell our products principally through a direct sales force and, in some markets, through or with the assistance of distributors and resellers such as AT&T, Arrow S3, Dimension Data, Nissho Electronics Corporation (Japan), Orange Business Systems, ScanSource, TSG, Sumitomo Corporation (Japan), Verizon and Westcon. In 2012, we established our channel partner program, Sonus Partner Assure, to serve particular markets and provide our customers with opportunities to purchase our products in combination with related services and products. In 2013 and 2014, we continued to add partners to our Sonus Partner Assure Program.

Product Research and Development

We believe that strong product development capabilities are essential to our strategy of enhancing our core technology, developing additional applications, incorporating that technology into new products and maintaining comprehensive product and service offerings. Our research and development process leverages innovative technology in response to market data and customer feedback. In 2012, we introduced differentiated products to address market and customer needs, including the Sonus SBC 5100 Session Border Controller. In addition, we completed the acquisition of Network Equipment Technologies, Inc. ("NET") and have incorporated their SBC products into our product SBC portfolio as the Sonus SBC 1000 and the Sonus SBC 2000. In 2013, we introduced the first software-based SBC to feature advanced capabilities and unlimited scalability, the Sonus SBC SWe (Software edition). In 2014, we announced software-only versions of our PSX policy server and DSC products, as well as our most powerful SBC to date, the SBC 7000.

We have assembled a team of highly skilled engineers with significant telecommunications and networking industry experience. Our engineers have experience in and with leading wireline and wireless telecommunications equipment suppliers, computer data networking and multimedia companies. Our engineering effort is focused on SBC and DSC product development, new applications and network access features for enterprises, solutions to support Unified and cloud-based communications services and next-generation wireless technologies. At December 31, 2014, we maintained research and development offices in Massachusetts, California, Illinois, New York and New Jersey in the United States; Kanata, Ontario Canada; Bangalore, India and Swindon, United Kingdom. We have made, and intend to continue to make, a substantial investment in research and development.

Our research and development expenses were $79.4 million for the year ended December 31, 2014, $69.6 million for the year ended December 31, 2013 and $67.3 million for the year ended December 31, 2012.

Competition

The market for voice and multimedia network equipment remains competitive worldwide, but there are historical regional differences in services, regulations and business practices among sub-markets that can benefit individual vendors. Regardless of the region, the overall market is subject to rapid technological change, affected by new product introductions, changing customer demands, industry consolidation and other market activities of industry participants. To compete effectively, we must deliver innovative products that are easy to use and deploy, provide extremely high reliability and quality, scale easily and efficiently, interoperate with existing network infrastructures and multivendor solutions, provide effective network management, are accompanied by comprehensive customer support and professional services, provide a cost-effective and space-efficient solution for enterprises and service providers and meet price competition from low-cost equipment providers. We expect competition to persist and intensify in the future. Our primary sources of competition include vendors of networking and telecommunications equipment, such as Alcatel Lucent, AudioCodes Ltd., Cisco Systems, Inc., Ericsson LM Telephone Company, GENBAND Inc., Huawei Technologies Co. Ltd., Mavenir, Metaswitch, Nokia Systems Network (NSN) and Oracle Corporation (which acquired Acme Packet, Inc. in 2013).

Although we believe we compete favorably because our solutions are widely deployed, highly scalable and cost-effective for our customers, some of our competitors have broader product portfolios than we have and are able to devote greater resources to the development, promotion, sale and support of their products. In addition, some of these competitors have more extensive customer bases and broader customer relationships than we have, including relationships with our potential customers and established relationships with distribution partners. Other smaller private and public companies are also focusing on similar market opportunities.

Intellectual Property

Intellectual property is fundamental to our business and our success, and we depend upon our ability to develop, maintain and protect our technology. Therefore, we seek to safeguard our investments in technology and rely on a combination of United States and foreign patent, trademark, trade secret and copyright law and contractual restrictions to protect the proprietary aspects of our technology and to defend us against claims from others. Our general policy has been to seek to patent those patentable inventions that we expect to incorporate in our products or that we expect will be valuable otherwise. We have a program to file applications for and obtain patents, copyrights and trademarks in the United States and in specific foreign countries where we believe filing for such protection is appropriate.

At December 31, 2014, we held 123 U.S. patents with expiration dates ranging from April 2016 through October 2032, and had 28 patent applications pending in the United States. While we have two patents that are set to expire within the next two years, the expiration of these patents is not expected to have a material effect on our financial position or future operations since this patent does not relate to our current business strategy and therefore is not of material value to us. In addition, at December 31, 2014, we held 33 foreign patents with expiration dates ranging from June 2019 through October 2027, and had 13 patent applications pending abroad. We also have a number of registered trademarks in the United States, including Sonus, the Sonus logo, NetAssure, NetEng, NetScore, Promina and Tenor. In addition to the protections described above, we seek to safeguard our intellectual property by:

- Protecting the source and object code for our software, documentation and other written materials under copyright laws and trade secret;
- Licensing our software pursuant to signed license agreements, which impose restrictions on others' ability to use our software; and
- Seeking to limit disclosure of our intellectual property by requiring employees and consultants with access to our proprietary information to execute confidentiality agreements.

We have incorporated third-party licensed technology into certain of our current products. From time to time, we may be required to license additional technology from third parties to develop new products or to enhance existing products. Based on experience and standard industry practice, we believe that licenses to use third-party technology generally can be obtained on commercially reasonable terms. Nonetheless, there can be no assurance that necessary third-party licenses will be available or continue to be available to us on commercially reasonable terms. As a result, the inability to maintain, license or re-license any third-party licenses required in our current products, or to obtain any new third-party licenses to develop new products and enhance existing products could require us to obtain substitute technology of lower quality or performance standards or at greater cost. This could delay or prevent us from making these products or enhancements, any of which could seriously harm our business, financial condition and operating results.

Please see generally the risks that are more fully discussed in “Item 1A. Risk Factors” for risks related to our intellectual property.

Manufacturing

As of December 31, 2014, we outsourced the manufacturing of our products to three manufacturers. Our contract manufacturers provide comprehensive manufacturing services, including assembly and testing of our products and procurement of component materials on our behalf. We believe that outsourcing our manufacturing enables us to preserve working capital, allows for greater flexibility in meeting changes in demand and enables us to be more responsive in delivering products to our customers. At present, we purchase products from our contract manufacturers on a purchase order basis.

We and our contract manufacturers currently purchase several key components of our products, including commercial digital signal processors, from single or limited sources. We purchase these components on a purchase order basis.

Please see generally the risks that are more fully discussed in “Item 1A. Risk Factors” for risks related to our manufacturing operations.

Backlog

We sell products and services pursuant to purchase orders issued under master agreements that provide standard terms and conditions that govern the general commercial terms and conditions of the sale. These agreements typically do not obligate customers to purchase any minimum or guaranteed quantities, nor do they generally require upfront cash deposits. At any given time, we have orders for products that have not yet been shipped and for services (including our customer support obligations) that have not yet been performed. We also have orders relating to products that have been delivered and services that have been performed but have not yet been accepted by the customer under the applicable purchase terms. We include both of these situations in our calculation of backlog. A backlogged order may not result in revenue in the quarter in which it was booked, and the actual revenue recognized in a quarter may not equal the total amount of related backlog. Therefore, we do not believe that our backlog, as of any particular date, is necessarily indicative of actual revenue for any future period. In addition, we expect to derive a greater percentage of our revenue in the future from the enterprise market and through sales channels where speed of fulfillment is essential to winning business. Consequently, we expect to derive a lower percentage of our business from large service provider orders that are delivered over multiple quarters and years and we expect our backlog to decrease as a result. Our backlog was approximately $101 million at December 31, 2014 and approximately $115 million at December 31, 2013.

Employees

At December 31, 2014, we had a total of 1,193 employees. Our employees are not represented by any collective bargaining agreement. We believe our relations with our employees are good.

Geographic and Segment Information

We operate in a single segment. Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker in making decisions regarding resource allocation and assessing performance. To date, our chief operating decision maker has made such decisions and assessed performance at the company level, as one segment. Our chief operating decision maker is our President and Chief Executive Officer.

Our classification of revenue by geographic area is determined by the location of our customers. The following table summarizes revenue by geographic area as a percentage of total revenue:

	Year ended December 31,		
	2014	2013	2012
United States	71%	69%	68%
Europe, Middle East and Africa	13	12	13
Japan	9	12	14
Other Asia Pacific	5	5	4
Other	2	2	1
	100%	100%	100%

Information regarding the geographic components of our property and equipment is provided in Note 8 of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

Additional Information

We were incorporated in August 1997 as a Delaware corporation. Our principal executive offices are located at 4 Technology Park Drive, Westford, MA 01886. Our telephone number at our principal executive offices is 978-614-8100.

This Annual Report on Form 10-K, as well as all other reports filed with or furnished to the United States Securities and Exchange Commission (the “SEC”), are available free of charge through our Internet site (*http://www.sonus.net*) once we electronically file such material with, or furnish it to, the SEC. Information found on our website is not part of this report or any other report we file with or furnish to the SEC. The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (*http://www.sec.gov*) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below before buying our common stock. If any of the following risks actually occurs, our business, financial condition, results of operations and cash flows could be materially adversely affected, the trading price of our common stock could decline materially and you could lose all or part of your investment.

Our quarterly revenue and operating results are unpredictable and may fluctuate significantly from quarter to quarter, which could adversely affect our business, consolidated financial statements and the trading price of our common stock.

Our revenues and operating results may vary significantly from quarter to quarter due to a number of factors, many of which are outside of our control and any of which may cause our stock price to fluctuate. The primary factors that may affect our revenues and operating results include, but are not limited to, the following:

- consolidation within the telecommunications industry, including acquisitions of or by our customers;
- general economic conditions in our markets, both domestic and international, as well as the level of discretionary IT spending;
- competitive conditions in our markets, including the effects of new entrants, consolidation, technological innovation and substantial price discounting;
- fluctuation in demand for our voice infrastructure products and services, and the timing and size of customer orders;
- fluctuations in foreign exchange rates;
- cancellation or deferral of existing customer orders or the renegotiation of existing contractual commitments;
- mix of product configurations sold;
- length and variability of the sales cycle for our products;
- application of complex revenue recognition accounting rules to our customer arrangements;
- timing of revenue recognition;
- changes in our pricing policies, the pricing policies of our competitors and the prices of the components of our products;
- market acceptance of new products, product enhancements and services that we offer;
- the quality and level of our execution of our business strategy and operating plan, and the effectiveness of our sales and marketing programs;
- new product announcements, introductions and enhancements by us or our competitors, which could result in deferrals of customer orders;
- our ability to develop, introduce, ship and successfully deliver new products and product enhancements that meet customer requirements in a timely manner;
- our reliance on contract manufacturers for the production and shipment of our hardware products;
- our or our contract manufacturers' ability to obtain sufficient supplies of sole or limited source components or materials;
- our ability to attain and maintain production volumes and quality levels for our products;
- variability and unpredictability in the rate of growth in the markets in which we compete;
- costs related to acquisitions; and
- corporate restructurings.

Equipment purchases by communications service providers and enterprises continue to be unpredictable given the current economic conditions. Additionally, as with other telecommunications product suppliers, we typically recognize a portion of our revenue in a given quarter from sales booked and shipped in the last weeks of that quarter. As a result, delays in customer orders may result in delays in shipments and recognition of revenue beyond the end of a given quarter. Additionally, it can be difficult for us to predict the timing of receipt of major customer orders, and we are unable to control timing decisions made by our customers. As a result, our quarterly operating results are difficult to predict even in the near term and a delay in an anticipated sale past the end of a particular quarter may negatively impact our results of operations for that quarter, or in some cases, that year. Therefore, we believe that quarter-to-quarter comparisons of our operating results are not a good indication of our future performance. If our revenue or operating results fall below the expectations of investors or securities analysts or below any guidance we may provide to the market, the price of our common stock could decline substantially. Such a stock price decline could also occur when we have met our publicly stated revenue and/or earnings guidance.

A significant portion of our operating expenses is fixed in the short term. If revenues for a particular quarter are below expectations, we may not be able to reduce costs and expenses proportionally for that quarter. Any such revenue shortfall would, therefore, have a significant effect on our operating results for that quarter.

We have incurred net losses and may incur additional net losses.

We incurred net losses in 2014, as well as in 2013 and 2012. We may incur additional net losses in future quarters and years. Our revenues may not grow and we may never generate sufficient revenues to sustain profitability.

We will not be successful if we do not grow our customer base, especially since our revenue has historically been generated from a limited number of customers and the per-order revenue from orders placed by the majority of our new customers is generally lower than the per-order revenue generated from our historical sales. Additionally, if we are unable to generate recurring business from our existing customers, our consolidated financial statements could be materially and adversely affected.

Prior to our acquisition of Network Equipment Technologies, Inc. ("NET") in August 2012, we had shipped our products to a limited number of customers. Since the acquisition of NET, as well as our acquisition of Performance Technologies, Incorporated ("PT") in February 2014, the number of customers to whom we have shipped our products has increased significantly. However, due to the nature of certain of our new product offerings, the per-order revenue from orders placed by the majority of our new customers is generally lower than the per-order revenue generated from our historical sales.

Our future success will depend on our ability to attract additional customers beyond our current customer base. In 2014, 2013 and 2012, one customer, AT&T, contributed more than 10% of our revenue, representing approximately 19% of our revenue in 2014, 15% of our revenue in 2013 and 20% of our revenue in 2012. Factors that may affect our ability to grow our customer base include the following:

- economic conditions that discourage potential new customers from making the capital investments required to adopt new technologies;
- deterioration in the general financial condition of service providers and enterprises, or their ability to raise capital or access lending sources;
- new product introductions by our competitors; and
- the continued development of our channel program.

If we are unable to expand our customer base, we will be forced to rely on generating recurring revenue from existing customers, which may not be successful. We expect to derive an increasing percentage of our revenue from engagements with our value-added resellers ("VAR") and global system integration partners; however, in the foreseeable future, the majority of our revenue will continue to depend on sales of our products to a limited number of existing customers or sales to customers with lower per-order revenue than those generated from our historical sales. Factors that may affect our ability to generate recurring revenues from our existing customers include the following:

- customer willingness to implement our new voice infrastructure products;
- acquisitions of or by our customers;
- delays or difficulties that we may incur in completing the development and introduction of our planned products or product enhancements;
- failure of our products to perform as expected; and
- difficulties we may incur in meeting customers' delivery requirements.

The loss of any significant customer or any substantial reduction in purchase orders from these customers could materially and adversely affect our consolidated financial statements.

We continue to enhance our sales strategy, which we expect will include more significant engagements with value-added resellers and global system integration partners to resell our products and services. Disruptions to, or our failure to effectively develop and manage, these partners and the processes and procedures that support them could adversely affect our ability to generate revenues from the sale of our products and services. If we do not have adequate personnel, experience and resources to manage the relationships with these partners and to fulfill our responsibilities under such arrangements, such shortcomings could lead to the decrease of the sales of our products and services and our operating results could suffer.

We continue to enhance our sales strategy, which we expect will include more significant engagements with VAR channel partners and system integrators to resell our products and services. Our future success is dependent upon establishing and maintaining successful relationships with a variety of distributors and value-added distribution, VAR and systems integration partners. We may also need to pursue strategic partnerships with vendors who have broader technology or product offerings in order to compete with end-to-end solution providers. In addition, many of the enterprise markets we are pursuing require a broad network of resale partners in order to achieve effective distribution.

Many of our distribution and channel partners sell competitive products and services and the loss of, or reduction in sales by, these partners could materially reduce our revenues. Our sales through channel partners typically involve the use of our products as components of a larger solution being implemented by the systems integrator. In these instances, the purchase and sale of our products are dependent on the channel partner, who typically controls the timing, prioritization and implementation of the project. Project delays, changes in priority or solution re-design decisions by the systems integrator can adversely affect our product sales. If we fail to maintain relationships with our distribution, VAR and systems integration partners; fail to develop new relationships with other partners in new markets; fail to manage, train or provide incentives to our existing partners effectively; or if these partners are not successful in their sales efforts, sales of our products and services may decrease and our operating results could suffer. Moreover, if we do not have adequate personnel, experience and resource to manage the relationships with our partners and to fulfill our responsibilities under such arrangements, any shortcomings could have a material adverse impact on our business and consolidated financial statements.

In addition, we recognize some of our revenue based on a sell-through model using information provided by our partners. If those partners provide us with inaccurate or untimely information, the amount or timing of our revenues could be adversely affected. We may also experience financial failure of our partners, which could result in our inability to collect accounts receivable in full.

As the telecommunications industry and the requirements of our current and potential customers evolve, we are redirecting certain of our resources to more readily respond to the changing environment through the research and development of innovative new products and the improvement of existing products. If our strategic plan is not aligned with the direction our customers take as they invest in the evolution of their networks, customers may not buy our products or use our services.

Success in our industry requires large investments in technology and creates exposure to rapid technological and market changes. We spend a significant amount of time, money and resources both developing new technology, products and solutions and acquiring new businesses or business assets, as applicable, such as NET in August 2012, PT in February 2014. In January 2015, we acquired from Treq Labs, Inc. ("Treq") certain assets related to Treq's business of designing, developing, marketing, selling, servicing and maintaining software defined networking ("SDN") technology, SDN controller software and SDN management software (the "SDN Business"). and the software defined networking ("SDN") technology assets from Treq Labs, Inc. ("Treq") in January 2015. Our strategic plan includes a significant shift in our investments from mature technologies that previously generated significant revenue for us toward certain next-generation technologies as well as working with more channel partners to sell our products. In order for us to be successful, our technologies, products and solutions must be accepted by relevant standardization bodies and by the industry as a whole. Our choices of specific technologies to pursue, and those to de-emphasize, may prove to be inconsistent with our customers' investment spending. Our success also depends upon our ability to integrate new and acquired products and services, as well as our ability to enhance our existing products and services. Moreover, if we invest in the development of technologies, products and solutions that do not function as expected, are not adopted by the industry, are not ready in time, are not accepted by our customers as quickly as anticipated or are not successful in the marketplace, our sales and earnings may suffer and, as a result, our stock price could decline. As technology advances, we may not be able to respond quickly or effectively to developments in the market for our products, or new industry standards may emerge and could render our existing or future products obsolete. If our products become technologically obsolete or if we are unable to develop successor products that are accepted by our customers, we may be unable to sell our products in the marketplace and face declines in sales. We may also experience difficulties with software development, hardware design, manufacturing or marketing that could delay or prevent our development, introduction or marketing of new products and enhancements.

In 2012, the macro-environment for our media gateway trunking business faced significant declining revenues that happened faster than we were anticipating. In 2014 and 2013, we continued to experience significant declines in customer spending in our media gateway trunking business. Even though we continue to transform our company from a media gateway trunking business to an SBC and DSC business, a portion of our revenue remains dependent upon our voice infrastructure products, and our revenues will continue to depend upon their commercial success for the foreseeable future. If the market for these products continues to significantly decline and if our SBC and DSC sales do not accelerate as quickly as we forecast, our operating results could suffer.

While we continue to transform our company from a media gateway trunking business to an SBC and Diameter Signaling Controller ("DSC") business, a portion of our current revenue still depends upon the commercial success of our TDM-to-IP and our all-IP voice infrastructure products and solutions, and we believe this will remain true for the foreseeable future. If the market for these products continues to significantly decline and if our SBC and DSC sales do not accelerate as quickly as we forecast, our operating results could suffer.

Restructuring activities could adversely affect our ability to execute our business strategy.

We recorded restructuring expense of $18.7 million in the aggregate in 2014, 2013 and 2012, comprised of $11.9 million for severance and related costs, $6.3 million for the consolidation of certain facilities and $0.5 million for the write-off of assets associated with the headcount reduction and facilities consolidations. This restructuring and any future restructurings, should it become necessary for us to continue to restructure our business due to worldwide market conditions or other factors that reduce the demand for our products and services, could adversely affect our ability to execute our business strategy in a number of ways, including through:

- loss of key employees;
- diversion of management's attention from normal daily operations of the business;
- diminished ability to respond to customer requirements related to both products and services;
- decrease in cash and profits related to severance payments and facility termination costs;
- disruption of our engineering and manufacturing processes, which could adversely affect our ability to introduce new products and to deliver products both on a timely basis and in accordance with the highest quality standards; and/or
- reduced ability to execute effectively internal administrative processes, including the implementation of key information technology programs.

If we fail to realize the anticipated benefits from our acquisitions of PT and the SDN Businessfrom Treq on a timely basis, or at all, our business and financial condition may be adversely affected.

We may fail to realize the anticipated benefits from our acquisition of PT and and/or the Treq Business acquisition on a timely basis, or at all, for a variety of reasons, as applicable, including the following:

- problems or delays in assimilating or transitioning to Sonus the acquired assets, operations, systems, processes, controls, technologies, products or personnel;
- loss of acquired customer accounts;
- unanticipated costs associated with the acquisition;
- failure to identify in the due diligence process or assess the magnitude of certain liabilities we assumed in the acquisition, which could result in unexpected litigation or regulatory exposure, unfavorable accounting treatment, unexpected increases in taxes due, significant issues with product quality or development or other adverse effects on our business or consolidated financial statements;
- multiple or overlapping product lines as a result of the PT acquisition that are offered, priced and supported differently, which could cause customer confusion and delays;
- higher than anticipated costs in continuing support and development of acquired products;
- diversion of management’s attention from our core business and the challenges of managing larger and more widespread operations from the acquisition;
- adverse effects on existing business relationships of Sonus or PT with respective suppliers, licensors, contract manufacturers, customers, distributors, resellers and industry experts;
- significant impairment, exit and/or restructuring charges if the products or technologies acquired in the acquisition do not meet our sales expectations or are unsuccessful;
- insufficient revenue to offset increased expenses associated with the acquisition;
- risks associated with entering markets in which we have no or limited prior experience;
- potential loss of PT’s or our own employees; and/or
- failure to properly integrate internal controls and financial systems of the combined companies.

If we are not able to successfully manage these issues, the anticipated benefits and efficiencies of the PT acquisition may not be realized fully or at all, or may take longer to realize than expected, and our ability to compete, our revenue and gross margins and our results of operations may be adversely affected.

Any future investments or acquisitions we make could be difficult to integrate, disrupt our business, dilute shareholder value and seriously harm our financial condition.

We are not currently a party to any material pending acquisition agreements. However, we may acquire additional businesses, products or technologies in the future. Acquisitions are inherently risky and no assurance can be given that our future acquisitions will be successful or will not materially and adversely affect our business, operating results or financial condition.

We continue to review opportunities to acquire other businesses or technologies that would add to our existing product line, complement and enhance our current products, expand the breadth of our markets, enhance our technical capabilities or otherwise offer growth opportunities. If we make further acquisitions, we could, among other things:

- issue stock that would dilute existing stockholders' percentage ownership;
- incur debt or assume liabilities;
- reduce significantly our cash and investments;
- incur significant impairment charges related to the write-off of goodwill and intangible assets;
- incur significant amortization expenses related to intangible assets; and/or
- incur large and immediate write-offs for in-process research and development and stock-based compensation.

Mergers and acquisitions are inherently risky and subject to many factors outside of our control, and we cannot be certain that we would be successful in overcoming problems in connection with our past or future acquisitions. Our inability to do so could significantly harm our business, revenues, and results of operations.

If in the future we do not have a sufficient number of shares available to issue to our employees, the limited number of shares we could issue may impact our ability to attract, retain and motivate key personnel.

We historically have used stock options and restricted stock as a significant component of our employee compensation program in order to align our employees' interests with the interests of our stockholders, encourage employee retention and provide competitive compensation packages. In 2007, our stockholders approved our 2007 Stock Incentive Plan (the "2007 Plan") which includes a limited amount of shares to be granted under such plan. In 2010, our stockholders approved amendments to this plan to, among other things, increase the number of shares of our common stock that may be granted under this plan from 2,980,540 to 6,980,540. In June 2013, our stockholders approved an amendment to this plan to increase the number of shares of our common stock that may be granted under this plan by 4,200,000, from 6,980,540 to 11,180,540. At our December 2014 special meeting of stockholders, our stockholders approved certain amendments to our 2007 Plan, including an amendment to increase the aggregate number of shares of our common stock authorized for issuance under the 2007 Plan (i) by 2,000,000 new shares, from 11,180,540 shares to 13,180,540 shares and (ii) by the number of shares of our common stock that are reserved for future issuance under our 2008 Stock Incentive Plan (the "2008 Plan") and the 2012 Amended Performance Technologies, Incorporated Omnibus Incentive Plan (the "2012 Plan," together with the 2008 Plan, the "Acquired Plans") immediately prior to the time the proposal was approved by our stockholders (which number was 313,747 shares) and any shares of our common stock subject to awards that were outstanding under the Acquired Plans immediately prior to the time the proposal was approved by our stockholders (which number was 810,064 shares subject to outstanding options and 2,000 restricted shares for an aggregate of 812,064 shares) that expire, are terminated, canceled, surrendered or forfeited, or are repurchased by us at their original issuance price pursuant to a contractual repurchase right under the Acquired Plans (subject, however, in the case of incentive stock options to any limitations under the Internal Revenue Code of 1986, as amended).

While we anticipate that these shares, along with those previously available for grant, will be sufficient to meet our needs through the 2015 annual meeting of stockholders, we may not have sufficient shares for our needs in the near future and it is not certain that our stockholders will either approve an increase in the number of shares that we are authorized to issue under the 2007 Plan or adopt a new stock incentive plan. If our stockholders do not approve any amendments that we determine are needed to the 2007 Plan or adopt a new stock incentive plan, the limited number of shares available for use as equity incentives to employees may make it more difficult for us to attract, retain and motivate key personnel.

Worldwide efforts to contain capital spending, general uncertainty as to continued economic growth during the current post-recessionary global economy, the possibility of another recession and a continued weakened global economy could have a material adverse effect on us.

One factor that significantly affects our operating results is the impact of economic conditions on the willingness of our current and potential customers to make capital investments. Given the general uncertainty as to continued economic growth during the current post-recessionary global economy, we believe that customers continue to be cautious about sustained economic growth and have tried to maintain or improve profitability through cost control and constrained capital spending, which places additional pressure on IT departments to demonstrate acceptable return on investment. Some of our current or prospective customers may cancel or delay spending on the development or roll-out of capital and technology projects with us due to the continuing economic uncertainty and, consequently, our results of operations may be adversely affected. In addition, the current uncertain worldwide economic and political environments make it increasingly difficult for us, our customers and our suppliers to accurately forecast future product demand, which could result in an inability to satisfy demand for our products and a loss of market share. Our revenues are likely to decline in such circumstances and our profit margins could erode, or we could incur significant losses.

Moreover, economic conditions worldwide may continue to contribute to slowdowns in the communications and networking industries, as well as to specific segments and markets in which we operate, resulting in:

- reduced demand for our products as a result of our customers choosing to refrain from building capital intensive networks;
- increased price competition for our products, not only from our competitors, but also as a consequence of customers disposing of unutilized products;
- risk of excess and obsolete inventories;
- excess facilities and manufacturing capacity; and/or
- higher overhead costs as a percentage of revenue and higher interest expense.

Continuing turmoil in the geopolitical environment in many parts of the world, including terrorist activities and military actions, as well as political and economic issues in many regions, continue to put pressure on global economic conditions. Our operating results and our ability to expand into other international markets may also be affected by changing economic conditions particularly germane to that sector or to particular customer markets within that sector.

If we fail to compete successfully against telecommunications equipment and networking companies, our ability to increase our revenues and achieve profitability will be impaired.

Competition in the telecommunications market is intense. This market has historically been dominated by large incumbent telecommunications equipment companies, such as Ericsson LM Telephone Company and Huawei Technologies Co. Ltd., both of which are our direct competitors. We also face competition from other telecommunications and networking companies, including Alcatel Lucent, AudioCodes Ltd., Cisco Systems, Inc., Ericsson LM Telephone Company, GENBAND Inc., Huawei Technologies Co. Ltd., Mavenir, Metaswitch, Nokia Siemens Network (NSN) and Oracle Corporation, all of which design competing products. These or other competitors may also merge, intensifying competition. Additional competitors with significant financial resources may enter our markets and further intensify competition.

Many of our current and potential competitors have significantly greater selling and marketing, technical, manufacturing, financial and other resources than we have. Further, some of our competitors sell significant amounts of other products to our current and prospective customers and have the ability to offer lower prices to win business. Our competitors' broad product portfolios, coupled with already existing relationships, may cause our customers to buy our competitors' products or harm our ability to attract new customers.

To compete effectively, we must deliver innovative products that:

- provide extremely high reliability and quality;
- deploy and scale easily and efficiently;
- interoperate with existing network infrastructures and multivendor solutions;
- provide effective network management;
- are accompanied by comprehensive customer support and professional services;
- provide a cost-effective and space-efficient solution for service providers; and
- meet price competition from low cost equipment providers.

If we are unable to compete successfully against our current and future competitors, we could experience price reductions, order cancellations, loss of customers and revenues, and our operating results could be adversely affected.

If we do not anticipate and meet specific customer requirements or if our products do not interoperate with our customers' existing networks, we may not retain current customers or attract new customers.

To achieve market acceptance for our products, we must effectively anticipate, and adapt in a timely manner to, customer requirements and offer products and services that meet changing customer demands. Prospective customers may require product features and capabilities that our current products do not have. The introduction of new or enhanced products also requires that we carefully manage the transition from older products in order to minimize disruption in customer ordering patterns and ensure that adequate supplies of new products can be delivered to meet anticipated customer demand. If we fail to develop products and offer services that satisfy customer requirements or if we fail to effectively manage the transition from older products, our ability to create or increase demand for our products would be seriously harmed and we may lose current and prospective customers.

Many of our customers will require that our products be designed to interface with their existing networks, each of which may have different specifications. Issues caused by an unanticipated lack of interoperability may result in significant warranty, support and repair costs, divert the attention of our engineering personnel from our hardware and software development efforts and cause significant customer relations problems. If our products do not interoperate with those of our customers' networks, installations could be delayed or orders for our products could be canceled, which would seriously harm our gross margins and result in loss of revenues or customers. Additionally, our customers may decide to devote a significant portion of their budgets to evolving technology as they consider national or worldwide build-outs. Therefore, if the demand for our products is not strong and if our target customers do not adopt, purchase and successfully deploy our current or planned products, our revenues will not grow.

Our large customers have substantial negotiating leverage, and they may require that we agree to terms and conditions that may have an adverse effect on our business.

Large communications service providers have substantial purchasing power and leverage in negotiating contractual arrangements with us. These customers may, among other things, require us to develop additional features, require penalties for failure to deliver such features, require us to partner with a certain reseller before purchasing our products and/or seek discounted product and/or service pricing. As we sell more products to this class of customer, we may be required to agree to terms and conditions that are less beneficial to us, which may affect the timing of revenue recognition, amount of deferred revenues or product and service margins and may adversely affect our financial position and cash flows in certain reporting periods.

Our stock price has been and may continue to be volatile.

The market for technology stocks has been, and will likely continue to be, volatile. The following factors could cause the market price of our common stock to fluctuate significantly:

- addition or loss of any major customer;
- continued significant declines in customer spending in the media gateway trunking business;
- consolidation and competition in the telecommunications industry;
- changes in the financial condition or anticipated capital expenditure purchases of any existing or potential major customer;
- economic conditions for the telecommunications, networking and related industries;
- quarterly variations in our bookings, revenues and operating results;
- changes in financial estimates by securities analysts;
- speculation in the press or investment community;
- announcements by us or our competitors of significant contracts, new products or acquisitions, distribution partnerships, joint ventures or capital commitments;
- activism by any single large stockholder or combination of stockholders;
- sales of common stock or other securities by us or by our stockholders in the future;
- securities and other litigation;
- repurchases under our stock buyback program;
- announcement of a stock split, reverse stock split, stock dividend or similar event; and/or
- emergence or adoption of new technologies or industry standards.

Our recently effected reverse stock split could impair the value of your investment or adversely affect the market liquidity of our common stock.

On December 2, 2014, our stockholders approved an amendment to our Fourth Amended and Restated Certificate of Incorporation, as amended, and authorized our Board of Directors to effect a reverse stock split of our issued and outstanding common stock and to decrease the number of authorized shares of common stock on a basis proportional to the reverse stock split ratio. On January 29, 2015, we effected a one-for-five reverse stock split of our common stock that was made effective on the NASDAQ Global Select Market as of the commencement of trading on January 30, 2015; however, there are risks associated with this reverse stock split, which may be viewed negatively by the market. For instance, if the market price of our common stock declines, the percentage decline may be greater than would have occurred prior to the reverse stock split. In addition, we cannot predict whether:

- the reverse stock split will increase the per-share market price of our common stock on a sustained basis;

- the per-share market price of our common stock after the reverse stock split will retain the per-share price increase resulting from the reduction in the number of shares of our common stock outstanding before the reverse stock split; or
- the per-share market price of our common stock following the reverse stock split will attract institutional investors or investment funds or that such share price will satisfy the investing guidelines or institutional investors or investment funds who do not trade in lower priced stocks.

Furthermore, the liquidity of our common stock could be adversely affected by the reduced number of shares resulting from the reverse stock split. Brokerage firms often do not permit stocks trading below $5.00 per share to be sold short, but often permit short-selling of shares which are traded at higher prices. As a result, to the extent our per-share trading price is consistently above $5.00, investors may short our stock. This may increase the volatility of our stock price.

Our business could be jeopardized if we are unable to protect our intellectual property; additionally, in some jurisdictions, our rights may not be as strong as we currently enjoy in the United States.

We rely on a combination of security countermeasures within our deployed products, as well as patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology. Monitoring unauthorized use of our products is difficult and we cannot be certain that the steps we have taken will prevent unauthorized use of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. The legal systems of many foreign countries do not protect or honor intellectual property rights to the same extent as the legal system of the United States. It may be very difficult, time-consuming and costly for us to attempt to enforce our intellectual property rights in these jurisdictions. If competitors are able to use our technology, our ability to compete effectively could be harmed.

Claims that our current or future products infringe or misappropriate the proprietary rights of others could adversely affect our ability to sell those products and cause us to incur additional costs.

Substantial litigation over intellectual property rights exists in the telecommunications industry. We expect that we could be increasingly subject to third-party infringement claims as our revenue increases, the number of competitors grows and the functionality of products and technology in different industry segments overlaps. Third parties may currently have, or may eventually be issued, patents on which our current or future products or technologies may infringe. For example, there has been an increase in the industry of third-party infringement claims brought by Non-Practicing Entities, also known as patent trolls.

In addition, we and our customers have received inquiries from intellectual property owners and may become subject to claims that we or our customers infringe the intellectual property rights of third parties. Any parties asserting that our products infringe upon their proprietary rights could force us to license their patents for substantial royalty payments or to defend ourselves and possibly our customers or contract manufacturers in litigation. These claims and any resulting licensing arrangement or lawsuit, if successful, could subject us to significant royalty payments or liability for damages and invalidation of our proprietary rights. Any potential intellectual property litigation also could force us to do one or more of the following:

- stop selling, incorporating or using our products that use the challenged intellectual property;
- obtain from the owner of the infringed intellectual property right a license to sell or use the relevant technology, which license may not be available at acceptable prices, on acceptable terms, or at all; or
- redesign those products that use any allegedly infringing technology.

Patent litigation, regardless of its outcome, will likely result in the expenditure of significant financial resources and the diversion of management’s time and resources. In addition, patent litigation may cause negative publicity, adversely impact prospective customers, cause product shipment delays, prohibit us from manufacturing, marketing or selling our current or future products, require us to develop non-infringing technology, make substantial payments to third parties or enter into royalty or license agreements, which may not be available on acceptable terms or at all. If a successful claim of infringement were made against us in a particular patent litigation and we could not develop non-infringing technology or license the infringed or similar technology on a timely and cost-effective basis, our revenue may decrease substantially and we could be exposed to significant liability. A court could enter orders that temporarily, preliminarily or permanently enjoin us or our customers from making, using, selling, offering to sell or importing our current or future products, or could enter an order mandating that we undertake certain remedial activities. Although historically our costs to defend lawsuits relating to indemnification provisions in our product agreements have been insignificant, the costs may be significant in future periods.

We may face risks related to litigation that could result in significant legal expenses and settlement or damage awards.

From time to time, we are subject to claims and litigation regarding intellectual property rights or other claims, which could seriously harm our business and require us to incur significant costs. In the past, we have been named as a defendant in securities class action and derivative lawsuits. We are generally obliged, to the extent permitted by law, to indemnify our current and former directors and officers who are named as defendants in these lawsuits. Defending against litigation may require significant attention and resources of management. Regardless of the outcome, such litigation could result in significant legal expenses.

We may also be subject to employment claims in connection with employee terminations. In addition, companies in our industry whose employees accept positions with us may claim that we have engaged in unfair hiring practices. These claims may result in material litigation. We could incur substantial costs defending ourselves or our employees against those claims, regardless of their merits. In addition, defending ourselves from those types of claims could divert our management's attention from our operations. The cost of employment claims may also increase as a result of our increasing international expansion.

If we are a party to material litigation and if the defenses we claim are ultimately unsuccessful, or if we are unable to achieve a favorable settlement, we could be liable for large damage awards that could have a material adverse effect on our business and consolidated financial statements.

Actions that may be taken by significant stockholders may divert the time and attention of our Board of Directors and management from our business operations.

Campaigns by significant investors to effect changes at publicly-traded companies continue to be prevalent. There can be no assurance that one or more current or future stockholders will not pursue actions to effect changes in our management and strategic direction, including through the solicitation of proxies from our stockholders. If a proxy contest were to be pursued by any stockholder, it could result in substantial expense to us, consume significant attention of our management and Board of Directors, and disrupt our business.

Delaware law and our charter documents contain provisions that could discourage or prevent a potential takeover, even if such a transaction would be beneficial to our stockholders.

Some provisions in our amended and restated certificate of incorporation, our amended and restated by-laws, as well as provisions of Delaware law, may discourage, delay or prevent a merger or acquisition that may be deemed undesirable by our Board of Directors but that a stockholder may consider favorable. These include provisions:

- authorizing the Board of Directors to issue shares of preferred stock;
- limiting the persons who may call special meetings of stockholders;
- prohibiting stockholder actions by written consent;
- permitting the Board of Directors to increase the size of the Board and to fill vacancies;
- providing indemnification to our directors and officers;
- controlling the procedures for conduct and scheduling of Board and stockholder meetings;
- requiring a super-majority vote of our stockholders to amend our amended and restated by-laws and certain provisions of our amended and restated certificate of incorporation; and
- establishing advance notice requirements for nominations for election to the Board of Directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

These provisions, alone or together, could delay hostile takeovers or changes in control of us or our management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation law, which prevents some stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of substantially all of our outstanding common stock.

Any provision of our amended and restated certificate of incorporation or amended and restated by-laws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock. Although we believe that our amended and restated certificate of incorporation and our amended and restated bylaws and provisions of Delaware law provide an opportunity for the Board of Directors to assure that our stockholders realize full value for their investment, they could have the effect of delaying or preventing a change of control that some stockholders may consider beneficial.

We are exposed to fluctuations in currency exchange rates that could negatively impact our financial results and cash flows.

Because a portion of our business is conducted outside the United States, we face exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve, and they could have a material adverse impact on our financial results and cash flows. An increase in the value of the dollar could increase the real cost to our customers of our products in those markets outside the United States where we often sell in dollars, and a weakened dollar could increase the cost of local operating expenses and procurement of raw materials from sources outside the United States.

We may face risks associated with our international expansion that could impair our ability to grow our international revenues. If we fail to manage the operational and financial risks associated with our international operations, it could have a material adverse effect on our business and consolidated financial statements.

We have expanded, and expect to continue to expand, our operations in international and emerging markets. International operations are a significant part of our business, and such operations will continue to require significant management attention and financial resources to successfully develop direct and indirect international sales and support channels. In addition, our international operations are subject to other inherent risks, including:

- reliance on channel partners;
- greater difficulty collecting accounts receivable and longer collection cycles;
- difficulties and costs of staffing and managing international operations;
- impacts of differing technical standards outside the United States;
- compliance with international trade, customs and export control regulations;
- reduced protection for intellectual property rights in some countries;
- foreign government regulations limiting or prohibiting potential sales or increasing the cost of doing business in such markets, including reversals or delays in the opening of foreign markets to new competitors or the introduction of new technologies;
- challenging pricing environments in highly competitive new markets;
- foreign currency exchange controls, restrictions on repatriation of cash and changes in currency exchange rates;
- potentially adverse tax consequences; and
- political, social and economic instability, including as a result of the current fragility of global financial markets, health pandemics or epidemics and/or acts of war or terrorism.

Our international revenue, both as a percentage of total revenue and absolute dollars, may vary from one period to the next, and accordingly, current data may not be indicative of future periods. If we are unable to support our business operations in international and emerging markets, or their further expansion, while balancing the higher operational and financial risks associated with these markets, our business and consolidated financial statements could be harmed.

In addition, we may not be able to develop international market demand for our products, which could impair our ability to grow our revenues. In many international markets, long-standing relationships between potential customers and their local suppliers and protective regulations, including local content requirements and approvals, create barriers to entry. We have limited experience marketing, distributing and supporting our products in certain international locations and, to do so, we expect that we will need to develop versions of our products that comply with local standards. Moreover, difficulties in foreign financial markets and economies and of foreign financial institutions, particularly in emerging markets, could adversely affect demand from customers in the affected countries.

We depend upon contract manufacturers and any disruption in these relationships may cause us to fail to meet the demands of our customers and damage our customer relationships. Additionally, in the event we elect to consolidate and/or change any of our manufacturers, qualifying a new contract manufacturer to commence commercial scale production or consolidating to a reduced number of contract manufacturers are expensive and time-consuming activities and could affect our business.

While we currently work with three contract manufacturers, we primarily rely upon one large global manufacturer to assemble our products according to our specifications and to fulfill orders on a timely basis. Reliance on a third-party manufacturer involves a number of risks, including a lack of control over the manufacturing process, inventory management and the potential absence or unavailability of adequate capacity. We do not have the internal manufacturing capabilities to meet our customers' demands. Any difficulties or failures to perform by our contract manufacturers could cause delays in customer product shipments or otherwise negatively affect our results of operations.

In connection with the acquisition of PT in 2014, we increased the number of contract manufacturers we worked with from three to four contract manufacturers. However, by December 31, 2014, we had reduced the number of contract manufacturers back down to three without any supply disruption. Additionally, we switched from one single-source manufacturer to another in 2009 as well as in 2011 without any supply disruptions during either of these transitions. However, any future changes to or consolidations of our current contract manufacturers could lead to material shortages or delays in the supply of our products. In the event we elect to continue to consolidate and/or change any of our manufacturers, qualifying a new contract manufacturer to commence commercial scale production or consolidating to a reduced number of contract manufacturers are expensive and time-consuming activities and could result in a significant interruption in the supply of our products. If a change in contract manufacturers results in delays in our fulfillment of customer orders or if a contract manufacturer fails to make timely delivery of orders, we may lose revenues and suffer damage to our customer relationships.

We and our contract manufacturers rely on single or limited sources for supply of some components of our products and if we fail to adequately predict our manufacturing requirements or if our supply of any of these components is disrupted, we will be unable to ship our products.

We and our contract manufacturers currently purchase several key components of our products, including commercial digital signal processors, from single or limited sources. Single-source and limited source manufacturing arrangements are of a nature that ordinarily accompanies the type of business we conduct. Nevertheless, depending upon the component, there may or may not be alternative sources of substitutes. We purchase these components on a purchase order basis. If we overestimate our component and finished goods requirements, we could have excess inventory, which would increase our costs. If we underestimate our requirements, we may not have an adequate supply, which could interrupt manufacturing of our products and result in delays in shipments and revenues. Additionally, if any of our contract manufacturers underestimates our requirements, they may not have an adequate supply, which could interrupt manufacturing of our products and result in delays in shipments. If any of our sole or limited source suppliers experiences capacity constraints, work stoppages or other reductions or disruptions in output, they may not be able to meet, or may choose not to meet, our delivery schedules. Moreover, we have agreed to compensate our contract manufacturers in the event of termination or cancellation of orders, discontinuance of product or excess material.

We currently do not have long-term supply contracts with our component suppliers and they are not required to supply us with products for any specified periods, in any specified quantities or at any set price, except as may be specified in a particular purchase order. In the event of a disruption or delay in supply, or inability to obtain products, we may not be able to develop an alternate source in a timely manner or at favorable prices, or at all. While we regularly monitor our inventory of supplies, a failure to find acceptable alternative sources could hurt our ability to deliver high-quality products to our customers and negatively affect our operating margins.

Reliance on our suppliers exposes us to potential supplier production difficulties, quality variations and unforeseen price increases. Our customers rely upon our ability to meet committed delivery dates, and any disruption in the supply of key components would seriously adversely affect our ability to meet these dates and could result in loss of customers, harm to our ability to attract new customers, or legal action by our customers. Defense-expedite rated orders from the U.S. federal government, which by law receive priority, can also interrupt scheduled shipments to our other customers. Additionally, any unforeseen price increases could reduce our profitability or force us to increase our prices, which could result in a loss of customers or harm our ability to attract new customers and could have a material adverse effect on our consolidated financial statements.

Our customer contracts also generally allow customers to reschedule delivery dates or cancel orders within certain time frames before shipment without penalty and outside those times frames with a penalty. Because of these and other factors, there are risks of excesses or inadequate inventory that could negatively affect our expenses, revenue and earnings.

The market for some of our products depends on the availability and demand for other vendors' products.

Some of our products, particularly those addressing the Unified Communications market, are designed to function with other vendors' products. In these cases, demand for our products is dependent upon the availability, demand for, and sales of the other vendors' products, as well as the degree to which our products successfully interoperate with the other vendors' products and add value to the solution being provided to the customer. If the other vendors change the design of their products, delay the issuance of new releases, fail to adequately market their products, or are otherwise unsuccessful in building a market for their products, the demand for our products will be adversely affected.

If we fail to hire and retain needed personnel, the implementation of our business plan could slow or our future growth could be jeopardized.

Our business depends upon highly skilled technical, managerial, engineering, sales, marketing and customer support personnel. Competition for these personnel is intense, especially during times of economic recovery or growth. Any failure to hire, assimilate in a timely manner and retain needed qualified personnel, particularly engineering and sales personnel, could impair our growth and make it difficult to meet key objectives, such as timely and effective product introductions.

Our future success depends upon the continued services of our executive officers who have critical industry experience and relationships that we rely on to implement our business plan. With the exception of certain key employees based in the European Union, none of our officers or key employees is bound by an employment agreement for any specific term. The loss of the services of any of our officers or key employees could delay the development and introduction of, and negatively impact our ability to sell, our products and achieve our business objectives.

We had one executive departure in 2014: the departure of our Executive Vice President of Strategy and Go-to-Market in July 2014. We had two executive departures in 2013: the departures of our former Senior Vice President, Global Services and Systems Management in August 2013 and our Senior Vice President and Chief Financial Officer in November 2013. We had two executive departures in 2012: the departures of our Senior Vice President of Engineering and Chief Technology Officer in August 2012 and our Vice President of Human Resources in September 2012. While we have since hired replacements and promoted certain individuals, there is always a risk of uncertainty and instability relating to our ability to find highly qualified successors for certain executive positions and to transition the duties and responsibilities of any departing key executive in an orderly manner.

If we are not able to obtain necessary licenses or on-going maintenance and support of third-party technology at acceptable prices, on acceptable terms, or at all, it could harm our operating results or business.

We have incorporated third-party licensed technology, including open source software, into our current products. From time to time, we may be required to license additional technology from third parties to develop new products or product enhancements. Third-party licenses and on-going maintenance and support may not be available or continue to be available to us on commercially reasonable terms or may be available to us but only at significantly escalated pricing. Additionally, we may not be able to replace the functionality provided by third-party software currently offered with our products if that software becomes obsolete, defective or incompatible with future versions of our products or is not adequately maintained or updated. The inability to maintain or re-license any third-party licenses required in our current products or to obtain any new third-party licenses to develop new products and product enhancements could require us to obtain substitute technology of lower quality or performance standards or at greater cost, and delay or prevent us from making these products or enhancements, any of which could seriously harm the competitiveness of our products. Any significant interruption in the availability of these third-party software products or defects in these products could harm our sales unless and until we can secure an alternative source. Although we believe there are adequate alternate sources for the technology licensed to us, such alternate sources may not provide us with the same functionality as that currently provided to us.

We test our products before they are deployed. However, because our larger scale products are sophisticated and designed to be deployed in complex environments, they may have errors or defects that we find only after full deployment, which could seriously harm our business.

Our larger scale products are sophisticated and are designed to be deployed in large and complex networks. We test our products before they are deployed. However, because of the nature of our products, they can only be fully tested when substantially deployed in very large networks with high volumes of traffic. Some of our customers may discover errors or defects in the software or hardware, or the products may not operate as expected after full deployment. As we continue to expand our distribution channel through distributors and resellers, we will need to rely on and support their service and support organizations. If we are unable to fix errors or other performance problems that may be identified after full deployment of our products, we could experience:

- loss of, or delay in, revenues or increased expense;
- loss of customers and market share;
- failure to attract new customers or achieve market acceptance for our products;
- increased service, support and warranty costs and a diversion of development resources; and/or
- costly and time-consuming legal actions by our customers.

Because our larger scale products are deployed in large, complex networks around the world, failure to establish a support infrastructure and maintain required support levels could seriously harm our business.

Our larger scale products are deployed in large and complex networks around the world. Our customers expect us to establish a support infrastructure and maintain demanding support standards to ensure that their networks maintain high levels of availability and performance. To continue to support our customers with these larger scale products, our support organization will need to provide service and support at a high level throughout the world. If we are unable to provide the expected level of support and service to our customers, we could experience:

- loss of customers and market share;
- failure to attract new customers in new markets and geographies;
- increased service, support and warranty costs and a diversion of development resources; and/or
- network performance penalties.

A portion of our revenue is generated from sales to U.S. federal government agencies. Disruptions to, or our failure to effectively develop, manage and maintain our government customer relationships could adversely affect our ability to generate revenue from the sales of certain of our products. Further, such government sales are subject to potential delays and cutbacks, require specific testing efforts, and impose significant compliance obligations.

A portion of our total revenue from product sales comes from contracts with U.S. federal government agencies. None of our current government contracts include long-term purchase commitments. Government sales is a relatively new line of business for us due to our acquisition of NET in August 2012 and our acquisition of PT in February 2014, and disruptions to, or our failure to effectively develop, manage and maintain our government customer relationships, could adversely affect our ability to generate revenue from the sales of our products.

Until recently, a majority of NET's government sales has involved the Promina and NX TDM products and the VX VoIP Secure Voice Gateway, for which sales have declined substantially in recent periods. While governmental agencies have purchased and are evaluating some of our new products for broader deployment, this new line of business may not develop quickly or be sufficient to offset future declines in sales of these legacy products. Spending by government customers fluctuates based on budget allocations and the timely passage of the annual federal budget.

Among the factors that could impact federal government spending and which would reduce our federal government contracting and subcontracting business are a significant decline in, or reapportioning of, spending by the federal government; changes, delays or cancellations of federal government programs or requirements; the adoption of new laws or regulations that affect companies that provide services to the federal government; federal government shutdowns or other delays in the government appropriations process; changes in the political climate, including with regard to the funding of products we provide; and general economic conditions. The loss or significant curtailment of any government contract or subcontracts, whether due to our performance or due to interruptions of or changes in governmental funding for such contracts or subcontracts, could have a material adverse effect on our business, results of operations and financial condition.

The Department of Defense ("DOD") has issued specific requirements for IP networking products for features and interoperability. In order for a vendor's product to be used to connect to the DOD network, that product must pass a series of significant tests and be certified by the Joint Interoperability Test Command (“JITC”). Certain of our products are already certified by JITC, including the Sonus SBC 5110 and the Sonus SBC 5210 session border controllers, as well as the Sonus NX1000 IP Access Switch, the Promina 800 Multiplexor and the VX900 VoIP Secure Voice Gateway. However, if we are unable to obtain JITC certification as needed, our DOD sales, and hence our revenue and results of operations, may suffer.

A limited portion of the revenue generated from our government customers is based on our contract with the General Services Administration (“GSA”). This contract imposes significant compliance and reporting obligations on us. The contract also establishes a fixed price under which government customers may purchase our products and provides for automatic mandatory price reductions upon certain events. In addition, the GSA can impose financial penalties for non-compliance.

Consolidation in the telecommunications industry could harm our business.

The telecommunications industry has experienced consolidation, including the acquisitions of Acme Packet, Inc. and Tekelec by Oracle Corporation in 2013, and we expect this trend to continue. Consolidation among our customers may cause delays or reductions in capital expenditure plans and/or increased competitive pricing pressures as the number of available customers declines and the relative purchasing power of customers increases in relation to suppliers. Any of these factors could adversely affect our business.

We are exposed to the credit risk of some of our customers and to credit exposures in fragile financial markets, which could result in material losses.

Due to our reliance on significant customers, we are dependent on the continued financial strength of our customers. If one or more of our significant customers experience financial difficulties, it could result in uncollectable accounts receivable and our loss of significant customers and anticipated service revenue.

Most of our sales are on an open credit basis, with typical payment terms of 30 to 60 days. We monitor individual customer payment capability in granting such open credit arrangements, seeking to limit such open credit to amounts we believe our customers can pay and maintain reserves we believe are adequate to cover exposure for doubtful accounts. However, there can be no assurance that our open credit customers will pay the amounts they owe to us or that the reserves we maintain will be adequate to cover such credit exposure. Our customers' failure to pay and/or our failure to maintain sufficient reserves could have a material adverse effect on our consolidated financial statements. Additionally, in the event that turmoil in the credit markets makes it more difficult for some customers to obtain financing, those customers' ability to pay could be adversely impacted, which in turn could have a material adverse impact on our business and consolidated financial statements.

A portion of our sales is derived through our distributors. As distributors tend to have more limited financial resources than other resellers and end-user customers, they generally represent sources of increased credit risk.

The hardware products that we purchase from our third-party vendors have life cycles, and some of those products have reached the end of their life cycles. If we are unable to correctly estimate future requirements for these products, it could harm our operating results or business.

Some of the hardware products that we purchase from our third-party vendors have reached the end of their life cycles. It may be difficult for us to maintain appropriate levels of the discontinued hardware to adequately ensure that we do not have a shortage or surplus of inventory of these products. If we do not correctly forecast the demand for such hardware, we could have excess inventory and may need to write off the costs related to such purchases. The write-off of surplus inventory could materially and adversely affect our operating results. However, if we underestimate our forecast and our customers place orders to purchase more products than are available, we may not have sufficient inventory to support their needs. If we are unable to provide our customers with enough of these products, it could make it difficult to retain certain customers, which could have a material and adverse effect on our business.

Man-made problems, such as computer viruses, hacking or terrorism, and natural disasters may disrupt our operations and harm our operating results.

Despite our implementation of network security measures, our servers are vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems. Any attack on our servers could have a material adverse effect on our business and consolidated financial statements. Additionally, the information systems of our customers could be compromised due to computer viruses, break-ins and hacking, which could lead to unauthorized tampering with our products and may result in, among other things, the disruption of our customers' business, errors or defects occurring in the software due to such unauthorized tampering, and our products not operating as expected after such unauthorized tampering. Such consequences could affect our reputation and have a material adverse effect on our business and consolidated financial statements. Efforts to limit the ability of malicious third parties to disrupt the operations of the Internet or undermine our own security efforts may be met with resistance. In addition, the continued threat of terrorism and heightened security and military action in response to this threat, or any future acts of terrorism, may cause further disruptions to the economies of the United States and other countries and create further uncertainties or otherwise materially harm our business and consolidated financial statements. Likewise, events such as work stoppages or widespread blackouts could have similar negative impacts. Such disruptions or uncertainties could result in delays or cancellations of customer orders or the manufacture or shipment of our products and have a material adverse effect on our business and consolidated financial statements.

Natural catastrophic events, such as earthquakes, fire, floods, or tornadoes, may also affect our or our customers' operations and could have a material adverse effect on our business. Moreover, one of our offices is located in the Silicon Valley area of Northern California, a region known for seismic activity. These facilities are located near the San Francisco Bay where the water table is quite close to the surface and where tenants in nearby facilities have experienced water intrusion problems. A significant natural disaster, such as an earthquake or flood, could have a material adverse effect on our business in this location.

A breach of the security of our information systems or those of our third-party providers could adversely affect our operating results.

We rely upon 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. Despite our security procedures and those of our third-party providers, our information systems and those of our third-party service providers are 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. Information technology system failures, including a breach of our or our third-party providers' data security measures, or the theft or loss of laptops, other mobile devices or electronic records used to back up our systems or our third-party providers' systems, could result in an unintentional disclosure of customer, employee, or our information or otherwise 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 or disruptions in the manufacture or shipment of products or delivery of services, any of which could have a material adverse effect on our operating results. These types of security breaches could also create exposure to lawsuits, regulatory investigations, increased legal liability and/or reputational damage. Such consequences could be exacerbated if we or our third-party providers are unable to adequately recover critical systems following a systems failure.

Failure or circumvention of our controls and procedures could impair our ability to report accurate financial results and could seriously harm our business.

Even an effective internal control system, no matter how well designed, has inherent limitations - including the possibility of the circumvention or overriding of controls - and therefore, can provide only reasonable assurance with respect to financial statement preparation. The failure or circumvention of our controls, policies and procedures could impair our ability to report accurate financial results and could have a material adverse effect on our business and consolidated financial statements.

Any changes to existing accounting pronouncements or taxation rules or practices may cause adverse fluctuations in our reported results of operations or affect how we conduct our business.

A change in accounting pronouncements or taxation rules or practices can have a significant effect on our reported results and may affect our reporting of transactions completed before the change is effective. New accounting pronouncements, taxation rules and varying interpretations of accounting pronouncements or taxation rules have occurred in the past and may occur in the future. The change to existing rules, future changes, if any, or the need for us to modify a current tax position may adversely affect our reported financial results or the way we conduct our business. For example, a new revenue recognition standard was issued in 2014 which will be effective for companies in 2017, and could have a material impact on our consolidated financial statements.

Changes in our business strategy related to product and maintenance offerings and pricing could affect revenue recognition.

Our business strategy and competition within the industry could exert pricing pressure on our maintenance offerings. Changes in our product or maintenance offerings or packages and related pricing could affect the amount of revenue recognized in a reporting period.

If our goodwill or intangible assets become impaired, we may be required to record a significant charge to earnings.

Under generally accepted accounting principles, we review our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Our intangible assets increased by approximately $17 million in 2014 as a result of our acquisition of PT and by approximately $17 million in 2012 as a result of our acquisition of NET. Goodwill, which increased by approximately $27 million as a result of our acquisition of NET, is tested for impairment at least annually. Additionally, our goodwill increased by approximately $7 million as a result of the acquisition of PT, net of the reduction of goodwill related to the sale of PT's Multi-Protocol Server business. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill or intangible assets may not be recoverable include significant underperformance relative to plan or long-term projections, strategic changes in business strategy, significant negative industry or economic trends, significant change in circumstances relative to a large customer, significant decline in our stock price for a sustained period and decline in our market capitalization to below net book value.

Failure by our strategic partners or by us in integrating products provided by our strategic partners could harm our business.

Our solutions include the integration of products supplied by strategic partners, who offer complementary products and services. We rely on these strategic partners in the timely and successful deployment of our solutions to our customers. If the products provided by these partners have defects or do not operate as expected, if the services provided by these partners are not completed in a timely manner, or if we do not effectively integrate and support products supplied by these strategic partners, then we may have difficulty with the deployment of our solutions that may result in:

- loss of, or delay in, revenues;
- increased service, support and warranty costs and a diversion of development resources; and
- network performance penalties.

In addition to cooperating with our strategic partners on specific customer projects, we also may compete in some areas with these same partners. If these strategic partners fail to perform or choose not to cooperate with us on certain projects, in addition to the effects described above, we could experience:

- loss of customers and market share; and
- failure to attract new customers or achieve market acceptance for our products.

Our use and reliance upon research and development resources in India may expose us to unanticipated costs and/or liabilities.

We have a significant research and development center in Bangalore, India and have increased headcount and development activity at this facility. The employees at this facility consist principally of research and development personnel. There is no assurance that our reliance upon development resources in India will enable us to achieve meaningful cost reductions or greater resource efficiency. Further, our development efforts and other operations in India involve significant risks, including:

- difficulty hiring and retaining appropriate engineering and management resources due to intense competition for such resources and resulting wage inflation;
- knowledge transfer related to our technology and resulting exposure to misappropriation of intellectual property or information that is proprietary to us, our customers and other third parties;
- heightened exposure to changes in economic, security and political conditions in India; and
- fluctuations in currency exchange rates and tax compliance in India.

Difficulties resulting from the factors noted above and other risks related to our operations in India could increase our expenses, impair our development efforts, harm our competitive position and damage our reputation.

Failure to comply with the Foreign Corrupt Practices Act or the UK Bribery Act could subject us to significant civil or criminal penalties.

We earn a significant portion of our total revenues from international sales generated through our foreign direct and indirect operations. As a result, we are subject to the Foreign Corrupt Practices Act of 1977, as amended (the "FCPA"), and the UK Bribery Act of 2010 (the "UKBA"), which are laws that prohibit bribery in the conduct of business. The FCPA generally prohibits U.S. companies and their intermediaries from making corrupt payments to foreign officials for the purpose of obtaining or keeping business or otherwise obtaining favorable treatment, and requires companies to maintain adequate record-keeping and internal accounting practices to accurately reflect the transactions of the company. The FCPA applies to companies, individual directors, officers, employees and agents. The UKBA is much broader and prohibits all bribery, in both the public and private sectors. Although the UKBA does not contain a separate financial records provision, such a requirement is captured under other UK legislation. Under the FCPA and the UKBA, U.S. companies, their subsidiaries, employees, senior officers and/or directors may be held liable for actions taken by strategic or local partners or representatives. In addition, the U.S. government or the UK government, as applicable, may seek to hold us liable for successor liability violations committed by companies in which we acquire. If we or our intermediaries fail to comply with the requirements of the FCPA and the UKBA, governmental authorities in the United States and the United Kingdom, as applicable, could seek to impose civil and/or criminal penalties, which could have a material adverse effect on our reputation and consolidated financial statements.

Compliance with new regulations regarding the use of conflict minerals may disrupt our operations and harm our operating results.

In August 2012, under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Securities and Exchange Commission adopted new requirements for companies that use certain minerals and derivative metals (referred to as "conflict minerals" regardless of their actual country of origin) in their products. These metals, which include tantalum, tin, gold and tungsten, are central to the technology industry and are present in our products as component parts. As a result, we are required to investigate and disclose whether or not the conflict minerals that are used in our products originated from the Democratic Republic of the Congo or adjoining countries. There are various costs associated with these investigation and disclosure requirements, in addition to the potential costs of changes to products, processes or sources of supply as a consequence of such activities. In addition, the implementation of these rules could adversely affect the sourcing, supply and pricing of materials used in our products. Also, we may face reputational challenges if we are unable to sufficiently verify the origins for all conflict minerals used in our products through the procedures we may implement or if we are unable to replace any conflict minerals used in our products that are sourced from the Democratic Republic of the Congo or adjoining countries, as there may not be any acceptable alternative sources of the conflict minerals in question or alternative materials that have the properties we need for our products. We may also encounter challenges to satisfy those customers who require that all of the components of our products be certified as conflict-free. If we are not able to meet customer requirements, customers may choose to disqualify us as a supplier and we may have to write off inventory in the event that it cannot be sold. These changes could also have an adverse impact in our ability to manufacture and market our products.

We are subject to governmental export and import controls that could subject us to liability, require a license from the U.S. government or impair our ability to compete in international markets.

Our products are subject to U.S. export controls and may be exported outside the United States only with the required level of export license or through an export license exception because we incorporate encryption technology into our products. Under these laws and regulations, we are responsible for obtaining all necessary licenses or other approvals, if required, for exports of hardware, software and technology, as well as the provision of service. Obtaining export licenses can be difficult and time-consuming, and in some cases a license may not be available on a timely basis or at all.

In addition, various countries regulate the import of certain encryption technology and have enacted laws that could limit our ability to distribute our products or our customers' ability to implement our products in those countries. Changes in our products or changes in export and import regulations may create delays in the introduction of our products in international markets, prevent our customers with international operations from deploying our products throughout their global systems or, in some cases, prevent the export or import of our products to certain countries altogether. Any change in export or import regulations or related legislation, shift in approach to the enforcement or scope of existing regulations or change in the countries, persons or technologies targeted by such regulations, could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential customers with international operations. Any decreased use of our products or limitation on our ability to export or sell our products would likely have a material adverse effect on our business and consolidated financial statements.

Regulation of the telecommunications industry could harm our operating results and future prospects.

The telecommunications industry is highly regulated and our business and financial condition could be adversely affected by changes in the regulations relating to the telecommunications industry. Currently, there are few laws or regulations that apply directly to access to or delivery of voice services on IP networks. We could be adversely affected by regulation of IP networks and commerce in any country where we operate, including the United States. Such regulations could include matters such as voice over the Internet or using Internet protocol, encryption technology, and access charges for service providers. The adoption of such regulations could decrease demand for our products, and at the same time increase the cost of selling our products, which could have a material adverse effect on our business and consolidated financial statements.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters is located in a leased facility in Westford, Massachusetts, consisting of 97,500 square feet under a lease that expires in August 2018. In addition to our corporate headquarters, we maintained, as of December 31, 2014, the following facilities:

Location	Principal use	Square footage (approximate)	Lease expiration
Fremont, California	Engineering/development and general and administrative	97,700	December 2016*
Bangalore, India **	Engineering/development	71,500	March 2015
Richardson, Texas	Customer testing	26,500	January 2020
Kanata, Canada	Sales and customer support	16,000	October 2018
Freehold, New Jersey	Engineering/development	16,500	December 2017
Prague, Czech Republic	Customer support	11,500	May 2019
Tokyo, Japan	Sales and customer support	7,200	September 2015
Swindon, United Kingdom	Engineering/development and customer support	5,800	December 2016
Rochester, New York	Engineering/development and general and administrative	5,400	October 2019
Schaumburg, Illinois	Engineering/development	4,700	October 2019

* 2013 and 2012 restructuring expense included charges related to approximately two-thirds of this facility.

** In October 2014, we entered into a lease for a new facility in Bangalore, India that comprises approximately 60,000 square feet and which we expect to occupy upon the March 2015 termination of this current lease. The principal use of this new facility, for which the lease expires in October 2019, will be engineering/development.

As of December 31, 2014, we also leased short-term office space in New York, Australia, China, France, Germany, India, Malaysia, Singapore, South Korea, Taiwan and the United Arab Emirates. We believe our existing facilities are adequate for our current needs and that suitable additional space will be available as needed.

Item 3. Legal Proceedings

We are often a party to disputes and legal proceedings that we consider routine and incidental to our business. Management does not expect the results of any of these actions to have a material effect on our business or consolidated financial statements.

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

Market Information

Our common stock is quoted on the NASDAQ Global Select Market under the symbol "SONS".

In December 2014, our stockholders approved an amendment to our Fourth Amended and Restated Certificate of Incorporation, as amended, to effect a reverse stock split of our common stock, with the ratio, implementation and timing of such reverse stock split (within specified parameters) to be determined in the discretion of our Board of Directors. In January 2015, the Reverse Stock Split Special Committee of our Board of Directors set the ratio for the reverse stock split at one-for-five and such reverse stock split was made effective on the NASDAQ Global Select Market as of the commencement of trading on January 30, 2015. As a result of the reverse stock split, the number of our issued and outstanding shares was adjusted such that every five shares of common stock were converted into one share of common stock, reducing the authorized number of shares of our common stock from 600,000,000 to 120,000,000. Proportional adjustments were also made to our equity incentive plans, as well as to any outstanding restricted stock awards and stock options granted under such equity incentive plans to maintain the economic value of the awards. Following the effective date of the reverse stock split, the par value of the common stock remained at $0.001 per share. Unless otherwise indicated, all references herein to shares outstanding, share issuances and share sales prices have been adjusted to give effect to the aforementioned reverse stock split.

The following table sets forth, for the time periods indicated, the high and low sale prices of our common stock as reported on the NASDAQ Global Select Market

	High	Low
Fiscal 2014		
First quarter	$ 19.90	$ 13.80
Second quarter	$ 18.95	$ 14.40
Third quarter	$ 21.25	$ 17.55
Fourth quarter	$ 20.80	$ 14.10
Fiscal 2013		
First quarter	$ 14.20	$ 8.80
Second quarter	$ 17.85	$ 9.90
Third quarter	$ 19.10	$ 14.15
Fourth quarter	$ 17.78	$ 13.40

Holders

At February 20, 2014, there were approximately 450 holders of record of our common stock.

Dividend Policy

We have never declared or paid cash dividends and have no present intention to pay cash dividends in the foreseeable future.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table summarizes repurchases of our common stock during the fourth quarter of 2014:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (3)
September 27, 2014 to October 24, 2014	16,104	$ 15.65	—	$ 26,124,750
October 25, 2014 to November 21, 2014	163,461	$ 17.23	163,461	$ 23,308,002
November 22, 2014 to December 31, 2014	49,765	$ 19.17	26,101	$ 22,838,697
Total	229,330	$ 17.54	189,562	$ 22,838,697

(1) Upon vesting of restricted stock awards, our employees are permitted to return to us a portion of the newly vested shares to satisfy the tax withholding obligations that arise in connection with such vesting. During the fourth quarter of 2014, 39,768 shares of restricted stock were returned to us by employees to satisfy tax withholding obligations arising in connection with vesting of restricted stock, which shares are included in this column.

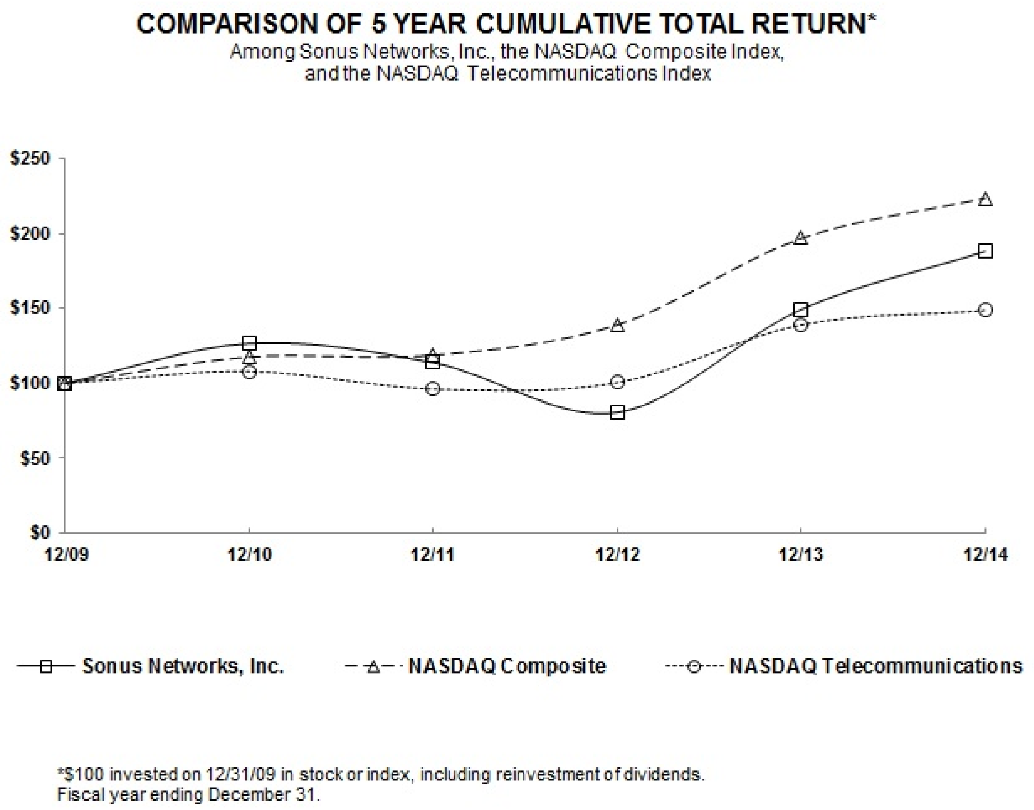
(2) Consists of purchases pursuant to a stock buyback program announced on July 29, 2013, under which our Board of Directors has authorized the repurchase of up to $100 million of our common stock from time to time on the open market or in privately negotiated transactions (the "2013 Buyback Program"). The timing and amount of any shares repurchased will be determined by our management based on its evaluation of market conditions and other factors. We may elect to implement a 10b5-1 repurchase program, which would permit shares to be repurchased when we might otherwise be precluded from doing so under insider trading laws. The 2013 Buyback Program does not have a fixed expiration date but may be suspended or discontinued at any time. The 2013 Buyback Program is being funded using our working capital.

(3) Consists of amounts available for repurchases under the 2013 Buyback Program.

Performance Graph

The following performance graph compares the cumulative total return to stockholders for our common stock for the period from December 31, 2009 through December 31, 2014 with the cumulative total return over the same period on the NASDAQ Composite Index and the NASDAQ Telecommunications Index. The comparison assumes an investment of $100 on December 31, 2009 in our common stock and in each of the indices and, in each case, assumes reinvestment of all dividends, if any. The performance shown is not necessarily indicative of future performance.

This graph is not deemed to be "filed" with the SEC or subject to the liabilities of Section 18 of the Exchange Act, and should not be deemed to be incorporated by reference into any of our prior or subsequent filings under the Securities Act or the Exchange Act.



	December 31,					
	2009	2010	2011	2012	2013	2014
Sonus Networks, Inc.	$ 100.00	$ 126.54	$ 113.74	$ 80.57	$ 149.29	$ 188.15
NASDAQ Composite	$ 100.00	$ 117.61	$ 118.70	$ 139.00	$ 196.83	$ 223.74
NASDAQ Telecommunications	$ 100.00	$ 107.95	$ 96.16	$ 100.40	$ 139.11	$ 148.69

Item 6. Selected Financial Data

The following selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K.

Consolidated Statement of Operations Data	**Year ended December 31,**				
(In thousands, except per share amounts)	**2014 (1)**	**2013**	**2012 (2)**	**2011**	**2010**
Revenue:					
Product	$ 182,455	$ 167,272	$ 153,326	$ 154,373	$ 146,583
Service	113,871	109,461	100,808	105,323	102,724
Total revenue	296,326	276,733	254,134	259,696	249,307
Cost of revenue:					
Product	60,284	59,235	58,109	57,929	48,163
Service	42,637	45,038	53,431	55,646	47,992
Total cost of revenue	102,921	104,273	111,540	113,575	96,155
Gross profit	193,405	172,460	142,594	146,121	153,152
Operating expenses:					
Research and development	79,396	69,559	67,341	64,410	62,786
Sales and marketing	80,141	78,365	76,341	59,279	51,033
General and administrative	43,937	40,107	34,283	34,957	49,391
Acquisition-related expense	1,558	93	5,496	—	—
Restructuring expense	5,625	5,411	7,675	—	1,501
Total operating expenses	210,657	193,535	191,136	158,646	164,711
Loss from operations	(17,252)	(21,075)	(48,542)	(12,525)	(11,559)
Interest and other income, net	2,611	408	814	1,287	1,561
Loss from continuing operations before income taxes	(14,641)	(20,667)	(47,728)	(11,238)	(9,998)
Income tax (provision) benefit	(2,214)	(1,452)	(2,441)	(1,465)	(693)
Net loss	$ (16,855)	$ (22,119)	$ (50,169)	$ (12,703)	$ (10,691)
Loss per share (3)					
Basic	$ (0.34)	$ (0.40)	$ (0.90)	$ (0.23)	$ (0.19)
Diluted	$ (0.34)	$ (0.40)	$ (0.90)	$ (0.23)	$ (0.19)
Shares used to compute loss per share (3)					
Basic	50,245	55,686	56,018	55,708	55,094
Diluted	50,245	55,686	56,018	55,708	55,094

(1) Includes the results of operations of Performance Technologies Inc. for the period subsequent to its acquisition by the Company on February 19, 2014.
(2) Includes the results of operations of Network Equipment Technologies, Inc. for the period subsequent to its acquisition by the Company on August 24, 2012.
(3) Adjusted to give effect to the one-for-five reverse stock split that was effective on the NASDAQ Global Select Market as of the commencement of trading on January 30, 2015.

Consolidated Balance Sheet Data	December 31,				
(In thousands)	2014	2013	2012	2011	2010
Cash and cash equivalents	$ 41,157	$ 72,423	$ 88,004	$ 105,451	$ 62,501
Short-term investments	$ 64,443	$ 138,882	$ 161,905	$ 224,090	$ 258,831
Investments	$ 42,407	$ 34,364	$ 29,698	$ 55,427	$ 87,087
Working capital	$ 129,480	$ 223,879	$ 286,745	$ 336,619	$ 323,477
Total assets	$ 332,635	$ 417,484	$ 470,740	$ 504,715	$ 555,954
Convertible subordinated note	$ —	$ 2,380	$ 2,380	$ —	$ —
Long-term deferred revenue	$ 8,009	$ 10,528	$ 11,647	$ 11,601	$ 42,811
Other long-term liabilities	$ 5,246	$ 4,371	$ 5,706	$ 3,599	$ 4,138
Total stockholders' equity	$ 240,350	$ 312,252	$ 376,046	$ 415,301	$ 418,956

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

Overview

We are a leading provider of networked solutions for communications service providers (e.g., telecommunications, wireless and cable service providers) and enterprises to help them advance, protect and unify their communications and improve collaboration. We help many of the world's leading communications service providers and enterprises embrace the next generation of Session Initiation Protocol ("SIP") and 4G/LTE (Long Term Evolution)-based solutions, including Voice over Internet Protocol ("VoIP"), video and Unified Communications ("UC") through secure, reliable and scalable Internet Protocol ("IP") networks. Our products include session border controllers ("SBCs"), diameter signaling controllers ("DSCs"), policy/routing servers, media and signaling gateways and network analytics tools. Our solutions address the need for communications service providers and enterprises to seamlessly link and leverage multivendor, multiprotocol communications systems and applications across a single network infrastructure. Previously, companies were required to implement separate networks for their voice and data applications. In a rapidly changing ecosystem of IP-enabled devices such as smartphones and tablets, companies want an infrastructure that enables the integration of voice and data capability into a single application on one integrated network. Our solutions help our customers realize the intended value and benefits of UC, both in public and private clouds, by enabling disparate vendor communications environments, commonplace in most enterprises today, to work seamlessly together. Likewise, our solutions enable the deployment and adoption of cloud-based communications.

We utilize both direct and indirect sales channels to reach our target customers. Customers and prospective customers in the service provider space are traditional and emerging communications service providers, including long distance carriers, local exchange carriers, Internet service providers, wireless operators, cable operators, international telephone companies and carriers that provide services to other carriers. Enterprise customers and target enterprise customers include financial institutions, retailers, state and local governments, and other multinational corporations. We collaborate with our customers to identify and develop new, advanced services and applications that can help to reduce costs, improve productivity and generate new revenue.

We have traditionally sold our products through a global direct sales force, with additional sales support from regional channel partners throughout the world. In 2012, we launched an expanded channel partner program, the Sonus Partner Assure Program, to address service provider and enterprise market opportunities. We continue to expand this program, including the introduction in 2013 of a two-tier distribution channel model.

In concert with our Sonus Partner Assure Program, we enhanced our flagship SBC 5200 to be more enterprise- and channel-centric and launched a new SBC, the SBC 5100, to address the requirements for smaller offices and branch offices as a result of their VoIP and SIP deployments.

On February 24, 2014, we announced our new Sonus SBC 7000 (the "SBC 7000"), which is designed to address scalability requirements for real-time, multimedia communications with the capability to license up to 150,000 sessions. The SBC 7000 is purpose-built to support emerging services such as high definition voice and video, Voice over Long-Term Evolution ("VoLTE") and Rich Communications Services ("RCS"). During the second quarter of 2014, this product became generally available for purchase by our customers.

In October 2013, we introduced the industry's first software-based SBC architected to feature unlimited scalability and advanced features, the Sonus SBC SWe (Software edition).

On September 29, 2014, we announced that Michael Swade ("Mr. Swade") had been named Senior Vice President of Worldwide Sales and Marketing. Mr. Swade had previously served as our Interim Senior Vice President of Worldwide Sales and Marketing from July 2014 to September 2014, and as our Vice President, North American Sales from May 2014 to July 2014.

On July 29, 2014, Todd Abbott ("Mr. Abbott") stepped down as Executive Vice President of Strategy and Go-to-Market. Mr. Abbott remained with the Company in an advisory role to assist in the transition of his duties until October 17, 2014.

On February 18, 2014, we announced that Matthew W. Bross and Richard J. Lynch had been appointed to our Board of Directors, expanding our Board from nine to eleven directors.

On September 17, 2014, we entered into an amendment to our stockholder rights agreement, as amended (the "Rights Plan"), to advance the final expiration date from June 26, 2015 to September 17, 2014. As a result of this amendment, effective as of the close of business on September 17, 2014, the Rights Plan terminated by its terms. The amendment was not in response to any acquisition proposal.

In December 2014, our stockholders approved an amendment to our Fourth Amended and Restated Certificate of Incorporation, as amended, to effect a reverse stock split of our common stock, with the ratio, implementation and timing of such reverse stock split (within specified parameters) to be determined in the discretion of our Board of Directors. In January 2015, the Reverse Stock Split Special Committee of our Board of Directors set the ratio for the reverse stock split at one-for-five and such reverse stock split was made effective on the NASDAQ Global Select Market as of the commencement of trading on January 30, 2015. As a result of the reverse stock split, the number of our issued and outstanding shares was adjusted such that every five shares of common stock were converted into one share of common stock, reducing the authorized number of shares of our common stock from 600,000,000 to 120,000,000. Proportional adjustments were also made to our equity incentive plans, as well as to any outstanding restricted stock awards and stock options granted under such equity incentive plans to maintain the economic value of the awards. Following the effective date of the reverse stock split, the par value of the common stock remained at $0.001 per share. Unless otherwise indicated, all references herein to shares outstanding and share issuances have been adjusted to give effect to the aforementioned reverse stock split.

On January 2, 2015, we acquired from Treq Labs, Inc. ("Treq") certain assets related to Treq's business of designing, developing, marketing, selling, servicing and maintaining software defined networking ("SDN") technology, SDN controller software and SDN management software (the "SDN Business"). Treq's SDN technology provides solutions that optimize networks for voice, video and UC for both enterprise and service provider customers. We believe that the acquisition of the SDN Business will accelerate the delivery of our SDN strategy. In consideration for the acquisition of the SDN Business, we paid $10.1 million in cash and entered into an Earn-Out Agreement, dated as of January 2, 2015, with Treq and Karl F. May, the seller representative in the transaction (the "Earn-Out Agreement"), under which the Company has agreed to issue up to an aggregate of 1.3 million shares of common stock over a three-year period subsequent to the closing if aggregate revenue thresholds of at least $60 million are achieved by the SDN Business during that period, and up to an aggregate of an additional 2.2 million shares (3.5 million shares in total) if aggregate revenue thresholds of at least $150 million are achieved by the SDN Business during that period. If the initial revenue thresholds are not met, no shares will be issued.

On February 19, 2014 (the "PT Acquisition Date"), we completed the acquisition of Performance Technologies, Incorporated ("PT"), a Delaware corporation, for $3.75 per share, or approximately $35 million in cash, net of PT's cash and excluding acquisition-related costs. This acquisition has enabled us to expand and diversify our portfolio with an integrated, virtualized Diameter and SIP-based solution and deliver strategic value to service providers seeking to offer new multimedia services through mobile, cloud-based real-time communications. The financial results of PT are included in our consolidated financial statements for the period subsequent to the PT Acquisition Date.

On June 20, 2014, we sold the PT Multi-Protocol Server ("MPS") business for $2.0 million. We had acquired the MPS business in connection with the acquisition of PT. The results of operations of the MPS business are excluded from our consolidated results for the period subsequent to June 20, 2014.

On August 24, 2012 (the "NET Acquisition Date"), we completed the acquisition of Network Equipment Technologies, Inc. ("NET"), a Delaware corporation, for a cash purchase price of $1.35 per share of outstanding NET common stock, or $41.5 million. The acquisition of NET expanded our SBC portfolio, opened new sales channels and added a government installed base to our customer base. The acquisition of NET also provided us with strong expertise in the Microsoft Lync market, and today we have more Lync-qualified SBCs than any other vendor. The financial results of NET are included in our consolidated financial results for the period subsequent to the NET Acquisition Date.

Our strategy is designed to capitalize on our technology and market lead, and build a premier franchise in multimedia infrastructure solutions. We are currently focusing our major efforts on the following aspects of our business which enable next generation communications including SIP- and 4G/LTE-based networks.

- expanding our communications network solutions to address emerging UC-, IP- and cloud-based enterprise and service providers;
- embracing the principles outlined by 3GPP, 4GPP2 and LTE architectures and delivering the industry's most advanced IMS (IP Multimedia Subsystem)-ready SBC and DSC product suites;
- leveraging our TDM (time division multiplexing)-to-IP gateway technology leadership with service providers to accelerate adoption of SIP-enabled Unified Communication services;
- expanding and broadening our customer base by targeting the enterprise market for SIP trunking and access solutions;
- assisting our customers' ability to differentiate themselves by offering a sophisticated application development platform and service creation environment;

- expanding our global sales distribution, marketing and support capabilities, including continued expansion of our indirect sales channel program;
- actively contributing to the SIP standards definition and adoption process;
- pursuing strategic transactions and alliances; and
- delivering sustainable profitability by continuing to improve our overall performance.

We are committed to streamlining our operations and reducing our operating costs. We recorded restructuring expense of $5.6 million in 2014, comprised of $3.6 million for severance and related costs, $1.8 million related to facilities and $0.2 million for the write-off of assets associated with the restructured facilities. We recorded $5.4 million of restructuring expense in 2013, comprised of $5.1 million for severance and related costs and $0.3 million related to facilities. In 2012 we recorded restructuring expense of $7.7 million, comprised of $4.2 million for the consolidation of certain facilities, $3.2 million for severance and related costs and $0.3 million for the write-off of assets associated with the reduced headcount and facilities consolidations.

We reported losses from operations of $17.3 million for 2014, $21.1 million for 2013 and $48.5 million for 2012. We reported net losses of $16.9 million in 2014, $22.1 million in 2013 and $50.2 million in 2012.

Our revenue was $296.3 million in 2014, $276.7 million in 2013 and $254.1 million in 2012. Our gross profit was $193.4 million in 2014, $172.5 million in 2013 and $142.6 million in 2012. Our gross profit as a percentage of revenue ("total gross margin") was 65.3% in 2014, 62.3% in 2013 and 56.1% in 2012.

Our operating expenses were $210.7 million in 2014, compared to $193.5 million in 2013 and $191.1 million in 2012. Our 2014 operating expenses included $1.6 million of incremental acquisition-related costs, comprised of $1.3 million related to the acquisition of PT and $0.3 million related to the January 2015 acquisition of the SDN Business from Treq. Our 2014 operating expenses also included $5.6 million of restructuring expense. Our 2013 operating expenses included $0.1 million of incremental acquisition-related costs in connection with the acquisition of PT and $5.4 million of restructuring expense. Our 2012 operating expenses included $5.5 million of incremental acquisition-related costs in connection with the NET acquisition and $7.7 million of restructuring expense.

We recorded stock-based compensation expense of $23.9 million in 2014, $17.9 million in 2013 and $9.0 million in 2012. The stock-based compensation actions described below increased stock-based compensation expense while reducing cash salary and bonus expenses in 2014 and 2013, and to a lesser extent in 2012.

Lower portfolio yield on our investments, coupled with lower amounts invested in cash equivalents and marketable securities, resulted in lower interest income, which was also a factor in our current year net loss, as was higher interest expense related to the subordinated notes assumed in connection with the NET acquisition.

In March 2014, we reached a settlement agreement for $2.25 million to recover a portion of our losses related to the impairment of certain prepaid royalties which we had written off in 2012. This amount is included in Other income in our consolidated statement of operations for 2014.

See "Results of Operations" in this Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion of these changes in our revenue and expenses.

On June 11, 2014, we modified the stock options outstanding as of that date that had been granted to our non-employee members of the Board of Directors (the "Board Members") to extend the exercise period to the lesser of three years from the date that a Board Member stepped down from his or her position on the Board of Directors or the remaining contractual life of the respective stock options. In connection with this modification, we recorded $0.7 million of incremental stock-based compensation expense in 2014, and this expense is included as a component of General and administrative expense in our 2014 consolidated statement of operations.

On January 2, 2014, Raymond P. Dolan, our President and Chief Executive Officer ("Mr. Dolan") elected to accept shares of restricted stock in lieu of base salary for the period from January 1, 2014 through December 31, 2014. Accordingly, we granted Mr. Dolan shares of restricted stock (the "2014 Dolan Salary Shares") on January 2, 2014, with the number of shares granted calculated by dividing an amount equal to 1.5 times Mr. Dolan's base salary for the period from January 1, 2014 through December 31, 2014 by the closing price of our common stock on the date of grant. The 2014 Dolan Salary Shares vested on December 31, 2014. Effective September 16, 2014, Mr. Dolan's annual base salary was increased from $500,000 to $600,000. For the remainder of 2014, such increase was prorated and paid in cash and was not subject to any stock-for-cash election. We recorded stock-based compensation expense related to the 2014 Dolan Salary Shares ratably for the period of

January 1, 2014 through December 31, 2014.

On January 22, 2014, 21 of our executives, including Mr. Dolan, were given the choice to receive all or half of their fiscal year 2014 bonuses (the "2014 Bonus"), if any were earned, in the form of shares of our common stock (the "2014 Bonus Shares"). Each executive could also elect not to participate in this program and to earn his or her 2014 Bonus in the form of cash. The amount of the 2014 Bonus was determined by the Compensation Committee of our Board of Directors (the "Compensation Committee") on February 19, 2015. The number of 2014 Bonus Shares that was granted to those executives who elected to receive their 2014 Bonus entirely in the form of shares of common stock was calculated by dividing an amount equal to 1.5 times each executive's 2014 Bonus earned by the closing price of our common stock on January 2, 2014. The number of 2014 Bonus Shares that was granted to those executives who elected to receive one-half of their 2014 Bonus in the form of shares of common stock was calculated by dividing an amount equal to 1.5 times one-half of each executive's 2014 Bonus earned by the closing price of our common stock on January 2, 2014, with the cash portion equal to 50% of their respective 2014 Bonus earned. The 2014 Bonus, if any, will be granted and/or paid on a date concurrent with the timing of the payout of bonuses under the Company-wide incentive bonus program. The 2014 Bonus Shares were granted on February 20, 2015 and vested immediately. Of the eligible executives, 17 elected to receive their entire 2014 Bonus in shares of common stock and 4 elected to receive 50% of their 2014 Bonus in shares of common stock and 50% in cash. We determined that the grant date criteria for accounting purposes for the 2014 Bonus Shares was met on July 9, 2014, and accordingly, we have determined that the grant date fair value of the 2014 Bonus Shares is $19.25 per share, the closing price of our common stock on that date, as adjusted to reflect the reverse stock split of our common stock that was effective on the NASDAQ Global Select Market as of the commencement of trading on January 30, 2015. We recorded expense through the grant date of February 20, 2015.

In March 2013, 21 of our executives, including Mr. Dolan, elected to receive their fiscal year 2013 bonuses (the "2013 Bonus"), if any were earned, in the form of shares of our common stock (the "2013 Bonus Shares"). The 2013 Bonus Shares were granted on February 18, 2014 and vested immediately. We granted approximately one million 2013 Bonus Shares, with the number of shares granted calculated by dividing amounts equal to 1.5 times the respective 2013 Bonus amounts earned, as determined by the Compensation Committee, by the closing price of our common stock on the date of grant. We recorded stock-based compensation expense for the 2013 Bonus Shares from January 1, 2013 through the grant date of February 18, 2014.

On February 14, 2013, the Compensation Committee determined that eight of our executives, excluding Mr. Dolan, would receive their bonuses with respect to fiscal year 2012 in the form of restricted shares of our common stock equal to 100% of their respective target bonus amounts for fiscal year 2012 (the "Executive Bonus Shares"). 50% of the Executive Bonus Shares vested on August 15, 2013 and the remaining 50% vested on February 15, 2014. We recorded the unamortized expense related to the Executive Bonus Shares as stock-based compensation expense through February 15, 2014.

On August 7, 2012, Mr. Dolan elected to receive his fiscal year 2012 bonus, if earned, in the form of restricted shares of our common stock (the “Dolan Bonus Shares”). 50% of the Dolan Bonus Shares vested on August 15, 2013 and the remaining 50% vested on February 15, 2014. We recorded the unamortized stock-based compensation expense related to the Dolan Bonus Shares through February 15, 2014.

Critical Accounting Policies and Estimates

Management's discussion and analysis of the financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates and judgments on historical experience, knowledge of current conditions and beliefs of what could occur in the future given available information. We consider the following accounting policies to be both those most important to the portrayal of our financial condition and those that require the most subjective judgment. If actual results differ significantly from management's estimates and projections, there could be a material effect on our consolidated financial statements. The significant accounting policies that we believe are the most critical include the following:

- Revenue recognition;
- Valuation of inventory;
- Loss contingencies and reserves;
- Stock-based compensation;
- Business combinations;
- Goodwill and intangible assets; and

- Accounting for income taxes.

Revenue Recognition. We recognize revenue from sales when persuasive evidence of an arrangement exists, delivery has occurred, the sale price is fixed or determinable, and collectability of the related receivable is probable. When we have future obligations, including a requirement to deliver additional elements that are essential to the functionality of the delivered elements or when customer acceptance is required, we defer revenue recognition and related costs until those obligations are satisfied. Likewise, when fees for products or services are not fixed and determinable, we defer the recording of receivables, deferred revenue and revenue until such time as the fees become due or are collected. We limit the amount of revenue recognition for delivered elements to the amount that is not contingent on the future delivery of products or services, future performance obligations, or subject to customer-specific return or refund provisions.

Revenue from maintenance and support services is generally recognized ratably over the service period. Maintenance revenue is deferred until the associated product is accepted by the customer and all other revenue recognition criteria have been met. Maintenance and support services include telephone support, return and repair support and unspecified rights to product upgrades and enhancements. Revenue from other professional services is typically recognized as the services are delivered if all other revenue recognition criteria have been met.

Our products typically have both software and non-software components that function together to deliver the products' essential functionality. Many of our sales involve multiple-element arrangements that include both software and hardware-related products, maintenance and various professional services. We recognize revenue in accordance with the provisions of Accounting Standards Codification ("ASC") 605-25, *Revenue Recognition - Multiple-Element Arrangements* ("ASC 605-25") transactions that include both hardware and software components. We recognize revenue from stand-alone software sales under the software revenue recognition guidance in ASC 985-605, *Software - Revenue Recognition* ("ASC 985-605").

For multiple-element arrangements that include both software-only products and non-software products, we allocate the total arrangement consideration to the software-only deliverables as a group and to the individual non-software deliverables based on their relative selling prices. If an undelivered element (such as maintenance and support services) relates to both the software-only and non-software deliverables, we bifurcate the consideration allocated to the undelivered element (such as maintenance and support services) into a non-software component and the software-only component using the relative selling price method. The consideration allocated to the non-software and software-only deliverables is recognized in accordance with the applicable guidance as discussed within this critical accounting policy.

For transactions that include multiple elements, arrangement consideration is allocated to each element based on the relative selling prices of all of the elements in the arrangement using the fair value hierarchy as required by ASC 605-25.

Consistent with the methodology under the previous accounting guidance, we establish VSOE based upon the price charged when the same element is sold separately or established by management having the relevant pricing authority. We have VSOE for our maintenance and support services and certain professional services. When VSOE exists it is used to determine the selling price of a deliverable. We have not been able to establish VSOE on any of our products and for certain of our services because we have not sold such products or services on a stand-alone basis, not priced such products or services within a narrow range, or had limited sales history.

When VSOE is not established, we attempt to establish the selling price of each element based on third-party evidence ("TPE"). Our solution typically differs from that of our peers as there are no similar or interchangeable competitor products or services. Our various product, service and maintenance offerings contain a significant level of unique features and functionality and therefore, comparable pricing of competitors' products and services with similar functionality cannot be obtained. Accordingly, we are not able to determine TPE for our products or services.

When we are unable to establish selling price using VSOE or TPE, we use estimated selling price ("ESP") in our allocation of arrangement consideration for the relevant deliverables. The objective of ESP is to determine the price at which we would transact a sale if a product or service was sold on a stand-alone basis. We determine ESP for our products and certain services by considering multiple factors including, but not limited to, overall market conditions, including geographic or regional-specific market factors, profit objectives and pricing practices for such deliverables. The determination of ESP is a formal process within the Company that includes review and approval by our management.

We sell the majority of our products directly to our end customers. For products sold to resellers and distributors, we recognize revenue on a sell-through basis.

Valuation of Inventory. We review inventory for both potential obsolescence and potential loss of value periodically. In this review, we make assumptions about the future demand for and market value of the inventory and, based on these assumptions, estimate the amount of any excess, obsolete or slow-moving inventory.

We write down our inventories if they are considered to be obsolete or at levels in excess of forecasted demand. In these cases, inventory is written down to estimated realizable value based on historical usage and expected demand. Inherent in our estimates of market value in determining inventory valuation are estimates related to economic trends, future demand for our products and technical obsolescence of our products. If future demand or market conditions are less favorable than our projections, additional inventory write-downs could be required and would be reflected in the cost of revenue in the period the revision is made. To date, we have not been required to revise any of our assumptions or estimates used in determining our inventory valuations.

We write down our evaluation equipment at the time of shipment to our customers, as it is not probable that the inventory value will be realizable.

Loss Contingencies and Reserves. We are subject to ongoing business risks arising in the ordinary course of business that affect the estimation process of the carrying value of assets, the recording of liabilities and the possibility of various loss contingencies. An estimated loss contingency is accrued when it is probable that a liability has been incurred or an asset has been impaired and the amount of loss can be reasonably estimated. We regularly evaluate current information available to determine whether such amounts should be adjusted and record changes in estimates in the period they become known. We are subject to various legal claims. We reserve for legal contingencies and legal fees when the amounts are probable and reasonably estimable.

Stock-Based Compensation. Our stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which is generally the vesting period.

We use the Black-Scholes valuation model for estimating the fair value on the date of grant of employee stock options. Determining the fair value of stock option awards at the grant date requires judgment regarding certain valuation assumptions, including the volatility of our stock price, expected term of the option, risk-free interest rate and expected dividends. Changes in such assumptions and estimates could result in different fair values and could therefore impact our earnings. Such changes would not impact our cash flows. The fair value of restricted stock and performance stock awards is based upon our stock price on the grant date.

The amount of stock-based compensation expense recorded in any period for unvested awards requires estimates of the amount of stock-based awards that are expected to be forfeited prior to vesting, as well as assumptions regarding the probability that performance awards will be earned. We recorded stock-based compensation expense related to performance-based stock awards in 2014, 2013 and 2012.

Business Combinations. We allocate the purchase price of acquired companies to identifiable assets acquired and liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed and represents the expected future economic benefits arising from other assets acquired in the business combination that are not individually identified and separately recognized. Significant management judgments and assumptions are required in determining the fair value of assets acquired and liabilities assumed, particularly acquired intangible assets which are principally based upon estimates of the future performance and cash flows expected from the acquired business and applied discount rates. While we use our best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at a business combination date, our estimates and assumptions are inherently uncertain and subject to refinement. If different assumptions are used, it could materially impact the purchase price allocation and our financial position and results of operations. Any adjustments to assets acquired or liabilities assumed subsequent to the purchase price allocation period are included in operating results in the period in which the adjustments is determined. Intangible assets typically are comprised of developed technology, trademarks and trade names, customer contracts/relationships, order backlog, internal use software and covenants not to compete.

Goodwill and Intangible Assets. Goodwill is not amortized, but instead is tested for impairment at least annually, or if indicators of potential impairment exist. Estimated fair value is based on either discounted future pretax operating cash flows, or appraised values. Intangible assets with estimated lives and other long-lived assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of intangible assets with estimated lives and other long-lived assets is measured by comparing the carrying amount of the asset to future net undiscounted pretax cash flows expected to be generated by the asset. If these comparisons indicate that an asset is not recoverable, we will recognize an impairment loss for the amount by which the carrying value of the asset exceeds the related estimated fair value.

Considerable judgment is required to estimate discounted future operating cash flows. Judgment is also required in determining whether an event has occurred that may impair the value of goodwill or identifiable intangible or other long-lived assets. Factors that could indicate an impairment may exist include significant underperformance relative to plan or long-term projections, strategic changes in business strategy, significant negative industry or economic trends, a significant change in circumstances relative to a large customer, a significant decline in our stock price for a sustained period and a decline in our market capitalization to below net book value. We must make assumptions about future cash flows, future operating plans, discount rates and other factors in the models and valuation reports. To the extent these future projections and estimates change, the estimated amounts of impairment could differ from current estimates.

We adopted ASU 2011-08, *Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment* ("ASU 2011-08") in 2013. ASU 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that it is more likely than not that the fair value is less than the carrying value, then it is necessary to perform the currently prescribed two-step goodwill impairment test. Alternatively, if it is concluded that it is not more likely than not that the fair value exceeds carrying value, the currently prescribed two-step goodwill impairment test is not required.

Our annual testing for impairment of goodwill is completed as of November 30 of each year. We operate as a single operating segment with one reporting unit and consequently evaluate goodwill for impairment based on an evaluation of the fair value of our company as a whole. We performed our qualitative assessments for 2014 and 2013 and concluded both years that it was not more likely than not that the fair value of our reporting unit was less than its carrying value. Our testing for 2012 also indicated that no impairment of goodwill existed.

Accounting for Income Taxes. Our provision for income taxes is comprised of a current and a deferred portion. The current income tax provision is calculated as the estimated taxes payable or refundable on tax returns for the current year. We provide for deferred income taxes resulting from temporary differences between financial and taxable income. Such differences arise primarily from tax net operating loss and credit carryforwards, depreciation, deferred revenue, stock-based compensation expense, accruals and reserves.

We assess the recoverability of any tax assets recorded on the balance sheet and provide any necessary valuation allowances as required. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence including our past operating results, the existence of cumulative income in the most recent years, changes in the business in which we operate and our forecast of future taxable income. In determining future taxable income, we are responsible for assumptions utilized, including the amount of state, federal and international pre-tax operating income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses. Such assessment is completed on a jurisdiction by jurisdiction basis.

At December 31, 2014, we had valuation allowances of approximately $137 million to offset net domestic deferred tax assets of approximately $137 million. In the event we determine it is more likely than not that we will be able to use a deferred tax asset in the future in excess of its net carrying value, the valuation allowance would be reduced, thereby increasing net earnings and increasing equity in the period such determination is made. We have recorded net deferred tax assets in some of our international subsidiaries. These amounts could change in future periods based upon our operating results and changes in tax law.

We provide for income taxes during interim periods based on the estimated effective tax rate for the full year. We record a cumulative adjustment to the tax provision in an interim period in which a change in the estimated annual effective tax rate is determined.

We have not provided for U.S. income taxes on the undistributed earnings of non-U.S. subsidiaries, as we currently plan to indefinitely reinvest these amounts and have the intent and ability to do so. Cumulative undistributed foreign earnings were approximately $28 million at December 31, 2014 and approximately $17 million at December 31, 2013. Generally, the undistributed foreign earnings become subject to U.S. taxation upon the remittance of dividends and under certain other circumstances. We have been taxed on certain earnings of our non-U.S. subsidiaries. Previously taxed earnings were approximately $15 million at December 31, 2014 and $11 million at December 31, 2013. Thus, $13 million of the undistributed earnings at December 31, 2014 and $6 million at December 31, 2013 are subject to U.S. income taxes on undistributed earnings. We do not believe it is practicable to estimate with reasonable accuracy the hypothetical amount of the unrecognized deferred tax liability on our undistributed foreign earnings given the large number of tax jurisdictions involved and the many factors and assumptions required to estimate the amount of the U.S. federal income tax on the undistributed earnings after reduction for the available foreign tax credits.

We assess all material positions taken in any income tax return, including all significant uncertain positions, in all tax years that are still subject to assessment or challenge by relevant taxing authorities. Assessing an uncertain tax position begins with the initial determination of the position's sustainability and is measured at the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. As of each balance sheet date, unresolved uncertain tax positions must be reassessed, and we will determine whether (i) the factors underlying the sustainability assertion have changed and (ii) the amount of recognized tax benefit is still appropriate. The recognition and measurement of tax benefits require significant judgment. Judgments concerning the recognition and measurement of a tax benefit might change as new information becomes available.

Results of Operations

Years Ended December 31, 2014 and 2013

Revenue. Revenue for the years ended December 31, 2014 and 2013 was as follows (in thousands, except percentages):

	Year ended December 31,		Increase from prior year	
	2014	2013	$	%
Product	$ 182,455	$ 167,272	$ 15,183	9.1%
Service	113,871	109,461	4,410	4.0%
Total revenue	$ 296,326	$ 276,733	$ 19,593	7.1%

Product revenue is comprised of sales of our communication infrastructure products. The increase in product revenue in the current year is primarily related to an increase in sales of approximately $27 million of certain of our next generation products such as our SBC 5100, SBC 5200, our recently released SBC 7000 and our virtualized software-based SWe suite of products. Our 2014 product revenue also benefited from approximately $11 million of sales of the products we acquired in connection with the PT acquisition. These increases were partially offset by approximately $22 million of decline in sales of certain of our older product offerings, as customers are in the process of moving away from these older technologies and migrating to IP-based networks.

We expect that our product revenue in 2015 will increase from 2014 levels, primarily due to increased sales of our newer products resulting from our continued and increasing focus on expanding our product offerings to address emerging Unified Communication and IP-based markets, such as SBC, in the enterprise and service provider markets, as well as sales from Diameter products as a result of our recent acquisition of PT.

In 2014, approximately 27% of our product revenue recognized was from indirect sales through our channel program, compared to approximately 20% of our product revenue recognized from indirect sales in 2013. This increase is due to the aforementioned actions that we took to expand both our SBC portfolio and our sales opportunities.

In 2014, our product revenue from sales to enterprise customers was approximately 19% of our total product revenue, compared to approximately 27% of our product revenue in 2013. These sales were made both through our direct sales team and indirect sales channel partners.

In 2014, we recognized $16.3 million of product revenue in the aggregate from 856 new customers. In 2013, we recognized $14.8 million of product revenue in the aggregate from 670 new customers. The increase in new customers in 2014 compared to 2013 is the direct result of the strategic actions discussed above.

New customers are those from whom we recognize revenue for the first time in a reporting period, whether the sale was made directly to an end user or to an end user through our indirect sales program. Accordingly, the number of new customers we report includes those customers who have purchased products from our direct sales team, as well as our indirect sales team, comprised of distributors, resellers and partners.

The timing of the completion of customer projects, revenue recognition criteria satisfaction and customer payments included in multiple element arrangements may cause our product revenue to fluctuate from one period to the next. These complex arrangements are generally completed through our direct sales force.

Service revenue is primarily comprised of hardware and software maintenance and support ("maintenance revenue") and network design, installation and other professional services ("professional services revenue").

Service revenue for the years ended December 31, 2014 and 2013 was comprised of the following (in thousands, except percentages):

	Year ended December 31,		Increase (decrease) from prior year	
	2014	2013	$	%
Maintenance	$ 90,003	$ 84,698	$ 5,305	6.3 %
Professional services	23,868	24,763	(895)	(3.6)%
	$ 113,871	$ 109,461	$ 4,410	4.0 %

Our maintenance revenue increased in 2014 compared to 2013, primarily due to our larger installed customer base. The timing of the completion of projects for revenue recognition, customer payments and maintenance contracts may cause our services revenue to fluctuate from one period to the next. We expect that our service revenue in 2015 will increase from 2014 levels.

The following customer contributed 10% or more of our revenue in the years ended December 31, 2014 and 2013:

	Year ended December 31,	
Customer	2014	2013
AT&T	19%	15%

International revenue was approximately 29% of revenue in 2014 and approximately 31% of revenue in 2013. Due to the timing of project completions, we expect that the domestic and international components as a percentage of our revenue will fluctuate from quarter to quarter and year to year.

Our deferred product revenue was $9.1 million at December 31, 2014 and $14.8 million at December 31, 2013. Our deferred service revenue was $35.9 million at December 31, 2014 and $36.9 million at December 31, 2013. Our deferred revenue balance may fluctuate as a result of the timing of revenue recognition, customer payments, maintenance contract renewals, contractual billing rights and maintenance revenue deferrals included in multiple element arrangements.

Cost of Revenue/Gross Margin. Our cost of revenue consists primarily of amounts paid to third-party manufacturers for purchased materials and services, royalties, manufacturing and professional services personnel and related costs, and provision for inventory obsolescence. Our cost of revenue and gross margins for the years ended December 31, 2014 and 2013 were as follows (in thousands, except percentages):

	Year ended December 31,		Increase (decrease) from prior year	
	2014	2013	$	%
Cost of revenue				
Product	$ 60,284	$ 59,235	$ 1,049	1.8 %
Service	42,637	45,038	(2,401)	(5.3)%
Total cost of revenue	$ 102,921	$ 104,273	$ (1,352)	(1.3)%
Gross margin				
Product	67.0%	64.6%		
Service	62.6%	58.9%		
Total gross margin	65.3%	62.3%		

The increase in product gross margin in 2014 compared to 2013 was primarily due to changes in customer and product mix, coupled with lower manufacturing-related costs, each of which increased our product gross margin by approximately one percentage point.

The increase in service gross margin in 2014 compared to 2013 was primarily attributable to lower third-party service costs, which increased our service gross margin by approximately three percentage points, and higher service revenue coupled with lower fixed service costs, which increased our service gross margin by approximately one-half of one percentage point. The decrease in our fixed service costs in 2014 compared to 2013 was primarily attributable to the impact of restructuring actions.

Our service cost of revenue is relatively fixed in advance of any particular quarter and therefore, changes in service revenue will typically have a significant impact on service gross margins.

We believe that our total gross margin over the next few years will improve from our current level.

Research and Development Expenses. Research and development expenses consist primarily of salaries and related personnel expenses and prototype costs related to the design, development, testing and enhancement of our products. Research and development expenses for the years ended December 31, 2014 and 2013 were as follows (in thousands, except percentages):

Year ended December 31,		Increase from prior year	
2014	2013	$	%
$ 79,396	$ 69,559	$ 9,837	14.1%

The increase in research and development expenses in 2014 is attributable to $9.5 million of higher employee-related costs and $1.3 million of higher expense for product development (third-party development, prototype and test equipment costs). These increases were partially offset by the absence in 2014 of $0.6 million of expense for the impairment of intellectual property, $0.2 million of lower amortization expense related to intangible assets and $0.2 million of net decreases in other research and development expenses. The increase in employee-related expenses represents higher salary and related expenses aggregating $7.2 million, $2.1 million of higher stock-based compensation expense and $0.2 million of net increases in other employee-related costs. These increases were primarily the result of increased headcount.

Some aspects of our research and development efforts require significant short-term expenditures, the timing of which may cause significant variability in our expenses. We believe that rapid technological innovation is critical to our long-term success, and we are tailoring our investments to meet the requirements of our customers and market. We believe that our research and development expenses for 2015 will increase from 2014 levels due to our continued focus on new product development.

Sales and Marketing Expenses. Sales and marketing expenses consist primarily of salaries and related personnel costs, commissions, travel and entertainment expenses, promotions, customer trial and evaluations inventory and other marketing and sales support expenses. Sales and marketing expenses for the years ended December 31, 2014 and 2013 were as follows (in thousands, except percentages):

Year ended December 31,		Increase from prior year	
2014	2013	$	%
$ 80,141	$ 78,365	$ 1,776	2.3%

The increase in sales and marketing expenses in 2014 compared to 2013 is attributable to $1.1 million of higher consulting expense, $0.9 million of higher marketing and trade show expenses and $0.5 million of higher employee-related expenses. These increases were partially offset by decreases of $0.4 million in depreciation expense and $0.2 million in amortization of intangibles, coupled with $0.1 million of net decreases in other sales and marketing expenses. The increase in employee-related expenses is comprised of $0.7 million of higher stock-based compensation expense and $0.3 million of higher other employee-related expenses, partially offset by $0.5 million of lower salary-related expenses. The increase in stock-based compensation expense is primarily attributable to the accelerated vesting of certain of Mr. Abbott's outstanding equity awards in connection with his separation from the Company effective October 17, 2014.

We believe that our sales and marketing expenses will decrease slightly in 2015 from 2014 levels, primarily attributable to lower personnel and related costs, partially offset by increases related to our continued investment in our expanded sales and marketing programs.

General and Administrative Expenses. General and administrative expenses consist primarily of salaries and related personnel costs for executive and administrative personnel, recruiting expenses and audit and professional fees. General and administrative expenses for the years ended December 31, 2014 and 2013 were as follows (in thousands, except percentages):

Year ended December 31,		Increase from prior year	
2014	2013	$	%
$ 43,937	$ 40,107	$ 3,830	9.5%

The increase in general and administrative expenses in 2014 is attributable to $3.2 million of higher employee-related expenses, $0.6 million of higher expense related to foreign currency translation, $0.4 million of expense related to the sale of the MPS business, $0.3 million of higher depreciation expense and $0.1 million of higher expense related to investor relations. These increases were partially offset by $0.8 million of lower professional fees (e.g., legal, audit, consulting). The increase in employee-related expenses includes $2.7 million of higher stock-based compensation expense, including $0.7 million of incremental expense related to the modification of outstanding stock options held by members of our Board of Directors described in the "Overview" of this MD&A, $0.3 million of higher salary-related expenses and $0.2 million of net increases in other employee-related expenses.

We believe that our general and administrative expenses will remain relatively flat in 2015 compared to 2014 levels.

Acquisition-Related Expenses. Acquisition-related expenses include those expenses related to business acquisitions that would not otherwise have been incurred by us. These expenses include professional and services fees, such as legal, audit, consulting, paying agent and other fees, and expenses related to cash payments to certain former executives of the acquired businesses under their respective change of control agreements. We recorded $1.6 million of acquisition-related expense in 2014, comprised of $1.3 million related to the acquisition of PT and $0.3 million relates to the January 2, 2015 acquisition of the SDN Business from Treq. We recorded $0.1 million of acquisition-related expense in 2013 for professional and service fees related to the acquisition of PT.

Restructuring Expense. We are committed to streamlining operations and reducing operating costs by closing and consolidating certain facilities and reducing our worldwide workforce. We recorded $5.6 million of restructuring expense in 2014, comprised of $3.6 million for severance and related costs, $1.8 million for facilities and $0.2 million for the write-off of fixed assets related to our restructured facilities. Of this amount, $2.3 million was recorded in connection with the PT acquisition, comprised of $1.7 million for severance and related costs, $0.5 million related to PT's former corporate headquarters in New York and $0.1 million for the write-off of assets in connection with the PT facility. We recorded $5.4 million of restructuring expense in 2013, comprised of $5.1 million for severance and related costs and $0.3 million for facilities.

Although we have eliminated positions as part of the restructuring initiative, we continue to hire in certain areas that we believe are important to our future growth. Restructuring expense is reported separately in the consolidated statements of operations. We continue to assess for potential operating cost reductions that could likely lead to future restructuring expense. We expect to complete the payments related to severance in 2015 and the payments related to facilities in 2019. The portion of restructuring payments due more than one year from the balance sheet date is included in Other long-term liabilities in the consolidated balance sheet. At December 31, 2014, the long-term portion of accrued restructuring was $1.9 million and relates to future payments for restructured facilities through 2019.

Interest Income, net. Interest income and interest expense for the years ended December 31, 2014 and 2013 were as follows (in thousands, except percentages):

	Year ended December 31,		Increase (decrease) from prior year	
	2014	2013	$	%
Interest income	$ 326	$ 502	$ (176)	(35.1)%
Interest expense	(251)	(97)	154	158.8 %
Interest income, net	$ 75	$ 405	$ (330)	(81.5)%

Interest income consists of interest earned on our cash equivalents and short- and long-term investments. Interest expense relates to interest on capital lease obligations and interest on the debt assumed in connection with the acquisition of NET. Interest expense in 2014 also includes expense related to the amortization of debt issuance costs in connection with our revolving credit facility. The decrease in interest income, net, in 2014 compared to 2013 is primarily attributable to a lower average portfolio yield on lower amounts available to invest in 2014.

Other Income, Net. We recorded $2.25 million of income in 2014 related to the settlement of a litigation matter in March 2014 in which we recovered a portion of our losses related to the impairment of certain prepaid royalties which we had written off in 2012. This amount is included in Other income, net, for the year ended December 31, 2014.

Income Taxes. We recorded provisions for income taxes of $2.2 million in 2014 and $1.5 million in 2013, primarily related to foreign operations. The income tax benefits from the deferred tax assets recorded in connection with our current year domestic losses have been offset by an increase in the valuation allowance. During 2014 and 2013, we performed an analysis to determine if, based on all available evidence, we considered it more likely than not that some portion or all of the recorded deferred tax assets will not be realized in a future period. As a result of our evaluations, we concluded that there was insufficient positive evidence to overcome the more objective negative evidence related to our cumulative losses and other factors. Accordingly, we maintained a valuation against our domestic deferred tax asset.

Years Ended December 31, 2013 and 2012

Revenue. Revenue for the years ended December 31, 2013 and 2012 was as follows (in thousands, except percentages):

	Year ended December 31,		Increase from prior year	
	2013	2012	$	%
Product	$ 167,272	$ 153,326	$ 13,946	9.1%
Service	109,461	100,808	8,653	8.6%
Total revenue	$ 276,733	$ 254,134	$ 22,599	8.9%

During 2012 we began to expand our sales channel program, including the launch of our Partner Assure Program, and increased participation by new channel partners in 2013. The 2012 acquisition of NET expanded our SBC solutions for enterprise customers, and provided us with broader channel capability and a broad U.S. federal government installed base to leverage into SIP-enabled platforms. These strategic actions resulted in higher revenue from SBC products in 2013 compared to 2012, the primary contributor to the increase in product revenue in 2013 compared to 2012. This increase was partially offset by declines in certain of our older trunking and communication application product offerings.

In 2013, approximately 20% of our product revenue recognized was from indirect sales through our channel program, compared to 8% of product revenue recognized from indirect sales in 2012. This increase is due to the aforementioned actions that we took to expand both our SBC portfolio and our sales opportunities.

In 2013, our product revenue from sales to enterprise customers was approximately 27% of our total product revenue. These sales were made both through our direct sales team and indirect sales channel partners. This compares to approximately 10% of revenue from enterprise customers in 2012.

In 2013, we recognized $14.8 million of product revenue in the aggregate from 670 new customers, including 624 customers new to NET since the NET Acquisition Date. In 2012, we recognized $7.8 million of product revenue in the aggregate from 201 new customers, including 172 customers new to NET since the NET Acquisition Date. The increase in new customers in 2013 compared to 2012 is the direct result of the strategic actions discussed above.

Service revenue for the years ended December 31, 2013 and 2012 was comprised of the following (in thousands, except percentages):

	Year ended December 31,		Increase from prior year	
	2013	2012	$	%
Maintenance	$ 84,698	$ 76,423	$ 8,275	10.8%
Professional services	24,763	24,385	378	1.6%
Total service revenue	$ 109,461	$ 100,808	$ 8,653	8.6%

The increase in service revenue in 2013 compared to 2012 is primarily due to growth in maintenance revenue on expanded capacity and other projects implemented by our existing customer install base, coupled with our new customer growth in 2013.

The following customer contributed 10% or more of our revenue in each of the years ended December 31, 2013 and 2012:

Customer	Year ended December 31, 2013	Year ended December 31, 2012
AT&T	15%	20%

International revenue was approximately 31% of revenue in 2013 and approximately 32% of revenue in 2012.

Our deferred product revenue was $14.8 million at December 31, 2013 and $6.7 million at December 31, 2012. Our deferred service revenue was $36.9 million at December 31, 2013 and $42.0 million at December 31, 2012.

Cost of Revenue/Gross Margin. Cost of revenue and gross margins for the years ended December 31, 2013 and 2012 were as follows (in thousands, except percentages):

	Year ended December 31,		Increase (decrease) from prior year	
	2013	2012	$	%
Cost of revenue				
Product	$ 59,235	$ 58,109	$ 1,126	1.9 %
Service	45,038	53,431	(8,393)	(15.7)%
Total cost of revenue	$ 104,273	$ 111,540	$ (7,267)	(6.5)%
Gross margin				
Product	64.6%	62.1%		
Service	58.9%	47.0%		
Total gross margin	62.3%	56.1%		

The increase in product gross margin in 2013 compared to 2012 was primarily due to changes in customer and product mix, which increased our product gross margin by approximately five percentage points, partially offset by higher manufacturing-related costs, which decreased our product gross margin by approximately two percentage points. Our 2013 product gross margin was negatively impacted by the inclusion of NET's historically lower gross margins for the full year, compared to four months in 2012. Our 2013 product gross margin benefited from the absence of the write-off of $7.1 million of prepaid royalties for technology licenses related to products from which we do not expect to derive future sales, which reduced our 2012 product gross margin by approximately five percentage points.

The increase in service gross margin in 2013 compared to 2012 was primarily attributable to higher service revenue coupled with lower fixed service costs, which increased our service gross margin by approximately seven percentage points, and lower third-party service costs, which increased our service gross margin by approximately five percentage points. The decrease in our fixed service costs in 2013 compared to 2012 was primarily attributable to the impact of the restructuring initiative we initiated in 2012.

Research and Development Expenses. Research and development expenses for the years ended December 31, 2013 and 2012 were as follows (in thousands, except percentages):

Year ended December 31, 2013	Year ended December 31, 2012	Increase from prior year $	Increase from prior year %
$ 69,559	$ 67,341	$ 2,218	3.3%

The increase in research and development expenses in 2013 is attributable to $2.4 million of higher employee-related costs and $0.6 million related to the write-off of an intangible asset we determined was no longer technologically feasible, partially offset by $0.4 million of lower expense for product development (third-party development, prototype and test equipment costs) and $0.4 million of net decreases in other research and development expenses. The increase in employee-related expenses represents higher salary and related expenses aggregating $1.3 million and $1.3 million of higher stock-based compensation expense, partially offset by $0.2 million of other employee-related costs. These increases were primarily the result of increased headcount.

Sales and Marketing Expenses. Sales and marketing expenses for the years ended December 31, 2013 and 2012 were as follows (in thousands, except percentages):

Year ended December 31,		Increase from prior year	
2013	2012	$	%
$ 78,365	$ 76,341	$ 2,024	2.7%

The increase in sales and marketing expenses in 2013 is attributable to $1.5 million of higher marketing and trade show expenses and $1.4 million of amortization expense related to intangible assets acquired in connection with the NET acquisition. These increases were partially offset by $0.9 million of lower expense for evaluation equipment. Stock-based compensation increased by $2.7 million in 2013 compared to 2012, partially as a result of the election of certain members of our management to receive their 2013 bonuses in stock instead of cash, with a corresponding reduction in cash bonus expense.

General and Administrative Expenses. General and administrative expenses for the years ended December 31, 2013 and 2012 were as follows (in thousands, except percentages):

Year ended December 31,		Increase from prior year	
2013	2012	$	%
$ 40,107	$ 34,283	$ 5,824	17.0%

The increase in general and administrative expenses in 2013 is attributable to $3.0 million of higher employee-related expenses, $1.3 million of higher professional fees, $0.4 million of expense related to our allowance for doubtful accounts, $0.3 million of higher expense related to foreign currency translation and $0.8 million of net increases in other general and administrative expenses. The increase in employee-related expenses includes $4.5 million of higher stock-based compensation expense, partially offset by lower cash salary expense in connection with the aforementioned stock for salary and bonus cash transactions.

Acquisition-Related Expenses. We recorded $0.1 million of acquisition-related expenses in 2013 for professional and service fees related to the 2014 acquisition of PT. We recorded acquisition-related expenses related to the acquisition of NET aggregating $5.5 million in 2012, comprised of $3.6 million of professional and services fees and $1.9 million related to change of control agreements. These costs are primarily comprised of professional and service fees, such as legal, audit, consulting, transfer agent and other fees, and expenses related to cash payments to former NET executives under their NET change of control agreements.

Restructuring Expense. We recorded $5.4 million of restructuring expense in 2013, comprised of $5.1 million related to severance and related costs and $0.3 million related to facilities.

We recorded $7.7 million of restructuring expense in 2012, comprised of $3.2 million related to severance and related costs, $4.2 million related to space reductions in three facilities and $0.3 million for the write-off of assets associated with the aforementioned facility consolidations. The $4.2 million related to facilities is comprised of $4.0 million related to space reductions in NET's former corporate headquarters in California, $0.1 million related to space reductions in the former NET facility in New Jersey and $0.1 million to consolidate our offices in France.

Interest Income, net. Interest income and interest expense for the years ended December 31, 2013 and 2012 were as follows (in thousands, except percentages):

	Year ended December 31,		Increase (decrease) from prior year	
	2013	2012	$	%
Interest income	$ 502	$ 814	$ (312)	(38.3)%
Interest expense	(97)	(202)	(105)	(52.0)%
Interest income, net	$ 405	$ 612	$ (207)	(33.8)%

The decrease in interest income, net, in 2013 compared to 2012 is primarily attributable to a lower average portfolio yield on lower invested amounts in 2013.

Income Taxes. We recorded provisions for income taxes of $1.5 million in 2013 and $2.4 million in 2012, primarily related to foreign operations. The income tax benefits from the deferred tax assets recorded in connection with our current year domestic losses have been offset by an increase in the valuation allowance. During 2013 and 2012, we performed an analysis to determine if, based on all available evidence, we considered it more likely than not that some portion or all of the recorded deferred tax assets will not be realized in a future period. As a result of our evaluations, we concluded that there was insufficient positive evidence to overcome the more objective negative evidence related to our cumulative losses and other factors. Accordingly, we maintained a valuation against our domestic deferred tax asset.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial position, changes in financial position, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Liquidity and Capital Resources

Our consolidated statements of cash flows are summarized as follows (in thousands):

	Year ended December 31,		
	2014	2013	Change
Net loss	$ (16,855)	$ (22,119)	$ 5,264
Adjustments to reconcile net loss to cash flows used in operating activities	41,176	34,849	6,327
Changes in operating assets and liabilities	5,721	21,377	(15,656)
Net cash provided by operating activities	$ 30,042	$ 34,107	$ (4,065)
Net cash provided by investing activities	$ 24,270	$ 7,540	$ 16,730
Net cash used in financing activities	$ (85,131)	$ (56,534)	$ (28,597)

Our cash, cash equivalents and short- and long-term investments totaled $148.0 million at December 31, 2014 and $245.7 million at December 31, 2013. We had cash and short-term investments held by our foreign subsidiaries aggregating approximately $5 million at both December 31, 2014 and 2013. We do not intend to repatriate these funds, and as such, they are not available to fund our domestic operations. If we were to repatriate the funds, they would likely be treated as income for U.S. tax purposes, fully offset by the Company's net operating losses. We do not believe this has a material impact on our liquidity.

On June 27, 2014, we entered into a credit agreement (the "Credit Agreement") by and among us, as Borrower, Bank of America, N.A. ("Bank of America"), as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders from time to time party thereto. The Credit Agreement provides for a revolving credit facility of up to $40 million and provides that we may select the interest rates under the credit facility equal to (1) the Eurodollar Rate (which is defined as the rate per annum equal to the London Interbank Offered Rate ("LIBOR") plus 1.5% per annum) for a Eurodollar Rate Loan; and (2) the highest of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the rate of interest in effect on the borrowing date as publicly announced from time to time by Bank of America as its prime rate, and (c) the monthly Eurodollar Rate plus 1%. We pay a 0.15% commitment fee on the unused commitments available for borrowing. Borrowings under the Credit Agreement may be used for the general corporate purposes of the Company and its subsidiaries, including, without limitation, working capital, acquisitions, dividends and stock repurchases, to the extent permitted under the Credit Agreement. Our obligations under the Credit Agreement are guaranteed by Sonus International, Inc., Sonus Federal, Inc., NET and PT (collectively, together with us, the "Loan Parties") pursuant to a Master Continuing Guaranty and are secured by the assets of the Loan Parties pursuant to a Security and Pledge Agreement. The Credit Agreement contains affirmative, negative and financial covenants customary for financings of this type. The negative covenants include limitations on liens, indebtedness, fundamental changes, dispositions, restricted payments, investments, transactions with affiliates, certain restrictive agreements and compliance with sanctions laws and regulations. The amount of cash and cash equivalents of the Loan Parties, subject to certain exclusions, cannot be less than an aggregate amount of $100 million at any time. The credit facility will become due on June 27, 2015, subject to acceleration upon certain specified events of default, including, without limitation, payment defaults, defaults in the performance of affirmative and negative covenants, the inaccuracy of representations or warranties, bankruptcy and insolvency-related defaults, defaults relating to judgments, an ERISA Event (as defined in the Credit Agreement), the failure to pay specified indebtedness and a change of control default. We did not have any amounts outstanding under the Credit Agreement at December 31, 2014.

On July 29, 2013, we announced that our Board of Directors had authorized a stock buyback program to repurchase up to $100 million of our common stock from time to time on the open market or in privately negotiated transactions. The stock buyback program is being funded using our working capital. During the year ended December 31, 2014, we repurchased and retired 1.0 million shares under our stock buyback program for $18.0 million in the aggregate, including transaction fees.

During the year ended December 31, 2013, we repurchased and retired 3.7 million shares for $59.7 million, including transaction fees. This amount is included in financing activities in our condensed consolidated statement of cash flows for the year ended December 31, 2014.

On March 20, 2014, we announced the commencement of an underwritten public offering of 7.5 million shares of our common stock on behalf of Galahad Securities Limited and its affiliated entities (collectively, the "Legatum Group"). The underwriter of the offering was granted a 30-day option to purchase up to 1.125 million additional shares from the Legatum Group. The Legatum Group received all the proceeds from the underwritten offering; no shares in the underwritten offering were sold by us or any of our officers or directors. In addition, we purchased 4.3 million shares from the underwriter for $75.3 million in the aggregate, including $0.3 million of transaction fees. We funded the share repurchase with cash on hand. The repurchased shares were retired upon completion of the transaction.

Our operating activities provided $30.0 million of cash in 2014 and $34.1 million of cash in 2013.

Cash provided by operating activities in 2014 was primarily the result of decreases in inventory, other operating assets and accounts receivable, coupled with higher accrued expenses and other long-term liabilities. These amounts were partially offset by lower deferred revenue and accounts payable. Our focus on maintaining appropriate inventory levels was the primary contributor to the decrease in inventory. The decrease in other operating assets primarily relates to the completion of certain customer projects for which deferred costs had previously been recorded and the decrease in accounts receivable primarily reflects our focus on cash collections. The increase in accrued expenses and other long-term liabilities primarily relates to higher amounts accrued in connection with employee-related costs, including accrued bonus, commissions and employee stock purchase plan amounts withheld, coupled with higher restructuring accruals. Deferred revenue balances will fluctuate as a result of timing of invoicing and revenue recognition. Our net loss, adjusted for non-cash items such as depreciation, amortization, stock-based compensation, losses on the disposal of property and equipment and deferred income taxes, provided $24.3 million of cash.

Cash provided by operating activities in 2013 was primarily the result of decreases in other operating assets, inventory and accounts receivable, coupled with increases in accrued expenses and other long-term liabilities, and deferred revenue. The decrease in other operating assets was primarily related to lower prepaid expenses. Our increased focus on maintaining appropriate inventory levels was the primary contributor to the decrease in inventory. The decrease in accounts receivable primarily reflects our focus on cash collections. The increase in accrued expenses and other long-term liabilities was primarily related to employee-related expenses, including the 2013 company-wide bonus, which was paid in the first quarter of 2014, and restructuring and professional fee accruals. The increase in deferred revenue represents orders from which we expect to recognize revenue in future periods. Deferred revenue balances will fluctuate as a result of timing of invoicing and revenue recognition. Our net loss, adjusted for non-cash items such as depreciation, amortization, stock-based compensation and the impairment of an intangible asset, provided $12.7 million of cash.

Our investing activities provided $24.3 million of cash in 2014 and $7.5 million of cash in 2013. The 2014 amount is comprised of $66.6 million of net maturities of marketable securities, $2.0 million from the sale of the MPS Business and $0.3 million from the sale of fixed assets. These amounts were partially offset by $35.0 million of cash paid, net of cash acquired, for the acquisition of PT on February 19, 2014 and $9.5 million of cash used for the purchase of property and equipment. The 2013 amount is comprised of $14.5 million of net maturities of marketable securities, partially offset by $6.9 million for investments in property and equipment.

Our financing activities used $85.1 million of cash in 2014 and $56.5 million of cash in 2013. The 2014 amount is comprised of $93.2 million for the repurchase of common stock, including $75.3 million to repurchase stock in connection with the Legatum Group public offering described above, $2.4 million used to pay withholding obligations related to the net share settlement of restricted stock awards upon vesting, $2.4 million for the repayment of the remaining outstanding debentures assumed in connection with the 2012 acquisition of NET and $0.1 million for payments on our capital leases for office equipment. These amounts were partially offset by $10.1 million of proceeds from the exercise of stock options and $2.9 million of proceeds from the sale of our common stock in connection with our Amended and Restated 2000 Employee Stock Purchase Plan ("ESPP"). The 2013 amount is comprised of $59.7 million for the repurchase of common stock under our stock buyback program, $1.3 million of cash used to pay withholding obligations related to the net share settlement of restricted stock awards upon vesting and $0.1 million for payments on our capital leases for office equipment. These amounts were partially offset by $2.7 million of proceeds from the exercise of stock options and $1.9 million of proceeds from the sale of our common stock in connection with our ESPP.

Contractual Obligations

Our contractual obligations (both principal and interest) at December 31, 2014 consisted of the following (in thousands):

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Capital lease obligations	$ 72	$ 70	$ 2	$ —	$ —
Operating lease obligations	20,009	6,330	9,361	4,280	38
Purchase obligations	26,837	26,168	658	11	—
Restructuring obligations	5,334	3,417	1,585	332	—
Uncertain tax positions *	8,875	8,875	—	—	—
	$ 61,127	$ 44,860	$ 11,606	$ 4,623	$ 38

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* This liability is not subject to fixed payment terms and the amount and timing of payments, if any, which we will make related to this liability are not known. See Note 18 to our consolidated financial statements appearing in this Annual Report on Form 10-K for additional information.

Based on our current expectations, we believe our current cash, cash equivalents, marketable debt securities and long-term investments will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least twelve months, including any future stock repurchases under the aforementioned stock buyback program. It is difficult to predict future liquidity requirements with certainty. The rate at which we will consume cash will be dependent on the cash needs of future operations, including changes in working capital, which will, in turn, be directly affected by the levels of demand for our products, the timing and rate of expansion of our business, the resources we devote to developing our products and any litigation settlements. We anticipate devoting substantial capital resources to continue our research and development efforts, to maintain our sales, support and marketing, to improve our controls environment and for other general corporate activities. See Note 21 to our consolidated financial statements for a description of our other contingencies.

Recent Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). ASU 2014-15 provides guidelines determining when and how to disclose going concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity's ability to continue as a going concern. AS 2014-15 applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. The adoption of ASU 2014-15 is not expected to have a material impact on our consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, *Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force)* (“ASU 2014-12”). ASU 2014-12 which clarifies that entities should treat performance targets that can be met after the requisite service period of a share-based payment award as performance conditions that affect vesting. Therefore, an entity would not record compensation expense (measured as of the grant date without taking into account the effect of the performance target) related to an award for which transfer to the employee is contingent on the entity’s satisfaction of a performance target until it becomes probable that the performance target will be met. ASU 2014-12 does not contain any new disclosure requirements. ASU 2014-12 is effective for us on January 1, 2015. We do not expect the adoption of ASU 2014-12 to have a material impact on our condensed consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”) its final standard on revenue from contracts with customers. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes 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. In applying the revenue model to contracts within its scope, an entity identifies the contract(s) with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to the performance obligations in the contract and recognizes revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 applies to all contracts with customers that are within the scope of other topics in the FASB Accounting Standards Codification ("ASC"). Certain of ASU 2014-09's provisions also apply to transfers of nonfinancial assets, including in-substance nonfinancial assets that are not an output of an entity's ordinary activities (i.e., property, plant and equipment; real estate; or intangible assets). Existing accounting guidance applicable to these transfers has been amended or superseded. ASU 2014-09 also requires significantly expanded disclosures about revenue recognition. ASU 2014-09 is effective for us on January 1, 2017. We are currently assessing the potential impact of the adoption of ASU 2014-09 on our condensed consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* ("ASU 2014-08"), which amends the definition of discontinued operations in ASC 205-20 and requires entities to provide additional disclosures about discontinued operations as well as disposal transactions that do not meet the discontinued operations criteria. The new guidance eliminates the previous criteria that the operations and cash flows of the component that have been (or will be) eliminated from the ongoing operations of the entity as a result of the disposal transaction. The new guidance also eliminates the previous criteria that the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction. Instead, ASU 2014-08 requires discontinued operations treatment for disposals of a component or group of components that represents a strategic shift that has or will have a major impact on an entity's operations or financial results. ASU 2014-08 requires entities to reclassify assets and liabilities of a discontinued operation for all comparative periods presented in the statement of financial position. In addition, ASU 2014-08 requires that an entity disclose in its statement of cash flows, in all periods presented, either: (1) operating and investing cash flows or (2) depreciation and amortization, capital expenditures and significant operating and investing non-cash items related to the discontinued cooperation. ASU 2014-08 is effective prospectively for all disposals (except disposals classified as held for sale before the adoption date) or components initially classified as held for sale in periods beginning on or after December 15, 2014. We do not expect the adoption of ASU 2014-08 to have a material impact on our condensed consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, *Presentation of a Liability for an Unrecognized Tax Benefit When a Net Operating Loss Carryforward or Tax Credit Carryforward Exists* ("ASU 2013-11"), which provides guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss ("NOL") carryforward, a similar tax loss or a tax credit carryforward exists. The FASB's objective in issuing ASU 2013-11 was to eliminate diversity in practice resulting from a lack of guidance on this topic in current generally accepted accounting principles. ASU 2013-11 requires that an entity present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for an NOL carryforward, a similar tax loss or a tax credit unless certain conditions exist. ASU 2013-11 was effective for us beginning January 1, 2014. The adoption of ASU 2013-11 did not have an impact on our consolidated financial statements, as we already applied the methodology prescribed by ASU 2013-11.

In March 2013, the FASB issued ASU 2013-05, *Foreign Currency Matters (Topic 830) - Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* ("ASU 2013-05"), which indicates that the entire amount of a cumulative translation adjustment ("CTA") related to an entity's investment in a foreign entity should be released when there has been either: (a) a sale of a subsidiary or group of net assets within a foreign entity and the sale represents the substantially complete liquidation of the investment in a foreign entity; (b) the loss of a controlling financial interest in an investment in a foreign entity (i.e., the foreign entity is deconsolidated); or (c) the step acquisition of a foreign entity (i.e., when the accounting for an entity has changed from applying the equity method for an investment in a foreign entity to consolidating the foreign entity). ASU 2013-05 does not change the requirement to release a pro rata portion of the CTA of the foreign entity into earnings for a partial sale of an equity method investment in a foreign entity. ASU 2013-05 became effective for us on January 1, 2014. The adoption of ASU 2013-05 did not have a material impact on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to a variety of market risks, including changes in interest rates affecting the return on our investments and foreign currency fluctuations.

At December 31, 2014, our cash, cash equivalents, marketable securities and long-term investments totaled $148.0 million. We maintain an investment portfolio of various holdings, types and maturities which may include money market funds, commercial paper, corporate notes, certificates of deposit and government debt securities. A sharp rise in market interest rates could have a material adverse impact on the fair value of our investment portfolio. Conversely, declines in market interest rates could have a material impact on the interest earnings of our investment portfolio. We do not currently hedge these interest rate exposures. We place our investments with high quality issuers and have policies limiting, among other things, the amount of credit exposure to any one issuer. We seek to limit default risk by purchasing only investment grade securities. We manage potential losses in fair value by investing in relatively short-term investments, thereby allowing us to hold our investments to maturity. A hypothetical movement of plus or minus 50 basis points in market interest rates could affect the value of our investment portfolio by approximately $0.4 million for the year ended December 31, 2014. However, we have the ability to hold our investments until maturity, and therefore do not expect our operating results or cash flows to be affected to any significant degree by the effect of a sudden change in market interest rates on our investment portfolio.

Based on a hypothetical 10% adverse movement in all foreign currency exchange rates, our revenue for the year ended December 31, 2014 would have been adversely affected by approximately $1.5 million and our net loss for the year ended December 31, 2014 would have been adversely affected by approximately $0.2 million, although the actual effects may differ materially from this hypothetical analysis.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Sonus Networks, Inc.
Westford, Massachusetts

We have audited the accompanying consolidated balance sheets of Sonus Networks, Inc. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Sonus Networks, Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
February 25, 2015

SONUS NETWORKS, INC.
Consolidated Balance Sheets
(in thousands, except share and per share data)

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 41,157	$ 72,423
Short-term investments	64,443	138,882
Accounts receivable, net	62,943	64,463
Inventory	22,114	21,793
Deferred income taxes	991	656
Other current assets	15,239	15,073
Total current assets	206,887	313,290
Property and equipment, net	17,845	19,102
Intangible assets, net	22,594	10,091
Goodwill	39,263	32,379
Investments	42,407	34,364
Deferred income taxes	1,043	2,121
Other assets	2,596	6,137
	$ 332,635	$ 417,484
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 7,497	$ 11,164
Accrued expenses	32,149	34,026
Current portion of deferred revenue	36,967	41,169
Convertible subordinated note	—	2,380
Current portion of long-term liabilities	794	672
Total current liabilities	77,407	89,411
Deferred revenue	8,009	10,528
Deferred income taxes	1,623	922
Other long-term liabilities	5,246	4,371
Total liabilities	92,285	105,232
Commitments and contingencies (Note 21)		
Stockholders' equity:		
Preferred stock, $0.01 par value; 1,000,000 shares authorized, none issued and outstanding	—	—
Common stock, $0.001 par value; 120,000,000 shares authorized; 49,357,033 shares issued and outstanding at December 31, 2014; 53,245,218 shares issued and outstanding at December 31, 2013	49	53
Additional paid-in capital	1,226,226	1,280,655
Accumulated deficit	(991,347)	(974,492)
Accumulated other comprehensive income	5,422	6,036
Total stockholders' equity	240,350	312,252
	$ 332,635	$ 417,484

See notes to the consolidated financial statements.

SONUS NETWORKS, INC.
Consolidated Statements of Operations
(in thousands, except per share data)

	Year ended December 31,		
	2014	2013	2012
Revenue:			
Product	$ 182,455	$ 167,272	$ 153,326
Service	113,871	109,461	100,808
Total revenue	296,326	276,733	254,134
Cost of revenue:			
Product	60,284	59,235	58,109
Service	42,637	45,038	53,431
Total cost of revenue	102,921	104,273	111,540
Gross profit	193,405	172,460	142,594
Operating expenses:			
Research and development	79,396	69,559	67,341
Sales and marketing	80,141	78,365	76,341
General and administrative	43,937	40,107	34,283
Acquisition-related	1,558	93	5,496
Restructuring	5,625	5,411	7,675
Total operating expenses	210,657	193,535	191,136
Loss from operations	(17,252)	(21,075)	(48,542)
Interest income, net	75	405	612
Other income, net	2,536	3	202
Loss before income taxes	(14,641)	(20,667)	(47,728)
Income tax provision	(2,214)	(1,452)	(2,441)
Net loss	$ (16,855)	$ (22,119)	$ (50,169)
Loss per share:			
Basic	$ (0.34)	$ (0.40)	$ (0.90)
Diluted	$ (0.34)	$ (0.40)	$ (0.90)
Shares used to compute loss per share:			
Basic	50,245	55,686	56,018
Diluted	50,245	55,686	56,018

See notes to the consolidated financial statements.

SONUS NETWORKS, INC.
Consolidated Statements of Comprehensive Loss
(in thousands)

	Year ended December 31,		
	2014	**2013**	**2012**
Net loss	$ (16,855)	$ (22,119)	$ (50,169)
Other comprehensive loss, net of tax:			
Foreign currency translation adjustments	(426)	(672)	(535)
Unrealized loss on available-for-sale marketable securities	(142)	(45)	(19)
Less: Reclassification adjustment for gains included in net loss	(46)	—	—
Other comprehensive loss, net of tax	(614)	(717)	(554)
Comprehensive loss, net of tax	$ (17,469)	$ (22,836)	$ (50,723)

See notes to the consolidated financial statements.

SONUS NETWORKS, INC.
Consolidated Statements of Stockholders' Equity
(in thousands, except share data)

	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balances, January 1, 2012	**55,863,679**	**$ 56**	**$ 1,310,142**	**$ (902,204)**	**$ 7,307**	**$ 415,301**
Issuance of common stock in connection with employee stock purchase plan	165,381		1,990			1,990
Exercise of stock options	42,500		254			254
Vesting of restricted stock	153,505		1			1
Shares of restricted stock returned to the Company under net share settlements to satisfy tax withholding obligations	(32,406)		(342)			(342)
Stock-based compensation expense			8,673			8,673
Assumption of equity awards in connection with acquisition of Network Equipment Technologies, Inc.			892			892
Other comprehensive loss					(554)	(554)
Net loss				(50,169)		(50,169)
Balances, December 31, 2012	**56,192,659**	**56**	**1,321,610**	**(952,373)**	**6,753**	**376,046**
Issuance of common stock in connection with employee stock purchase plan	152,748		2,210			2,210
Exercise of stock options	260,913	1	2,668			2,669
Vesting of restricted stock	181,643		1			1
Issuance of vested performance-based stock awards	241,172		1			1
Shares of restricted stock returned to the Company under net share settlements to satisfy tax withholding obligations	(80,939)		(1,300)			(1,300)
Stock-based compensation expense			14,504			14,504
Repurchase of common stock	(3,702,978)	(4)	(59,670)			(59,674)
Other comprehensive loss					(717)	(717)
Reclassification of liability to equity for cash bonuses converted to equity awards			631			631
Net loss				(22,119)		(22,119)
Balances, December 31, 2013	**53,245,218**	**53**	**1,280,655**	**(974,492)**	**6,036**	**312,252**
Issuance of common stock in connection with employee stock purchase plan	180,502		2,882			2,882
Exercise of stock options	806,385	1	10,116			10,117
Vesting of restricted stock	428,674					—
Vesting of performance-based stock awards	136,526					—
Shares of restricted stock returned to the Company under net share settlements to satisfy tax withholding obligations	(142,399)		(2,442)			(2,442)
Repurchase of common stock	(5,297,873)	(5)	(93,219)			(93,224)
Assumption of equity awards in connection with acquisition of Performance Technologies Inc.			1,671			1,671
Stock-based compensation expense			23,914			23,914
Reclassification of liability to equity for cash bonuses converted to equity awards			2,649			2,649
Other comprehensive loss					(614)	(614)
Net loss				(16,855)		(16,855)
Balances, December 31, 2014	**49,357,033**	**$ 49**	**$ 1,226,226**	**$ (991,347)**	**$ 5,422**	**$ 240,350**

See notes to the consolidated financial statements.

SONUS NETWORKS, INC.
Consolidated Statements of Cash Flows
(in thousands)

	Year ended December 31,		
	2014	**2013**	**2012**
Cash flows from operating activities:			
Net loss	$ (16,855)	$ (22,119)	$ (50,169)
Adjustments to reconcile net loss to cash flows provided by (used in) operating activities:			
Depreciation and amortization of property and equipment	11,488	12,329	12,891
Amortization of intangible assets	4,597	4,546	2,773
Stock-based compensation	23,914	17,873	9,003
Impairment of intangible assets	—	600	—
Write-off of prepaid royalties for software licenses	—	—	7,083
Loss on disposal of property and equipment	292	54	344
Deferred income taxes	885	(553)	785
Changes in operating assets and liabilities:			
Accounts receivable	4,771	3,536	(8,924)
Inventory	5,414	4,150	(7,713)
Other operating assets	5,077	6,200	1,669
Accounts payable	(3,759)	(555)	(4,949)
Accrued expenses and other long-term liabilities	1,657	4,768	937
Deferred revenue	(7,439)	3,278	(3,039)
Net cash provided by (used in) operating activities	30,042	34,107	(39,309)
Cash flows from investing activities:			
Purchases of property and equipment	(9,541)	(6,949)	(10,540)
Business acquisition, net of cash acquired	(35,022)	—	(35,508)
Divestiture of business	2,000	—	—
Purchases of marketable securities	(112,800)	(182,491)	(159,828)
Sale/maturities of marketable securities	179,365	196,980	258,278
Proceeds from the sale of fixed assets	268	—	—
Net cash provided by investing activities	24,270	7,540	52,402
Cash flows from financing activities:			
Proceeds from sale of common stock in connection with employee stock purchase plan	2,882	1,888	1,693
Proceeds from exercise of stock options	10,117	2,669	254
Payment of tax withholding obligations related to net share settlements of restricted stock awards	(2,442)	(1,300)	(342)
Repurchase of common stock	(93,224)	(59,674)	—
Principal payments of capital lease obligations	(84)	(117)	(120)
Payment of debt	(2,380)	—	(31,824)
Net cash used in financing activities	(85,131)	(56,534)	(30,339)
Effect of exchange rate changes on cash and cash equivalents	(447)	(694)	(201)
Net decrease in cash and cash equivalents	(31,266)	(15,581)	(17,447)
Cash and cash equivalents, beginning of year	72,423	88,004	105,451
Cash and cash equivalents, end of year	$ 41,157	$ 72,423	$ 88,004
Supplemental disclosure of cash flow information:			
Interest paid	$ 89	$ 89	$ 780
Income taxes paid	$ 2,247	$ 1,569	$ 2,388
Income tax refunds received	$ 94	$ 164	$ 67
Supplemental disclosure of non-cash investing activities:			
Capital expenditures incurred, but not yet paid	$ 411	$ 1,446	$ 305
Property and equipment acquired under capital lease	$ —	$ 113	$ 40
Business acquisition purchase consideration - assumed equity awards	$ 1,671	$ —	$ 892
Supplemental disclosure of non-cash financing activities:			
Total fair value of restricted stock awards, restricted stock units and performance-based stock awards on date vested	$ 8,425	$ 6,816	$ 1,640

See notes to the consolidated financial statements.

SONUS NETWORKS, INC.

Notes to Consolidated Financial Statements

(1) NATURE OF THE BUSINESS

Sonus Networks, Inc. ("Sonus" or the "Company") is a leading provider of networked solutions for communications service providers (e.g., telecommunications, wireless and cable service providers) and enterprises to help them advance, protect and unify their communications and improve collaboration. Sonus helps many of the world's leading communications service providers and enterprises embrace the next generation of Session Initiation Protocol ("SIP") and 4G/LTE (Long Term Evolution)-based solutions, including Voice over Internet Protocol ("VoIP"), video and Unified Communications ("UC") through secure, reliable and scalable Internet Protocol ("IP") networks. Sonus' products include session border controllers ("SBCs"), diameter signaling controllers ("DSCs"), policy/routing servers, media and signaling gateways and network analytics tools.

Sonus utilizes both direct and indirect sales channels to reach its target customers. Customers and prospective customers in the service provider space are traditional and emerging communications service providers, including long distance carriers, local exchange carriers, Internet service providers, wireless operators, cable operators, international telephone companies and carriers that provide services to other carriers. Enterprise customers and target enterprise customers include financial institutions, retailers, state and local governments, and other multinational corporations.

(2) BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements have been prepared in United States dollars, in accordance with accounting principles generally accepted in the United States ("GAAP").

The Company reports its first, second and third quarters on a 4-4-5 basis, with the quarter ending on the Friday closest to the last day of each third month. In 2014, the Company's first quarter ended on March 28, 2014, the second quarter ended on June 27, 2014 and the third quarter ended on September 26, 2014. In 2013, the Company's first quarter ended on March 29, 2013, the second quarter ended on June 28, 2013 and the third quarter ended on September 27, 2013. In 2012, the Company's first quarter ended on March 30, 2012, the second quarter ended on June 29, 2012 and the third quarter ended on September 28, 2012. The Company's fiscal year ends on December 31.

In December 2014, the Company's stockholders approved an amendment to Sonus' Fourth Amended and Restated Certificate of Incorporation, as amended, to effect a reverse stock split of its common stock, with the ratio, implementation and timing of such reverse stock split (within specified parameters) to be determined at the discretion of the Company's Board of Directors. In January 2015, the Reverse Stock Split Special Committee of the Board of Directors set the ratio for the reverse stock split at one-for-five and such reverse stock split was made effective on the NASDAQ Global Select Market as of the commencement of trading on January 30, 2015. As a result of the reverse stock split, the number of the Company's issued and outstanding shares was adjusted such that every five shares of common stock were converted into one share of common stock, reducing the authorized number of shares of the Company's common stock from 600,000,000 to 120,000,000. Proportional adjustments were also made to the Company's equity incentive plans, as well as to any outstanding restricted stock awards and stock options granted under such equity incentive plans to maintain the economic value of the awards. Following the effective date of the reverse stock split, the par value of the common stock remained at $0.001 per share. Unless otherwise indicated, all references herein to shares outstanding and share issuances have been adjusted to give effect to the aforementioned reverse stock split.

On February 19, 2014 (the "PT Acquisition Date"), the Company completed the acquisition of Performance Technologies, Incorporated ("PT"). The financial results of PT are included in the Company's consolidated financial statements for the periods subsequent to the PT Acquisition Date.

On August 24, 2012, the Company completed the acquisition of Network Equipment Technologies, Inc. (“NET”). The financial results of NET have been included in the Company's consolidated financial statements for the periods subsequent to its acquisition.

SONUS NETWORKS, INC.

Notes to Consolidated Financial Statements (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Sonus and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates and Judgments

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates and judgments relied upon in preparing these consolidated financial statements include accounting for business combinations, revenue recognition for multiple element arrangements, inventory valuations, assumptions used to determine the fair value of stock-based compensation, intangible assets and goodwill valuations, legal contingencies and recoverability of Sonus' net deferred tax assets and the related valuation allowances. Sonus regularly assesses these estimates and records changes in estimates in the period in which they become known. Sonus bases its estimates on historical experience and various other assumptions that it believes to be reasonable under the circumstances. Actual results could differ from those estimates.

Business Combinations

The Company recognizes identifiable assets acquired and liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed and represents the expected future economic benefits arising from other assets acquired in the business combination that are not individually identified and separately recognized. While the Company uses its best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the acquisition date, its estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill to the extent that it identifies adjustments to the preliminary purchase price allocation. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of operations.

Revenue Recognition

The Company recognizes revenue from sales when persuasive evidence of an arrangement exists, delivery has occurred, the sale price is fixed or determinable, and collectability of the related receivable is probable. In instances where customer acceptance is required, revenue is deferred until the acceptance has been achieved. When fees for products or services are not fixed and determinable, the Company defers the recording of receivables, deferred revenue and revenue until such time as the fees become due or are collected.

Revenue from maintenance and support services is recognized ratably over the service period. Maintenance revenue is deferred until the associated product is accepted by the customer and all other revenue recognition criteria have been met. Maintenance and support services include telephone support, return and repair support and unspecified rights to product upgrades and enhancements. Revenue from other professional services is typically recognized as the services are delivered if all other revenue recognition criteria have been met.

The Company's products typically have both software and non-software components that function together to deliver the products' essential functionality. In addition, hardware sold generally cannot be used apart from the software. Therefore, the Company considers its principal products to be both software and hardware-related. Many of the Company's sales involve multiple element arrangements that include product, maintenance and various professional services.

Our products typically have both software and non-software components that function together to deliver the products' essential functionality. Many of our sales involve multiple-element arrangements that include both software and hardware-related products, maintenance and various professional services. We recognize revenue in accordance with the provisions of

Accounting Standards Codification ("ASC") 605-25, *Revenue Recognition - Multiple-Element Arrangements* ("ASC 605-25") transactions that include both hardware and software components. We recognize revenue from stand-alone software sales under the software revenue recognition guidance in ASC 985-605, *Software - Revenue Recognition* ("ASC 985-605"). The Company limits the amount of revenue recognized for delivered elements to the amount that is not contingent on the future delivery of products or services, future performance obligations, or subject to customer-specific return or refund privileges.

For multiple-element arrangements that include both software-only products and non-software products, the Company allocates the total arrangement consideration to the software-only deliverables as a group and to the individual non-software deliverables based on their relative selling prices. If an undelivered element (such as maintenance and support services) relates to both the software-only and non-software deliverables, the Company bifurcates the consideration allocated to the undelivered element (such as maintenance and support services) into a non-software component and the software-only component using the relative selling price method. The consideration allocated to the non-software and software-only deliverables is recognized in accordance with the guidance as discussed in this note.

Under ASC 985-605, revenue for any undelivered elements that are considered not essential to the functionality of the product and for which vendor-specific objective evidence of selling price ("VSOE") has been established is deferred and recognized upon delivery utilizing the residual method. If the Company has undelivered product for which VSOE has not been established, it defers all revenue on the entire arrangement until VSOE is established or until such elements are delivered, provided that all other revenue recognition criteria are met. If the Company has undelivered services for which VSOE has not been established, the entire arrangement is recognized as revenue over the longest remaining service period from the point in time that all services have commenced and all products have been delivered, provided that all other revenue recognition criteria are met.

For transactions that include multiple elements, arrangement consideration is allocated to each element based on the relative selling prices of all of the elements in the arrangement using the fair value hierarchy as required by ASC 605-25.

The Company establishes VSOE based upon the price charged when the same element is sold separately or established by management having the relevant pricing authority. The Company has VSOE for its maintenance and support services and certain professional services. When VSOE exists it is used to determine the selling price of a deliverable. The Company has not been able to establish VSOE of any of its products and for certain of its services because the Company has not sold such products or services on a stand-alone basis, has not priced its products or services within a narrow range, or has limited sales history.

When VSOE is not established, the Company attempts to establish the selling price of each element based on third-party evidence of selling price ("TPE"). The Company's solution typically differs from that of its peers as there are no similar or interchangeable competitor products or services. The Company's various product, service and maintenance offerings contain a significant level of unique features and functionality and therefore, comparable pricing of competitors' products and services with similar functionality cannot be obtained. Accordingly, the Company is not able to determine TPE for its products or services.

When the Company is unable to establish selling price using VSOE or TPE, the Company uses estimated selling price ("ESP") in its allocation of arrangement consideration for the relevant deliverables. The objective of ESP is to determine the price at which the Company would transact a sale if a product or service was sold on a stand-alone basis. The Company determines ESP for its products and certain services by considering multiple factors including, but not limited to, overall market conditions, including geographic or regional-specific market factors, profit objectives and historical pricing practices for such deliverables. The determination of ESP is a formal process within the Company that includes review and approval by the Company's management.

Deferred revenue typically includes customer deposits and amounts associated with partial product shipments and maintenance or service contracts. Deferred revenue expected to be recognized as revenue more than one year subsequent to the balance sheet date is reported as a component of long-term liabilities in the condensed consolidated balance sheets. The Company defers recognition of incremental direct costs, such as cost of goods, third-party installations and commissions, until recognition of the related revenue. Such costs are classified as current assets if the deferred revenue is initially classified as current and noncurrent assets if the related deferred revenue is initially classified as long-term.

SONUS NETWORKS, INC.

Notes to Consolidated Financial Statements (Continued)

The Company excludes any taxes assessed by a governmental authority that are directly imposed on a revenue-producing transaction (i.e., sales, use, value added) from its revenue and costs. Reimbursement received for out-of-pocket expenses and shipping costs is recorded as revenue.

The Company sells the majority of its products directly to its end customers. For products sold to resellers and distributors, the Company recognizes revenue on a sell-through basis.

Financial Instruments

The carrying amounts of Sonus' financial instruments, which include cash equivalents, investments, accounts receivable, accounts payable and convertible subordinated debt approximate their fair values.

All investments in marketable securities are classified as available-for-sale and are reported at fair value, with unrealized gains and losses excluded from earnings and reported, net of tax, in Accumulated other comprehensive loss, which is a component of stockholders' equity. Unrealized losses that are determined to be other-than-temporary, based on current and expected market conditions, are recognized in earnings. Declines in fair value determined to be credit-related are charged to earnings. The cost of marketable securities sold is determined by the specific identification method.

Financial instruments with remaining maturities or that are due within one year from the balance sheet date are classified as current. Financial instruments with remaining maturities or that are payable more than one year from the balance sheet date are classified as noncurrent.

Cash and Cash Equivalents

Cash equivalents are stated at fair value, with unrealized gains and losses excluded from earnings and reported, net of tax, in Accumulated other comprehensive income (loss). Cash equivalents are liquid securities that have remaining maturities of three months or less at the date of purchase.

Restricted Cash

The Company classifies as restricted cash all cash pledged as collateral to secure long-term obligations and all cash whose use is otherwise limited by contractual provisions. Restricted cash is recorded within other assets on the consolidated balance sheet.

Foreign Currency Translation

For foreign subsidiaries where the functional currency is the local currency, assets and liabilities are translated into U.S. dollars at the current exchange rate on the balance sheet date. Revenue and expenses are translated at average rates of exchange prevailing during each period. Translation adjustments for these subsidiaries are included in Accumulated other comprehensive loss.

For foreign subsidiaries where the functional currency is the U.S. dollar, monetary assets and liabilities are translated into U.S. dollars at the current exchange rate on the balance sheet date. Nonmonetary assets and liabilities are remeasured into U.S. dollars at historical exchange rates. Revenue and expense items are translated at average rates of exchange prevailing during each period.

Realized and unrealized foreign currency gains and losses arising from transactions denominated in currencies other than the subsidiary's functional currency are reflected in earnings with the exception of intercompany transactions considered to be of a long-term investment nature.

The components of foreign currency translation gains (losses), which are reported as a component of General and administrative expenses in the consolidated statements of operations, for the years ended December 31, 2014, 2013 and 2012 are as follows (in thousands):

	Year ended December 31,		
	2014	2013	2012
Transaction losses	$ (420)	$ (746)	$ (1,365)
Remeasurement gains (losses)	1,980	(164)	767
	$ 1,560	$ (910)	$ (598)

Inventory

Inventory is recorded at the lower of cost or market value using the first-in, first-out convention. The Company reduces the carrying value of inventory for those items that are potentially excess, obsolete or slow-moving based on changes in customer demand, technology developments or other economic factors.

Sonus writes down evaluation equipment at the time of shipment to its customers, as it is probable that the inventory value will not be realized.

Deferred product costs represent deferred cost of revenue for product shipments to customers prior to satisfaction of Sonus' revenue recognition criteria. Such costs are classified as inventory if the related deferred revenue is initially classified as current. Deferred product costs are recorded in Other assets if the related deferred revenue is initially classified as long-term, and remain a component of noncurrent assets until such costs are recognized in the consolidated statement of operations.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from two to five years. Leasehold improvements are amortized over the lesser of the lease term or five years. When an asset is sold or retired, the cost and related accumulated depreciation or amortization are eliminated, and the resulting gain or loss, if any, is recognized in income (loss) from operations in the consolidated statement of operations. The Company reviews property and equipment for impairment in the same manner as intangible assets discussed below.

Software development costs associated with internal use software are incurred in three stages of development: the preliminary project stage, the application development stage and the post-implementation stage. Costs incurred during the preliminary project and post-implementation stages are expensed as incurred. Certain qualifying costs incurred during the application development stage are capitalized as property and equipment. Internal use software is amortized on a straight-line basis over its estimated useful life of three years, beginning when the software is ready for its intended use.

Intangible Assets and Goodwill

Intangible assets are comprised of intellectual property purchased in 2010 which is amortized over its estimated useful life of five years; intangible assets arising from the August 24, 2012 acquisition of NET, comprised of developed technology, customer relationships, order backlog and internal use software, which are amortized over their estimated useful lives of four months to approximately six years; and intangible assets arising from the February 19, 2014 acquisition of PT, comprised of developed technology and customer relationships, which are amortized over their estimated useful lives of six to seven years. Intangible assets are reviewed for impairment when events or changes in circumstances indicate that their carrying amounts may not be recoverable based upon the estimated undiscounted cash flows. Recoverability of intangible assets with estimated lives and other long-lived assets is measured by a comparison of the carrying amount of an asset or asset group to future net undiscounted cash flows expected to be generated by the asset or asset group. If these comparisons indicate that an asset is not recoverable, the Company will recognize an impairment loss for the amount by which the carrying value of the asset or asset group exceeds the related estimated fair value. Estimated fair value is based on either discounted future operating cash flows or appraised values, depending on the nature of the asset. In the second quarter of 2013, the Company recorded an impairment charge of $0.6 million to write down the carrying value of one of its intellectual property intangible assets to zero. See Note 9 for additional information regarding this expense.

Goodwill is recorded when the consideration for an acquisition exceeds the fair value of net tangible and identifiable intangible assets acquired. Goodwill is not amortized, but instead is tested for impairment at least annually or if indicators of potential impairment exist by comparing the fair value of the Company's reporting unit to its carrying value.

The Company adopted ASU 2011-08, *Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment* ("ASU 2011-08") in fiscal year 2013. ASU 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. This qualitative assessment included the review of macroeconomic conditions, industry and market considerations, cost factors, overall company financial performance and other related facts and circumstances that could indicate that a more detailed assessment would be required. If it is concluded that it is more likely than not that the fair value is less than the carrying value, then it is necessary to perform the currently prescribed two-step goodwill impairment test. Alternatively, if it is concluded that it is not more likely than not that the fair value exceeds carrying value, the currently prescribed two-step goodwill impairment test is not required.

The Company's annual testing for impairment of goodwill is completed as of November 30 of each year. The Company operates as a single operating segment with one reporting unit and consequently evaluates goodwill for impairment based on an evaluation of the fair value of the Company as a whole. The Company performed its qualitative assessments for both 2014 and 2013 and concluded each year that it was not more likely than not that the fair value of our reporting unit was less than its carrying value. The Company's testing for 2012 also indicated that no impairment of goodwill existed.

Other Assets

Other assets are primarily comprised of the long-term portion of deferred cost of goods sold, prepaid expenses and deposits. In the fourth quarter of 2012, the Company wrote off $7.1 million of prepaid royalties related to products from which the Company does not expect to derive future sales. This amount is included as a component of Cost of revenue - product in the consolidated statement of operations for the year ended December 31, 2012.

Stock-Based Compensation

The Company's stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which generally represents the vesting period, and includes an estimate of the awards that will be forfeited. The Company uses the Black-Scholes valuation model for estimating the fair value on the date of grant of stock options. The fair value of stock option awards is affected by the Company's stock price as well as valuation assumptions, including the volatility of Sonus' stock price, expected term of the option, risk-free interest rate and expected dividends.

Research and Development Costs

Research and development costs are expensed as incurred.

Software Development Costs

The costs for the development of new software and substantial enhancements to existing software are expensed as incurred until technological feasibility has been established, at which time any additional costs would be capitalized until the product is available for general release. The Company has determined that technological feasibility is established at the time a working model of the software is completed. The Company's process for developing software is essentially completed concurrently with the establishment of technological feasibility. Accordingly, no costs have been capitalized to date.

Concentrations of Credit Risk and Single Source Suppliers

The financial instruments that potentially subject Sonus to concentrations of credit risk are cash, cash equivalents, investments and accounts receivable. The Company's cash equivalents and investments were managed by three financial institutions at December 31, 2014 and two financial institutions at December 31, 2013.

Certain components and software licenses from third parties used in Sonus' products are procured from single sources of supply. The failure of a supplier, including a subcontractor, to deliver on schedule could delay or interrupt Sonus' delivery of products and thereby materially adversely affect Sonus' revenues and operating results.

Sonus had three contract manufacturers at December 31, 2014. Failure to manage the activities of these manufacturers or any disruption in these relationships could result in the disruption in the supply of its products and in delays in the fulfillment of the Company's customer orders.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were $1.5 million for the year ended December 31, 2014, $2.7 million for the year ended December 31, 2013 and $1.1 million for the year ended December 31, 2012.

Operating Segments

The Company operates in a single segment. Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker in making decisions regarding resource allocation and assessing performance. To date, the chief operating decision maker has made such decisions and assessed performance at the company level, as one segment. The Company's chief operating decision maker is its President and Chief Executive Officer.

Loss Contingencies and Reserves

Loss Contingencies. Sonus is subject to ongoing business risks arising in the ordinary course of business that affect the estimation process of the carrying value of assets, the recording of liabilities and the possibility of various loss contingencies. An estimated loss contingency is accrued when it is probable that a liability has been incurred or an asset has been impaired and the amount of loss can be reasonably estimated. Sonus regularly evaluates current information available to determine whether such amounts should be adjusted and records changes in estimates in the period they become known.

Allowance for Doubtful Accounts. Sonus establishes billing terms at the time it negotiates purchase agreements with its customers. Sonus monitors its outstanding receivables for timely payments and potential collection issues. An allowance for doubtful accounts is estimated based on Sonus' assessment of the collectability of specific customer accounts.

Accrual for Royalties. Sonus accrues for royalties for technology that it licenses from vendors based on established royalty rates and usage. In certain cases, Sonus has been contacted by third parties who claim that Sonus' products infringe on certain intellectual property of the third party. Sonus evaluates these claims and accrues amounts only when it is probable that the obligation has been incurred and the amounts are reasonably estimable.

Reserve for Litigation and Legal Fees. Sonus is subject to various legal claims. Sonus reserves for legal contingencies and legal fees when it is probable that a loss has been incurred and the amounts are reasonably estimable.

Accounting for Income Taxes

Deferred tax assets and liabilities are recognized for the expected future consequences of events that have been reflected in the consolidated financial statements. Deferred tax assets and liabilities are determined based on the differences between the book and tax bases of assets and liabilities and operating loss carryforwards, using tax rates expected to be in effect for the years in which the differences are expected to reverse. Such differences arise primarily from stock-based compensation, depreciation, accruals and reserves, acquired intangible assets, deferred revenue, tax credits, net operating loss carryforwards and allowances for accounts receivable. Sonus records valuation allowances to reduce deferred income tax assets to the amount that is more likely than not to be realized.

Sonus has not provided for U.S. income taxes on the undistributed earnings of non-U.S. subsidiaries, as the Company plans to permanently reinvest these amounts. Cumulative undistributed foreign earnings were approximately $28 million at December 31, 2014 and approximately $17 million at December 31, 2013. Generally, the undistributed foreign earnings become subject to U.S. taxation upon the remittance of dividends and under certain other circumstances. The Company has been taxed on certain earnings of its non-U.S. subsidiaries. Previously taxed earnings were approximately $15 million at December 31, 2014 and $11 million at December 31, 2013. Thus, $13 million of the undistributed earnings at December 31, 2014 and $6 million at December 31, 2013 are subject to U.S. income taxes on undistributed earnings. The Company does not believe it is practicable to estimate with reasonable accuracy the hypothetical amount of the unrecognized deferred tax liability on its undistributed foreign earnings given the large number of tax jurisdictions involved and the many factors and assumptions required to estimate the amount of the U.S. federal income tax on the undistributed earnings after reduction for the available foreign tax credits.

The Company determines whether it is more likely than not that a tax position will be sustained upon examination. If it is not more likely than not that a position will be sustained, no amount of the benefit attributable to the position is recognized. The tax benefit to be recognized of any tax position that meets the more likely than not recognition threshold is calculated as the largest amount that is more than 50% likely of being realized upon resolution of the contingency. The Company accounts for interest and penalties related to uncertain tax positions as part of its provision for income taxes.

In September 2013, the U.S. Department of the Treasury and the Internal Revenue Service released final regulations relating to guidance on applying tax rules to amounts paid to acquire, produce or improve tangible personal property as well as rules for materials and supplies effective for tax years beginning on or after January 1, 2014. The Company has reviewed the regulations and has determined that its current method of accounting is appropriate under the regulations with no change required.

Recent Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). ASU 2014-15 provides guidelines determining when and how to disclose going concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity's ability to continue as a going concern. AS 2014-15 applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. The adoption of ASU 2014-15 is not expected to have a material impact on the Company's consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, *Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force)* (“ASU 2014-12”). ASU 2014-12 clarifies that entities should treat performance targets that can be met after the requisite service period of a share-based payment award as performance conditions that affect vesting. Therefore, an entity would not record compensation expense (measured as of the grant date without taking into account the effect of the performance target) related to an award for which transfer to the employee is contingent upon the entity’s satisfaction of a performance target until it becomes probable that the performance target will be met. ASU 2014-12 does not contain any new disclosure requirements. ASU 2014-12 is effective for the Company on January 1, 2015. The Company does not expect the adoption of ASU 2014-12 to have a material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”) its final standard on revenue from contracts with customers. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes 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. In applying the revenue model to contracts within its scope, an entity identifies the contract(s) with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to the performance obligations in the contract and recognizes revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 applies to all contracts with customers that are within the scope of other topics in the FASB Accounting Standards Codification ("ASC"). Certain of ASU 2014-09’s provisions also apply to transfers of nonfinancial assets, including in-substance nonfinancial assets that are not an output of an entity’s ordinary activities (i.e., property plant and equipment; real estate; or intangible assets). Existing accounting guidance applicable to these transfers has been amended or superseded. ASU 2014-09 also requires significantly expanded disclosures about revenue recognition. ASU 2014-09 is effective for the Company on January 1, 2017. The Company is currently assessing the potential impact of the adoption of ASU 2014-09 on its condensed consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* ("ASU 2014-08"), which amends the definition of discontinued operations in ASC 205-20 and requires entities to provide additional disclosures about discontinued operations as well as disposal transactions that do not meet the discontinued operations criteria. The new guidance eliminates the previous criteria that the operations and cash flows of the component that have been (or will be) eliminated from the ongoing operations of the entity as a result of the disposal transaction. The new guidance also eliminates the previous criteria that the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction. Instead, ASU 2014-08 requires discontinued operations treatment for disposals of a component or group of components that represents a strategic shift that has or will have a major impact on an entity's operations or financial results. ASU 2014-08 requires entities to reclassify assets and liabilities of a discontinued operation for all comparative periods presented in the statement of financial position. In addition, ASU 2014-08 requires that an entity disclose in its statement of cash flows, for all periods presented, either: (1) operating and investing cash flows or (2) depreciation and amortization, capital expenditures and significant operating and investing non-cash items related to the discontinued operation. ASU 2014-08 is effective prospectively for all disposals (except disposals classified as held for sale before the adoption date) or components initially classified as held for sale in periods beginning on or after December 15, 2014. The Company does not expect the adoption of ASU 2014-08 to have a material impact on its consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, *Presentation of a Liability for an Unrecognized Tax Benefit When a Net Operating Loss Carryforward or Tax Credit Carryforward Exists* ("ASU 2013-11"), which provides guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss ("NOL") carryforward, a similar tax loss or a tax credit carryforward exists. The FASB's objective in issuing ASU 2013-11 was to eliminate diversity in practice resulting from a lack of guidance on this topic in current GAAP. ASU 2013-11 requires that an entity present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for an NOL carryforward, a similar tax loss or a tax credit unless certain conditions exist. ASU 2013-11 was effective for the Company beginning January 1, 2014. The adoption of ASU 2013-11 did not have an impact on the Company's consolidated financial statements, as the Company already applied the methodology prescribed by ASU 2013-11.

In March 2013, the FASB issued ASU 2013-05, *Foreign Currency Matters (Topic 830) - Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* ("ASU 2013-05"), which indicates that the entire amount of a cumulative translation adjustment ("CTA") related to an entity's investment in a foreign entity should be released when there has been either: (a) a sale of a subsidiary or group of net assets within a foreign entity and the sale represents the substantially complete liquidation of the investment in a foreign entity; (b) the loss of a controlling financial interest in an investment in a foreign entity (i.e., the foreign entity is deconsolidated); or (c) the step acquisition of a foreign entity (i.e., when the accounting for an entity has changed from applying the equity method for an investment in a foreign entity to consolidating the foreign entity). ASU 2013-05 does not change the requirement to release a pro rata portion of the CTA of the foreign entity into earnings for a partial sale of an equity method investment in a foreign entity. ASU 2013-05 was effective for the Company beginning January 1, 2014. The adoption of ASU 2013-05 did not have a material impact on the Company's consolidated financial statements.

(3) BUSINESS ACQUISITIONS

Performance Technologies, Incorporated

On the PT Acquisition Date, the Company acquired all of the outstanding common stock of PT for cash consideration of $35.0 million, or $3.75 per share of PT common stock. This acquisition has enabled Sonus to expand its solutions portfolio with signaling technology and acquire expertise to enable mobile service providers to offer new real-time multimedia services through their mobile infrastructure. Delivering these services across the LTE next-generation mobile networks will require adoption of the next-generation signaling technology known in the industry as Diameter Signal. The acquisition of PT has allowed Sonus to diversify its product portfolio with an integrated, virtualized Diameter and SIP-based solution and deliver strategic value to service providers seeking to offer new multimedia services through mobile, cloud-based, real-time communications.

The transaction has been accounted for as a business combination and the financial results of PT have been included in the Company's consolidated financial statements starting on the PT Acquisition Date.

The Company finalized the valuation of acquired assets, identifiable intangible assets, uncertain tax liabilities and certain accrued liabilities in the fourth quarter of 2014. Based on new information gathered about facts and circumstances that existed as of the PT Acquisition Date related to the valuation of certain acquired assets and assumed liabilities, the Company recorded adjustments which resulted in an increase to goodwill of $0.6 million, a decrease to other current assets of $0.4 million and an increase to other long-term liabilities of $0.2 million in the period subsequent to the PT Acquisition Date. The Company recorded $8.8 million of goodwill, primarily due to expected synergies between the combined companies and expanded market opportunities. The goodwill is not deductible for tax purposes.

A summary of the allocation of the purchase consideration for PT is as follows (in thousands):

Fair value of consideration transferred:		
Cash, net of cash acquired	$	35,022
Fair value of equity awards assumed (see Note 16)		1,671
Fair value of total consideration	$	36,693
Fair value of assets acquired and liabilities assumed:		
Marketable securities	$	2,315
Other current assets		9,337
Property and equipment		2,251
Intangible assets		17,100
Goodwill		8,781
Current liabilities		(2,762)
Other long-term liabilities		(329)
	$	36,693

The valuation of the acquired intangible assets is inherently subjective and relies on significant unobservable inputs. The Company used an income approach to value the acquired developed technology and customer relationships intangible assets. The valuation for each of these intangible assets was based on estimated projections of expected cash flows to be generated by the assets, discounted to the present value at discount rates commensurate with perceived risk. The valuation assumptions take into consideration the Company's estimates of contract renewal, technology attrition and revenue growth projections. The Company is amortizing the identifiable intangible assets in relation to the expected cash flows from the individual intangible assets over their respective useful lives. These intangible assets have a weighted average useful life of 6.8 years (see Note 9).

The identifiable intangible assets recorded in connection with the PT acquisition are as follows (in thousands):

Developed technology	$	13,200
Customer relationships		3,900
	$	17,100

The Company recognized revenue aggregating $14.6 million in the period from the PT Acquisition Date through December 31, 2014. The Company has not disclosed the amount of earnings of PT since the PT Acquisition Date or pro forma financial information, as these amounts are not significant to the Company's consolidated financial statements.

Sale of Multi-Protocol Server Business

On June 20, 2014 (the "MPS Sale Date"), the Company sold its PT Multi-Protocol Server ("MPS") business for $2.0 million, comprised of $0.2 million of inventory, $0.1 million of fixed assets, $0.2 million of deferred revenue and $1.9 million of PT goodwill allocable to the MPS business. The Company had acquired the MPS business in connection with the acquisition of PT. The Company incurred $0.4 million of transaction costs, which are included as a component of General and administrative expenses. The results of operations of the MPS business are excluded from the Company's consolidated results for the period subsequent to the MPS Sale Date.

Network Equipment Technologies, Inc.

On August 24, 2012 (the “NET Acquisition Date”), the Company acquired all of the outstanding common stock of NET for cash consideration of $41.5 million, or $1.35 per share of NET common stock. The acquisition was effected through a merger of a wholly-owned subsidiary of the Company into NET with NET surviving the merger as a wholly-owned subsidiary of the Company. NET is a provider of networking equipment focused on secure real-time communications for UC, SIP trunking, enterprise mobility and IP-based multi-service networking. The Company acquired NET to enhance its position as an enabler of cloud-based UC. The acquisition of NET expanded the Company's portfolio of Session Border Controller (“SBC”) solutions for enterprise customers and brought engineering resources, broader channel capability and a broad U.S. federal government installed base to leverage into SIP-enabled platforms.

The transaction has been accounted for as a business combination, and the financial results of NET have been included in the Company's consolidated financial statements for the period subsequent to its acquisition. The Company's financial results for year ended December 31, 2012 include $17.3 million of revenue and $9.5 million of net loss attributable to NET for the period subsequent to its acquisition.

The Company finalized the valuation of acquired assets, identifiable intangible assets, uncertain tax liabilities and certain accrued liabilities in the third quarter of 2013. Based on new information gathered about facts and circumstances that existed as of the NET Acquisition Date, the Company recorded retrospective adjustments as of December 31, 2012, which resulted in a net decrease to goodwill of $1.4 million, a net increase to other current assets of $0.9 million and a net decrease to current liabilities of $0.5 million as set forth in the table below. The adjustments have been retrospectively applied to the December 31, 2012 balance sheet; however, these adjustments had no impact on the consolidated statements of operations, of comprehensive loss, of stockholders' equity or of cash flows.

During the second quarter of 2013, the Company made an election under Section 338(g) of the Internal Revenue Code to have the NET transaction treated as an asset acquisition (i.e., a taxable transaction) with the goodwill being deductible for tax purposes over 15 years.

A summary of the allocation of the purchase consideration for NET is as follows (in thousands):

Fair value of consideration transferred:		
Cash, net of cash acquired	$	35,508
Fair value of equity awards assumed (see Note 16)		892
Fair value of total consideration	$	36,400
Fair value of assets acquired and liabilities assumed:		
Marketable securities	$	5,359
Deferred income taxes		681
Other current assets		13,388
Property and equipment		4,694
Noncurrent investments		10,167
Intangible assets		16,810
Goodwill		27,317
Other noncurrent assets		1,843
Current liabilities		(9,350)
Debt		(34,208)
Other long-term liabilities		(301)
	$	36,400

The valuation of the acquired intangible assets is inherently subjective and relies on significant unobservable inputs. The Company used an income approach to value the acquired customer relationships and developed technology intangible assets. The valuation for each of these intangible assets was based on estimated projections of expected cash flows to be generated by the assets, discounted to the present value at discount rates commensurate with perceived risk. The valuation assumptions take into consideration the Company's estimates of contract renewal, technology attrition and revenue growth projections. The

Company is amortizing the identifiable intangible assets in relation to the expected cash flows from the individual intangible assets over their respective useful lives (see Note 9).

The identifiable intangible assets recorded in connection with the NET acquisition are as follows (in thousands):

Developed technology	$	9,080
Customer relationships		6,140
Order backlog		860
Internal use software		730
	$	16,810

Pro Forma Results

The following unaudited pro forma information presents the condensed combined results of operations of the Company and NET for the year ended December 31, 2012 as if the acquisition of NET had been completed on January 1, 2011 with adjustments to give effect to pro forma events that are directly attributable to the acquisition. These pro forma adjustments include a reduction of historical NET revenue for the fair value adjustment related to acquired deferred revenue, an increase in amortization expense for the acquired identifiable intangible assets, a decrease in historical NET interest expense reflecting the extinguishment of certain of NET's debt as a result of the acquisition and the elimination of transaction costs included in the Company's and NET's historical results, directly attributable to the acquisition from the year ended December 31, 2012.

The unaudited pro forma results do not reflect any operating efficiencies or potential cost savings which may result from the consolidation of the operations of the Company and NET. Accordingly, these unaudited pro forma results are presented for illustrative purposes and are not intended to represent or be indicative of the actual results of operations of the combined company that would have been achieved had the acquisition occurred at the beginning of the period presented, nor are they intended to represent or be indicative of future results of operations (in thousands, except per share amounts):

	Year ended December 31,	
	2012	
Revenue	$	284,970
Net loss	$	(62,148)
Loss per share	$	(1.11)

Acquisition-Related Expenses

Acquisition-related expenses include those expenses related to the acquisition that would otherwise not have been incurred by the Company. These expenses include professional and services fees, such as legal, audit, consulting, paying agent and other fees, and expenses related to cash payments to certain former executives of the acquired businesses under their respective change of control agreements. Of the amounts recorded in the year ended December 31, 2014, $1.3 million relates to the acquisition of PT and $0.3 million relates to professional fees in connection with the January 2, 2015 transaction with Treq Labs, Inc. (see Note 22). The amount recorded in the year ended December 31, 2013 relates to the acquisition of PT and the amount recorded in the year ended December 31, 2012 relates to the acquisition of NET.

The components of acquisition-related costs incurred in the years ended December 31, 2014, 2013 and 2012 are as follows (in thousands):

	Year ended December 31,					
	2014		2013		2012	
Professional and services fees	$	1,309	$	93	$	3,571
Change of control agreements		249		—		1,925
	$	1,558	$	93	$	5,496

SONUS NETWORKS, INC.

Notes to Consolidated Financial Statements (Continued)

(4) EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares outstanding during the period. For periods in which the Company reports net income, diluted net income per share is determined by using the weighted average number of common and dilutive common equivalent shares outstanding during the period unless the effect is antidilutive.

The calculations of shares used to compute basic and diluted loss per share are as follows (in thousands):

	Year ended December 31,		
	2014	2013	2012
Weighted average shares outstanding—basic	50,245	55,686	56,018
Potential dilutive common shares	—	—	—
Weighted average shares outstanding—diluted	50,245	55,686	56,018

Options to purchase the Company's common stock, unvested shares of restricted stock, unvested performance-based stock awards for which the performance conditions have been satisfied and shares in connection with future purchases under the Company's Amended and Restated 2000 Employee Stock Purchase Plan, as amended (the "ESPP") aggregating 8.0 million shares for the year ended December 31, 2014 have not been included in the computation of diluted loss per share because their effect would have been antidilutive. Options to purchase the Company's common stock, unvested shares of restricted stock and unvested performance-based stock awards for which the performance conditions have been satisfied aggregating 7.1 million shares for the year ended December 31, 2013 and 5.6 million shares for the year ended December 31, 2012 have not been included in the computation of diluted loss per share because their effect would have been antidilutive.

(5) CASH EQUIVALENTS AND INVESTMENTS

The Company invests in debt and equity instruments, primarily U.S. government-backed, municipal and corporate obligations, which management believes to be high quality (investment grade) credit instruments.

During the year ended December 31, 2014, the Company sold $45.9 million of its available-for-sale securities and realized gross gains aggregating $46,000, which are included as a component of Other income, net, in the Company's consolidated statement of operations for that period. The Company did not realize any gross losses on these sales. The Company did not sell any of its available-for-sale securities during the years ended December 31, 2013 or 2012, and accordingly, no gains or losses were realized.

Investments with continuous unrealized losses for one year or greater at December 31, 2014 were nominal; however, since the Company does not intend to sell these securities and does not believe it will be required to sell any securities before they recover in value, it does not believe these declines are other-than-temporary.

On a quarterly basis, the Company reviews its investments to determine if there have been any events that could create a credit impairment. Based on its reviews, the Company does not believe that any impairment existed with its current holdings at December 31, 2014.

SONUS NETWORKS, INC.

Notes to Consolidated Financial Statements (Continued)

The amortized cost, gross unrealized gains and losses and fair value of the Company's cash equivalents and investments at December 31, 2014 and 2013 were comprised of the following (in thousands):

	December 31, 2014			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Cash equivalents	$ 11,653	$ —	$ —	$ 11,653
Short-term investments				
Municipal obligations	$ 1,273	$ 1	$ (1)	$ 1,273
U.S. government agency notes	4,016	—	—	4,016
Corporate debt securities	40,921	2	(59)	40,864
Commercial paper	9,340	—	—	9,340
Certificates of deposit	8,950	—	—	8,950
	$ 64,500	$ 3	$ (60)	$ 64,443
Investments				
Municipal obligations	$ 2,702	$ 1	$ (3)	$ 2,700
U.S. government agency notes	2,300	—	(1)	2,299
Corporate debt securities	35,897	4	(86)	35,815
Commercial paper	1,093	—	—	1,093
Certificates of deposit	500	—	—	500
	$ 42,492	$ 5	$ (90)	$ 42,407

	December 31, 2013			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Cash equivalents	$ 50,404	$ —	$ —	$ 50,404
Short-term investments				
U.S. government agency notes	$ 47,895	$ 15	$ —	$ 47,910
Corporate debt securities	81,993	35	(8)	82,020
Commercial paper	5,647	2	—	5,649
Certificates of deposit	3,300	3	—	3,303
	$ 138,835	$ 55	$ (8)	$ 138,882
Investments				
U.S. government agency notes	$ 9,254	$ 3	$ —	$ 9,257
Foreign government notes	1,250	—	—	1,250
Corporate debt securities	23,848	17	(8)	23,857
	$ 34,352	$ 20	$ (8)	$ 34,364

The Company's available-for-sale debt securities that are classified as Investments in the consolidated balance sheet mature after one year but within two years or less from the balance sheet date.

Fair Value Hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. The three-tier fair value hierarchy is based on the level of independent, objective evidence surrounding the inputs used to measure 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 fair value hierarchy is as follows:

Level 1. Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2. Level 2 applies to assets or liabilities for which there are inputs that are directly or indirectly observable in the marketplace, such as quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets).

Level 3. Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The following table shows the fair value of the Company's financial assets at December 31, 2014 and 2013. These financial assets are comprised of the Company's available-for-sale debt securities and reported under the captions Cash and cash equivalents, Short-term investments and Investments in the consolidated balance sheets (in thousands):

		Fair value measurements at December 31, 2014 using:		
	Total carrying value at December 31, 2014	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	$ 11,653	$ 11,653	$ —	$ —
Short-term investments				
Municipal obligations	$ 1,273	$ —	$ 1,273	$ —
U.S. government agency notes	4,016	—	4,016	—
Corporate debt securities	40,864	—	40,864	—
Commercial paper	9,340	—	9,340	—
Certificates of deposit	8,950	—	8,950	—
	$ 64,443	$ —	$ 64,443	$ —
Investments				
Municipal obligations	$ 2,700	$ —	$ 2,700	$ —
U.S. government agency notes	2,299	—	2,299	—
Corporate debt securities	35,815	—	35,815	—
Commercial paper	1,093	—	1,093	—
Certificates of deposit	500	—	500	—
	$ 42,407	$ —	$ 42,407	$ —

		Fair value measurements at December 31, 2013 using:		
	Total carrying value at December 31, 2013	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	$ 50,404	$ 50,404	$ —	$ —
Short-term investments				
U.S. government agency notes	$ 47,910	$ —	$ 47,910	$ —
Corporate debt securities	82,020	—	82,020	—
Commercial paper	5,649	—	5,649	—
Certificates of deposit	3,303	—	3,303	—
	$ 138,882	$ —	$ 138,882	$ —
Investments				
U.S. government agency notes	$ 9,257	$ —	$ 9,257	$ —
Foreign government notes	1,250	—	1,250	—
Corporate debt securities	23,857	—	23,857	—
	$ 34,364	$ —	$ 34,364	$ —

The Company's marketable securities and investments have been valued with the assistance of valuations provided by third-party pricing services, as derived from such services' pricing models. Inputs to the models may include, but are not limited to, reported trades, executable bid and asked prices, broker/dealer quotations, prices or yields of securities with similar characteristics, benchmark curves or information pertaining to the issuer, as well as industry and economic events. The pricing services may use a matrix approach, which considers information regarding securities with similar characteristics to determine the valuation for a security. The Company is ultimately responsible for the consolidated financial statements and underlying estimates. Accordingly, the Company assesses the reasonableness of the valuations provided by the third-party pricing services by reviewing actual trade data, broker/dealer quotes and other similar data, which are obtained from quoted market prices or other sources.

(6) ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, consist of the following (in thousands):

	December 31,	
	2014	2013
Accounts receivable, gross	$ 63,001	$ 64,620
Allowance for doubtful accounts	(58)	(157)
Accounts receivable, net	$ 62,943	$ 64,463

The activity in the Company's allowance for doubtful accounts is as follows (in thousands):

Year ended December 31,	Balance at beginning of year	Charges to expense	Write-offs	Balance at end of year
2014	$ 157	$ 92	$ (191)	$ 58
2013	$ —	$ 415	$ (258)	$ 157
2012	$ —	$ —	$ —	$ —

(7) INVENTORY

Inventory consists of the following (in thousands):

	December 31,	
	2014	2013
On-hand final assemblies and finished goods inventories	$ 19,285	$ 19,070
Deferred cost of goods sold	2,829	4,387
	22,114	23,457
Less current portion	(22,114)	(21,793)
Noncurrent portion (included in Other assets)	$ —	$ 1,664

(8) PROPERTY AND EQUIPMENT

Property and equipment consists of the following (in thousands):

	Useful Life	December 31, 2014	December 31, 2013
Equipment	3 years	$ 65,703	$ 80,710
Software	2-3 years	17,342	15,410
Furniture and fixtures	3-5 years	612	855
Leasehold improvements	Shorter of the life of the lease or estimated useful life (1-5 years)	11,920	10,659
		95,577	107,634
Less accumulated depreciation and amortization		(77,732)	(88,532)
Property and equipment, net		$ 17,845	$ 19,102

The Company recorded depreciation and amortization expense related to property and equipment of $11.5 million for the year ended December 31, 2014, $12.3 million for the year ended December 31, 2013 and $12.9 million for the year ended December 31, 2012. During the year ended December 31, 2014, the Company disposed of certain property and equipment that was fully depreciated at the time of disposal, which resulted in reductions in both Cost and Accumulated depreciation.

Property and equipment under capital leases included in the amounts above are as follows (in thousands):

	December 31, 2014	December 31, 2013
Cost	$ 113	$ 326
Less accumulated depreciation	(71)	(220)
Property and equipment under capital leases, net	$ 42	$ 106

The net book values of the Company's property and equipment by geographic area are as follows (in thousands):

	December 31, 2014	December 31, 2013
United States	$ 12,652	$ 13,960
Asia/Pacific	3,574	4,665
Europe	765	453
Other	854	24
	$ 17,845	$ 19,102

(9) INTANGIBLE ASSETS AND GOODWILL

The Company's intangible assets at December 31, 2014 and 2013 consist of the following (in thousands):

December 31, 2014	Weighted average amortization period (years)	Cost	Accumulated amortization	Net carrying value
Intellectual property	5.00	$ 999	$ 999	$ —
Developed technology	6.18	22,280	5,193	17,087
Customer relationships	5.57	10,040	4,695	5,345
Internal use software	3.00	730	568	162
	5.75	$ 34,049	$ 11,455	$ 22,594

SONUS NETWORKS, INC.

Notes to Consolidated Financial Statements (Continued)

December 31, 2013	Weighted average amortization period (years)	Cost	Accumulated amortization	Net carrying value
Intellectual property	5.00	$ 999	$ 999	$ —
Developed technology	5.03	9,080	2,729	6,351
Customer relationships	5.30	6,140	2,806	3,334
Internal use software	3.00	730	324	406
	4.35	$ 16,949	$ 6,858	$ 10,091

Amortization expense for intangible assets for the years ended December 31, 2014, 2013 and 2012 was as follows (in thousands):

	Year ended December 31,			
	2014	2013	2012	Statement of operations classification
Intellectual property	$ —	$ 200	$ 400	Research and development
Developed technology	2,464	1,999	730	Cost of revenue - product
Customer relationships	1,889	2,104	702	Sales and marketing
Order backlog	—	—	860	Cost of revenue - product
Internal use software	244	243	81	Cost of revenue - product
	$ 4,597	$ 4,546	$ 2,773	

In connection with the preparation of its financial statements for the second quarter of 2013, the Company reviewed its intangible assets and other long-lived assets for impairment indicators. The Company determined that a triggering event had occurred relative to one of its intellectual property intangible assets that had been acquired during 2010. During 2013, the Company discontinued its development of this technology and determined that there were no alternative uses of the technology within either its existing or future product lines. Additionally, based on the age and resulting obsolescence of such technology, the Company concluded that the fair value was nominal based on a discounted cash flow model. As a result, the Company recorded an impairment charge of $0.6 million to write down the carrying value of the asset to zero. This expense is included as a component of research and development expense in the Company's consolidated statements of operations for the year ended December 31, 2013. The nonrecurring fair value measurement of the impairment of the intellectual property was categorized in Level 3 of the fair value hierarchy.

Estimated future amortization expense for the Company's intangible assets at December 31, 2014 is as follows (in thousands):

Years ending December 31,	
2015	$ 5,646
2016	5,290
2017	5,259
2018	2,953
2019	2,263
Thereafter	1,183
	$ 22,594

Goodwill is recorded when the consideration for an acquisition exceeds the fair value of net tangible and identifiable intangible assets acquired. The changes in the carrying value of the Company's goodwill in the years ended December 31, 2014 and 2013 are as follows (in thousands):

SONUS NETWORKS, INC.

Notes to Consolidated Financial Statements (Continued)

	Year ended December 31,	
	2014	2013
Balance at January 1		
Goodwill	$ 35,485	$ 35,485
Accumulated impairment losses	(3,106)	(3,106)
	32,379	32,379
Acquisition of PT	8,781	—
Sale of MPS business	(1,897)	—
Balance at December 31	$ 39,263	$ 32,379

The components of the Company's goodwill balances at December 31, 2014 and 2013 are as follows:

	December 31,	
	2014	2013
Balance		
Goodwill	$ 42,369	$ 35,485
Accumulated impairment losses	(3,106)	(3,106)
	$ 39,263	$ 32,379

(10) ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	December 31,	
	2014	2013
Employee compensation and related costs	$ 20,042	$ 20,683
Other	12,107	13,343
	$ 32,149	$ 34,026

(11) RESTRUCTURING ACCRUAL

The Company is committed to streamlining operations and reducing operating costs by closing and consolidating certain facilities and reducing its worldwide workforce. The Company recorded $5.6 million of restructuring expense in the year ended December 31, 2014, comprised of $3.6 million for severance and related costs, $1.8 million related to the early termination of leases on three facilities and $0.2 million for the write-off of assets associated with these facilities. Of this amount, $2.3 million was recorded in connection with the PT acquisition, comprised of $1.7 million for severance and related costs, $0.5 million related to PT's former corporate headquarters in New York and $0.1 million for the write-off of assets in connection with the PT facility.

The Company recorded $5.4 million of restructuring expense in the year ended December 31, 2013, comprised of $5.1 million for severance and related costs in connection with reducing the Company's workforce and $0.3 million related to facilities.

The Company recorded $7.7 million of restructuring expense in the year ended December 31, 2012, comprised of $3.2 million for severance and related costs, $4.2 million related to space reductions in three facilities and $0.3 million for the write-off of assets associated with the aforementioned facility consolidations. The $4.2 million recorded in the year ended December 31, 2012 related to facilities is principally comprised of $4.0 million related to space reductions in NET's former corporate headquarters in California.

Restructuring expense is reported separately in the Company's consolidated statements of operations. The Company expects to complete the payments related to severance in 2015 and the payments related to facilities in 2019.

The portion of restructuring payments due more than one year from the balance sheet date is included in Other long-term liabilities in the Company's consolidated balance sheets. At December 31, 2014, the long-term portion of accrued restructuring was $1.9 million and represents future lease payments on restructured facilities.

The tables below summarize the restructuring accrual activity for the years ended December 31, 2014 and 2013 (in thousands):

	Balance at January 1, 2014	Initiatives charged to expense	Cash payments	Balance at December 31, 2014
Severance	$ 1,333	$ 3,615	$ (3,266)	$ 1,682
Facilities	3,012	1,820	(1,180)	3,652
	$ 4,345	5,435	$ (4,446)	$ 5,334
Asset write-offs		190		
		$ 5,625		

	Balance at January 1, 2013	Initiatives charged to expense	Cash payments	Balance at December 31, 2013
Severance	$ 1,135	$ 5,102	$ (4,904)	$ 1,333
Facilities	4,100	309	(1,397)	3,012
	$ 5,235	$ 5,411	$ (6,301)	$ 4,345

(12) DEBT

Credit Agreement

On June 27, 2014, the Company entered into a credit agreement (the "Credit Agreement") by and among the Company, as Borrower, Bank of America, N.A. ("Bank of America"), as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders from time to time party thereto. The Credit Agreement provides for a revolving credit facility of up to $40 million and provides that the Company may select the interest rates under the credit facility equal to (1) the Eurodollar Rate (which is defined as the rate per annum equal to the London Interbank Offered Rate plus 1.5% per annum) for a Eurodollar Rate Loan; and (2) the highest of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the rate of interest in effect on the borrowing date as publicly announced from time to time by Bank of America as its prime rate, and (c) the monthly Eurodollar Rate plus 1%. The Company will pay a 0.15% commitment fee on the unused commitments available for borrowing.

Borrowings under the Credit Agreement may be used for the general corporate purposes of the Company and its subsidiaries, including working capital, acquisitions, dividends and stock repurchases, to the extent permitted under the Credit Agreement.

The obligations of the Company under the Credit Agreement are guaranteed by Sonus International, Inc., Sonus Federal, Inc., NET and PT (collectively, together with the Company, the "Loan Parties") pursuant to a Master Continuing Guaranty and are secured by the assets of the Loan Parties pursuant to a Security and Pledge Agreement.

The Credit Agreement contains affirmative, negative and financial covenants customary for financings of this type. The negative covenants include limitations on liens, indebtedness, fundamental changes, dispositions, restricted payments, investments, transactions with affiliates, certain restrictive agreements and compliance with sanctions laws and regulations. The amount of cash and cash equivalents of the Loan Parties, subject to certain exclusions, cannot be less than an aggregate amount of $100 million at any time. The credit facility will become due on June 27, 2015, subject to acceleration upon certain specified events of default, including, without limitation, payment defaults, defaults in the performance of affirmative and negative covenants, the inaccuracy of representations or warranties, bankruptcy and insolvency-related defaults, defaults relating to judgments, an ERISA Event (as defined in the Credit Agreement), the failure to pay specified indebtedness and a change of control default.

The Company did not have any amounts outstanding under the Credit Agreement at December 31, 2014.

Assumed Debt - NET Acquisition

2007 Notes

In December 2007, NET issued $85.0 million of 3 3/4% Convertible Senior Notes due December 15, 2014 (the "2007 Notes") in a private placement, of which $10.5 million in principal remained outstanding at the NET Acquisition Date, and under which NET remained obligated after the acquisition. The 2007 Notes bore interest at a rate of 3 3/4 % per annum and matured on December 15, 2014. The 2007 Notes were unsecured senior obligations of NET, ranking equal in right of payment to all existing and future senior indebtedness of NET, and senior in right of payment to any existing and future subordinated indebtedness of NET.

On August 24, 2012, in connection with the consummation of the acquisition and as provided in the merger agreement, NET entered into a supplemental indenture for the 2007 Notes, which provided, among other things, that, in lieu of being convertible into shares of NET common stock, the 2007 Notes will be convertible into the kind and amount of merger consideration that would have been receivable upon the consummation of the acquisition by a holder of the number of shares of NET common stock issuable upon conversion of such 2007 Notes immediately preceding the effective time of the acquisition. The merger consideration was $1.35 in cash per share of NET common stock.

The acquisition of NET by the Company constituted a "fundamental change" under the indenture governing the 2007 Notes, which triggered the distribution of a fundamental change notice to each holder of 2007 Notes, indicating that each such holder had the right to have all or a portion of its 2007 Notes purchased at a price in cash equal to 100% of the principal amount of the 2007 Notes (or portion thereof), plus any accrued and unpaid interest to, but excluding the fundamental change purchase date of October 12, 2012. In response to the fundamental change notice, $8.1 million in aggregate principal amount of 2007 Notes were tendered for purchase. The remaining $2.4 million in aggregate principal amount was paid in full on December 4, 2014 and accordingly, at December 31, 2014, NET's obligations under the 2007 Notes were discharged.

The Company determined that the estimated fair value of its outstanding debt at December 31, 2013 equaled its carrying value. Although the debt could have been publicly traded, there were no trading transactions since 2010 and accordingly, the Company categorized it as a Level 2 within the fair value hierarchy.

1989 Debentures

In May 1989, NET issued $75.0 million of 7 1/4% Redeemable Convertible Subordinated Debentures due May 15, 2014 (the "1989 Debentures"), of which $23.7 million in aggregate principal amount remained outstanding as of the NET Acquisition Date, and under which NET remained obligated after the acquisition. The 1989 Debentures bore interest at a rate of 7 1/4 % per annum and matured according to their terms on May 15, 2014.

On August 24, 2012, in connection with the consummation of the acquisition and as provided in the merger agreement, NET entered into a supplemental indenture for the 1989 Debentures, which provided, among other things, that, in lieu of being convertible into shares of NET common stock, the 1989 Debentures would be convertible into the kind and amount of merger consideration that would have been received upon the consummation of the acquisition by a holder of the number of shares of NET common stock issuable upon conversion of such 1989 Debenture immediately preceding the effective time of the acquisition. The merger consideration was $1.35 per share.

On August 24, 2012, NET sent a notice to the holders of the 1989 Debentures, notifying them that NET had elected to redeem on September 26, 2012 the entire outstanding aggregate principal amount of the 1989 Debentures. On the redemption date, the entire outstanding principal amount of the 1989 Debentures became due and payable at a redemption price equal to 100% of the principal amount of the 1989 Debentures plus accrued and unpaid interest to the redemption date. NET paid the aggregate principal amount of $23.7 million plus $0.6 million in accrued interest to the holders of the 1989 Debentures on September 26, 2012 and accordingly, at December 31, 2012, no obligation remained in connection with the Debentures.

(13) LONG-TERM LIABILITIES

Long-term liabilities consist of the following (in thousands):

	December 31,	
	2014	2013
Capital lease obligations	$ 70	$ 154
Deferred rent	3,160	3,057
Restructuring	5,334	4,345
Other	1,125	—
	9,689	7,556
Current portion *	(4,443)	(3,185)
Long-term liabilities, net of current portion	$ 5,246	$ 4,371

* Includes $3.4 million at December 31, 2014 and $2.5 million at December 31, 2013 of current accrued restructuring reported as a component of Accrued expenses in the consolidated balance sheets.

(14) STOCKHOLDER RIGHTS PLAN

On September 17, 2014, the Company entered into an amendment to its stockholder rights agreement adopted on June 26, 2008, as amended (the "Rights Plan"), to advance the final expiration date from June 26, 2015 to September 17, 2014. As a result of this amendment, effective as of the close of business on September 17, 2014, the Rights (as defined in the Rights Plan) expired and are no longer outstanding and the Rights Plan terminated by its terms.

(15) COMMON STOCK REPURCHASES AND UNDERWRITTEN OFFERING

Stock Buyback Program

On July 29, 2013, the Company announced that its Board of Directors had authorized a stock buyback program to repurchase up to $100 million of the Company's common stock from time to time on the open market or in privately negotiated transactions. The timing and amount of any shares repurchased will be determined by the Company's management based on its evaluation of market conditions and other factors. The Company may elect to implement a 10b5-1 repurchase program, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws. The buyback program does not have a fixed expiration date but may be suspended or discontinued at any time. The buyback program is being funded using the Company's working capital.

During the year ended December 31, 2014, the Company spent $18.0 million, including transaction fees, to repurchase and retire 1.0 million shares of its common stock under the buyback program. During the year ended December 31, 2013, the Company spent $59.7 million, including transaction fees, to repurchase and retire 3.7 million shares of its common stock under the buyback program.

At December 31, 2014, the Company had $22.8 million remaining under the stock buyback program for future purposes.

Underwritten Offering

On March 20, 2014, the Company announced the commencement of an underwritten public offering of 7.5 million shares of its common stock on behalf of Galahad Securities Limited and its affiliated entities (collectively, the "Legatum Group"). The underwriter of the offering was granted a 30-day option to purchase up to 1.125 million additional shares from the Legatum Group. The Legatum Group received all the proceeds from the underwritten offering; no shares in the underwritten offering were sold by Sonus or any of its officers or directors. Sonus purchased 4.3 million shares of its common stock from the underwriter for $17.4410 per share, the price equal to the price paid by the underwriter to the Legatum Group in the underwritten offering, for a total of $75.3 million, including transaction fees of $0.3 million. This repurchase was not completed under the Company's stock buyback program. Sonus funded the share repurchase with cash on hand. The repurchased shares were retired upon completion of the transaction.

(16) STOCK-BASED COMPENSATION PLANS

Reverse Stock Split

At its December 2, 2014 special meeting of stockholders, the Company's stockholders approved an amendment to the Company's Fourth Amended and Restated Certificate of Incorporation, as amended, to effect a reverse stock split of the Company's common stock, with the ratio, implementation and timing of such reverse stock split (within specified parameters) to be determined in the discretion of the Company's Board of Directors. In January 2015, the Reverse Stock Split Special Committee of the Company's Board of Directors set the ratio for the reverse stock split at one-for-five and such reverse stock split was made effective on the NASDAQ Global Select Market as of the commencement of trading on January 30, 2015. As a result of the reverse stock split, the number of the Company's issued and outstanding shares was adjusted such that every five shares of common stock were converted into one share of common stock, reducing the authorized number of shares of the Company's common stock from 600,000,000 to 120,000,000. Proportional adjustments were also made to the Company's equity incentive plans, as well as to any outstanding restricted stock awards and stock options granted under such equity incentive plans to maintain the economic value of the awards. Following the effective date of the reverse stock split, the par value of the common stock remained at $0.001 per share.

2007 Stock Incentive Plan

The Company's 2007 Stock Incentive Plan (the "2007 Plan") was approved at the Company's Annual Meeting of Stockholders held on November 12, 2007, and became effective on that date. The 2007 Plan provides for the award of options to purchase the Company's common stock ("stock options"), stock appreciation rights ("SARs"), restricted common stock ("restricted stock"), performance-based awards, restricted stock units ("RSUs") and other stock-based awards to employees, officers, directors (including those directors who are not employees or officers of the Company), consultants and advisors of the Company and its subsidiaries.

At its December 2, 2014 special meeting of stockholders, the Company's stockholders approved amendments to the 2007 Plan (the "Amended 2007 Plan") to:

- Increase the number of shares available for future grant by 2 million shares;

- Increase the aggregate number of shares of the Company's common stock authorized for issuance under the 2007 Plan to include: (i) the number of shares of the Company's common stock that are reserved for future issuance under the Company's 2008 Stock Incentive Plan (the "2008 Plan") and the 2012 Amended Performance Technologies, Incorporated Omnibus Incentive Plan (the "2012 Plan," together with the 2008 Plan, the "Acquired Plans") immediately prior to the time this proposal was approved by stockholders (which number was 313,747 shares) and (ii) any shares of the Company's common stock subject to awards that are outstanding under the Acquired Plans immediately prior to the time this proposal was approved by stockholders (which number was 810,064 shares subject to outstanding options and 2,000 restricted shares, for an aggregate of 812,064 shares) that expire, are terminated, canceled, surrendered or forfeited, or are repurchased by the Company at their original issuance price pursuant to a contractual repurchase right under the Acquired Plans. Any shares granted under the 2008 Plan that are returned to the Company will be returned at the fungible rate of 1.25. The Acquired Plans will no longer be used for new grants;

- Increase the maximum number of shares that may be granted to any non-employee director under the 2007 Plan, from 20,000 shares to 40,000 shares per calendar year; and

- Revise the rate at which restricted stock, restricted stock units, performance awards and other stock unit awards are counted against the shares of common stock available for issuance under the 2007 Plan from 1.5 shares for every one share issued in connection with such award to 1.57 shares for every one share issued in connection with such award. Shares of common stock subject to awards that were granted under the 1.5 times ratio will return to the 2007 Plan upon forfeiture of such awards at the previous ratio of 1.5.

At its June 12, 2013 annual meeting of stockholders, the Company's stockholders approved an amendment to the 2007 Plan, which increased the number of shares available for future grant by 4.2 million shares.

At December 31, 2014, there were 3.4 million shares available for future issuance under the Amended 2007 Plan. Under the fungible share pool formula, the number of total shares available for future awards under the Amended 2007 Plan would be reduced by the fungible share pool multiple of 1.5 for each share of common stock included in an award other than a stock option or SAR award granted prior to December 2, 2014 and 1.57 for each share of common stock included in an award other than a stock option or SAR award granted on or after December 2, 2014. Accordingly, the total number of shares awarded in the future under the Amended 2007 Plan could be less than the number of shares currently available for issuance.

2008 Stock Incentive Plan

In connection with the acquisition of NET, the Company assumed NET's 2008 Equity Incentive Plan (the "NET 2008 Plan"), which provides for the award of stock options, SARs, restricted stock, performance-based awards and RSUs), and the number of shares available for grant under the 2008 Plan were converted to like Sonus equity awards (the "converted awards") using a conversion factor of 0.75, which was calculated based on the acquisition consideration of $1.35 per share of NET common stock divided by the average of the closing price of Sonus common stock for the ten consecutive days ending with the third trading day that preceded the closing date. This conversion factor was also used to convert the exercise prices of NET stock options to Sonus stock option exercise prices. The converted awards will vest under the same schedules as the respective NET stock options and NET RSUs.

The fair values of the NET stock options assumed were estimated using a Black-Scholes option pricing model. The Company recorded $0.9 million as additional purchase consideration for the fair value of the assumed equity awards. The fair value of the assumed awards attributable to future stock-based compensation expense totaled $0.4 million, which was recorded over a weighted average period of approximately eight months.

In December 2012, the Company's Board of Directors approved the re-naming of the NET 2008 Plan to the 2008 Stock Incentive Plan (the "2008 Plan"). At December 31, 2014, there were no shares available for future issuance under the 2008 Plan. Under the fungible pool formula, the number of total shares available for future awards under the 2008 Plan would be reduced by the fungible share pool multiple of 1.25 for each share of common stock included in an award other than a stock option or SAR award.

At its December 2, 2014 special meeting of stockholders, the Company's stockholders approved moving all shares available for grant under the 2008 Plan to the Amended 2007 Plan and also voted that any outstanding awards under the 2008 Plan that in the future expired, terminated, canceled, surrendered or forfeited, or are repurchased by the Company at their original issuance price pursuant to a contractual repurchase right under the 2008 Plan shall be returned to the Amended 2007 Plan.

2012 Stock Incentive Plan

In connection with the acquisition of PT, the Company assumed PT's 2012 Amended Performance Technologies, Incorporated Omnibus Incentive Plan, which provides for the award of stock options, SARs, restricted stock, performance-based awards and RSUs to former employees of PT who subsequently became employees of Sonus and Sonus employees hired subsequent to the PT Acquisition Date. The Company also assumed all of the outstanding options to purchase common stock under the Performance Technologies, Incorporated 2003 Omnibus Incentive Plan (the "2003 Plan") and the Performance Technologies, Incorporated 2001 Stock Option Plan (the "2001 Plan"); however, no future equity awards may be granted under either the PT 2003 Plan or the PT 2001 Plan.

The options to purchase PT common stock under the 2012 Plan, the 2003 Plan and the 2001 Plan were converted into options to purchase Sonus common stock (the "converted awards"), and the shares of PT common stock available for future grant under the 2012 Plan were converted into shares of Sonus common stock available for future grant, using a conversion factor of 1.23, which was calculated based on the acquisition consideration of $3.75 per share of PT's common stock divided by the average of the closing price of Sonus' common stock for the ten consecutive days ending with the third trading day that preceded the closing date. This conversion factor was also used to convert the exercise prices of PT stock options to Sonus stock option exercise prices. The converted awards will vest under the same schedules as the respective PT stock options.

The fair values of the PT stock options assumed were estimated using a Black-Scholes option pricing model. The Company recorded $1.7 million as additional purchase consideration for the fair value of the assumed equity awards. The fair value of the assumed awards attributable to future stock-based compensation expense totaled $0.9 million, which is being recorded over a weighted average period of approximately one year.

At its December 2, 2014 special meeting of stockholders, the Company's stockholders approved moving all shares available for grant under the 2012 Plan to the Amended 2007 Plan and also voted that any outstanding awards under the 2008 Plan that in the future expired, terminated, canceled, surrendered or forfeited, or are repurchased by the Company at their original issuance price pursuant to a contractual repurchase right under the 2012 Plan shall be returned to the Amended 2007 Plan.

Executive and Board of Directors Equity Arrangements

On June 11, 2014, the Company modified the stock options outstanding as of that date that had been granted to its non-employee members of the Board of Directors (the "Board Members") to extend the exercise period to the lesser of three years from the date that a Board Member stepped down from his or her position on the Board of Directors or the remaining contractual life of the respective stock options. In connection with this modification, the Company recorded $0.7 million of incremental stock-based compensation expense in 2014, and this expense is included as a component of General and administrative expense in the Company's consolidated statement of operations for the year ended December 31, 2014.

On January 2, 2014, Raymond P. Dolan, the Company's President and Chief Executive Officer ("Mr. Dolan") elected to accept shares of restricted stock in lieu of base salary for the period from January 1, 2014 through December 31, 2014. Accordingly, the Company granted Mr. Dolan restricted stock (the "2014 Dolan Salary Shares") on January 2, 2014, with the number granted calculated by dividing an amount equal to 1.5 times Mr. Dolan's base salary for the period from January 1, 2014 through December 31, 2014 by the closing price of the Company's common stock on the date of grant. The 2014 Dolan Salary Shares vested on December 31, 2014. Effective September 16, 2014, Mr. Dolan's annual base salary was increased from $500,000 to $600,000. For the remainder of 2014, such increase was prorated and paid in cash and was not subject to any stock-for-cash election. The Company recorded stock-based compensation expense related to the 2014 Dolan Salary Shares ratably for the period of January 1, 2014 through December 31, 2014.

On January 22, 2014, 21 of the Company's executives, including Mr. Dolan, were given the choice to receive all or half of their fiscal year 2014 bonuses (the "2014 Bonus"), if any were earned, in the form of shares of the Company's common stock (the "2014 Bonus Shares"). Each executive could also elect not to participate in this program and to earn his or her 2014 Bonus in the form of cash. The amount of the 2014 Bonus was determined by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee") on February 19, 2015. The number of 2014 Bonus Shares that was granted to those executives who elected to receive their 2014 Bonus entirely in the form of shares of common stock was calculated by dividing an amount equal to 1.5 times each executive's 2014 Bonus earned by the closing price of the Company's common stock on January 2, 2014. The number of 2014 Bonus Shares that was granted to those executives who elected to receive one-half of their 2014 Bonus in the form of shares of common stock was calculated by dividing an amount equal to 1.5 times one-half of each executive's 2014 Bonus earned by the closing price of the Company's common stock on January 2, 2014, with the cash portion equal 50% of their respective 2014 Bonus earned. The 2014 Bonus Shares were granted on February 20, 2015 and vested immediately. Of the eligible executives, 17 elected to receive their entire 2014 Bonus in shares of common stock and 4 elected to receive 50% of their 2014 Bonus in shares of common stock and 50% in cash. The Company determined that the grant date criteria for accounting purposes for the 2014 Bonus Shares was met on July 9, 2014, and accordingly, has determined that the grant date fair value of the 2014 Bonus Shares is $19.25 per share, the closing price of the Company's common stock on that date, as adjusted to reflect the reverse stock split of the Company's common stock. The Company recorded expense through the grant date of February 20, 2015.

In March 2013, 21 executives of the Company, including Mr. Dolan, elected to receive bonuses with respect to 2013 (collectively, the "2013 Bonus"), if any were earned, in the form of shares of the Company's common stock (collectively, the "2013 Bonus Shares"). The 2013 Bonus Shares, if any were granted, would be granted on a date concurrent with the timing of normal 2013 bonus payouts and would be fully vested as of the date of grant, with the number of 2013 Bonus Shares calculated by dividing amounts equal to 1.5 times the respective 2013 Bonus amounts earned, as determined by the Compensation Committee, by the closing price of the Company's common stock on the date of grant. The Company recorded stock-based compensation expense for the 2013 Bonus Shares commensurate with the expected achievement level represented by the Company's accrual for its company-wide incentive bonus program, as the performance metrics for each were consistent. On February 11, 2014, the Compensation Committee determined the achievement level for the 2013 Bonus Shares and also that such shares would be granted and vest on effective February 18, 2014. Accordingly, the Company granted 0.2 million 2013 Bonus Shares on February 18, 2014, based on the closing price of the Company's common stock on the date of grant. These shares are included in the amounts reported both as "Granted" and "Vested" in the restricted stock grant table below.

On February 14, 2013, the Compensation Committee determined that eight executives of the Company, excluding Mr. Dolan, would receive their bonuses with respect to 2012 in the form of restricted shares of the Company's common stock equal to 100% of their respective target bonus amounts for 2012 (collectively, the "Executive Bonus Shares"). The number of shares granted to each executive was calculated by dividing his/her target bonus amount by the closing price of the Company's common stock on February 15, 2013, the date of grant. The Executive Bonus Shares vested 50% on August 15, 2013 and the remaining 50% vested on February 15, 2014. The Company accrued for the cash payment of bonuses at the expected company-wide cash payout percentage amount at December 31, 2012, which amounts were less than the target bonus amounts for each individual. The Company recorded the expense related to the Executive Bonus Shares as stock-based compensation expense through February 15, 2014.

On August 7, 2012, Mr. Dolan elected to receive his year 2012 target bonus, if earned, in the form of restricted shares (the “Dolan Bonus Shares”). On August 10, 2012, the Company granted Mr. Dolan shares of restricted stock which equaled Mr. Dolan's potential 2012 bonus at the maximum level of achievement (150% of Mr. Dolan's annual base salary), divided by the closing price of the Company's common stock on the date of grant. During 2012, the Company recorded stock-based compensation expense for the Dolan Bonus Shares commensurate with the expected achievement level represented by the Company's accrual for its company-wide incentive bonus program, as the performance metrics for each were consistent. 50% of the Dolan Bonus Shares vested on August 15, 2013 and the remaining 50% vested on February 15, 2014. The Company recorded the unamortized expense related to the Dolan Bonus Shares through February 15, 2014.

Stock Options

Options are issued to purchase shares of common stock of the Company at prices that are equal to the fair market value of the shares on the date the option is granted. Options generally vest over a period of four years, with 25% of the shares subject to the option vesting on the first anniversary of the grant date and the remaining 75% vesting in equal monthly increments thereafter through the fourth anniversary of the grant date. Options granted under the Amended 2007 Plan generally expire ten years from the date of grant. Options granted under the 2008 Plan generally expire seven years from the date of grant. Options granted under the 2012 Plan generally expire five years from the date of grant. The grant date fair value of options, adjusted for estimated forfeitures, is recognized as expense on a straight-line basis over the requisite service period, which is generally the vesting period. Forfeitures are estimated based on historical experience.

The activity related to the Company's outstanding stock options during the year ended December 31, 2014 is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2014	6,627,137	$ 16.11		
Granted	2,331,174	$ 17.97		
PT outstanding options converted to Sonus options	256,548	$ 8.65		
Exercised	(806,385)	$ 12.64		
Forfeited	(548,826)	$ 14.66		
Expired	(338,216)	$ 25.89		
Outstanding at December 31, 2014	7,521,432	$ 16.47	6.91	$ 31,319
Vested or expected to vest at December 31, 2014	6,985,686	$ 16.47	6.77	$ 29,528
Exercisable at December 31, 2014	3,651,057	$ 16.86	5.14	$ 16,809

The grant date fair values of options to purchase common stock granted in the years ended December 31, 2014, 2013 and 2012 were estimated using the Black-Scholes valuation model with the following assumptions:

	Year ended December 31,		
	2014	2013	2012
Risk-free interest rate	1.53%-2.70%	0.82%-1.71%	0.67%-0.89%
Expected dividends	—	—	—
Weighted average volatility	60.8%	63.2%	67.4%
Expected life (years)	4.5-6.0	4.5-6.0	4.5

The risk-free interest rate used is the average U.S. Treasury Constant Maturities Rate for the expected life of the award. The expected dividend yield of zero is based on the fact that the Company has never paid dividends and has no present intention to pay cash dividends. The expected life for stock options is based on a combination of the Company's historical option patterns and expectations of future employee actions.

The weighted average grant-date fair values of options granted during the year were $8.32 for the year ended December 31, 2014, $7.71 for the year ended December 31, 2013 and $6.44 for the year ended December 31, 2012.

The total intrinsic values of options exercised during the year were $5.1 million for the year ended December 31, 2014, $1.3 million for the year ended December 31, 2013 and $0.2 million for the year ended December 31, 2012.

The Company received cash from option exercises of $10.1 million in the year ended December 31, 2014, $2.7 million in the year ended December 31, 2013 and $0.3 million in the year ended December 31, 2012.

Restricted Stock Grants - Restricted Stock Awards and Restricted Stock Units

The Company's outstanding restricted stock grants consist of both restricted stock awards ("RSAs") and RSUs. During the years ended December 31, 2014, 2013 and 2012, the Company had no unvested RSUs other than those converted in connection with the NET acquisition; all of which were fully vested by December 31, 2013. Recipients of RSAs have voting rights and rights to receive dividends, if declared. RSAs generally vest 25% on the first anniversary of the grant date, with the remaining 75% vesting in equal increments semi-annually thereafter. The grant date fair value of restricted stock grants, adjusted for estimated forfeitures, is recognized as expense on a straight-line basis over the requisite service period. The fair value of restricted stock grants is determined based on the market value of the Company's shares on the date of grant.

The activity related to the Company's unvested restricted stock grants for the year ended December 31, 2014 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested balance at January 1, 2014	247,747	$ 14.08
Granted	553,609	$ 17.03
Vested	(428,674)	$ 15.63
Forfeited	(2,500)	$ 7.00
Unvested balance at December 31, 2014	370,182	$ 16.74

The total fair value of restricted stock grant shares vested was $6.7 million in the year ended December 31, 2014, $2.4 million in the year ended December 31, 2013 and $1.8 million in the year ended December 31, 2012.

Performance-Based Stock Awards

Similar to recipients of RSAs, recipients of performance-based stock awards have voting rights and rights to dividends, if declared. The Company begins to record stock-based compensation expense for performance-based stock awards at the time that it becomes probable that the respective performance conditions will be achieved. The Company continues to recognize the grant date fair value of performance-based stock awards through the vest date of the respective awards so long as it remains probable that the related performance conditions will be satisfied.

The activity related to the Company's performance-based stock awards for the year ended December 31, 2014 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested balance at January 1, 2014	211,906	$ 12.98
Granted	—	$ —
Vested	(136,526)	$ 12.63
Forfeited	(41,145)	$ 13.60
Unvested balance at December 31, 2014	34,235	$ 13.60

On February 14, 2013, the Compensation Committee took certain actions regarding performance-based stock awards that had been awarded in previous years but for which the grant date criteria had not been met as of December 31, 2012. These actions included determining that a certain number of these performance-based shares would vest as of February 15, 2013 (the “Vested Performance Shares”) and subjecting the remaining performance-based shares (the “Future Performance Shares”) to further performance and service conditions. On July 26, 2013, the Compensation Committee determined that the performance conditions related to the Future Performance Shares had been satisfied based on the Company's performance for the six months ended June 28, 2013 and, accordingly, all of the Future Performance Shares will vest contingent upon continued employment with the Company on the vesting dates. The Company is recording the unamortized expense related to the Future Performance Shares based on the vesting dates of the respective awards. The unvested Future Performance Shares will vest fully in 2015.

ESPP

The ESPP is designed to provide eligible employees of the Company and its participating subsidiaries an opportunity to purchase common stock of the Company through accumulated payroll deductions.

The ESPP provides for six-month consecutive offering periods. Prior to March 1, 2014, the purchase price of the stock was equal to 85% of the market price on the last day of the offering period. At the February 2014 meeting of the Board of Directors, the ESPP was amended, effective March 1, 2014, to provide for six-month consecutive offering periods with the purchase price of the stock equal to 85% of the lesser of the market price on the first or last day of the offering period. The maximum number of shares of common stock an employee may purchase during each offering period is 500, subject to certain adjustments pursuant to the ESPP.

At December 31, 2014, 5.0 million shares, the maximum number of shares that may be issued under the ESPP, were authorized and 2.1 million shares were available under the ESPP for future issuance.

Stock-Based Compensation

The consolidated statements of operations include stock-based compensation for the years ended December 31, 2014, 2013 and 2012 as follows (in thousands):

	Year ended December 31,		
	2014	2013	2012
Product cost of revenue	$ 337	$ 181	$ 162
Service cost of revenue	1,449	1,050	813
Research and development	5,759	3,616	2,297
Sales and marketing	5,437	4,780	2,006
General and administrative	10,932	8,246	3,725
	$ 23,914	$ 17,873	$ 9,003

There is no income tax benefit for employee stock-based compensation expense for the years ended December 31, 2014, 2013 and 2012 due to the valuation allowance recorded.

At December 31, 2014, there was $28.0 million, net of expected forfeitures, of unrecognized stock-based compensation expense related to unvested stock options, RSAs and performance-based stock awards. This expense is expected to be recognized over a weighted average period of approximately three years.

Common Stock Reserved

Common stock reserved for future issuance at December 31, 2014 consists of the following:

Amended 2007 Plan	3,446,366
ESPP	2,139,824
	5,586,190

The Company's policy is to issue authorized but unissued shares upon the exercise of stock options, grant restricted common stock and performance-based stock awards, and authorize the purchase of shares of the Company's common stock under the ESPP.

(17) EMPLOYEE DEFINED CONTRIBUTION PLAN

In the year ended December 31, 2012, the Company provided a matching contribution of 50% of employee contributions to its 401(k) savings plan, up to a maximum match of $3,500 per employee per year. The Company elected not to make a matching contribution in 2014 and 2013 and, accordingly, the Company did not record expense related to its 401(k) savings plan in the years ended December 31, 2014 or 2013. The Company recorded expense related to its 401(k) savings plan of $1.7 million in the year ended December 31, 2012.

SONUS NETWORKS, INC.

Notes to Consolidated Financial Statements (Continued)

(18) INCOME TAXES

The components of income (loss) from continuing operations before income taxes consist of the following (in thousands):

	Year ended December 31,		
	2014	2013	2012
Loss before income taxes:			
United States	$ (16,582)	$ (21,076)	$ (49,337)
Foreign	1,941	409	1,609
	$ (14,641)	$ (20,667)	$ (47,728)

The provision (benefit) for income taxes from continuing operations consists of the following (in thousands):

	Year ended December 31,		
	2014	2013	2012
Provision (benefit) for income taxes:			
Current:			
Federal	$ 23	$ 14	$ 14
State	150	150	105
Foreign	926	1,696	1,465
Total current	1,099	1,860	1,584
Deferred:			
Federal	(3,885)	(1,911)	(12,441)
State	(1,656)	(103)	(1,680)
Foreign	414	(1,081)	607
Change in valuation allowance	6,242	2,687	14,371
Total deferred	1,115	(408)	857
Total	$ 2,214	$ 1,452	$ 2,441

A reconciliation of the Company's effective tax rate for continuing operations to the statutory federal rate is as follows:

	Year ended December 31,		
	2014	2013	2012
U.S. statutory income tax rate	(35.0)%	(35.0)%	(35.0)%
State income taxes, net of federal benefit	(4.9)	0.4	(3.6)
Foreign income taxes	5.1	1.3	3.2
Capital loss expiration	—	24.0	—
Foreign deemed dividends	11.5	1.8	2.1
Stock-based compensation	12.0	7.6	3.4
Tax credits	(14.6)	(6.1)	(0.7)
Deferred cost of goods sold elimination	—	—	(1.2)
Valuation allowance	29.8	9.9	35.5
Goodwill amortization	4.8	3.3	0.5
Meals and entertainment	2.5	1.3	0.7
Tax gain on sale of acquired assets	4.2	—	—
Other, net	(0.3)	(1.5)	0.2
Effective income tax rate	15.1 %	7.0 %	5.1 %

The following is a summary of the significant components of deferred income tax assets and liabilities (in thousands):

	December 31, 2014	December 31, 2013
Assets:		
Net operating loss carryforwards	$ 74,717	$ 64,811
Research and development tax credits	24,978	21,401
Other tax credits	91	160
Intangible assets	4,808	2,530
Deferred revenue	1,911	4,143
Accrued expenses	10,619	10,519
Inventory	5,713	6,498
Stock-based compensation	12,913	9,263
Other temporary differences	3,924	3,642
	139,674	122,967
Valuation allowance	(137,640)	(119,616)
Total deferred tax assets	2,034	3,351
Liabilities:		
Purchased intangible assets	(1,623)	(922)
Unrealized gain on available-for-sale securities	—	(574)
Total deferred tax liabilities	(1,623)	(1,496)
Total net deferred tax assets	$ 411	$ 1,855
Reported as:		
Deferred income taxes - current assets	$ 991	$ 656
Deferred income taxes - noncurrent assets	1,043	—
Deferred income taxes - noncurrent liabilities	(1,623)	1,199
	$ 411	$ 1,855

At December 31, 2014, the Company had cumulative net operating losses ("NOL") of $215.0 million for federal income tax purposes and $109.0 million for state income tax purposes. The federal NOL carryforwards expire at various dates from 2020 through 2034. The state NOL expires at various dates from 2015 through 2034. Of the federal NOL, $138.0 million is attributable to stock option deductions. The Company's federal NOL carryforwards for tax return purposes are $22.4 million greater than its recognized federal NOL for financial reporting purposes, primarily due to excess tax benefits (stock compensation deductions in excess of book compensation costs) not recognized for financial statement purposes until realized. The tax benefit of this loss would be recognized for financial statement purposes in the period in which the tax benefit reduces income taxes payable, which will not be recognized until the Company recognizes a reduction in taxes payable from all other NOL carryforwards. In addition, the Company has $12.9 million of deferred tax assets as of December 31, 2014 related to compensation expenses recognized for financial reporting purposes that are not deductible for tax purposes until options are exercised or shares vest. The ultimate realization of the benefit related to stock options is directly associated with the price of the Company's common stock. Employees will not exercise the underlying options unless the current market price exceeds the option exercise price.

With respect to non-U.S. NOL carryovers, the Company's United Kingdom subsidiary has a current year estimated NOL of approximately $0.1 million and its Japan subsidiary has a current year estimated NOL of approximately $0.9 million.

The Company also has available federal and state research and development credit carryforwards of approximately $25 million that expire at various dates from 2015 through 2034.

During 2013, $14.1 million of capital loss carryover resulting from the Company's sale of its Zynetix subsidiary on November 26, 2008 expired. The capital loss was only available to offset capital gains. Because it was not more likely than not that the Company would realize a benefit prior to the expiration of the capital loss carryforward, a full valuation allowance had been established against the $5.5 million tax benefit associated with this capital loss.

During 2014 and 2013, the Company performed an analysis to determine if, based on all available evidence, it considered it more likely than not that some portion or all of the recorded deferred tax assets will not be realized in a future period. As a result of the Company's evaluation, the Company concluded that there was insufficient positive evidence to overcome the more objective negative evidence related to its cumulative losses and other factors. Accordingly, the Company has maintained a valuation allowance against its domestic deferred tax asset amounting to $137.6 million at December 31, 2014 and $119.6 million at December 31, 2013.

A reconciliation of the Company's unrecognized tax benefits is as follows (in thousands):

	2014	2013	2012
Unrecognized tax benefits at January 1	$ 8,861	$ 8,847	$ 10,004
Increases related to current year tax positions	14	14	14
Decreases related to prior period tax positions	—	—	(1,171)
Unrecognized tax benefits at December 31	$ 8,875	$ 8,861	$ 8,847

The Company recorded liabilities for potential penalties and interest of $14,000 for each of the years ended December 31, 2014, 2013 and 2012. The Company does not expect its unrecognized tax benefits to change materially over the next 12 months. Due to the Company's valuation allowance at December 31, 2014, none of the Company's unrecognized tax benefits, if recognized, would affect the effective tax rate.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, as well as various state and foreign jurisdictions. Generally, the tax years 2012 through 2014 remain open to examination by the major taxing jurisdictions to which the Company is subject. The Company's federal NOLs generated prior to 2003 could be adjusted on examination even though the year in which the loss was generated is otherwise closed by the statute of limitations. The Company's primary state jurisdiction, Massachusetts, has open periods from 2011 through 2013.

The acquisition of NET was accounted for as a nontaxable business combination and the Company carried over the existing tax basis of the acquired assets and liabilities. Deferred taxes were recorded as part of the business combination based on the differences between the tax basis of the acquired assets or liabilities and their reported amounts for financial reporting purposes. The Company concluded that there was insufficient positive evidence to overcome the more objective negative evidence related to cumulative losses and other factors. Accordingly, the Company recorded a valuation allowance against the majority of the acquired deferred tax assets.

With respect to the acquisition of NET, during the second quarter of 2013, the Company made an election under Section 338(g) of the Internal Revenue Code to have the acquisition transaction treated as an asset acquisition (i.e., a taxable transaction). The election is not considered part of the business combination and resulted in a step-up in the acquired assets and liabilities to fair market value for tax purposes. During the third quarter of 2013, as a result of the election, the Company reversed all of the deferred taxes related to NET's assets, liabilities and net operating loss carryovers and the related valuation allowance that were recorded in the business combination. The resulting taxable gain from the election was fully offset by NET's operating loss carryovers and no taxes were paid by the Company as a result of the election.

The acquisition of PT was accounted for as a taxable business combination and the Company carried over the existing tax basis of the acquired assets and liabilities as the Company did not make the election under Section 338(g) of the Internal Revenue Code to have the transaction treated as an asset acquisition election to step up the basis in the acquired assets and liabilities to fair market value for tax purposes. Deferred taxes were recorded as part of the business combination based on the differences between the tax basis of the acquired assets or liabilities and their reported amounts for financial reporting purposes. The Company concluded that there was insufficient positive evidence to overcome the more objective negative evidence related to cumulative losses and other factors. Accordingly, the Company recorded a valuation allowance against the acquired deferred tax assets. As a result of the change in control of PT, the NOL and credit carryforwards are limited under Internal Revenue Code Section 382.

The Company acquired approximately $26 million of federal and state net operating loss carryforwards and federal and state research and development credit carryforwards as a result of the PT acquisition. Under the provisions of the Internal Revenue Code, the net operating losses and tax credit carryforwards are subject to review and possible adjustment by the Internal Revenue Service and state tax authorities. Net operating losses and tax credit carryforwards may become subject to an annual limitation in the event of certain cumulative changes in the ownership of significant shareholders over a three-year period in excess of 50%, as defined under Sections 382 and 383 of the Internal Revenue Code, as well as similar state provisions. This could limit the amount of tax attributes that can be utilized annually to offset future taxable income or tax liabilities. The amount of the annual limitation is determined based on the value of the Company immediately prior to the ownership change. Subsequent ownership changes may further affect the limitation in future years. The Company has not performed a comprehensive Section 382 study to determine any potential loss limitation with regard to the net operating loss carryforwards and tax credits acquired as a result of the PT acquisition.

(19) MAJOR CUSTOMERS

The following customer contributed 10% or more of the Company's revenue in each of the years ended December 31, 2014, 2013 and 2012:

	Year ended December 31,		
	2014	2013	2012
AT&T	19%	15%	20%

There were no other customers that contributed 10% or more of the Company's revenue in any of the years ended December 31, 2014, 2013 or 2012.

At December 31, 2014, no customer accounted for 10% or more of the Company's accounts receivable balance. At December 31, 2013, one customer accounted for 10% or more of the Company's accounts receivable balance, representing approximately 13% of the Company's accounts receivable balance. The Company performs ongoing credit evaluations of its customers and generally does not require collateral on accounts receivable. The Company maintains an allowance for doubtful accounts and such losses have been within management's expectations.

(20) GEOGRAPHIC AND SEGMENT INFORMATION

The Company's classification of revenue by geographic area is determined by the location of the Company's customers. The following table summarizes revenue by geographic area as a percentage of total revenue:

	Year ended December 31,		
	2014	2013	2012
United States	71%	69%	68%
Europe, Middle East and Africa	13	12	13
Japan	9	12	14
Other Asia Pacific	5	5	4
Other	2	2	1
	100%	100%	100%

The Company's service revenue is comprised of the following (in thousands):

	Year ended December 31,		
	2014	2013	2012
Maintenance	$ 90,003	$ 84,698	$ 76,423
Professional services	23,868	24,763	24,385
	$ 113,871	$ 109,461	$ 100,808

(21) COMMITMENTS AND CONTINGENCIES

Leases

The Company leases its facilities under operating leases, which expire at various times through 2019. The Company is responsible for certain real estate taxes, utilities and maintenance costs under these leases. The Company's corporate headquarters is located in a leased facility in Westford, Massachusetts, consisting of 97,500 square feet under a lease that expires in August 2018.

Escalation clauses, free rent and other lease concessions are recognized on a straight-line basis over the minimum lease term. Rent expense was $6.1 million for the year ended December 31, 2014, $5.5 million for the year ended December 31, 2013 and $5.0 million for the year ended December 31, 2012.

Future minimum payments under operating lease arrangements as of December 31, 2014 are as follows (in thousands):

Years ending December 31,	
2015	$ 6,330
2016	5,506
2017	3,855
2018	2,929
2019	1,351
Thereafter	38
	$ 20,009

Litigation and Contingencies

The Company is often a party to disputes and legal proceedings that it considers routine and incidental to its business. In the normal course of business, the Company enters into contractual commitments to purchase services, materials, components, and finished goods from suppliers. Under agreements with certain contract manufacturers, the Company may be liable for purchased raw materials procured for the Company by the contract manufacturer. Management does not expect the results of any of these actions to have a material effect on the Company's business or consolidated financial statements.

(22) SUBSEQUENT EVENT

On January 2, 2015, the Company acquired from Treq Labs, Inc. (the "Treq") certain assets related to Treq's business of designing, developing, marketing, selling, servicing and maintaining software defined networking ("SDN") technology, SDN controller software and SDN management software (the "SDN Business"). Treq's SDN technology provides solutions that optimize networks for voice, video and UC for both enterprise and service provider customers. The Company believes that the acquisition of the SDN Business will accelerate Sonus' delivery of its SDN strategy. In consideration for the acquisition of the SDN Business, the Company paid $10.1 million in cash and entered into an Earn-Out Agreement, dated as of January 2, 2015, with Treq and Karl F. May, the seller representative in the transaction (the "Earn-Out Agreement"), under which the Company has agreed to issue up to an aggregate of 1.3 million shares of common stock over a three-year period subsequent to the closing if aggregate revenue thresholds of at least $60 million are achieved by the SDN Business during that period, and up to an aggregate of an additional 2.2 million shares (3.5 million shares in total) if aggregate revenue thresholds of at least $150 million are achieved by the SDN Business during that period. If the initial revenue thresholds are not met, no shares will be issued. Any shares issued pursuant to the Earn-Out Agreement will be issued in reliance on the exemption from registration available under Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act") and will be subsequently registered for resale under the Securities Act by the Company. The Company is in the process of determining the fair values of assets acquired and liabilities assumed and accordingly, has not disclosed this information herein.

SONUS NETWORKS, INC.

Notes to Consolidated Financial Statements (Continued)

(23) QUARTERLY RESULTS (UNAUDITED)

The following tables present the Company's quarterly operating results for the years ended December 31, 2014 and 2013. The information for each of these quarters is unaudited and has been prepared on the same basis as the audited consolidated financial statements. In the opinion of management, all necessary adjustments, consisting only of normal recurring adjustments, have been included to present fairly the unaudited consolidated quarterly results when read in conjunction with the Company's audited consolidated financial statements and related notes.

	First Quarter (1)	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share data)			
Fiscal 2014				
Revenue	$ 70,742	$ 75,570	$ 73,216	$ 76,798
Cost of revenue	24,319	28,282	25,314	25,006
Gross profit	$ 46,423	$ 47,288	$ 47,902	$ 51,792
Loss from operations	$ (5,791)	$ (4,801)	$ (4,715)	$ (1,945)
Net loss	$ (3,953)	$ (5,497)	$ (5,213)	$ (2,192)
Loss per share (2):				
Basic	$ (0.07)	$ (0.11)	$ (0.11)	$ (0.04)
Diluted	$ (0.07)	$ (0.11)	$ (0.11)	$ (0.04)
Shares used in computing loss per share:				
Basic	53,080	49,424	49,291	49,361
Diluted	53,080	49,424	49,291	49,361

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share data)			
Fiscal 2013				
Revenue	$ 63,288	$ 69,193	$ 68,099	$ 76,153
Cost of revenue	25,486	25,185	25,835	27,767
Gross profit	$ 37,802	$ 44,008	$ 42,264	$ 48,386
Loss from operations	$ (13,472)	$ (4,633)	$ (2,911)	$ (59)
Net income (loss)	$ (13,748)	$ (4,870)	$ (3,773)	$ 272
Income (loss) per share (2):				
Basic	$ (0.24)	$ (0.09)	$ (0.07)	$ 0.01
Diluted	$ (0.24)	$ (0.09)	$ (0.07)	$ —
Shares used in computing income (loss) per share:				
Basic	56,308	56,478	55,855	54,188
Diluted	56,308	56,478	55,855	54,699

(1) Includes the results of PT for the period subsequent to February 19, 2014.

(2) Earnings (loss) per share is calculated independently for each of the quarters presented; accordingly, the sum of the quarterly earnings (loss) per share amounts may not equal the total calculated for the year.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2014.

Management's Annual Report on Internal Control over Financial Reporting

Our management, with the participation of our principal executive officer and principal financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control system is designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making its assessment of internal control over financial reporting, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework (2013)*. Based on this assessment, management concluded that, as of December 31, 2014, our internal control over financial reporting is effective.

Deloitte & Touche LLP, an independent registered public accounting firm that audited our financial statements included in this Annual Report on Form 10-K, has issued an attestation report on management's internal control over financial reporting, which is included in this Item 9A under the caption "Report of Independent Registered Public Accounting Firm."

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Sonus Networks, Inc.
Westford, Massachusetts

We have audited the internal control over financial reporting of Sonus Networks, Inc. and subsidiaries (the "Company") as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2014 of the Company and our report dated February 25, 2015 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
February 25, 2015

Item 9B. Other Information

On February 23, 2015, the Company entered into a letter agreement (the "Restated Agreement") with Raymond P. Dolan, its President, Chief Executive Officer and member of its Board of Directors, which amends and restates the terms and conditions of Mr. Dolan's employment as originally set forth in his October 8, 2010 offer letter with the Company (the "Original Agreement"), as previously amended by the letter agreements between Mr. Dolan and the Company dated February 14, 2011, August 7, 2012, February 15, 2013, March 28, 2013 and January 2, 2014 (collectively, the "Amendments"). The Restated Agreement amends and restates the Original Agreement by incorporating the terms of each of the Amendments and deleting provisions relevant to Mr. Dolan's initial hiring that are no longer applicable. The Restated Agreement also confirms that the provisions of the Original Agreement regarding the impact of an acquisition or certain terminations on Mr. Dolan's options and restricted shares apply to all of Mr. Dolan's equity awards (including performance-based share awards). Mr. Dolan remains an employee-at-will. The foregoing summary is qualified in its entirety by reference to the Restated Agreement, a copy of which is attached as Exhibit 10.17 to this Annual Report on Form 10-K and incorporated herein by reference.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item 10 is included in our definitive Proxy Statement with respect to our 2015 Annual Meeting of Stockholders to be filed with the SEC no later than 120 days after the end of the fiscal year ended December 31, 2014 and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this Item 11 is included in our definitive Proxy Statement with respect to our 2015 Annual Meeting of Stockholders to be filed with the SEC not later than 120 days after the end of the fiscal year ended December 31, 2014 and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item 12 is included in our definitive Proxy Statement with respect to our 2015 Annual Meeting of Stockholders to be filed with the SEC not later than 120 days after the end of the fiscal year ended December 31, 2014 and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item 13 is included in our definitive Proxy Statement with respect to our 2015 Annual Meeting of Stockholders to be filed with the SEC not later than 120 days after the end of the fiscal year ended December 31, 2014 and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this Item 14 is included in our definitive Proxy Statement with respect to our 2015 Annual Meeting of Stockholders to be filed with the SEC not later than 120 days after the end of the fiscal year ended December 31, 2014 and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

1) Financial Statements

The consolidated financial statements of the Company are listed in the index under Part II, Item 8, of this Annual Report on Form 10-K.

2) Financial Statement Schedules

None. All schedules are omitted because they are not applicable, not required under the instructions or the information is contained in the consolidated financial statements, or notes thereto, included herein.

3) List of Exhibits

The Exhibits filed as part of this Annual Report on Form 10-K are listed in the Exhibit Index immediately preceding such Exhibits, which Exhibit Index is incorporated herein by reference.

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.

	SONUS NETWORKS, INC.	
	By:	/s/ Raymond P. Dolan
February 25, 2015		Raymond P. Dolan *President, Chief Executive Officer and Director*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Raymond P. Dolan Raymond P. Dolan	President, Chief Executive Officer and Director (Principal Executive Officer)	February 25, 2015
/s/ Mark T. Greenquist Mark T. Greenquist	Chief Financial Officer (Principal Financial Officer)	February 25, 2015
/s/ Brian M. O'Donnell Brian M. O'Donnell	Vice President of Finance and Corporate Controller (Principal Accounting Officer)	February 25, 2015
/s/ Howard E. Janzen Howard E. Janzen	Chairman	February 25, 2015
/s/ James K. Brewington James K. Brewington	Director	February 25, 2015
/s/ Matthew W. Bross Matthew W. Bross	Director	February 25, 2015
/s/ John P. Cunningham John P. Cunningham	Director	February 25, 2015
/s/ Beatriz V. Infante Beatriz V. Infante	Director	February 25, 2015
/s/ Richard J. Lynch Richard J. Lynch	Director	February 25, 2015
/s/ Pamela D.A. Reeve Pamela D. A. Reeve	Director	February 25, 2015
/s/ John A. Schofield John A. Schofield	Director	February 25, 2015
/s/ Scott E. Schubert Scott E. Schubert	Director	February 25, 2015
/s/ H. Brian Thompson H. Brian Thompson	Director	February 25, 2015

EXHIBIT INDEX

Exhibit No.	Description
2.1**	Agreement and Plan of Merger, dated as of June 18, 2012, by and among Sonus Networks, Inc., Navy Acquisition Subsidiary, Inc. and Network Equipment Technologies, Inc. (incorporated by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K, filed June 19, 2012 with the SEC).
2.2**	Agreement and Plan of Merger, dated as of December 12, 2013, by and among Sonus Networks, Inc., Performance Technologies, Incorporated and Purple Acquisition Subsidiary, Inc. (incorporated by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K, filed December 13, 2013 with the SEC).
3.1	Fourth Amended and Restated Certificate of Incorporation of Sonus Networks, Inc., as amended (incorporated by reference to Exhibit 3.3 to the registrant's Current Report on Form 8-K, filed June 22, 2009 with the SEC).
3.2	Certificate of Designation specifying the terms of the Series A Junior Participating Preferred Stock, par value $0.01 per share (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K, filed June 27, 2008 with the SEC).
3.3	Amended and Restated By Laws of Sonus Networks, Inc. (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K, filed June 22, 2009 with the SEC).
3.4	Certificate of Elimination of Series A Junior Participating Preferred Stock of Sonus Networks, Inc., as filed with the Secretary of State of the State of Delaware on September 18, 2014 (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K, filed September 18, 2014 with the SEC).
3.5	Certificate of Amendment of Fourth Amended and Restated Certificate of Incorporation of Sonus Networks, Inc. (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K, filed January 30, 2015 with the SEC).
4.1	Form of Stock Certificate representing shares of Sonus Networks, Inc. Common Stock (incorporated by reference to Exhibit 4.1 to Amendment No. 2 of the registrant's Registration Statement on Form S-1, filed May 19, 2000 with the SEC).
4.2	Rights Agreement, dated June 26, 2008, between Sonus Networks, Inc. and American Stock Transfer & Trust Company, LLC, which includes as Exhibit A thereto a form of Certificate of Designation for the Series A Junior Participating Preferred Stock, as Exhibit B thereto the Form of Rights Certificate and as Exhibit C thereto a Summary of Rights to Purchase Shares of Preferred Stock (incorporated by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K, filed June 27, 2008 with the SEC).
4.3	Amendment No. 1, dated as of June 10, 2011 to Rights Agreement, dated as of June 26, 2008, between Sonus Networks, Inc. and American Stock Transfer & Trust Company, LLC (incorporated by reference to Exhibit 4.2 to the registrant's Current Report on Form 8-K, filed June 13, 2011 with the SEC).
4.4	Amendment No. 2 dated as of June 21, 2013 to Rights Agreement first dated as of June 26, 2008 and as amended on June 2011, between Sonus Networks, Inc. and American Stock Transfer & Trust Company, LLC (incorporated by reference to Exhibit 4.3 to the registrant's Current Report on Form 8-K, filed June 24, 2013 with the SEC).
4.5	Amendment No. 3 dated as of September 17, 2014 to Rights Agreement, first dated as of June 26, 2008 and as amended on each of June 10, 2011 and June 21, 2013, between Sonus Networks, Inc. and American Stock Transfer & Trust Company, LLC (incorporated by reference to Exhibit 4.4 to the registrant's Current Report on Form 8-K, filed September 18, 2014 with the SEC).
10.1	Registration Rights Agreement, dated as of November 2, 2000, by and among Sonus Networks, Inc. and the Stockholder parties thereto (incorporated by reference to Exhibit 10.1 to the registrant's Registration Statement on Form S-4, filed December 22, 2000 with the SEC).
10.2 +	Amended and Restated 1997 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the registrant's Registration Statement on Form S-1, filed March 10, 2000 with the SEC).
10.3 +	Form of Notice of Grant of Stock Options and Stock Option Agreement under the 1997 Stock Incentive Plan-Additional Terms and Conditions (incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q, filed August 20, 2004 with the SEC).
10.4 +	Form of Indemnity Agreement for Officers and Directors (incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q, filed August 20, 2004 with the SEC).
10.5 +	Form of Resale Restriction Agreement (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed December 28, 2005 with the SEC).
10.6 +	Form of Consent to Stock Option Amendment (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed December 29, 2006 with the SEC).
10.7 * +	Amended and Restated 2000 Employee Stock Purchase Plan, as amended.

10.8	+	Employment Agreement between Sonus Networks, Inc. and Richard N. Nottenburg accepted on May 16, 2008 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed May 20, 2008 with the SEC).
10.9	+	Executive Severance and Arbitration Agreement between Sonus Networks, Inc. and Matthew Dillon accepted on October 7, 2008 (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K, filed October 8, 2008 with the SEC).
10.10		Letter Agreement dated January 9, 2009 by and among Sonus Networks, Inc. and Legatum Capital Limited and certain of its affiliates (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed January 12, 2009 with the SEC).
10.11	* +	Sonus Networks, Inc. 2007 Stock Incentive Plan, as amended.
10.12	+	Senior Management Cash Incentive Plan, as amended on March 28, 2013 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed April 1, 2013 with the SEC).
10.13	+	Executive Severance and Arbitration Agreement between Sonus Networks, Inc. and Wayne Pastore accepted on October 2, 2008 (incorporated by reference to Exhibit 10.21 to the registrant's Annual Report on Form 10-K, filed February 25, 2010 with the SEC).
10.14	+	Amendment to Employment Letter between Sonus Networks, Inc. and Wayne Pastore accepted on February 19, 2010 (incorporated by reference to Exhibit 10.1 to the registrant's Annual Report on Form 10-K, filed February 25, 2010 with the SEC).
10.15	+	Amendment to Employment Letter between Sonus Networks, Inc. and Wayne Pastore accepted on April 29, 2010 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed May 3, 2010 with the SEC).
10.16	+	Retention Letter between Sonus Networks, Inc. and Richard N. Nottenburg accepted on May 18, 2010 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed May 20, 2010 with the SEC).
10.17	* +	Amended and Restated Employment Agreement between Sonus Networks, Inc. and Raymond P. Dolan accepted on February 23, 2015.
10.18		Lease, dated August 11, 2010, between Michelson Farm-Westford Technology Park IV Limited Partnership and Sonus Networks, Inc. with respect to the property located at 4 Technology Park Drive, Westford, Massachusetts (incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q, filed November 2, 2010 with the SEC).
10.19		First Amendment to Lease, dated October 27, 2010, between Michelson Farm-Westford Technology Park IV Limited Partnership and Sonus Networks, Inc. with respect to the property located at 4 Technology Park Drive, Westford, Massachusetts (incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q, filed November 2, 2010 with the SEC).
10.20	+	Employment Agreement between Sonus Networks, Inc. and Wayne Pastore accepted on December 28, 2007 (incorporated by reference to Exhibit 10.29 to the registrant's Annual Report on Form 10-K filed March 10, 2011 with the SEC).
10.21	+	Employment Agreement between Sonus Networks, Inc. and Maurice Castonguay, accepted on August 24, 2011 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed August 25, 2011 with the SEC).
10.22	+	Amendment to Employment Agreement between Sonus Networks, Inc. and Maurice Castonguay, dated October 25, 2011 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K/A, filed October 25, 2011 with the SEC).
10.23	+	Form of Nonstatutory Stock Option Award Agreement Granted under the 2007 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10.30 to the registrant's Annual Report on Form 10-K, filed February 24, 2012 with the SEC).
10.24	+	Form of Restricted Stock Award Agreement Granted under the 2007 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10.31 to the registrant's Annual Report on Form 10-K, filed February 24, 2012 with the SEC).
10.25	+	Employment Agreement between Sonus Networks, Inc. and Todd Abbott accepted on May 3, 2011 (incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q, filed April 30, 2012 with the SEC).
10.27	+	2008 Stock Incentive Plan (incorporated by reference to Exhibit 99.1 to the registrant's Registration Statement on Form S-8, filed August 27, 2012 with the SEC).
10.28	+	Form of Nonstatutory Stock Option Award Agreement Granted under the 2008 Stock Incentive Plan (incorporated by reference to Exhibit 10.29 to the registrant's Annual Report on Form 10-K, filed March 6, 2013 with the SEC).

10.28 +	Form of Restricted Stock Award Agreement Granted under the 2008 Stock Incentive Plan (incorporated by reference to Exhibit 10.30 to the registrant's Annual Report on Form 10-K, filed March 6, 2013 with the SEC).
10.29 +	Amendment to Employment Agreement between Sonus Networks, Inc. and Maurice Castonguay, accepted on February 15, 2013 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed February 19, 2013 with the SEC).
10.30 +	Amendment to Employment Agreement between Sonus Networks, Inc. and Todd Abbott, accepted on February 15, 2013 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed February 19, 2013 with the SEC).
10.31 +	Amendment to Employment Agreement between Sonus Networks, Inc. and Matthew Dillon, accepted on February 15, 2013 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed February 19, 2013 with the SEC).
10.32 +	Amendment to Employment Agreement between Sonus Networks, Inc. and Todd Abbott, accepted March 28, 2013 (incorporated by reference to Exhibit 10.4 to the registrant's Current Report on Form 8-K, filed April 1, 2013 with the SEC).
10.33	Stockholder Voting Agreement dated as of December 12, 2013, by and between Sonus Networks, Inc. and John M. Slusser (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed December 13, 2013 with the SEC).
10.34 +	Form of Letter Agreement between Sonus Networks, Inc. and each of Raymond P. Dolan, Mark Greenquist, Todd Abbott and Anthony Scarfo (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K, filed January 6, 2014 with the SEC).
10.35 +	Employment Agreement between Sonus Networks, Inc. and Mark T. Greenquist, accepted on October 24, 2013 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed October 29, 2013 with the SEC).
10.36	Letter Agreement, dated March 20, 2014, by and between Sonus Networks, Inc. and Galahad Securities Limited (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed March 21, 2014 with the SEC).
10.37 +	Assumed Performance Technologies, Incorporated 2001 Stock Option Plan (incorporated by reference to Exhibit 99.1 to the registrant's Registration Statement on Form S-8, filed with the SEC effective February 28, 2014).
10.38 +	Assumed Performance Technologies, Incorporated 2003 Omnibus Incentive Plan (incorporated by reference to Exhibit 99.2 to the registrant's Registration Statement on Form S-8, filed with the SEC effective February 28, 2014).
10.39 +	2012 Amended Performance Technologies Incorporated Omnibus Incentive Plan (incorporated by reference to Exhibit 99.3 to the registrant's Registration Statement on Form S-8, filed with the SEC effective February 28, 2014).
10.40 +	Form of Non-Qualified Stock Option Award Agreement Granted under the 2012 Amended Performance Technologies, Incorporated Omnibus Incentive Plan (incorporated by reference to Exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q, filed April 29, 2014 with the SEC).
10.41 +	Form of Restricted Stock Agreement Granted under the 2012 Amended Performance Technologies, Incorporated Omnibus Incentive Plan (incorporated by reference to Exhibit 10.8 to the registrant's Quarterly Report on Form 10-Q, filed April 29, 2014 with the SEC).
10.42 +	Amendment to Employment Agreement by and between Sonus Networks, Inc. and Jeffrey M. Snider, accepted February 15, 2014 (incorporated by reference to Exhibit 10.9 to the registrant's Quarterly Report on Form 10-Q, filed April 29, 2014 with the SEC).
10.43 +	Amendment to Employment Agreement by and between Sonus Networks, Inc. and Jeffrey M. Snider, accepted March 28, 2013 (incorporated by reference to Exhibit 10.10 to the registrant's Quarterly Report on Form 10-Q, filed April 29, 2014 with the SEC).
10.44	Credit Agreement, dated as of June 27, 2014 by and among Sonus Networks, Inc. as Borrower, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders from time to time party thereto (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed June 30, 2014 with the SEC).
10.45	Security and Pledge Agreement, dated as of June 27, 2014 by and among Sonus Networks, Inc., Sonus International, Inc., Sonus Federal, Inc., Network Equipment Technologies, Inc., Performance Technologies, Incorporated and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K, filed June 30, 2014 with the SEC).
10.46	Master Continuing Guaranty, dated as of June 27, 2014 by and among Sonus Federal, Inc., Network Equipment Technologies, Inc. Performance Technologies, Incorporated and Sonus International, Inc. (incorporated by reference to Exhibit 10.3 to the registrant's Current Report on Form 8-K, filed June 30, 2014 with the SEC).

10.47	+	Form of Letter Agreement between Sonus Networks, Inc. and each of Raymond P. Dolan, Mark Greenquist, Anthony Scarfo and Jeffrey Snider (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed December 29, 2014 with the SEC).
10.48		Earn-Out Agreement, dated as of January 2, 2015, by and among Sonus Networks, Inc., Treq Labs, Inc. and Karl F. May as the Seller Representative (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed January 8, 2015 with the SEC).
10.49	+	Employment Agreement between Sonus Networks, Inc. and Brian O'Donnell, accepted on November 19, 2012 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed February 18, 2015 with the SEC).
14.1		Code of Conduct (incorporated by reference to Exhibit 14.1 to the registrant's Current Report on Form 8-K, filed June 7, 2011 with the SEC).
21.1	*	Subsidiaries of the Registrant.
23.1	*	Consent of Independent Registered Public Accounting Firm, Deloitte & Touche LLP
31.1	*	Certificate of Sonus Networks, Inc. Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	*	Certificate of Sonus Networks, Inc. Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	#	Certificate of Sonus Networks, Inc. Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	#	Certificate of Sonus Networks, Inc. Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS		XBRL Instance Document
101.SCH		XBRL Taxonomy Extension Schema
101.CAL		XBRL Taxonomy Extension Calculation Linkbase
101.DEF		XBRL Taxonomy Extension Definition Linkbase
101.LAB		XBRL Taxonomy Extension Label Linkbase
101.PRE		XBRL Taxonomy Extension Presentation Linkbase

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* Filed herewith.

\# Furnished herewith.

\+ Management contract or compensatory plan or arrangement filed in response to Item 15(a)(3) of the Instructions to the Annual Report on Form 10-K.

** Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant hereby undertakes to furnish copies of any of the omitted schedules and exhibits upon request by the U.S. Securities and Exchange Commission.

Exhibit 10.7

SONUS NETWORKS, INC.

AMENDED AND RESTATED

2000 EMPLOYEE STOCK PURCHASE PLAN, AS AMENDED

EFFECTIVE AS OF MARCH 1, 2008*

* As amended February 11, 2014

SONUS NETWORKS, INC.

AMENDED AND RESTATED
2000 EMPLOYEE STOCK PURCHASE PLAN, as Amended
(As Amended Effective February 11, 2014)

The following constitute the provisions of the Amended and Restated 2000 Employee Stock Purchase Plan, as Amended, of Sonus Networks, Inc., effective as of February 11, 2014.

1. Purpose

The purpose of the Plan is to provide employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company. It is the intention of the Company to have the Plan qualify as an "Employee Stock Purchase Plan" under Section 423 of the Code. The provisions of the Plan shall, accordingly, be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

2. Definitions

2.1 Board means the Board of Directors of the Company.

2.2 Code means the Internal Revenue Code of 1986, as amended.

2.3 Common Stock means the Common Stock, par value $0.001 per share, of the Company.

2.4 Company means Sonus Networks, Inc., a Delaware corporation.

2.5 Compensation means all regular straight time compensation including commissions but shall not include payments for overtime, shift premium, incentive compensation, incentive payments, bonuses and other irregular or infrequent compensation or benefits.

2.6 Continuous Status as an Employee means the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of (i) sick leave; (ii) military leave; (iii) any other leave of absence approved by the Administrator, provided that such leave is for a period of not more than 90 days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to Company policy adopted from time to time; or (iv) transfers between locations of the Company or between the Company and its Designated Subsidiaries.

2.7 Contributions means all amounts credited to the account of a participant pursuant to the Plan.

2.8 Corporate Transaction means a merger or consolidation of the Company with and into another person or the sale, transfer, or other disposition of all or substantially all of the Company's assets to one or more persons (other than any wholly-owned subsidiary of the Company) in a single transaction or series of related transactions, unless securities possessing more than 50% of the total combined voting power of the survivor's or acquiror's outstanding securities, or the securities of any parent thereof, are held by a person or persons who held the voting securities of the Company immediately prior to such transaction.

2.9 Designated Subsidiaries means the Subsidiaries which have been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan.

2.10 Employee means any person, including an Officer, who is customarily employed for at least twenty (20) hours per week and more than five (5) months in a calendar year by the Company or one of its Designated Subsidiaries.

2.11 Exchange Act means the Securities Exchange Act of 1934, as amended.

2.12 Offering Date means the first business day of each Offering Period of the Plan.

2.13 Offering Period means a period of six (6) months commencing on March 1 and September 1 of each year.

2.14 Officer means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

2.15 Plan means this Employee Stock Purchase Plan.

2.16 Purchase Date means the last day of each Offering Period of the Plan.

2.17 Purchase Price means with respect to an Offering Period an amount equal to the lesser of: (i) 85% of the Fair Market Value (as defined in Section 7.2 below) of a Share of Common Stock on the Offering Date or (ii) 85% of the Fair Market Value of a Share of Common Stock on the Purchase Date.

2.18 Share means a share of Common Stock, as adjusted in accordance with Section 19 of the Plan.

2.19 Subsidiary means a corporation, domestic or foreign, of which not less than 50% of the voting shares are held by the Company or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.

3. Eligibility

3.1 Any person who is an Employee as of the Offering Date of a given Offering Period shall be eligible to participate in such Offering Period under the Plan, subject to the requirements of Section 5.1 and the limitations imposed by Section 423(b) of the Code.

3.2 Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an option under the Plan (i) if, immediately after the grant, such Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code) would own capital stock of the Company and/or hold outstanding options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any subsidiary of the Company, or (ii) if such option would permit his or her rights to purchase stock under all employee stock purchase plans (described in Section 423 of the Code) of the Company and its Subsidiaries to accrue at a rate which exceeds Twenty-Five Thousand Dollars ($25,000) of the Fair Market Value (as defined in Section 7.2 below) of such stock (determined at the time such option is granted) for each calendar year in which such option is outstanding at any time.

4. Offering Periods

The Plan shall be generally implemented by a series of Offering Periods of six (6) months' duration, with new Offering Periods commencing on or about March 1 and September 1 of each year (or at such other time or times as may be determined by the Board of Directors). The Plan shall continue until terminated in accordance with Section 19 hereof. The Board of Directors of the Company shall have the power to change the duration and/or the frequency of Offering Periods with respect to future offerings without stockholder approval if such change is announced to Employees at least five (5) days prior to the scheduled beginning of the first Offering Period to be affected.

5. Participation

5.1 An eligible Employee may become a participant in the Plan by completing a subscription agreement on the form provided by the Company and filing it with the Company's stock admin department prior to the applicable Offering Date, unless a later time for filing the subscription agreement is set by the Board for all eligible Employees with respect to a given Offering Period. The subscription agreement shall set forth the percentage of the participant's Compensation (subject to Section 6.1 below) to be paid as Contributions pursuant to the Plan.

5.2 Payroll deductions shall commence on the first payroll following the Offering Date and shall end on the last payroll paid on or prior to the Purchase Date for such Offering Period to which the subscription agreement is applicable, unless sooner terminated by the participant as provided in Section 10.

6. Method of Payment of Contributions

6.1 A participant shall elect to have payroll deductions made on each payday during the Offering Period in an amount not less than one percent (1%) and not more than twenty percent (20%) (or such other percentage as the Board may establish from time to time before an Offering Date) of such participant's Compensation on each payday during the Offering Period. All payroll deductions made by a participant shall be credited to his or her account under the Plan. A participant may not make any additional payments into such account.

6.2 A participant may discontinue his or her participation in the Plan as provided in Section 10. In addition, if Board of Directors of the Company has so announced to Employees at least five (5) days prior to the scheduled beginning of the next Offering Period to be affected, a participant may, on one occasion only during each Offering Period, change the rate of his or her Contributions with respect to the Offering Period by completing and filing with the Company a % change form authorizing a change in the payroll deduction rate. Any such change in rate shall be effective as of the beginning of the next Offering Period following the date of filing of the % change form.

6.3 Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3.2 herein, a participant's payroll deductions may be decreased during any Offering Period scheduled to end during the current calendar year to 0%. Payroll deductions shall re-commence automatically at the rate provided in such participant’s subscription agreement at the beginning of the next Offering Period which is scheduled to end in the following calendar year, unless terminated by the participant as provided in Section 10.

7. Grant of Option

7.1 On the Offering Date of each Offering Period, each eligible Employee participating in such Offering Period shall be granted an option to purchase on each Purchase Date a number of Shares of the Company's Common Stock determined by dividing such Employee's Contributions accumulated prior to such Purchase Date and retained in the participant's account as of the Purchase Date by the applicable Purchase Price; provided however that the maximum number of Shares an Employee may purchase during each Offering Period shall be 500 Shares (subject to any adjustment pursuant to Section 18 below), and provided further that such purchase shall be subject to the limitations set forth in Sections 3.2 and 12.

7.2 The fair market value of the Company's Common Stock on a given date (the "Fair Market Value") shall be determined by the Board in its discretion based on the closing sales price of the Common Stock for such date (or, in the event that the Common Stock is not traded on such date, on the immediately preceding trading date), as reported by the National Association of Securities Dealers Automated Quotation (“Nasdaq”) Global Select Market or, if such price is not reported, the mean of the bid and asked prices per share of the Common Stock as reported by Nasdaq or, in the event the Common Stock is listed on a stock exchange, the Fair Market value per share shall be the closing sales price on such exchange on such date (or, in the event that the Common Stock is not traded on such date, on the immediately preceding trading date), as reported in The Wall Street Journal.

8. Exercise of Option

Unless a participant withdraws from the Plan as provided in Section 10, his or her option for the purchase of Shares will be exercised automatically on the Purchase Date for each Offering Period, and the maximum number of full Shares subject to the option will be purchased at the applicable Purchase Price with the accumulated Contributions in his or her account. No fractional Shares shall be issued. The Shares purchased upon exercise of an option hereunder shall be deemed to be transferred to the participant on the Purchase Date. During his or her lifetime, a participant's option to purchase Shares hereunder is exercisable only by him or her.

9. Delivery

As promptly as practicable after each Purchase Date of each Offering Period, the Company shall arrange the delivery to each participant. These shares will be deposited into the participant’s stock plan account. Any payroll contributions accumulated in a participant’s account after a Purchase Date shall be returned to the participant.

10. Voluntary Withdrawal; Termination of Employment

10.1 A participant may withdraw all but not less than all of the Contributions credited to his or her account under the Plan at any time prior to each Purchase Date by giving written notice to the Company. All of the participant's Contributions credited to his or her account will be paid to him or her promptly after receipt of his or her notice of withdrawal and his or her option for the current period will be automatically terminated, and no further Contributions for the purchase of Shares will be made during the Offering Period.

10.2 Upon termination of the participant's Continuous Status as an Employee prior to the Purchase Date of an Offering Period for any reason, including retirement or death, the Contributions credited to his or her account will be returned to him or her or, in the case of his or her death, to the person or persons entitled thereto under Section 14, and his or her option will be automatically terminated.

10.3 In the event an Employee fails to remain in Continuous Status as an Employee of the Company for at least twenty (20) hours per week during the Offering Period in which the employee is a participant, he or she will be deemed to have elected to withdraw from the Plan and the Contributions credited to his or her account will be returned to him or her and his or her option terminated.

10.4 A participant's withdrawal from an offering will not have any effect upon his or her eligibility to participate in a succeeding offering or in any similar plan which may hereafter be adopted by the Company.

11. Interest

No interest shall accrue on the Contributions of a participant in the Plan.

12. Stock

12.1 Subject to adjustment as provided in Section 18, the maximum number of Shares which shall be made available for sale under the Plan shall be 240,000 Shares plus an automatic annual increase on January 1, 2001 and each January 1 thereafter equal to the lesser of (i) two percent (2%) of the Shares outstanding on the last day of the immediately preceding fiscal year, and (ii) such number as the Board may determine. Notwithstanding the foregoing, and subject to adjustment in accordance with Section 18 no more than an aggregate of 5,000,000 Shares may be issued pursuant to this Plan. If the Board determines that, on a given Purchase Date, the number of shares with respect to which options are to be exercised may exceed (i) the number of shares of Common Stock that were available for sale under the Plan on the Offering Date of the applicable Offering Period, or (ii) the number of shares available for sale under the Plan on such Purchase Date, the Board may in its sole discretion provide that the Company shall make a pro rata allocation of the Shares of Common Stock available for purchase on such Offering Date or Purchase Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all participants exercising options to purchase Common Stock on such Purchase Date. The Company may make pro rata allocation of the Shares available on the Offering Date of any applicable Offering Period pursuant to the preceding sentence, notwithstanding any authorization of additional Shares for issuance under the Plan by the Company's stockholders subsequent to such Offering Date.

12.2 The participant shall have no interest or voting right in Shares covered by his or her option until such option has been exercised.

12.3 Shares to be delivered to a participant under the Plan will be registered in the name of the participant or pursuant to Section 14 below.

13. Administration

The Board, or a committee named by the Board, shall supervise and administer the Plan and shall have full power to adopt, amend and rescind any rules deemed desirable and appropriate for the administration of the Plan and not inconsistent with the Plan, to construe and interpret the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. The Board’s determinations made in good faith on matters referred to in this Plan shall be final, binding and conclusive on all persons having or claiming any interest under this Plan or an Award made pursuant hereto.

14. Designation of Beneficiary

14.1 A participant may file a written designation of a beneficiary who is to receive any Shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to the end of an Offering Period but prior to delivery to him or her of such Shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to the Purchase Date of an Offering Period.

14.2 Such designation of beneficiary may be changed by the participant at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such Shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such Shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

15. Transferability

Neither Contributions credited to a participant's account nor any rights with regard to the exercise of an option or to receive Shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution, or as provided in Section 14) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with Section 10.

16. Use of Funds

All Contributions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such Contributions.

17. Reports

Individual accounts will be maintained for each participant in the Plan.

18. Adjustments Upon Changes in Capitalization; Corporate Transactions

18.1 Adjustment. Subject to any required action by the stockholders of the Company, the number of shares covered by each option under the Plan which has not yet been exercised and the number of Shares which have been authorized for issuance under the Plan but have not yet been placed under option (collectively, the "Reserves"), as well as the maximum number of shares of Common Stock which may be purchased by a participant in an Offering Period, the number of shares of Common Stock set forth in Section 12.1

above, and the price per Share of Common Stock covered by each option under the Plan which has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock (including any such change in the number of Shares of Common Stock effected in connection with a change in domicile of the Company), or any other increase or decrease in the number of Shares effected without receipt of consideration by the Company; provided however that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive.

18.2 Corporate Transactions. In the event of a dissolution or liquidation of the Company, any Offering Period then in progress will terminate immediately prior to the consummation of such action, unless otherwise provided by the Board. In the event of a Corporate Transaction, each option outstanding under the Plan shall be assumed or an equivalent option shall be substituted by the successor corporation or a parent or Subsidiary of such successor corporation. In the event that the successor corporation refuses to assume or substitute for outstanding options, each Offering Period then in progress shall be shortened and a new Purchase Date shall be set (the "New Purchase Date"), as of which date any Offering Period then in progress will terminate. The New Purchase Date shall be on or before the date of consummation of the transaction and the Board shall notify each participant in writing, at least ten (10) days prior to the New Purchase Date, that the Purchase Date for his or her option has been changed to the New Purchase Date and that his or her option will be exercised automatically on the New Purchase Date, unless prior to such date he or she has withdrawn from the Offering Period as provided in Section 10. For purposes of this Section 18, an option granted under the Plan shall be deemed to be assumed, without limitation, if, at the time of issuance of the stock or other consideration upon a Corporate Transaction, each holder of an option under the Plan would be entitled to receive upon exercise of the option the same number and kind of shares of stock or the same amount of property, cash or securities as such holder would have been entitled to receive upon the occurrence of the transaction if the holder had been, immediately prior to the transaction, the holder of the number of Shares of Common Stock covered by the option at such time (after giving effect to any adjustments in the number of Shares covered by the option as provided for in this Section 18); provided however that if the consideration received in the transaction is not solely common stock of the successor corporation or its parent (as defined in Section 424(e) of the Code), the Board may, with the consent of the successor corporation, provide for the consideration to be received upon exercise of the option to be solely common stock of the successor corporation or its parent equal in Fair Market Value to the per Share consideration received by holders of Common Stock in the transaction.

The Board may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per Share of Common Stock covered by each outstanding option, in the event that the Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of Shares of its outstanding Common Stock, and in the event of the Company's being consolidated with or merged into any other corporation.

19. Amendment or Termination

19.1 The Board may at any time and for any reason terminate or amend the Plan. Except as provided in Section 18, no such termination of the Plan may affect options previously granted, provided that the Plan or an Offering Period may be terminated by the Board on a Purchase Date or by the Board's setting a new Purchase Date with respect to an Offering Period then in progress if the Board determines that termination of the Plan and/or the Offering Period is in the best interests of the Company and the stockholders or if continuation of the Plan and/or the Offering Period would cause the Company to incur adverse accounting charges as a result of the Plan. Except as provided in Section 18 and in this Section 19, no amendment to the Plan shall make any change in any option previously granted which adversely affects the rights of any participant.

19.2 Without stockholder consent and without regard to whether any participant rights may be considered to have been adversely affected, the Board (or its committee) shall be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with amounts withheld from the participant's Compensation, and establish such other limitations or procedures as the Board (or its committee) determines in its sole discretion advisable which are consistent with the Plan.

20. Notices

All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

21. Conditions Upon Issuance of Shares

Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such Shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, applicable state securities laws and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

22. Term of Plan; Effective Date

The Plan shall become effective upon the effective date of the Registration Statement on Form S-1 for the initial public offering of the Company's Common Stock. It shall continue in effect for a term of twenty (20) years unless sooner terminated under Section 19.

Exhibit 10.11

SONUS NETWORKS, INC.
2007 STOCK INCENTIVE PLAN, AS AMENDED

1. *Purpose.*

The purpose of this 2007 Stock Incentive Plan (the "Plan") of Sonus Networks, Inc., a Delaware corporation (the "Company"), is to advance the interests of the Company's stockholders by enhancing the Company's ability to attract, retain and motivate persons who are expected to make important contributions to the Company and by providing such persons with equity ownership opportunities and performance-based incentives that are intended to align their interests with those of the Company's stockholders. Except where the context otherwise requires, the term "Company" shall include any of the Company's present or future parent or subsidiary corporations as defined in Sections 424(e) or (f) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder (the "Code") and any other business venture (including, without limitation, joint venture or limited liability company) in which the Company has a controlling interest, as determined by the Board of Directors of the Company (the "Board").

2. *Eligibility.*

All of the Company's employees, officers, directors, consultants and advisors are eligible to receive options, stock appreciation rights ("SARs"), restricted stock, restricted stock units and other stock unit awards (each, an "Award") under the Plan. Each person who receives an Award under the Plan is deemed a "Participant".

3. *Administration and Delegation.*

(a) *Administration by Board of Directors.* The Plan will be administered by the Board. The Board shall have authority to grant Awards and to adopt, amend and repeal such administrative rules, guidelines and practices relating to the Plan as it shall deem advisable. The Board may construe and interpret the terms of the Plan and any Award agreements entered into under the Plan. The Board may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem expedient to carry the Plan into effect and it shall be the sole and final judge of such expediency. All decisions by the Board shall be made in the Board's sole discretion and shall be final and binding on all persons having or claiming any interest in the Plan or in any Award. No director or person acting pursuant to the authority delegated by the Board shall be liable for any action or determination relating to or under the Plan made in good faith.

(b) *Appointment of Committees.* To the extent permitted by applicable law, the Board may delegate any or all of its powers under the Plan to one or more committees or subcommittees of the Board (a "Committee"). All references in the Plan to the "Board" shall mean the Board or a Committee of the Board or the officers referred to in Section 3(c) to the extent that the Board's powers or authority under the Plan have been delegated to such Committee or officers.

(c) *Delegation to Officers.* To the extent permitted by applicable law, the Board may delegate to one or more officers of the Company the power to grant Awards (subject to any limitations under the Plan) to employees or officers of the Company or any of its present or future subsidiary corporations and to exercise such other powers under the Plan as the Board may determine, provided that the Board shall fix the terms of the Awards to be granted by such officers (including the exercise price of such Awards, which may include a formula by which the exercise price will be determined) and the maximum number of shares subject to Awards that the officers may grant; provided further, however, that no officer shall be authorized to grant Awards to any "executive officer" of the Company (as defined by Rule 3b-7 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) or to any "officer" of the Company (as defined by Rule 16a-1 under the Exchange Act).

4. *Stock Available for Awards.*

(a) *Number of Shares.* Subject to adjustment under Section 9, the aggregate number of shares of common stock, $0.001 par value per share, of the Company (the "Common Stock") reserved for Awards under the Plan is equal to the sum of (i) 13,180,540 and (ii) such additional number of shares of Common Stock as is equal to the sum of the number of shares of Common Stock reserved for issuance under the Company's 2008 Stock Incentive Plan and the Company's 2012 Amended Performance Technologies, Incorporated Omnibus Incentive Plan (the "Acquired Plans") that remain available for grant under the Acquired Plans as of December 2, 2014 and the number of shares of Common Stock subject to awards granted under the Acquired Plans which awards expire, terminate or are otherwise surrendered, cancelled, forfeited or repurchased by the Company at their original issuance price pursuant to a contractual repurchase right (subject, however, in the case of Incentive Stock Options to any limitations of the Code). No more than 14,320,000 shares of Common Stock may be issued as Incentive Stock Options under the Plan. Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

(b) *Share Count.* Shares issued pursuant to Awards of Restricted Stock or Restricted Stock Units or Other Stock Unit Awards will count against the shares of Common Stock available for issuance under the Plan as 1.57 shares for every one (1) share issued in connection with the Award. Shares issued pursuant to the exercise of Options will count against the shares available for issuance under the Plan as one (1) share for every one (1) share to which such exercise relates. The total number of shares subject to SARs that are settled in shares shall be counted in full against the number of shares available for issuance under the Plan, regardless of the number of shares actually issued upon settlement of the SARs. If Awards are settled in cash, the shares that would have been delivered had there been no cash settlement shall not be counted against the shares available for issuance under the Plan. If any Award expires or is terminated, surrendered or canceled without having been fully exercised, is forfeited in whole or in part (including as the result of shares of Common Stock subject to such Award being repurchased by the Company at the original issuance price pursuant to a contractual repurchase right), then the shares of Common Stock covered by such Award shall again become available for the grant of Awards under the Plan; provided that any one (1) share issued as Restricted Stock or subject to a Restricted Stock Unit Award or Other Stock Unit Award that is forfeited or terminated shall be credited as 1.57 shares when determining the number of shares that shall again become available for Awards under the Plan. Shares that are exchanged by a Participant or withheld by the Company as full or partial payment in connection with any Award under the Plan, as well as any shares exchanged by a Participant or withheld by the Company to satisfy the tax withholding obligations related to any Award, shall not be available for subsequent Awards under the Plan. In the case of Incentive Stock Options (as hereinafter defined), the foregoing provisions shall be subject to any limitations under the Code. Shares of common stock issued pursuant to full value awards count against the shares of common stock available for issuance hereunder as 1.57 shares for every one share issued in connection with such award; however, the shares subject to awards that were outstanding as of December 2, 2014 and that expire, terminate, are cancelled or otherwise result in shares not being issued and become available for future grant hereunder would return hereunder at a ratio of 1.5 for every share awarded.

(c) *Sub-limits.* Subject to adjustment under Section 9, the following sub-limits on the number of shares subject to Awards shall apply:

(1) *Section 162(m) Per-Participant Limit.* The maximum number of shares of Common Stock with respect to which Awards may be granted to any Participant under the Plan shall be 800,000 per calendar year. For purposes of the foregoing limit, the combination of an Option in tandem with a SAR (as each is hereafter defined) shall be treated as a single Award. The per-Participant limit described in this Section 4(b)(1) shall be construed and applied consistently with Section 162(m) of the Code or any successor provision thereto, and the regulations thereunder ("Section 162(m)").

(2) *Limit on Awards to Directors.* The maximum number of shares with respect to which Awards may be granted to any director who is not an employee of the Company at the time of grant shall be 40,000 per calendar year.

(d) *Substitute Awards.* In connection with a merger or consolidation of an entity with the Company or the acquisition by the Company of property or stock of an entity, the Board may grant Awards in substitution for any options or other stock or stock-based awards granted by such entity or an affiliate thereof. Substitute Awards may be granted on such terms as the Board deems appropriate in the circumstances, notwithstanding any limitations on Awards contained in the Plan. Substitute Awards shall not count against the overall share limit set forth in Section 4(a) or any sublimits contained in the Plan, except as may be required by reason of Section 422 and related provisions of the Code.

5. *Stock Options.*

(a) *General.* The Board may grant options to purchase Common Stock (each, an "Option") and determine the number of shares of Common Stock to be covered by each Option, the exercise price of each Option and the conditions and limitations applicable to the exercise of each Option, including conditions relating to applicable federal or state securities laws, as it considers necessary or advisable. An Option that is not an Incentive Stock Option (as hereinafter defined) shall be designated a "Nonstatutory Stock Option."

(b) *Incentive Stock Options.* An Option that the Board intends to be an "incentive stock option" as defined in Section 422 of the Code (an "Incentive Stock Option") shall only be granted to employees of Sonus Networks, Inc., any of Sonus Networks, Inc.'s present or future parent or subsidiary corporations as defined in Sections 424(e) or (f) of the Code, and any other entities the employees of which are eligible to receive Incentive Stock Options under the Code, and shall be subject to and shall be construed consistently with the requirements of Section 422 of the Code. The Company shall have no liability to a Participant, or any other party, if an Option (or any part thereof) that is intended to be an Incentive Stock Option is not an Incentive Stock Option or for any action taken by the Board, including without limitation the conversion of an Incentive Stock Option to a Nonstatutory Stock Option.

(c) *Exercise Price.* The Board shall establish the exercise price of each Option and specify such exercise price in the applicable option agreement. The exercise price shall be not less than 100% of the Fair Market Value (as defined below) on the date the Option is granted; provided that if the Board approves the grant of an Option with an exercise price to be determined on a future date, the exercise price shall be not less than 100% of the Fair Market Value on such future date.

(d) *Duration of Options.* Each Option shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable option agreement, provided, however, that no Option will be granted for a term in excess of 10 years.

(e) *Exercise of Option.* Options may be exercised by delivery to the Company of a written notice of exercise signed by the proper person or by any other form of notice (including electronic notice) approved by the Board, together with payment in full as specified in Section 5(f) for the number of shares for which the Option is exercised. Shares of Common Stock subject to the Option will be delivered by the Company as soon as practicable following exercise.

(f) *Payment Upon Exercise.* Common Stock purchased upon the exercise of an Option granted under the Plan shall be paid for as follows:

(1) in cash or by check, payable to the order of the Company;

(2) except as may otherwise be provided in the applicable option agreement, by (i) delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price and any required tax withholding or (ii) delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price and any required tax withholding;

(3) to the extent provided for in the applicable option agreement or approved by the Board, in its sole discretion, by delivery (either by actual delivery or attestation) of shares of Common Stock owned by the Participant valued at their fair market value as determined by (or in a manner approved by) the Board ("Fair Market Value"), provided (i) such method of payment is then permitted under applicable law, (ii) such Common Stock, if acquired directly from the Company, was owned by the Participant for such minimum period of time, if any, as may be established by the Board in its discretion and (iii) such Common Stock is not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements;

(4) to the extent permitted by applicable law and provided for in the applicable option agreement or approved by the Board, in its sole discretion, by (i) delivery of a promissory note of the Participant to the Company on terms determined by the Board or (ii) payment of such other lawful consideration as the Board may determine; or

(5) by any combination of the above permitted forms of payment.

(g) *Fair Market Value.* Fair Market Value of a share of Common Stock for purposes of the Plan will be determined as follows:

(1) if the Common Stock trades on a national securities exchange, the closing sale price (for the primary trading session) on the date of grant; or

(2) if the Common Stock does not trade on any such exchange, the average of the closing bid and asked prices as reported by the National Association of Securities Dealers, Inc. Automated Quotation System ("Nasdaq") for the date of grant; or

(3) if no such closing sale price information is available, the average of bids and asked prices that Nasdaq reports for the date of grant; or

(4) if there are no such closing bid and asked prices, the average of the bid and asked prices as reported by any other commercial service for the date of grant.

For any date that is not a trading day, the Fair Market Value of a share of Common Stock for such date will be determined by using the closing sale price or average of the bid and asked prices, as appropriate, for the immediately following trading day and with the timing in the formulas above adjusted accordingly. The Board can substitute a particular time of day or other measure of "closing sale price" or "bid and asked prices" if appropriate because of exchange or market procedures or can, in its sole discretion, use weighted averages either on a daily basis or such longer period as complies with Code Section 409A.

(h) *Limitation on Repricing.* Unless such action is approved by the Company's stockholders: (1) no outstanding Option granted under the Plan may be amended to provide an exercise price per share that is lower than the then-current exercise price per share of such outstanding Option (other than adjustments pursuant to Section 9), (2) the Board may not cancel any outstanding option (whether or not granted under the Plan) and grant in substitution therefore new Awards under the Plan covering the same or a different number of share of Common Stock and having an exercise price per share lower than the then-current exercise price per share of the cancelled option, and (3) no outstanding Option granted under the Plan may be purchased by the Company for cash.

6. *Stock Appreciation Rights.*

(a) *General.* The Board may grant Awards consisting of a SAR entitling the holder, upon exercise, to receive an amount in Common Stock or cash or a combination thereof (such form to be determined by the Board) determined in whole or in part by reference to appreciation, from and after the date of grant, in the Fair Market Value of a share of Common Stock over the exercise price established pursuant to Section 6(c). The date as of which such appreciation or other measure is determined shall be the exercise date.

(b) *Grants.* SARs may be granted in tandem with, or independently of, Options granted under the Plan.

(1) *Tandem Awards.* When SARs are expressly granted in tandem with Options, (i) the SAR will be exercisable only at such time or times, and to the extent, that the related Option is exercisable (except to the extent designated by the Board in connection with a Reorganization Event) and will be exercisable in accordance with the procedure required for exercise of the related Option; (ii) the SAR will terminate and no longer be exercisable upon the termination or exercise of the related Option, except to the extent designated by the Board in connection with a Reorganization Event and except that a SAR granted with respect to less than the full number of shares covered by an Option will not be reduced until the number of shares as to which the related Option has been exercised or has terminated exceeds the number of shares not covered by the SAR; (iii) the Option will terminate and no longer be exercisable upon the exercise of the related SAR; and (iv) the SAR will be transferable only with the related Option.

(2) *Independent SARs.* A SAR not expressly granted in tandem with an Option will become exercisable at such time or times, and on such conditions, as the Board may specify in the SAR Award.

(c) *Exercise Price.* The Board shall establish the exercise price of each SAR and specify it in the applicable SAR agreement. The exercise price shall not be less than 100% of the Fair Market Value on the date the SAR is granted; provided that if the Board approves the grant of a SAR with an exercise price to be determined on a future date, the exercise price shall be not less than 100% of the Fair Market Value on such future date.

(d) *Term.* The term of a SAR shall not be more than 10 years from the date of grant.

(e) *Exercise.* SARs may be exercised by delivery to the Company of a written notice of exercise signed by the proper person or by any other form of notice (including electronic notice) approved by the Board, together with any other documents required by the Board.

(f) *Limitation of Repricing.* Unless such action is approved by the Company's stockholders: (1) no outstanding SAR granted under the Plan may be amended to provide an exercise price per share that is lower than the then-current exercise price per share of such outstanding SAR (other than adjustments pursuant to Section 9), (2) the Board may not cancel any outstanding SAR (whether or not granted under the Plan) and grant in substitution therefor new Awards under the Plan covering the same or a different number of shares of Common Stock and having an exercise price per share lower than the then-current exercise price per share of the cancelled SAR, and (3) no outstanding SAR granted under the Plan may be purchased by the Company for cash.

7. *Restricted Stock; Restricted Stock Units.*

(a) *General.* The Board may grant Awards entitling recipients to acquire shares of Common Stock ("Restricted Stock"), subject to the right of the Company to repurchase all or part of such shares at their issue price or other stated or formula price (or to require forfeiture of such shares if issued at no cost) from the recipient in the event that conditions specified by the Board in the applicable Award are not satisfied prior to the end of the applicable restriction period or periods established by the Board for such Award. Instead of granting Awards for Restricted Stock, the Board may grant Awards entitling the recipient to receive shares of Common Stock or cash to be delivered at the time such Award vests ("Restricted Stock Units") (Restricted Stock and Restricted Stock Units are each referred to herein as a "Restricted Stock Award").

(b) *Terms and Conditions for all Restricted Stock Awards.* The Board shall determine the terms and conditions of a Restricted Stock Award, including the conditions for vesting and repurchase (or forfeiture) and the issue price, if any.

(c) *Additional Provisions Relating to Restricted Stock.*

(1) *Dividends.* Participants holding shares of Restricted Stock will be entitled to all ordinary cash dividends paid with respect to such shares, unless otherwise provided by the Board; provided, however, that dividends on Restricted Stock that are subject to performance conditions will either be accumulated or reinvested and paid upon vesting of the underlying Restricted Stock. Unless otherwise provided by the Board, if any dividends or distributions are paid in shares, or consist of a dividend or distribution to holders of Common Stock other than an ordinary cash dividend, the shares, cash or other property will be subject to the same restrictions on transferability and forfeitability as the shares of Restricted Stock with respect to which they were paid. Each dividend payment will be made no later than the end of the calendar year in which the dividends

are paid to stockholders of that class of stock or, if later, the 15th day of the third month following the date the dividends are paid to stockholders of that class of stock.

(2) *Stock Certificates.* The Company may require that any stock certificates issued in respect of shares of Restricted Stock shall be deposited in escrow by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). At the expiration of the applicable restriction periods, the Company (or such designee) shall deliver the certificates no longer subject to such restrictions to the Participant or if the Participant has died, to the beneficiary designated, in a manner determined by the Board, by a Participant to receive amounts due or exercise rights of the Participant in the event of the Participant's death (the "Designated Beneficiary"). In the absence of an effective designation by a Participant, "Designated Beneficiary" shall mean the Participant's estate.

(d) *Additional Provisions Relating to Restricted Stock Units.*

(1) *Settlement.* Upon the vesting of and/or lapsing of any other restrictions (i.e., settlement) with respect to each Restricted Stock Unit, the Participant shall be entitled to receive from the Company one share of Common Stock or an amount of cash equal to the Fair Market Value of one share of Common Stock, as provided in the applicable Award agreement. The Board may, in its discretion, provide that settlement of Restricted Stock Units shall be deferred, on a mandatory basis or at the election of the Participant.

(2) *Voting Rights.* A Participant shall have no voting rights with respect to any Restricted Stock Units.

(3) *Dividend Equivalents.* To the extent provided by the Board, in its sole discretion, a grant of Restricted Stock Units may provide Participants with the right to receive an amount equal to any dividends or other distributions declared and paid on an equal number of outstanding shares of Common Stock ("Dividend Equivalents"); provided, however, that Dividend Equivalents on Restricted Stock Units that are subject to performance conditions will either we accumulated or reinvested and paid upon vesting of the underlying Restricted Stock Unit. Dividend Equivalents may be paid currently or credited to an account for the Participants, may be settled in cash and/or shares of Common Stock and may be subject to the same restrictions on transfer and forfeitability as the Restricted Stock Units with respect to which paid, as determined by the Board in its sole discretion, subject in each case to such terms and conditions as the Board shall establish, in each case to be set forth in the applicable Award agreement.

8. *Other Stock Unit Awards.*

Other Awards of shares of Common Stock, and other Awards that are valued in whole or in part by reference to, or are otherwise based on, shares of Common Stock or other property, may be granted hereunder to Participants ("Other Stock Unit Awards"), including without limitation Awards entitling recipients to receive shares of Common Stock to be delivered in the future. Such Other Stock Unit Awards shall also be available as a form of payment in the settlement of other Awards granted under the Plan or as payment in lieu of compensation to which a Participant is otherwise entitled. Other Stock Unit Awards may be paid in shares of Common Stock or cash, as the Board shall determine. Subject to the provisions of the Plan, the Board shall determine the terms and conditions of each Other Stock Unit Award, including any purchase price applicable thereto.

9. *Adjustments for Changes in Common Stock and Certain Other Events.*

(a) *Changes in Capitalization.* In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any dividend or distribution to holders of Common Stock other than an ordinary cash dividend, (i) the number and class of securities available under this Plan, (ii) the sub-limits set forth in Section 4(b), (iii) the number and class of securities and exercise price per share of each outstanding Option, (iv) the share- and per-share provisions and the exercise price of each SAR, (v) the number of shares subject to and the repurchase price per share subject to each outstanding Restricted Stock Award and (vi) the share- and per-share-related provisions and the purchase price, if any, of each outstanding Other Stock Unit Award, shall be equitably adjusted by the Company (or substituted Awards may be made, if applicable) in the manner determined by the Board. Without limiting the generality of the foregoing, in the event the Company effects a split of the Common Stock by means of a stock dividend and the exercise price of and the number of shares subject to an outstanding Option are adjusted as of the date of the distribution of the dividend (rather than as of the record date for such dividend), then an optionee who exercises an Option between the record date and the distribution date for such stock dividend shall be entitled to receive, on the distribution date, the stock dividend with respect to the shares of Common Stock acquired upon such Option exercise, notwithstanding the fact that such shares were not outstanding as of the close of business on the record date for such stock dividend.

(b) *Reorganization Events.*

(1) *Definition.* A "Reorganization Event" shall mean: (a) any merger or consolidation of the Company with or into another entity as a result of which all of the Common Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (b) any exchange of all of the Common Stock of the Company for cash, securities or other property pursuant to a share exchange transaction or (c) any liquidation or dissolution of the Company.

(2) *Consequences of a Reorganization Event on Awards Other than Restricted Stock Awards.* In connection with a Reorganization Event, the Board may take any one or more of the following actions as to all or any (or any portion of) outstanding Awards other than Restricted Stock Awards on such terms as the Board determines: (i) provide that Awards shall be assumed, or substantially equivalent Awards shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (ii) upon written notice to a Participant, provide that the Participant's unexercised Awards will terminate immediately prior to the consummation of such Reorganization Event unless exercised by the Participant within a specified period following the date of such notice, (iii) provide that outstanding Awards shall become exercisable, realizable, or deliverable, or restrictions applicable to an Award shall lapse, in whole or in part prior to or upon such Reorganization Event, (iv) in the event of a Reorganization Event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event (the "Acquisition Price"), make or provide for a cash payment to a Participant equal to the excess, if any, of (A) the Acquisition Price times the number of shares of Common Stock subject to the Participant's Awards (to the extent the exercise price does not exceed the Acquisition Price) over (B) the aggregate exercise price of all such outstanding Awards and any applicable tax withholdings, in exchange for the termination of such Awards, (v) provide that, in connection with a liquidation or dissolution of the Company, Awards shall convert into the right to receive liquidation proceeds (if applicable, net of the exercise price thereof and any applicable tax withholdings) and (vi) any combination of the foregoing. In taking any of the actions permitted under this Section 9(b), the Board shall not be obligated by the Plan to treat all Awards, all Awards held by a Participant, or all Awards of the same type, identically.

For purposes of clause (i) above, an Option shall be considered assumed if, following consummation of the Reorganization Event, the Option confers the right to purchase, for each share of Common Stock subject to the Option immediately prior to the consummation of the Reorganization Event, the consideration (whether cash, securities or other property) received as a result of the Reorganization Event by holders of Common Stock for each share of Common Stock held immediately prior to the consummation of the Reorganization Event (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); provided, however, that if the consideration received as a result of the Reorganization Event is not solely common stock of the acquiring or succeeding corporation (or an affiliate thereof), the Company may, with the consent of the acquiring or succeeding corporation, provide for the consideration to be received upon the exercise of Options to consist solely of common stock of the acquiring or succeeding corporation (or an affiliate thereof) equivalent in value (as determined by the Board) to the per share consideration received by holders of outstanding shares of Common Stock as a result of the Reorganization Event.

(3) *Consequences of a Reorganization Event on Restricted Stock Awards.* Upon the occurrence of a Reorganization Event other than a liquidation or dissolution of the Company, the repurchase and other rights of the Company under each outstanding Restricted Stock Award shall inure to the benefit of the Company's successor and shall, unless the Board determines otherwise, apply to the cash, securities or other property which the Common Stock was converted into or exchanged for pursuant to such Reorganization Event in the same manner and to the same extent as they applied to the Common Stock subject to such Restricted Stock Award. Upon the occurrence of a Reorganization Event involving the liquidation or dissolution of the Company, except to the extent specifically provided to the contrary in the instrument evidencing any Restricted Stock Award or any other agreement between a Participant and the Company, all restrictions and conditions on all Restricted Stock Awards then outstanding shall automatically be deemed terminated or satisfied.

(c) *Acquisition.* An "Acquisition" shall mean any (i) merger or consolidation in which the Company is a constituent party or a subsidiary of the Company is a constituent party and the Company issues shares of its capital stock pursuant to such merger or consolidation, which results in the voting securities of the Company outstanding immediately prior thereto representing immediately thereafter (either by remaining outstanding or by being converted into voting securities of the surviving or acquiring entity (the "Acquiror")) less than a majority of the combined voting power of the voting securities of the Company or the Acquiror outstanding immediately after such merger or consolidation or (ii) sale, transfer or other disposition of all or substantially all of the assets of the Company. The effect of an Acquisition on any Award granted under the Plan shall be specified in the agreement evidencing such Award.

10. *General Provisions Applicable to Awards.*

(a) *Transferability of Awards.* Awards (other than vested Restricted Stock Awards) shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an Incentive Stock Option, pursuant to a qualified domestic relations order, and, during the life of the Participant, shall be exercisable only by the Participant; provided, however, that the Board may permit or provide in an Award for the gratuitous transfer of the Award by the Participant to or for the benefit of any immediate family member, family trust or other entity established for the benefit of the Participant and/or an immediate family member thereof if, with respect to such proposed transferee, the Company would be eligible to use a Form S-8 for the registration of the sale of the Common Stock subject to such Award under the Securities Act of 1933, as amended; provided, further, that the Company shall not be required to recognize any such transfer until such time as the Participant and such permitted transferee shall, as a condition to such transfer, deliver to the Company a written instrument in form and substance satisfactory to the Company confirming that such transferee shall be bound by all of the terms and conditions of the Award. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees.

(b) *Documentation.* Each Award shall be evidenced in such form (written, electronic or otherwise) as the Board shall determine. Each Award may contain terms and conditions in addition to those set forth in the Plan.

(c) *Board Discretion.* Except as otherwise provided by the Plan, each Award may be made alone or in addition or in relation to any other Award. The terms of each Award need not be identical, and the Board need not treat Participants uniformly.

(d) *Termination of Status.* The Board shall determine the effect on an Award of the disability, death, termination of employment, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, or the Participant's legal representative, conservator, guardian or Designated Beneficiary, may exercise rights under the Award.

(e) *Withholding.* The Participant must satisfy all applicable federal, state, and local or other income and employment tax withholding obligations before the Company will deliver stock certificates or otherwise recognize ownership of Common Stock under an Award. The Company may decide to satisfy the withholding obligations through additional withholding on salary or wages. If the Company elects not to or cannot withhold from other compensation, the Participant must pay the Company the full amount, if any, required for withholding or have a broker tender to the Company cash equal to the withholding obligations. Payment of withholding obligations is due before the Company will issue any shares on exercise or release from forfeiture of an Award or, if the Company so requires, at the same time as is payment of the exercise price unless the Company determines otherwise. If provided for in an Award or approved by the Board in its sole discretion, a Participant may satisfy such tax obligations in whole or in part by delivery of shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their Fair Market Value; provided, however, except as otherwise provided by the Board, that the total tax withholding where stock is being used to satisfy such tax obligations cannot exceed the Company's minimum statutory withholding obligations (based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income). Shares surrendered to satisfy tax withholding requirements cannot be subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements.

(f) *Amendment of Award.* The Board may amend, modify or terminate any outstanding Award, including but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or realization, and converting an Incentive Stock Option to a Nonstatutory Stock Option, provided either (i) that the Participant's consent to such action shall be required unless the Board determines that the action, taking into account any related action, would not materially and adversely affect the Participant or (ii) that the change is permitted under Section 9 hereof.

(g) *Conditions on Delivery of Stock.* The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously delivered under the Plan until (i) all conditions of the Award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and any applicable stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

(h) *Acceleration.* The Board may at any time provide that any Award shall become immediately exercisable in full or in part, free of some or all restrictions or conditions, or otherwise realizable in full or in part, as the case may be.

(i) *Performance Awards.*

(1) *Grants.* Restricted Stock Awards and Other Stock Unit Awards under the Plan may be made subject to the achievement of performance goals pursuant to this Section 10(i) ("Performance Awards"), subject to the limit in Section 4(b)(1) on shares covered by such grants.

(2) *Committee.* Grants of Performance Awards to any Covered Employee intended to qualify as "performance-based compensation" under Section 162(m) ("Performance-Based Compensation") shall be made only by a Committee (or subcommittee of a Committee) comprised solely of two or more directors eligible to serve on a committee making Awards qualifying as "performance-based compensation" under Section 162(m). In the case of such Awards granted to Covered Employees, references to the Board or to a Committee shall be deemed to be references to such Committee or subcommittee. "Covered Employee" shall mean any person who is a "covered employee" under Section 162(m)(3) of the Code.

(3) *Performance Measures.* For any Award that is intended to qualify as Performance-Based Compensation, the Committee shall specify that the degree of granting, vesting and/or payout shall be subject to the achievement of one or more objective performance measures established by the Committee, which shall be based on the relative or absolute attainment of specified levels of one or any combination of the following: (a) net income, (b) earnings before or after discontinued operations, interest, taxes, depreciation and/or amortization, (c) operating profit before or after discontinued operations and/or taxes, (d) sales, (e) sales growth, (f) earnings growth, (g) cash flow or cash position, (h) gross margins, (i) stock price, (j) market share, (k) return on sales, assets, equity or investment, (l) improvement of financial ratings, (m) achievement of balance sheet or income statement objectives or (n) total stockholder return, and may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated. The Committee may specify that such performance measures shall be adjusted to exclude any one or more of (i) extraordinary items, (ii) gains or losses on the dispositions of discontinued operations, (iii) the cumulative effects of changes in accounting principles, (iv) the writedown of any asset, and (v) charges for restructuring and rationalization programs. Such performance measures: (i) may vary by Participant and may be different for different Awards; (ii) may be particular to a Participant or the department, branch, line of business, subsidiary or other unit in which the Participant works and may cover such period as may be specified by the Committee; and (iii) shall be set by the Committee within the time period prescribed by, and shall otherwise comply with the requirements of, Section 162(m). Awards that are not intended to qualify as Performance-Based Compensation may be based on these or such other performance measures as the Board may determine.

(4) *Adjustments.* Notwithstanding any provision of the Plan, with respect to any Performance Award that is intended to qualify as Performance-Based Compensation, the Committee may adjust downwards, but not upwards, the cash or number of Shares payable pursuant to such Award, and the Committee may not waive the achievement of the applicable performance measures except in the case of the death or disability of the Participant or a change in control of the Company.

(5) *Other.* The Committee shall have the power to impose such other restrictions on Performance Awards as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements for Performance-Based Compensation.

11. *Miscellaneous.*

(a) *No Right To Employment or Other Status.* No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan, except as expressly provided in the applicable Award.

(b) *No Rights As Stockholder.* Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed with respect to an Award until becoming the record holder of such shares.

(c) *Effective Date and Term of Plan.* The Plan shall become effective on the date the Plan is approved by the Company's stockholders (the "Effective Date"). No Awards shall be granted under the Plan after the completion of 10 years from the Effective Date, but Awards previously granted may extend beyond that date.

(d) *Amendment of Plan.* The Board may amend, suspend or terminate the Plan or any portion thereof at any time provided that (i) to the extent required by Section 162(m), no Award granted to a Participant that is intended to comply with Section 162(m) after the date of such amendment shall become exercisable, realizable or vested, as applicable to such Award, unless and until such amendment shall have been approved by the Company's stockholders if required by Section 162(m) (including the vote required under Section 162(m)); (ii) no amendment that would require stockholder approval under the rules of The NASDAQ Stock Market ("NASDAQ") may be made effective unless and until such amendment shall have been approved by the Company's stockholders; and (iii) if the NASDAQ amends its corporate governance rules so that such rules no longer require stockholder approval of "material amendments" to equity compensation plans, then, from and after the effective date of such amendment to the NASDAQ rules, no amendment to the Plan (A) materially increasing the number of shares authorized under the Plan (other than pursuant to Section 9), (B) expanding the types of Awards that may be granted under the Plan, or (C) materially expanding the class of participants eligible to participate in the Plan shall be effective unless stockholder approval is obtained. In addition, if at any time the approval of the Company's stockholders is required as to any other modification or amendment under Section 422 of the Code or any successor provision with respect to Incentive Stock Options, the Board may not effect such modification or amendment without such approval. Unless otherwise specified in the amendment, any amendment to the Plan adopted in accordance with this Section 11(d) shall apply to, and be binding on the holders of, all Awards outstanding under the Plan at the time the amendment is adopted, provided the Board determines that such amendment does not materially and adversely affect the rights of Participants under the Plan. No Award shall be made that is conditioned upon stockholder approval of any amendment to the Plan.

(e) *Provisions for Foreign Participants.* The Board may modify Awards or Options granted to Participants who are foreign nationals or employed outside the United States or establish subplans or procedures under the Plan to recognize differences in laws, rules, regulations or customs of such foreign jurisdictions with respect to tax, securities, currency, employee benefit or other matters.

(f) *Compliance With Code Section 409A.* No Award shall provide for deferral of compensation that does not comply with Section 409A of the Code, unless the Board, at the time of grant, specifically provides that the Award is not intended to comply with Section 409A of the Code. The Company shall have no liability to a Participant, or any other party, if an Award that is intended to be exempt from, or compliant with, Section 409A is not so exempt or compliant or for any action taken by the Board.

(g) *Governing Law.* The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, excluding choice-of-law principles of the law of such state that would require the application of the laws of a jurisdiction other than such state.

Exhibit 10.17

Sonus Networks, Inc.
4 Technology Park Drive
Westford, MA 01886

February 19, 2015

Mr. Raymond P. Dolan
By electronic delivery

Dear Ray:

I am pleased to provide you in this letter (the "Agreement") with the AMENDED AND RESTATED terms and conditions of your continued employment by Sonus Networks, Inc. (the "Company"). The principal purpose of this Agreement is to consolidate all of the changes that have been made to your employment terms since you joined the Company.

1. Position. The Company agrees to continue to employ you as its President and Chief Executive Officer, with the powers and duties consistent with such position. You will report to the Board of Directors of the Company (the "Board"). You will also remain a member of the Board, subject to re-election at the Company's annual meetings of stockholders.

2. Commencement Date/Nature of Relationship. Your employment commenced on October 11, 2010 (the "Commencement Date"). Employment at the Company is "at will" and either you or the Company may terminate the employment relationship at any time and for any reason or no reason, subject to the provisions of Section 7 below.

3. Compensation. During your employment with the Company, you will receive the following compensation:

(a) *Base Compensation*. Your base salary ("Base Salary") will be at the annualized rate of $600,000, less applicable state and federal withholdings, paid twice monthly in accordance with the Company's normal payroll practices. The Company will review your Base Salary on an annual basis and such Base Salary may be adjusted at the discretion of the Compensation Committee of the Board (the "Compensation Committee"); provided that you may elect to terminate your employment for Good Reason (as defined below) if the Compensation Committee reduces your Base Salary without your consent.

(b) *Target Bonus*. You will be eligible to participate in the Senior Management Cash Incentive Plan (or its successor) during each year you are employed by the Company, with a target bonus of 100% of your then-current annual Base Salary ("Target Bonus"). Specific objectives for your Target Bonus will be agreed upon with the Compensation Committee on or about January 1 with respect to an award for such year. Your annual Target Bonus will be paid as soon as practicable following the Company's public disclosure of its financial results for the applicable bonus year, but in no event later than April 15 of each such subsequent year.

(c) *Acquisition*. In the event of an Acquisition (as hereinafter defined): 50% of all unvested options and restricted shares will vest immediately upon the date of Acquisition; with respect to performance shares, all performance criteria will be deemed to have been met and 50% of all unvested performance shares will vest immediately upon the date of Acquisition; and the remaining unvested options, restricted shares and performance shares will continue to time vest according to their terms.

4. Benefits. During your employment with the Company, you will be entitled to the following benefits:

(a) You will be entitled to four (4) weeks of vacation per year. Unused vacation may be carried over each year during your employment or paid to you upon termination consistent with Company policy and limitations;

(b) You will be entitled to participate as an employee of the Company in all benefit plans and fringe benefits and perquisites generally provided to employees of the Company in accordance with Company policy, currently including group health, life and dental insurance, 401(k) program and equity incentive plans. The Company retains the right to change, add or cease any particular benefit for its employees; and

(c) The Company will reimburse you for all reasonable travel, business development, meals, entertainment and other expenses incurred by you in connection with the performance of your duties and obligations on behalf of the Company. You will comply with such limitations and reporting requirements with respect to expenses as may be established by the Company from time to time and will promptly provide all appropriate and requested documentation in connection with such expenses.

5. Confidentiality. The Company considers the protection of its confidential information, proprietary materials and goodwill to be very important. Therefore, as a condition of your employment, you and the Company became parties to a Noncompetition and Confidentiality Agreement as of the commencement of your employment, and such agreement remains in full force and effect.

6. Indemnity. As an executive of the Company, the Company provided you with an Indemnity Agreement that you and the Company entered into as of the commencement of your employment, and such agreement remains in full force and effect.

7. Termination and Eligibility for Severance. You will be eligible to receive the termination and severance benefits set forth in this Section 7 unless your employment is terminated by the Company for Cause (as defined below) or you resign from employment other than for Good Reason (as defined below).

(a) In the event the Company terminates your employment for any reason other than Cause, your employment terminates due to your death or Disability (as defined below), or you terminate your employment for Good Reason, and subject to your execution of a comprehensive release as set forth in Section 7(b) below, you (or your estate or your successors and assigns, as the case may be) will be eligible to receive the following severance and related post-termination benefits:

i. a lump sum payment equal to one and one half (1.5) times your then annual Base Salary payable at the time of termination, unless the termination follows an Acquisition, in which case you will receive two (2) times your then annual Base Salary;

ii. one and one half (1.5) times your then Target Bonus payable in a lump sum at the time of termination, unless the termination follows an Acquisition, in which case you will receive two (2) times your then Target Bonus;

iii. continuation of payment of the Company's share of medical, dental and vision insurance premiums for you and your dependents for the eighteen (18) month period following the termination of your employment; provided, that if immediately prior to the termination of your employment you were required to contribute towards the cost of premiums as a condition of receiving such insurance, you may be required to continue contributing towards the cost of such premiums under the same terms and conditions as applied to you and your dependents immediately prior to the termination of your employment in order to receive such continued insurance coverage;

iv. any allowable unreimbursed expenses, any accrued but unused vacation pay, and any earned but unpaid bonus amounts owing to you at the time of termination;

v. any options that are unvested as of the termination date and that would vest during the twenty-four (24) months following your termination will accelerate and immediately vest and become exercisable upon termination, in accordance with the terms of the applicable stock option agreement; provided that if your termination under this Section 7(a) occurs in contemplation of, upon or after an Acquisition, then all unvested options at that time will fully accelerate and immediately vest on the termination date;

vi. all options that are vested as of the termination date, including those options subject to accelerated vesting pursuant to Section 7(a)(v) above, will remain outstanding and exercisable for the shorter of five (5) years from your termination date or the original remaining life of such options;

vii. any restricted shares that are unvested as of the termination date and that would vest during the twenty-four (24) months following your termination will accelerate and immediately vest upon termination and such shares will be freely marketable; provided that if your termination under this Section 7(a) occurs in contemplation of, upon or after an Acquisition, then all unvested restricted shares at that time will fully accelerate, immediately vest upon termination and be freely marketable; and

viii. any performance shares that are unvested as of the termination date will be treated as follows: Any remaining performance criteria will be deemed to have been met, and all shares that would subsequently time vest during the twenty-four (24) months following your termination will accelerate and immediately vest upon termination and such shares will be freely marketable; provided that if your termination under this Section 7(a) occurs in contemplation of, upon or after an Acquisition, then all unvested performance shares at that time will fully accelerate, immediately vest upon termination and be freely marketable.

(b) The Company's provision of the benefits described in Section 7(a) above will be contingent upon your execution of a release of all claims in favor of the Company in a form to be provided by the Company (the "Release Agreement"), which Release Agreement must be delivered to the Company within twenty-one (21) days following the termination of your employment. The lump sum payment described in Section 7(a) above will be made on the eighth (8th) day following the Company's receipt of the executed Release Agreement and the expiration of any revocation period described in the Release Agreement. The Company will have no further obligation to you in the event your employment with the Company terminates at any time, other than those obligations specifically set forth in this Section 7.

(c) The Company may terminate your employment at any time with or without Cause by written notice to you specifying the date of termination. You may terminate your employment with or without Good Reason by providing written notice to the Company at least thirty (30) days prior to the date of termination, specifying the basis for your claim of Good Reason. If you seek to terminate your employment for Good Reason, the Company will have ten (10) days following its receipt of written notice of termination to cure the circumstance giving rise to Good Reason. Upon a termination for Cause by the Company or upon a termination without Good Reason, you will be entitled to accrued but unpaid Base Salary and benefits through the date of termination only.

(d) Definitions:

i. An "*Acquisition*" as used in this Agreement will mean any of the following: (A) any "person," as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than the Company or its affiliates), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company or you) representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities; (B) in the event that the individuals who as of the date hereof constitute the Board, and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the Board then still in office who either were members of the Board as of the date hereof or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof; (C) the consummation of a merger or consolidation of the Company with or the sale of the Company to any other entity and, in connection with such merger, consolidation or sale, individuals who constitute the Board immediately prior to the time any agreement to effect such merger or consolidation is entered into fail for any reason to constitute at least a majority of the board of directors of the surviving/purchasing or acquiring entity following the consummation of such merger, consolidation or sale; (D) the stockholders of the Company approve a plan of complete liquidation of the Company; or (E) the consummation of the sale or disposition by the Company of all or substantially all of the Company's assets to an entity not controlled by the Company.

ii. "*Cause*" as used in this Agreement means the occurrence of any of the following: (A) gross negligence or willful misconduct by you in the performance of your duties that is likely to have a material adverse effect on the Company or its reputation; (B) your indictment for, formal admission to (including a plea of guilty or *non contendere* to), or conviction of (1) a felony, (2) a crime of moral turpitude, dishonesty, breach of trust or unethical business conduct, or (3) any crime involving the Company; (C) your commission of an act of fraud or dishonesty in the performance of your duties; (D) repeated failure by you to perform your duties, which are reasonably and in good faith requested in writing by the Board of Directors of the Company; (E) material breach of this Agreement by you, which you do not cure within ten (10) days following receipt by you of written notice of such breach; or (F) material breach of any written agreement between you and the Company, including, without limitation, the Noncompetition and Confidentiality Agreement, that you fail to remedy within ten (10) days following written notice from the Company.

iii. "*Disability*" means an illness (mental or physical) or accident, which results in you being unable to perform your duties as an employee of the Company for a period of one hundred eighty (180) days, whether or not consecutive, in any twelve (12) month period.

iv. "*Good Reason*" means (A) a material breach of this Agreement by the Company, which breach is not cured by the Company within ten (10) days following receipt of written notice thereof from you; provided, however, that the Company may only utilize its cure right two (2) times hereunder; (B) the relocation of the Company's headquarters such that the distance from your residence to the Company's headquarters is increased by more than forty (40) miles compared to the distance to the Company's current headquarters in Westford, Massachusetts; (C) a reduction in your then annual Base Salary without your approval; (D) the assignment to you of a lower position in the organization in terms of your title, responsibility, authority or status without your approval; or (E) your ceasing to be a member of the Board for any reason other than your death, Disability, termination for Cause hereunder, resignation as an employee or director, refusal to stand for re-election to the Board or the failure to be elected by the stockholders after being nominated and recommended by the Board.

(e) *Tax Implications of Termination Payments.* Subject to this Section 7(e), any payments or benefits required to be provided under Section 7 will be provided only upon the date of a "separation from service" with the Company as defined under Section 409A of the U.S. Internal Revenue Code of 1986, as amended, and the guidance issued thereunder ("Section 409A"), which occurs or after the date of termination under this Section 7. The following rules will apply with respect to distribution of the payments and benefits, if any, to be provided to you under Section 7:

i. It is intended that each installment of the payments and benefits provided under Section 7 will be treated as a separate "payment" for purposes of Section 409A. Neither the Company nor you will have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409A.

ii. If, as of the date your "separation from service" with the Company, you are not a "specified employee" (each within the meaning of Section 409A), then each installment of the payments and benefits will be made on the dates and terms set forth in Section 7.

iii. If, as of the date of your "separation from service" with the Company, you are a "specified employee" (each, for purposes of this Agreement, within the meaning of Section 409A), then:

A. Each installment of the payments and benefits due under Section 7 that, in accordance with the dates and terms set forth herein, will in all circumstances, regardless of when the separation from service occurs, be paid within the short-term deferral period (as defined for the purposes of Section 409A) will be treated as a short-term deferral within the meaning of Treasury Regulation Section 1.409A-1(b)(4) to the maximum extent permissible under Section 409A; and

B. Each installment of the payments and benefits due under Section 7 that is not paid within the short-term deferral period or otherwise cannot be treated as a short-term deferral within the meaning of Treasury Regulation Section 1.409A-1(b)(4) and that would, absent this subsection, be paid within the six-month period following your "separation from service" with the Company will not be paid until the date that is six months and one day after such separation from service (or, if earlier, your death), with any such installments that are required to be delayed being accumulated during the six-month period and paid in a lump sum on the date that is six months and one day following your separation from service and any subsequent installments, if any, being paid in accordance with the dates and terms set forth herein; provided, however, that the preceding provisions of this sentence will not apply to any installment of payments if and to the maximum extent that that such installment is deemed to be paid under a separation pay plan that does not provide for a deferral of compensation by reason of the application of Treasury Regulation 1.409A-1(b)(9)(iii) (relating to separation pay upon an involuntary separation from service). Any installments that qualify for the exception under Treasury Regulation Section 1.409A-1(b)(9)(iii) must be paid no later than the last day of the second taxable year following the taxable year in which your separation from service occurs.

8. Section 409A of the Code. This Agreement is intended to comply with the provisions of Section 409A and this Agreement will, to the extent practicable, be construed in accordance therewith. Terms used in this Agreement will have the meanings given such terms under Section 409A if and to the extent required in order to comply with Section 409A. Notwithstanding the foregoing, to the extent that this Agreement or any payment or benefit hereunder will be deemed not to comply with Section 409A, then neither the Company, the Board nor any of its or their respective designees or agents will be liable to you or any other person for any actions, decisions or determinations made in good faith.

9. No Mitigation. The parties hereto agree that you will not be required to mitigate damages in respect of any termination benefit or payment due under this Agreement, nor will any such benefit or payment be offset by any future compensation or income received by you from any other source.

10. Provision of Benefits. Should the continuation of any benefits to be provided to you following the termination of your employment hereunder be unavailable under the Company's benefit plans for any reason, the Company will pay for you to receive such benefits under substantially similar plans from similar third party providers.

11. Other Agreements. You represent and warrant to the Company that you are not bound by any agreement with a previous employer or other party which you would in any way violate by performing your duties as an employee of the Company. You further represent and warrant that, in the performance of your duties with the Company, you will not utilize or disclose any confidential information in breach of an agreement with a previous employer or any other party.

12. Assignment. This Agreement is personal in nature and neither of the parties hereto will, without the written consent of the other, assign or otherwise transfer this Agreement or its obligations, duties and rights under this Agreement; provided, however, that in the event of the merger, consolidation, transfer or sale of all or substantially all of the assets of the Company, this Agreement will, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor will discharge and perform all of the promises, covenants, duties and obligations of the Company hereunder.

13. General.

(a) *Entire Agreement; Modification.* This Agreement contains the entire agreement of the parties relating to the subject matter hereof, and the parties hereto have made no agreements, representations or warranties relating to the subject matter of this Agreement that are not set forth otherwise herein. This Agreement supersedes any and all prior agreements, written or oral, between you and the Company. No modification of this Agreement will be valid unless made in writing and signed by the parties hereto.

(b) *Severable Provisions*. This provisions of this Agreement are severable and if any one or more provisions may be determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions of this Agreement will nevertheless be binding and enforceable. Notwithstanding the foregoing, if there are any conflicts between the terms of this Agreement and the terms of any Company equity incentive plan document referred to in this Agreement, then the terms of this Agreement will govern and control. Except as modified hereby, this Agreement will remain unmodified and in full force and effect.

(c) *Governing Law*. This Agreement will be governed by and interpreted in accordance with the laws of the Commonwealth of Massachusetts, without regard to the conflict of laws provisions hereof.

(d) *Arbitration*.

i. Any controversy, dispute or claim arising out of or relating to this Agreement or the breach hereof which cannot be settled by mutual agreement will be finally settled by binding arbitration in Boston, Massachusetts, under the jurisdiction of the American Arbitration Association, before a single arbitrator appointed in accordance with the arbitration rules of the American Arbitration Association, modified only as herein expressly provided. The arbitrator may enter a default decision against any party who fails to participate in the arbitration proceedings.

ii. The decision of the arbitrator on the points in dispute will be final, non-appealable and binding, and judgment on the award may be entered in any court having jurisdiction thereof.

iii. Except as otherwise provided in this Agreement, all the fees and expenses of the arbitrator will be borne by the Company, and each party will bear the fees and expenses of its own attorney.

iv. The parties agree that this Section 13(d) has been included to rapidly and inexpensively resolve any disputes between them with respect to this Agreement, and that this Section 13(d) will be grounds for dismissal of any court action commenced by either party with respect to this Agreement, other than post-arbitration actions seeking to enforce an arbitration award or actions seeking an injunction or temporary restraining order. In the event that any court determines that this arbitration procedure is not binding, or otherwise allows any litigation regarding a dispute, claim, or controversy covered by this Agreement to proceed, the parties hereto hereby waive any and all right to a trial by jury in or with respect to such litigation.

v. The parties will keep confidential, and will not disclose to any person, except as may be required by law, the existence of any controversy hereunder, the referral of any such controversy to arbitration or the status or resolution thereof.

(e) *Notices.* All notices will be in writing and will be delivered personally (including by courier), sent by facsimile transmission (with appropriate documented receipt thereof), by overnight receipted courier service (such as UPS or Federal Express) or sent by certified, registered or express mail, postage prepaid, to the Company at the following address: General Counsel, Sonus Networks, Inc., 4 Technology Park Drive, Westford, MA 01886, and to you at the address in your then-current employment records. Any such notice will be deemed given when so delivered personally, or if sent by facsimile transmission, when transmitted, or, if by certified, registered or express mail, postage prepaid mailed, forty-eight (48) hours after the date of deposit in the mail. Any party may, by notice given in accordance with this paragraph to the other party, designate another address or person for receipt of notices hereunder.

(f) *Counterparts.* This Agreement may be executed in more than one counterpart, each of which will be deemed to be an original, and all such counterparts together will constitute one and the same instrument.

(g) *Survival*. All terms of this Agreement, which by their nature extend beyond its termination, will remain in effect until fulfilled and apply to the parties' respective successors and assigns.

14. Acceptance. You may accept the amended and restated terms and conditions described herein by confirming your acceptance in writing. Please send your countersignature to this Agreement to the Company, or via e-mail to Jeff Snider, which execution will evidence your agreement with the terms and conditions set forth herein.

Very truly yours,

/s/ John A. Schofield

John A. Schofield
Chairman, Compensation Committee

Accepted by:

/s/ Raymond P. Dolan	February 23, 2015
Raymond P. Dolan	Date

EXHIBIT 21.1

SONUS NETWORKS, INC.
SUBSIDIARIES OF THE REGISTRANT

Name	Jurisdiction of Incorporation
Sonus International, Inc.	Delaware
Network Equipment Technologies, Inc.	Delaware
N.E.T. APLA, Inc.	Delaware
Quintum Technologies, LLC	Delaware
Sonus Federal, Inc.	Delaware
Sonus Securities Corp.	Massachusetts
Sonus Networks Australia Pty Ltd.	Australia
Sonus Networks Corp.	Canada
Sonus Networks s.r.o.	Czech Republic
Sonus Networks EURL	France
Sonus Networks GmbH	Germany
Sonus Networks (HK) Limited	Hong Kong
Quintum Technologies (Hong Kong) Ltd.	Hong Kong
Sonus Networks India Private Limited	India
Sonus Networks Trading Private Limited	India
Nihon Sonus Networks K.K.	Japan
Sonus Networks Koreas LLC	Korea
Sonus Networks Malaysia Sdn. Bhd.	Malaysia
Westford Networks Mexico, S. de R.L. de C.V.	Mexico
Sonus Networks (Shanghai) Limited	Shanghai, PRC
Sonus Networks Pte. Ltd.	Singapore
N.E.T. Southeast Asia Pte. Ltd.	Singapore
Sonus Networks España, S.R.L.	Spain
Sonus Networks Switzerland GmbH	Switzerland
Sonus Networks Ltd.	United Kingdom
N.E.T. Europe Ltd.	United Kingdom
Performance Technologies UK Ltd.	United Kingdom

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-61940, 333-66982, and 333-194701 on Form S-3 and Registration Statement Nos. 333-43334, 333-53970, 333-54932, 333-105215, 333-124777, 333-150022, 333-163684, 333-170285, 333-183562, 333-190318, and 333-194207 on Form S-8 of our reports dated February 25, 2015, relating to the financial statements of Sonus Networks, Inc. and subsidiaries (the Company), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Sonus Networks, Inc. for the year ended December 31, 2014.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
February 25, 2015

EXHIBIT 31.1

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Raymond P. Dolan, certify that:

1. I have reviewed this Annual Report on Form 10-K of Sonus Networks, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2015

/s/ RAYMOND P. DOLAN

Raymond P. Dolan
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark T. Greenquist, certify that:

1. I have reviewed this Annual Report on Form 10-K of Sonus Networks, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2015

/s/ MARK T. GREENQUIST

Mark T. Greenquist
Chief Financial Officer (Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Sonus Networks, Inc. (the "Company") for the period ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Raymond P. Dolan, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2015

/s/ RAYMOND P. DOLAN

Raymond P. Dolan
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Sonus Networks, Inc. (the "Company") for the period ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Mark T. Greenquist, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2015

/s/ MARK T. GREENQUIST

Mark T. Greenquist
Chief Financial Officer
(Principal Financial Officer)