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

FORM 10-Q

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

For the quarterly period ended June 30, 2010

OR

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

For the transition period from to

Commission File Number 001-34115

SONUS NETWORKS, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	04-3387074 (I.R.S. employer identification no.)
--	--

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

(978) 614-8100
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
		<small>(Do not check if a smaller reporting company)</small>	

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

As of July 26, 2010, there were 275,220,150 shares of the registrant's common stock, \$0.001 par value, outstanding.

SONUS NETWORKS, INC.
FORM 10-Q
QUARTER ENDED JUNE 30, 2010

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

SONUS NETWORKS, INC.

Condensed Consolidated Balance Sheets

(in thousands, except share data)

(unaudited)

	June 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 103,788	\$ 125,323
Marketable securities	249,393	239,223
Accounts receivable, net of allowance for doubtful accounts of \$392 and \$666 at June 30, 2010 and December 31, 2009, respectively	40,188	47,998
Inventory, net	21,181	21,925
Deferred income taxes	669	562
Other current assets	20,394	17,508
Total current assets	<u>435,613</u>	<u>452,539</u>
Property and equipment, net	14,355	14,646
Intangible assets, net	2,065	341
Goodwill	5,053	5,053
Investments	66,474	49,598
Deferred income taxes	780	711
Other assets	22,623	17,849
	<u>\$ 546,963</u>	<u>\$ 540,737</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 18,619	\$ 5,337
Accrued expenses	17,584	19,292
Current portion of deferred revenue	57,141	74,748
Current portion of long-term liabilities	484	753
Total current liabilities	<u>93,828</u>	<u>100,130</u>
Deferred revenue	31,703	25,242
Long-term liabilities	1,042	1,127
Total liabilities	<u>126,573</u>	<u>126,499</u>
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 5,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.001 par value; 600,000,000 shares authorized; 277,511,919 and 276,792,897 shares issued; 275,215,009 and 274,495,987 shares outstanding at June 30, 2010 and December 31, 2009, respectively	278	277
Additional paid-in capital	1,292,492	1,286,326
Accumulated deficit	(878,633)	(878,810)
Accumulated other comprehensive income	6,520	6,712
Treasury stock, at cost; 2,296,910 common shares	(267)	(267)
Total stockholders' equity	<u>420,390</u>	<u>414,238</u>
	<u>\$ 546,963</u>	<u>\$ 540,737</u>

See notes to the condensed consolidated financial statements.

SONUS NETWORKS, INC.

Condensed Consolidated Statements of Operations

(in thousands, except per share data)

(unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Revenue:				
Product	\$ 36,796	\$ 36,320	\$ 73,074	\$ 55,723
Service	24,385	25,287	50,515	46,896
Total revenue	61,181	61,607	123,589	102,619
Cost of revenue:				
Product	10,826	10,747	23,127	16,881
Service	11,842	10,568	23,771	22,231
Total cost of revenue	22,668	21,315	46,898	39,112
Gross profit	38,513	40,292	76,691	63,507
Operating expenses:				
Research and development	15,106	15,501	30,046	31,854
Sales and marketing	12,392	12,344	25,986	24,491
General and administrative	10,971	10,186	21,115	20,681
Restructuring	—	(7)	—	1,977
Total operating expenses	38,469	38,024	77,147	79,003
Income (loss) from operations	44	2,268	(456)	(15,496)
Interest expense	(30)	8	(43)	(71)
Interest income	466	1,077	981	2,726
Other income (expense), net	1	19	11	12
Income (loss) before income taxes	481	3,372	493	(12,829)
Income tax (provision) benefit	(170)	1,011	(316)	985
Net income (loss)	\$ 311	\$ 4,383	\$ 177	\$ (11,844)
Earnings (loss) per share:				
Basic	\$ —	\$ 0.02	\$ —	\$ (0.04)
Diluted	\$ —	\$ 0.02	\$ —	\$ (0.04)
Shares used to compute earnings (loss) per share:				
Basic	275,051	273,543	274,877	273,320
Diluted	276,314	273,768	276,038	273,320

See notes to the condensed consolidated financial statements.

SONUS NETWORKS, INC.

Condensed Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Six months ended	
	June 30,	
	2010	2009
Cash flows from operating activities:		
Net income (loss)	\$ 177	\$ (11,844)
Adjustments to reconcile net income (loss) to cash flows provided by operating activities:		
Depreciation and amortization of property and equipment	4,804	5,004
Amortization of intangible assets	276	153
Stock-based compensation	5,698	6,750
Loss on disposal of property and equipment	59	15
Deferred income taxes	—	(208)
Changes in operating assets and liabilities:		
Accounts receivable	7,778	37,714
Inventory	(5,201)	(5,204)
Other operating assets	261	(13,472)
Accounts payable	12,989	1,204
Accrued expenses	(1,828)	(11,275)
Accrued litigation settlements	—	(100)
Deferred revenue	(11,181)	3,645
Net cash provided by operating activities	<u>13,832</u>	<u>12,382</u>
Cash flows from investing activities:		
Purchases of property and equipment	(4,276)	(3,352)
Purchase of intangible assets	(2,000)	—
Purchases of marketable securities	(168,953)	(61,926)
Sale/maturities of marketable securities	139,620	153,738
Increase in restricted cash	—	(9,500)
Net cash provided by (used in) investing activities	<u>(35,609)</u>	<u>78,960</u>
Cash flows from financing activities:		
Sale of common stock in connection with employee stock purchase plan	609	529
Proceeds from exercise of stock options	61	1
Payment of tax withholding obligations related to net share settlements of restricted stock awards	(257)	(287)
Principal payments of capital lease obligations	(110)	(124)
Net cash provided by financing activities	<u>303</u>	<u>119</u>
Effect of exchange rate changes on cash and cash equivalents	(61)	407
Net increase (decrease) in cash and cash equivalents	(21,535)	91,868
Cash and cash equivalents, beginning of year	125,323	122,207
Cash and cash equivalents, end of period	<u>\$ 103,788</u>	<u>\$ 214,075</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 43	\$ 71
Income taxes paid	\$ 677	\$ 411
Income tax refunds received	\$ 429	\$ 545
Supplemental disclosure of non-cash investing activities:		
Capital expenditures incurred, but not yet paid	\$ 1,191	\$ 596
Property and equipment acquired under capital lease	\$ —	\$ 151

See notes to the condensed consolidated financial statements.

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(1) BASIS OF PRESENTATION

Business

Sonus Networks, Inc. ("Sonus" or the "Company") was incorporated in 1997 and is a leading provider of voice, video and data infrastructure solutions for wireline and wireless service providers. The Company's infrastructure solutions allow such wireline and wireless operators to build converged voice over Internet Protocol ("IP") networks. Sonus' products include carrier-class infrastructure equipment and software that enables voice services to be delivered over IP packet-based networks. The Company's target customers include both 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.

Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting only of normal recurring items, necessary for their fair presentation in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and the rules and regulations of the U.S. Securities and Exchange Commission ("SEC").

Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2009 ("Annual Report") filed on February 25, 2010 with the SEC and Amendment No. 1 to the Annual Report filed on April 27, 2010 with the SEC.

Principles of Consolidation

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

Use of Estimates and Judgments

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 financial statements include revenue recognition for multiple element arrangements, allowances for doubtful accounts, inventory reserves, expected future cash flows used to evaluate the recoverability of long-lived assets, contingencies associated with revenue contracts, assumptions used to determine the fair value of stock-based compensation, assumptions used to determine the fair value of purchased intangible assets, contingent liabilities and recoverability of the Company's net deferred tax assets and related valuation allowance. 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.

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(1) BASIS OF PRESENTATION (Continued)

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, which include cash equivalents, marketable securities, investments, accounts receivable, accounts payable and long-term liabilities, approximate their fair values.

Foreign Currency Translation

The Company recorded net losses on foreign currency remeasurement and transactions of \$0.6 million and \$0.8 million for the three months ended June 30, 2010 and 2009, respectively. These amounts include \$0.6 million of losses and \$1.8 million of gains in the three months ended June 30, 2010 and 2009, respectively, related to the Company's remeasurement of its U.S. dollar foreign subsidiaries.

The Company recorded net losses on foreign currency remeasurement and transactions of \$0.8 million and \$1.2 million for the six months ended June 30, 2010 and 2009, respectively. These amounts include \$1.4 million of losses and \$1.3 million of gains in the six months ended June 30, 2010 and 2009, respectively, related to the Company's remeasurement of its U.S. dollar foreign subsidiaries.

Foreign currency gains and losses are included as a component of General and administrative expenses in the condensed consolidated statements of operations.

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.

Recent Accounting Pronouncements

In October 2009, the FASB issued an update to *Certain Arrangements that Include Software Elements*. This update removes tangible products from the scope of software revenue guidance and provides guidance on determining whether software deliverables in an arrangement that includes a tangible product are covered by the scope of the software revenue guidance. This update will require the Company to account for many of its multiple-element arrangements as non-software transactions and could impact the timing of revenue recognized in a reporting period. This update is effective for the Company beginning January 1, 2011, although early adoption is permitted, and adoption can be applied prospectively or retrospectively. The Company is currently evaluating the effect that implementation of this update will have on its consolidated financial position and results of operations upon adoption.

In October 2009, the FASB issued an update to the accounting guidance related to the separation criteria used to determine the unit of accounting for multiple-element arrangements. This update removes the objective-and-reliable-evidence-of-fair-value criterion from the separation criteria used to

SONUS NETWORKS, INC.**Notes to Condensed Consolidated Financial Statements (Continued)****(Unaudited)****(1) BASIS OF PRESENTATION (Continued)**

determine whether an arrangement involving multiple deliverables contains more than one unit of accounting, replaces references to "fair value" with "selling price" to distinguish from the fair value measurements required under ASC 820, provides a hierarchy that entities must use to estimate the selling price, eliminates the use of the residual method for allocation and expands the ongoing disclosure requirements. This guidance is effective for the Company beginning January 1, 2011, although early adoption is permitted, and adoption can be applied prospectively or retrospectively. The Company is currently evaluating the effect that implementation of this update will have, if any, on its consolidated financial position and results of operations upon adoption.

(2) REVENUE RECOGNITION

The Company's products are primarily marketed based on the software elements contained therein. In addition, hardware sold generally cannot be used apart from the software. Therefore, Sonus considers its principal products to be software-related. Sonus recognizes revenue from product sales when persuasive evidence of an arrangement exists, delivery has occurred, the sale price is fixed or determinable, and collectibility of the related receivable is probable under customary payment terms. When the Company has future obligations, including a requirement to deliver additional elements that are essential to the functionality of the delivered elements or for which vendor-specific objective evidence of fair value ("VSOE") does not exist or when customer acceptance is required, Sonus defers revenue recognition and related costs until those obligations are satisfied. The ordering patterns and sales lead times associated with customer orders may vary significantly from period to period.

Many of the Company's sales involve complex multiple-element arrangements. When a sale includes multiple elements, such as products, maintenance and/or professional services, Sonus recognizes revenue using the residual method. Revenue associated with elements for which VSOE has been established is recorded based on the VSOE value; revenue for any undelivered elements that are considered not essential to the functionality of the product and for which VSOE has been established is deferred based on the VSOE value, and any remaining arrangement fee is then allocated to, and recognized as, product revenue. VSOE is determined based upon the price charged when the same element is sold separately or established by management having the relevant pricing authority. If Sonus cannot establish VSOE for each undelivered element, including specified upgrades, it defers revenue on the entire arrangement until VSOE for all undelivered elements is known or all elements are delivered and all other revenue recognition criteria are met.

Revenue from maintenance and support services is recognized ratably over the service period. Earned 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 installation services is generally recognized when the service is complete and all other revenue recognition criteria have been met. Revenue from other professional services for which VSOE has been established is typically recognized as the services are delivered if all other revenue recognition criteria have been met.

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(2) REVENUE RECOGNITION (Continued)

Revenue from consulting, custom development and other professional services-only engagements is recognized as services are rendered provided all other revenue recognition criteria have been met.

The Company records deferred revenue for products delivered or services performed for which collection of the amount billed is either probable or has been collected but other revenue recognition criteria have not been met. Deferred revenue also includes customer deposits and amounts associated with maintenance contracts. Deferred revenue expected to be recognized as revenue more than one year subsequent to the balance sheet date is reported with 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.

The Company sells the majority of its products directly to its service provider customers. For products sold to resellers and distributors with whom the Company has at least eight quarters of consistent history regarding the potential for product returns or refunds or any form of concession, the Company recognizes revenue on a sell-in basis. For all other resellers and distributors, the Company recognizes revenue on a sell-through basis.

Beginning in the fourth quarter of fiscal 2008, the Company concluded that it no longer had sufficient evidence of VSOE on maintenance services for AT&T Inc. ("AT&T"), one of its largest customers. Therefore, all revenue related to multiple-element arrangements for this customer entered into beginning in the fourth quarter of fiscal 2008 is being recognized ratably over the maintenance period. Revenue recognition on multiple-element arrangements with this customer will begin when the only undelivered element of the arrangement is maintenance. Beginning in the fourth quarter of 2008, for orders from AT&T that contain bundled product and maintenance, the Company has allocated a fixed percentage (which represents the maintenance renewal rate for its largest customers for which the Company has VSOE) of the arrangement fee to service revenue with the residual amount classified as product revenue. The Company has and will continue to apply this methodology on a consistent basis. At June 30, 2010, Other current assets included \$1.1 million of deferred product costs related to arrangements with AT&T in which both the revenue and product costs are being recognized ratably. At June 30, 2010 and December 31, 2009, Other assets included \$2.0 million and \$3.9 million, respectively, of deferred product costs related to arrangements with this customer in which both the revenue and product costs are being recognized ratably.

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 is recorded as revenue.

(3) 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.

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(3) EARNINGS (LOSS) PER SHARE (Continued)

The calculations of shares used to compute basic and diluted earnings (loss) per share for the three and six months ended June 30, 2010 and 2009 are as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Weighted average shares outstanding—basic	275,051	273,543	274,877	273,320
Potential dilutive common shares	1,263	225	1,161	—
Weighted average shares outstanding— diluted	<u>276,314</u>	<u>273,768</u>	<u>276,038</u>	<u>273,320</u>

Options to purchase the Company's common stock aggregating approximately 19.7 million and 34.3 million shares of common stock have not been included in the computation of diluted earnings per share for the three months ended June 30, 2010 and 2009, respectively, because the options' exercise prices were greater than the average market price for the common stock and their effect would have been antidilutive. Options to purchase the Company's common stock aggregating approximately 21.3 million shares of common stock have not been included in the computation of diluted earnings per share for the six months ended June 30, 2010 because the options' exercise prices were greater than the average market price for the common stock and their effect would have been antidilutive. Options to purchase the Company's common stock, unvested shares of restricted stock and performance-based stock awards aggregating approximately 35.8 million shares of common stock have not been included in the computation of diluted loss per share for the six months ended June 30, 2009 because their effect would have been antidilutive.

(4) COMPREHENSIVE INCOME (LOSS)

The Company's comprehensive income (loss) for the three and six months ended June 30, 2010 and 2009 is as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Net income (loss)	\$ 311	\$ 4,383	\$ 177	\$ (11,844)
Other comprehensive income (loss):				
Foreign currency translation adjustments	144	245	158	(11)
Unrealized loss on available-for-sale marketable securities, net of tax	(175)	190	(350)	(606)
Comprehensive income (loss)	<u>\$ 280</u>	<u>\$ 4,818</u>	<u>\$ (15)</u>	<u>\$ (12,461)</u>

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(5) CASH EQUIVALENTS, MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

Cash equivalents and marketable securities are invested 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.

The amortized cost, gross unrealized gains and losses and fair value of the Company's marketable debt and equity securities and investments at June 30, 2010 and December 31, 2009 were comprised of the following (in thousands):

	June 30, 2010			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Cash equivalents	\$ 64,288	\$ —	\$ —	\$ 64,288
<i>Marketable securities</i>				
U.S. government agency notes	\$ 95,909	\$ 108	\$ (5)	\$ 96,012
Foreign government notes	5,345	3	(7)	5,341
Corporate debt securities	71,934	71	(59)	71,946
Commercial paper	42,849	1	(1)	42,849
Certificates of deposit	33,250	8	(13)	33,245
	<u>\$ 249,287</u>	<u>\$ 191</u>	<u>\$ (85)</u>	<u>\$ 249,393</u>
<i>Investments</i>				
U.S. government agency notes	\$ 17,809	\$ 61	\$ —	\$ 17,870
Foreign government notes	1,093	—	(1)	1,092
Corporate debt securities	47,606	36	(130)	47,512
	<u>\$ 66,508</u>	<u>\$ 97</u>	<u>\$ (131)</u>	<u>\$ 66,474</u>
	December 31, 2009			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Cash equivalents	\$ 95,845	\$ —	\$ (2)	\$ 95,843
<i>Marketable securities</i>				
Municipal obligations	\$ 4,999	\$ —	\$ —	\$ 4,999
U.S. government agency notes	86,534	231	(11)	86,754
Corporate debt securities	77,843	294	(67)	78,070
Commercial paper	44,567	15	(5)	44,577
Certificates of deposit	24,801	34	(12)	24,823
	<u>\$ 238,744</u>	<u>\$ 574</u>	<u>\$ (95)</u>	<u>\$ 239,223</u>
<i>Investments</i>				
U.S. government agency notes	\$ 6,444	\$ 13	\$ (2)	\$ 6,455
Corporate debt securities	43,209	40	(106)	43,143
	<u>\$ 49,653</u>	<u>\$ 53</u>	<u>\$ (108)</u>	<u>\$ 49,598</u>

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(5) CASH EQUIVALENTS, MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS (Continued)

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 June 30, 2010 and December 31, 2009. These financial assets are comprised of the Company's available-for-sale debt and

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(5) CASH EQUIVALENTS, MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS (Continued)

equity securities and reported under the captions Cash and cash equivalents, Marketable securities and Investments in the condensed consolidated balance sheets (in thousands):

	Total carrying value at June 30, 2010	Fair value measurements at June 30, 2010 using:		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	\$ 64,288	\$ 60,283	\$ 4,005	\$ —
<i>Marketable securities</i>				
U.S. government agency notes	\$ 96,012	\$ —	\$ 96,012	\$ —
Foreign government notes	5,341	—	5,341	—
Corporate debt securities	71,946	49,318	22,628	—
Commercial paper	42,849	—	42,849	—
Certificates of deposit	33,245	—	33,245	—
	<u>\$ 249,393</u>	<u>\$ 49,318</u>	<u>\$ 200,075</u>	<u>\$ —</u>
<i>Investments</i>				
U.S. government agency notes	\$ 17,870	\$ —	\$ 17,870	\$ —
Foreign government notes	1,092	—	1,092	—
Corporate debt securities	47,512	26,319	21,193	—
	<u>\$ 66,474</u>	<u>\$ 26,319</u>	<u>\$ 40,155</u>	<u>\$ —</u>

	Total carrying value at December 31, 2009	Fair value measurements at December 31, 2009 using:		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	\$ 95,843	\$ 88,645	\$ 7,198	\$ —
<i>Marketable securities</i>				
Municipal obligations	\$ 4,999	\$ —	\$ 4,999	\$ —
U.S. government agency notes	86,754	—	86,754	—
Corporate debt securities	78,070	54,297	23,773	—
Commercial paper	44,577	—	44,577	—
Certificates of deposit	24,823	—	24,823	—
	<u>\$ 239,223</u>	<u>\$ 54,297</u>	<u>\$ 184,926</u>	<u>\$ —</u>
<i>Investments</i>				
U.S. government agency notes	\$ 6,455	\$ —	\$ 6,455	\$ —
Corporate debt securities	43,143	21,328	21,815	—
	<u>\$ 49,598</u>	<u>\$ 21,328</u>	<u>\$ 28,270</u>	<u>\$ —</u>

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(5) CASH EQUIVALENTS, MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS (Continued)

The Company reviewed the level classifications of its investments at June 30, 2010 compared to December 31, 2009 and determined that there were no significant transfers between levels in the six months ended June 30, 2010.

(6) INVENTORY, NET

Inventory, net, at June 30, 2010 and December 31, 2009 consists of the following (in thousands):

	June 30, 2010	December 31, 2009
On-hand final assemblies and finished goods inventories	\$ 12,321	\$ 11,036
Deferred cost of goods sold	24,122	20,132
	<u>36,443</u>	<u>31,168</u>
Less current portion	(21,181)	(21,925)
Noncurrent portion (included in Other assets)	<u>\$ 15,262</u>	<u>\$ 9,243</u>

(7) INTANGIBLE ASSETS AND GOODWILL

The Company's intangible assets at June 30, 2010 and December 31, 2009 consist of the following (in thousands):

<u>June 30, 2010</u>	<u>Useful life</u>	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net carrying value</u>
Intellectual property	5 years	\$ 2,999	\$ 934	\$ 2,065
Order backlog	1 year	287	287	—
		<u>\$ 3,286</u>	<u>\$ 1,221</u>	<u>\$ 2,065</u>

<u>December 31, 2009</u>	<u>Useful life</u>	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net carrying value</u>
Intellectual property	5 years	\$ 999	\$ 658	\$ 341
Order backlog	1 year	287	287	—
		<u>\$ 1,286</u>	<u>\$ 945</u>	<u>\$ 341</u>

On January 15, 2010, the Company entered into an intellectual property asset purchase and license agreement with Winphoria, Inc. ("Winphoria") and Motorola, Inc. ("Motorola") to purchase certain of Winphoria's software code and related patents and licensed certain other related intellectual property from Winphoria and Motorola. The purchase price included an initial payment of \$2.0 million and future potential royalty payments dependent upon future sales of certain of the Company's products over the next five to seven years that include the Winphoria technology that was purchased or licensed. The identifiable intangible assets acquired were recorded as intellectual property and will be amortized on a straight-line basis over five years, the expected useful life of the technology. This identifiable

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(7) INTANGIBLE ASSETS AND GOODWILL (Continued)

intangible asset is included as a component of Intangible assets in the Company's condensed consolidated balance sheet at June 30, 2010.

The Company amortizes its intangible assets over the estimated useful lives of the respective assets. Amortization expense related to intangible assets was approximately \$138,000 and \$57,000 in the three months ended June 30, 2010 and 2009, respectively, and approximately \$276,000 and \$153,000 in the six months ended June 30, 2010 and 2009, respectively.

Estimated future amortization expense for intangible assets recorded by the Company at June 30, 2010 is as follows (in thousands):

Remainder of 2010	\$ 276
2011	551
2012	438
2013	400
2014	400
	<u>\$ 2,065</u>

Goodwill is recorded when the consideration in a business combination exceeds the fair value of net tangible and identifiable intangible assets acquired. The changes in the carrying amounts of goodwill during the six months ended June 30, 2010 and 2009 are as follows (in thousands):

	<u>Six months ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Balance at January 1:		
Goodwill	\$ 8,159	\$ 8,131
Accumulated impairment losses	(3,106)	(3,106)
	<u>5,053</u>	<u>5,025</u>
Foreign currency translation adjustment	—	9
Balance at June 30:		
Goodwill	8,159	8,140
Accumulated impairment losses	(3,106)	(3,106)
	<u>\$ 5,053</u>	<u>\$ 5,034</u>

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(8) ACCRUED EXPENSES

Accrued expenses at June 30, 2010 and December 31, 2009 consist of the following (in thousands):

	June 30, 2010	December 31, 2009
Employee compensation and related costs	\$ 12,100	\$ 11,892
Employee stock purchase plan	654	653
Professional fees	1,068	863
Royalties	—	1,039
Income taxes payable	353	648
Sales taxes payable	1,238	2,278
Other taxes	46	96
Restructuring	9	82
Other	2,116	1,741
	<u>\$ 17,584</u>	<u>\$ 19,292</u>

(9) STOCK-BASED COMPENSATION PLANS

The Company's 2007 Stock Incentive Plan, as amended (the "2007 Plan"), provides for the award of options to purchase the Company's common stock ("stock options"), stock appreciation rights, restricted common stock ("restricted stock"), performance-based share awards, restricted stock units 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.

On May 18, 2010, Dr. Richard N. Nottenburg, the Company's President and Chief Executive Officer ("Dr. Nottenburg"), and the Company entered into a letter agreement (the "Retention Agreement") pursuant to which Dr. Nottenburg agreed to stay with the Company while assisting the Company with an orderly transition of his duties and responsibilities. Dr. Nottenburg agreed to remain in his current role until the earlier of (i) the date the Board of Directors of the Company (the "Board") relieves him of such duties or (ii) March 31, 2011 (the "Effective Termination Date"). In connection with the Retention Agreement, on June 15, 2010 Dr. Nottenburg was granted 750,000 shares of restricted stock (the "Retention Shares") under the Company's 2007 Plan. The Retention Shares, which have a fair value, in the aggregate, of \$1.9 million, will vest as follows: (i) 250,000 shares will vest on the Effective Termination Date; (ii) 125,000 shares will vest upon the achievement of the financial metrics in the Company's 2010 operating plan, as previously approved by the Board; (iii) 125,000 shares will vest upon the achievement of the target bookings from new products, as reflected in the Company's 2010 Incentive Compensation Program Base Plan under the Senior Management Cash Incentive Plan; and (iv) 250,000 shares will vest on the earlier of (a) sixty days after the first day of employment of Dr. Nottenburg's successor, (b) the date the Board relieves Dr. Nottenburg of his duties as President or Chief Executive Officer of the Company other than for cause, if no successor has been appointed by such date, or (c) March 31, 2011. If Dr. Nottenburg terminates his employment with the Company for "Good Reason" (as such term is defined in Dr. Nottenburg's May 13, 2008 employment agreement (the "Employment Agreement")) the Retention Shares will accelerate and become fully vested. The Company recognized \$0.3 million of stock-based compensation expense in both the three and six months ended June 30, 2010 related to the Retention

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(9) STOCK-BASED COMPENSATION PLANS (Continued)

Shares. Dr. Nottenburg agreed to relinquish his rights to two performance stock grants, each in the amount of 250,000 restricted shares, which were to be granted under the Employment Agreement provided that certain performance targets were met. The Company had previously determined it was not probable that the performance conditions for these performance stock grants would be satisfied; accordingly, no stock-based compensation expense has been recorded for these awards.

The Employment Agreement provides for the acceleration of vesting for certain options and restricted shares on the date his employment is terminated. Accordingly, the Company has adjusted the requisite service period of the stock options and shares of restricted stock awarded under the Employment Agreement, as the Company now expects that these awards will be fully vested by March 31, 2011. This acceleration resulted in \$0.2 million of additional stock-based compensation expense in the three months ended June 30, 2010.

Stock Options

The activity related to the Company's outstanding stock options during the six months ended June 30, 2010 is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2010	24,081,565	\$ 4.90		
Granted	1,520,500	\$ 2.54		
Exercised	(51,719)	\$ 1.17		
Forfeited	(317,966)	\$ 4.93		
Expired	(7,906,080)	\$ 5.34		
Outstanding at June 30, 2010	17,326,300	\$ 4.50	6.29	\$ 2,519
Vested or expected to vest at June 30, 2010	16,905,348	\$ 4.54	6.22	\$ 2,393
Exercisable at June 30, 2010	12,263,019	\$ 5.02	5.33	\$ 774

The grant date fair values of stock options granted in the three and six months ended June 30, 2010 were estimated using the Black-Scholes valuation model with the following assumptions:

	Three months ended June 30, 2010	Six months ended June 30, 2010
Risk-free interest rate	2.28%	2.28% - 2.65%
Expected dividend yield	—	—
Weighted average volatility	64.49%	64.49% - 64.81%
Expected life (years)	4.5	4.5

The weighted average grant date fair values of stock options granted during the three and six months ended June 30, 2010 were \$1.43 and \$1.36, respectively.

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(9) STOCK-BASED COMPENSATION PLANS (Continued)

Restricted Stock Awards

The activity related to the Company's unvested restricted stock awards for the six months ended June 30, 2010 is as follows:

	<u>Shares</u>	<u>Weighted Average Grant-Date Fair Value</u>
Unvested balance at January 1, 2010	3,444,496	\$ 3.29
Granted	685,000	\$ 2.34
Vested	(418,921)	\$ 4.37
Forfeited	(291,007)	\$ 3.03
Unvested balance at June 30, 2010	<u>3,419,568</u>	<u>\$ 2.99</u>

The total fair value of shares of restricted stock that vested during the six months ended June 30, 2010 was \$1.8 million.

Performance-Based Stock Awards

The activity related to the Company's performance stock awards for the six months ended June 30, 2010 is as follows:

	<u>Shares</u>	<u>Weighted Average Grant-Date Fair Value</u>
Unvested balance at January 1, 2010	550,000	\$ 4.15
Granted	484,556	\$ 2.54
Vested	—	—
Forfeited	(500,000)	\$ 4.35
Unvested balance at June 30, 2010	<u>534,556</u>	<u>\$ 2.50</u>

There are 181,611 shares of the Company's common stock that are not included in the table above, as the Company has not finalized the performance conditions for these awards. The Company will begin to record stock-based compensation expense at the time that the performance conditions are defined and when it becomes probable that the respective performance conditions will be achieved.

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(9) STOCK-BASED COMPENSATION PLANS (Continued)

Stock-Based Compensation

The condensed consolidated statements of operations include stock-based compensation for the three and six months ended June 30, 2010 and 2009 as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Product cost of revenue	\$ 89	\$ 115	\$ 160	\$ 231
Service cost of revenue	404	387	823	852
Research and development	665	1,102	1,271	1,869
Sales and marketing	688	1,490	1,417	2,534
General and administrative	1,366	616	2,027	1,264
	<u>\$ 3,212</u>	<u>\$ 3,710</u>	<u>\$ 5,698</u>	<u>\$ 6,750</u>

The Company included \$0.1 million of stock-based compensation in inventory at both June 30, 2010 and December 31, 2009.

There is no income tax benefit for employee stock-based compensation expense for the six months ended June 30, 2010 and 2009 due to the valuation allowance recorded.

At June 30, 2010, there was \$17.6 million, net of expected forfeitures, of unrecognized stock-based compensation expense related to unvested stock option and restricted stock awards, as well as performance-based stock awards for which the Company believes it is probable the performance conditions will be satisfied. This expense is expected to be recognized over a weighted average period of approximately two years.

(10) MAJOR CUSTOMERS

The following customers each contributed 10% or more of the Company's revenue in at least one of the three and six month periods ended June 30, 2010 and 2009:

Customer	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
AT&T	14%	*	14%	*
Global Crossing	*	14%	*	*

* Represents less than 10% of revenue.

At June 30, 2010, one customer accounted for 10% or more of the Company's accounts receivable balance, representing approximately 21% of total accounts receivable. At December 31, 2009, there were no customers that accounted for 10% or more of the Company's accounts receivable balance. The Company performs ongoing credit evaluations of its customers and generally does not require collateral

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(10) MAJOR CUSTOMERS (Continued)

on accounts receivable. The Company maintains an allowance for doubtful accounts and such losses have historically been within management's expectations.

(11) INCOME TAXES

The Company's provision for income taxes of \$0.3 million for the six months ended June 30, 2010 and income tax benefit of \$1.0 million for the six months ended June 30, 2009 reflect the Company's estimates of the effective rates expected to be applicable for the respective full fiscal years, adjusted for any discrete events, which are recorded in the period that they occur. These estimates are reevaluated each quarter based on the Company's estimated tax expense for the full fiscal year.

During the fourth quarter of fiscal 2008, 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 recorded an increase to its valuation allowance on substantially all of its domestic net deferred tax assets. The estimated annual effective rate for the year ending December 31, 2010 does not include any benefit for projected domestic losses as the Company continues to conclude that a valuation allowance for its domestic losses is appropriate.

For the six months ended June 30, 2009, the Company realized a discrete benefit related to the Company's United Kingdom operations totaling \$1.1 million as the result of a settlement with the taxing authorities.

(12) GEOGRAPHIC INFORMATION

The Company's classification of revenue by geographic area is determined by the location where the product is shipped to or where the services are performed. The following table summarizes revenue by geographic area as a percentage of total revenue for the three and six months ended June 30, 2010 and 2009:

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
United States	68%	78%	63%	75%
Japan	13	4	17	5
Other Asia Pacific	1	1	*	1
Europe, Middle East and Africa	16	14	18	15
Other	2	3	2	4
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

* Represents less than 1% of revenue.

Due to the uneven ordering patterns of customers and the timing of project completions, the domestic and international components as a percentage of the Company's revenue fluctuate from quarter to quarter and year to year.

SONUS NETWORKS, INC.**Notes to Condensed Consolidated Financial Statements (Continued)****(Unaudited)****(13) RELATED PARTIES**

The Company's President and Chief Executive Officer serves on the Board of Directors of Comverse Technology, Inc. ("Comverse"), a worldwide provider of software and systems. Comverse has several majority-owned subsidiaries, including Ulticom, Inc. and Verint Systems. All three companies are vendors of the Company. The Company had well-established and ongoing business relationships with these vendors prior to the appointment of Dr. Nottenburg as the Company's President and Chief Executive Officer effective June 13, 2008. Costs incurred for purchases from these companies, in the aggregate, were \$1.0 million and \$2.3 million for the three and six months ended June 30, 2010, respectively, and \$1.6 million and \$3.8 million for the three and six months ended June 30, 2009, respectively. At June 30, 2010 and December 31, 2009, the Company had aggregate outstanding accounts payable balances of \$0.3 million and \$0.2 million, respectively, to these companies.

On May 20, 2010, the Company announced that Dr. Nottenburg plans to step down as President and Chief Executive Officer and a director of the Company by the end of March 2011. Based on current knowledge, the Company does not foresee any change in its relationship with Comverse or any of its subsidiaries.

(14) COMMITMENTS AND CONTINGENCIES***2001 IPO Litigation***

In November 2001, a purchaser of the Company's common stock filed a complaint in the United States District Court for the Southern District of New York against the Company, two of its officers and the lead underwriters alleging violations of the federal securities laws in connection with the Company's initial public offering ("IPO") and seeking unspecified monetary damages. The purchaser seeks to represent a class of persons who purchased the Company's common stock between the date of the IPO on May 24, 2000 and December 6, 2000. An amended complaint was filed in April 2002. The amended complaint alleges that the Company's registration statement contained false or misleading information or omitted to state material facts concerning the alleged receipt of undisclosed compensation by the underwriters and the existence of undisclosed arrangements between the underwriters and certain purchases to make additional purchases in the after market. The claims against the Company are asserted under Section 10(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 11 of the Securities Act of 1933, as amended (the "Securities Act"), and against the individual defendants under Sections 11 and 15 of the Securities Act and Sections 10(b) and 20(a) of the Exchange Act. Other plaintiffs have filed substantially similar class action cases against approximately 300 other publicly-traded companies and their IPO underwriters which, along with the actions against the Company, have been transferred to a single federal judge for purposes of coordinated case management.

On July 15, 2002, the Company, collectively with the other issuers named as defendants in these coordinated proceedings, filed a collective motion to dismiss the consolidated amended complaints on various legal grounds common to all or most of the issuer defendants. The plaintiffs voluntarily dismissed the claims against many of the individual defendants, including the Company's officers named in the complaint. On February 19, 2003, the District Court granted a portion of the motion to dismiss by dismissing the Section 10(b) claims against certain defendants, including the Company, but denied the remainder of the motion as to the defendants.

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(14) COMMITMENTS AND CONTINGENCIES (Continued)

In June 2003, a special committee of the Company's Board of Directors authorized Sonus to enter into a proposed settlement with the plaintiffs on terms substantially consistent with the terms of a Memorandum of Understanding negotiated among representatives of the plaintiffs, the issuer defendants and the insurers for the issuer defendants. In October 2004, the District Court certified the class in a case against certain defendants. On February 15, 2005, the District Court preliminarily approved the terms of the proposed settlement contingent on modifications to the proposed settlement. On August 31, 2005, the District Court approved the terms of the proposed settlement, as modified. On April 24, 2006, the District Court held a hearing on a motion to approve the final settlement and took the matter under advisement.

On December 5, 2006, the United States Court of Appeals for the Second Circuit reversed the District Court's October 2004 order certifying a class. On June 25, 2007, the District Court entered an order terminating the settlement. On November 13, 2007, the issuer defendants in certain designated "focus cases" filed a motion to dismiss the second consolidated amended class action complaints that were filed in those cases. On March 26, 2008, the District Court issued an Opinion and Order denying, in large part, the motions to dismiss the amended complaints in the "focus cases." On April 2, 2009, the plaintiffs filed a motion for preliminary approval of a new proposed settlement between the plaintiffs, the underwriter defendants, the issuer defendants and the insurers for the issuer defendants. On June 10, 2009, the District Court issued an opinion preliminarily approving the proposed settlement, and scheduling a settlement fairness hearing for September 10, 2009. On August 25, 2009, the plaintiffs filed a motion for final approval of the proposed settlement, approval of the plan of distribution of the settlement fund and certification of the settlement classes. A settlement fairness hearing was held on September 10, 2009. On October 5, 2009, the District Court issued an opinion granting the plaintiffs' motion for final approval of the settlement, approval of the plan of distribution of the settlement fund and certification of the settlement classes. Various notices of appeal of the District Court's October 5, 2009 order have been filed in the Court of Appeals. An Order and Final Judgment was entered on January 14, 2010. Due to the inherent uncertainties of litigation, the Company is unable to determine the ultimate outcome or potential range of loss, if any.

On October 5, 2007, Vanessa Simmonds, a purported shareholder, filed a complaint in the United States District Court for the Western District of Washington for recovery of short-swing profits under Section 16(b) of the Exchange Act against the underwriters in the IPO in 2000. On February 28, 2008, the plaintiff filed an amended complaint asserting substantially similar claims as set forth in the initial complaint. The amended complaint seeks recovery against the underwriters for profits they received from the sale of the Company's common stock in connection with the IPO. The Company was named as a nominal defendant but has no liability for the asserted claims. No Sonus officers or directors were named in the amended complaint. Between October 2, 2007 and October 12, 2007, the plaintiff also filed fifty-four separate lawsuits naming 54 additional issuers as nominal defendants and ten underwriters as defendants. These 54 cases, along with the complaint filed by the plaintiff with respect to Sonus' IPO, were reassigned to a single federal judge in the United States District Court for the Western District of Washington, as related cases. On March 12, 2009, the District Court entered its judgment and granted the moving issuers' motion to dismiss, finding plaintiff's demand letters were insufficient to put the issuers on notice of the claims asserted against them. The District Court also granted the underwriters' motion to dismiss as to the claims arising from the non-moving issuers' IPOs, finding plaintiff's claims were time-barred under the applicable statute of limitations.

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(14) COMMITMENTS AND CONTINGENCIES (Continued)

On March 31, 2009, plaintiff-appellant appealed the judgment to the United States Court of Appeals for the Ninth Circuit. The underwriter defendants filed a cross-appeal in each of the cases wherein the issuers moved for dismissal (including the appeal relating to the Sonus IPO). Briefing before the United States Court of Appeals for the Ninth Circuit was complete as of November 17, 2009. The Company does not currently expect that this claim will have a material impact on its financial position or results of operations.

Other

In addition, the Company is often a party to disputes and legal proceedings that it considers routine and incidental to its business. Management does not expect the results of any of these actions to have a material adverse effect on the Company's business, results of operations or financial condition.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q and, in particular, this Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements which are subject to a number of risks and uncertainties. The words "could", "expects", "may", "anticipates", "believes", "intends", "estimates", "plans", "envision", "seeks", "will" 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. These forward-looking statements are based on our current expectations, assumptions, estimates, forecasts and projections about the operating environment, economies and markets in which we operate, and we do not undertake an obligation to update our forward-looking statements to reflect new information, future events or circumstances. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to, the factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2009 and the additional factors set forth in Item 1A. "Risk Factors" of Part II of this Quarterly Report on Form 10-Q. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may materially adversely affect our business, results of operations, financial condition and/or liquidity. This discussion should be read in conjunction with the unaudited condensed consolidated financial statements and related notes for the periods specified.

Overview

We are a leading provider of voice infrastructure solutions for wireline and wireless service providers. Our products are a new generation of carrier-class infrastructure equipment and software that enables voice services to be delivered over Internet Protocol ("IP") packet-based networks. Our target customers include both 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. IP packet-based networks, which transport traffic in small bundles, or "packets," offer a significantly more flexible, cost-effective and efficient means for providing communications services than existing circuit-based networks, designed years ago to primarily deliver telephone calls.

Our voice infrastructure solutions allow wireline and wireless operators to build converged voice over IP ("VoIP") networks. Our products are built on the same distributed, IP-based principles embraced by the IP Multimedia Subsystem ("IMS") architecture, as defined by the Third Generation Partnership Project ("3GPP"). This IMS architecture is being accepted by network operators globally as the common approach for building converged voice, data, wireline and wireless networks. Since the IMS architecture is based primarily on IP packets and the Session Initiation Protocol ("SIP"), which has been the foundation of our products since our formation, we are uniquely positioned to offer an intuitive evolution from a distributed softswitch architecture to IMS with little or no impact on existing Sonus equipment or services. Additionally, the Sonus all-IP architecture is positioned to take advantage of wireless long-term evolution ("LTE") implementations as they emerge. Our investment in product development is focused on delivering high-growth solutions that leverage these IMS and LTE architectures.

We sell our products primarily through a direct sales force and, in some markets, through or with the assistance of resellers and distributors. Customers' decisions to purchase our products to deploy in commercial networks involve a significant commitment of resources and a lengthy evaluation, testing and product qualification process. Our revenue and results of operations may vary significantly and unexpectedly from quarter to quarter as a result of long sales cycles, our expectation that customers will tend to sporadically place large orders with short lead times and the application of complex revenue recognition rules to certain transactions, which may result in customer shipments and orders from multiple quarters being recognized as revenue in one quarter. We expect to recognize revenue from a limited number of customers for the foreseeable future.

We reported income from operations of approximately \$44,000 and \$2.3 million in the three months ended June 30, 2010 and 2009, respectively, and losses from operations of \$0.5 million and \$15.5 million in the six months ended June 30, 2010 and 2009, respectively.

We reported net income of \$0.3 million and \$0.2 million in the three and six months ended June 30, 2010, respectively. We reported net income of \$4.4 million in the three months ended June 30, 2009 and a net loss of \$11.8 million in the six months ended June 30, 2009.

Our revenue decreased slightly, by \$0.4 million, in the three months ended June 30, 2010 compared to the three months ended June 30, 2009. However, our revenue increased \$21.0 million in the six months ended June 30, 2010 compared to the six months ended June 30, 2009.

Despite our virtually flat revenue in the three months ended June 30, 2010 compared to the three months ended June 30, 2009, our gross profit decreased \$1.8 million, to \$38.5 million, primarily the result of fixed and third party costs related to service revenue. Our gross profit was \$76.7 million in the six months ended June 30, 2010, an increase of \$13.2 million compared to the six months ended June 30, 2009, which is primarily attributable to our ability to leverage our higher service revenue in the current year against our fixed service cost base, partially offset by higher third party service costs, and customer and product mix related to product revenue.

Operating expenses were \$38.5 million in the three months ended June 30, 2010, compared to \$38.0 million in the three months ended June 30, 2009. Higher general and administrative expenses in the three months ended June 30, 2010 were partially offset by lower research and development expenses. The increase in general and administrative expenses is primarily attributable to higher personnel-related costs and depreciation. Lower research and development expenses primarily reflect lower personnel-related costs. Our personnel-related costs, with the exception of sales commissions which are a function of our revenue levels, have been reduced primarily as a result of our fiscal 2009 and 2008 headcount reduction restructuring initiatives (the "restructuring initiatives"). As a result of the restructuring initiatives, we reduced our total headcount by approximately 240 employees, or approximately 25% of our total worldwide workforce. However, while we have eliminated jobs in some areas of the business, we continue to hire for positions in certain geographies, such as for our development center in India, to support our business plans.

On May 20, 2010, we announced that Richard N. Nottenburg ("Dr. Nottenburg") plans to step down as President and Chief Executive Officer and a director of the Company by the end of March 2011. Since this announcement, we have retained a firm to help us identify a qualified successor and the search is actively underway.

We continue to focus on the key elements of our strategy, designed to capitalize on our technology and market lead, and build a premier franchise in packet-based voice infrastructure solutions. We are currently focusing our major efforts on the following aspects of our business:

- leveraging our technology leadership to attract and retain key service providers;
- embracing the principles outlined by 3GPP and delivering the industry's most advanced IMS-ready product suite;
- expanding and broadening our customer base by targeting specific market segments, such as wireless operators;
- assisting our customers' ability to differentiate themselves by offering a sophisticated application development platform and service creation environment;
- expanding our solutions to address emerging IP-based markets, such as network border switching;
- expanding our global sales, marketing, support and distribution capabilities;

- actively contributing to the standards definition and adoption process; and
- pursuing strategic acquisitions and alliances.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations is based upon our condensed 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 financial statements. The significant accounting policies that we believe are the most critical include the following:

- Revenue recognition;
- Allowance for doubtful accounts;
- Inventory reserves;
- Loss contingencies and reserves;
- Stock-based compensation;
- Goodwill and intangible assets; and
- Accounting for income taxes.

For a complete discussion of our critical accounting policies and estimates, please refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed with the SEC on February 25, 2010. There were no significant changes to our critical accounting policies from December 31, 2009 through June 30, 2010.

Results of Operations

Three and Six Months Ended June 30, 2010 and 2009

Revenue. Revenue for the three and six months ended June 30, 2010 and 2009 was as follows (in thousands, except percentages):

Three months ended June 30,	2010	2009	Increase (decrease) from prior year	
			\$	%
Product	\$ 36,796	\$ 36,320	\$ 476	1.3%
Service	24,385	25,287	(902)	-3.6%
Total revenue	\$ 61,181	\$ 61,607	\$ (426)	-0.7%

Six months ended June 30,	2010	2009	Increase from prior year	
			\$	%
Product	\$ 73,074	\$ 55,723	\$ 17,351	31.1%
Service	50,515	46,896	3,619	7.7%
Total revenue	\$ 123,589	\$ 102,619	\$ 20,970	20.4%

Product revenue is comprised of sales of our voice infrastructure products, including our GSX9000 and GSX4000 Open Services Switches, NBS Network Border Switch, PSX Policy & Routing Server, SGX Signaling Gateway, ASX Call Feature Server, IMX Service Delivery Platform, Sonus Insight Management System, ASX Access Gateway Control Function, the Insight xAuthority Provisioning System and related product offerings.

The increase in product revenue in the three months ended June 30, 2010 compared to the three months ended June 30, 2009 is attributable to an increase in revenue from AT&T Inc. ("AT&T") of \$2.5 million, partially offset by a \$2.0 million reduction in revenue from other customers.

The increase in product revenue in the six months ended June 30, 2010 compared to the six months ended June 30, 2009 resulted from \$5.6 million of additional revenue from AT&T and \$11.8 million of higher revenue from other customers. For the six months ended June 30, 2010, we recognized approximately \$16 million of product revenue from eight new customers. This compares to approximately \$7 million of revenue from five new customers in the six months ended June 30, 2009.

Beginning in the fourth quarter of fiscal 2008, we concluded that we no longer had sufficient evidence of VSOE on maintenance services for AT&T, one of our largest customers. Therefore, all revenue related to multiple-element arrangements for this customer entered into during that quarter and subsequent periods is being recognized ratably over the maintenance period. Revenue recognition on multiple-element arrangements with AT&T will begin when the only undelivered element of the arrangement is maintenance. Beginning in the fourth quarter of 2008, for orders from AT&T that contain bundled product and maintenance, we have allocated a fixed percentage (which represents the maintenance renewal rate for our largest customers for which we have VSOE) of the arrangement fee to service revenue with the residual amount classified as product revenue. We have and will continue to apply this methodology on a consistent basis. The increase in product revenue recognized from AT&T in both the three and six months ended June 30, 2010 compared to the same prior year periods is primarily due to fiscal 2010 orders being recognized as revenue over a shorter period than orders placed in fiscal 2009.

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"). The decrease in service revenue in the three months ended June 30, 2010 compared to the three months ended June 30, 2009 is attributable to \$2.4 million of lower professional services revenue, partially offset by \$1.5 million of higher maintenance revenue, of which \$1.2 million was from AT&T.

The increase in service revenue in the six months ended June 30, 2010 compared to the six months ended June 30, 2009 is attributable to \$3.2 million of higher maintenance revenue and \$0.4 million of higher professional services revenue.

We currently believe that our fiscal 2010 revenue will range from flat to low single-digit percentage growth compared to our fiscal 2009 revenue.

AT&T contributed approximately 14% of our revenue in both the three and six month periods ended June 30, 2010. Global Crossing contributed approximately 14% of our revenue in the three

months ended June 30, 2009. There were no other customers that contributed 10% or more of our revenue in the three or six months ended June 30, 2010 or 2009.

International revenue was approximately 32% and 22% of our revenue in the three months ended June 30, 2010 and 2009, respectively, and 37% and 25% of our revenue in the six months ended June 30, 2010 and 2009, respectively. Due to the uneven ordering patterns of customers and 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 \$45.3 million and \$47.7 million at June 30, 2010 and December 31, 2009, respectively, and our deferred service revenue was \$43.5 million and \$52.3 million at June 30, 2010 and December 31, 2009, respectively. 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 Profit. 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 inventory obsolescence. Our cost of revenue and gross profit as a percentage of revenue ("gross margin") for the three and six months ended June 30, 2010 and 2009 were as follows (in thousands, except percentages):

<u>Three months ended June 30,</u>	<u>2010</u>	<u>2009</u>	<u>Increase from prior year</u>	
			<u>\$</u>	<u>%</u>
Cost of revenue				
Product	\$ 10,826	\$ 10,747	\$ 79	0.7%
Service	11,842	10,568	1,274	12.1%
Total cost of revenue	<u>\$ 22,668</u>	<u>\$ 21,315</u>	<u>\$ 1,353</u>	6.3%
Gross margin				
Product	70.6%	70.4%		
Service	51.4%	58.2%		
Total gross margin	62.9%	65.4%		

<u>Six months ended June 30,</u>	<u>2010</u>	<u>2009</u>	<u>Increase from prior year</u>	
			<u>\$</u>	<u>%</u>
Cost of revenue				
Product	\$ 23,127	\$ 16,881	\$ 6,246	37.0%
Service	23,771	22,231	1,540	6.9%
Total cost of revenue	<u>\$ 46,898</u>	<u>\$ 39,112</u>	<u>\$ 7,786</u>	19.9%
Gross margin				
Product	68.4%	69.7%		
Service	52.9%	52.6%		
Total gross margin	62.1%	61.9%		

The slight increase in product gross margin in the three months ended June 30, 2010 compared to the three months ended June 30, 2009 was primarily due to changes in product and customer mix, which increased our product gross margin by approximately one percentage point, virtually offset by higher manufacturing-related costs. The decrease in product gross margin in the six months ended June 30, 2010 compared to the six months ended June 30, 2009 was primarily due to product and

customer mix, which decreased our product gross margin by approximately two percentage points, partially offset by lower manufacturing-related costs.

The decrease in service gross margin in the three months ended June 30, 2010 compared to the three months ended June 30, 2009 is primarily attributable to increases in third party costs, which reduced our service gross margin by approximately four percentage points, and higher fixed costs, which reduced our service gross margin by approximately two percentage points. Our higher fixed cost base is primarily related to the implementation of our new Company-wide employee bonus program in fiscal 2010. The increase in service gross margin in the six months ended June 30, 2010 compared to the six months ended June 30, 2009 is primarily attributable to our ability to leverage our higher service revenue against our fixed cost base, which increased our service gross margin by approximately one percentage point, partially offset by higher third party costs.

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

We currently believe that our gross margin over time will remain within our long-term financial model of 58% to 62%.

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 three and six months ended June 30, 2010 and 2009 were as follows (in thousands, except percentages):

	2010	2009	Decrease from prior year	
			\$	%
Three months ended June 30,	\$ 15,106	\$ 15,501	\$ (395)	-2.5%
Six months ended June 30,	\$ 30,046	\$ 31,854	\$ (1,808)	-5.7%

The decrease in both the three and six months ended June 30, 2010 compared to the same prior year periods primarily reflects lower employee-related costs, including salary and related costs as a result of our 2009 and 2008 restructuring initiatives. As a result of these initiatives, we reduced our worldwide research and development headcount by approximately 140 people through the third quarter of 2009. The savings from these headcount reductions were partially offset by an increase of approximately 100 employees at our development center in India compared to such number of employees at June 30, 2009. These changes in headcount resulted in decreases in employee-related costs of \$1.7 million, including \$0.4 million of lower stock-based compensation expense, in the three months ended June 30, 2010 and \$4.2 million, including \$0.6 million of lower stock-based compensation expense, in the six months ended June 30, 2010 compared to the same prior year periods. These reductions were partially offset by increased expense for product development for both our new and existing product offerings and related activities totaling \$1.4 million in the three months ended June 30, 2010 and \$2.4 million in the six months ended June 30, 2010. Some aspects of our research and development efforts require significant short-term expenditures, the timing of which can 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 fiscal 2010 will increase from fiscal 2009 levels due to our increased focus on new product development, partially offset by lower development costs as a result of the recent migration of many of our research and development activities to our development center in India.

Sales and Marketing Expenses. Sales and marketing expenses consist primarily of salaries and related personnel costs, commissions, travel and entertainment expenses, promotions, customer evaluations inventory and other marketing and sales support expenses. Sales and marketing expenses for the three and six months ended June 30, 2010 and 2009 were as follows (in thousands, except percentages):

	2010	2009	Increase from prior year	
			\$	%
Three months ended June 30,	\$ 12,392	\$ 12,344	\$ 48	0.4%
Six months ended June 30,	\$ 25,986	\$ 24,491	\$ 1,495	6.1%

The slight increase in sales and marketing expense in the three months ended June 30, 2010 compared to the three months ended June 30, 2009 is primarily attributable to higher sales commissions, travel and related expenses aggregating \$0.6 million, including expenses related to our entry into new geographic markets, and \$0.4 million of higher expense related to increased new market evaluation equipment activity, offset primarily by \$0.8 million of lower stock-based compensation expense and \$0.2 million of lower depreciation expense.

The increase in the six months ended June 30, 2010 compared to the six months ended June 30, 2009 is primarily attributable to \$0.8 million of higher employee-related expense, \$0.6 million of higher expense related to increased new market evaluation equipment activity and \$0.6 million of higher professional fees. These increases were partially offset by \$0.4 million of reductions in marketing promotional event expenses. The increase in employee-related expense includes \$1.4 million of higher sales commission expense resulting from higher revenue and \$0.3 million of higher travel expense primarily related to our entry into new geographic markets. These employee-related expenses were partially offset by \$1.1 million of lower stock-based compensation expense.

We believe that our sales and marketing expenses will increase in fiscal 2010 from fiscal 2009 levels, primarily attributable to higher personnel and related costs.

General and Administrative Expenses. General and administrative expenses consist primarily of salaries and other employee-related costs for executive and administrative personnel, recruiting expenses, allowance for doubtful accounts and professional fees. General and administrative expenses for the three and six months ended June 30, 2010 and 2009 were as follows (in thousands, except percentages):

	2010	2009	Increase from prior year	
			\$	%
Three months ended June 30,	\$ 10,971	\$ 10,186	\$ 785	7.7%
Six months ended June 30,	\$ 21,115	\$ 20,681	\$ 434	2.1%

The increase in the three months ended June 30, 2010 compared to the three months ended June 30, 2009 is primarily attributable to \$1.5 million of higher employee-related expense, \$0.8 of higher non-income tax related expense and \$0.4 million of higher depreciation expense. These increases were partially offset by lower expenses, including \$1.2 million of lower legal-related and professional fees, \$0.3 million of lower facilities-related expense and \$0.2 million of lower foreign currency translation expense. The increase in employee-related expense includes \$0.8 million of additional stock-based compensation expense, including \$0.5 million attributable to the provisions of a letter agreement we entered into on May 18, 2010 (the "Retention Agreement") with Dr. Nottenburg, and \$0.7 million in additional bonus expense related to both the implementation of our new Company-wide employee bonus program in fiscal 2010 and the provisions of Dr. Nottenburg's Retention Agreement. We expect to record an aggregate of \$1.9 million of stock-based compensation expense through March 31, 2011

related to shares of common stock issued to Dr. Nottenburg under the Retention Agreement. The increase in depreciation expense primarily relates to our investments in infrastructure technology and our research and development facility in India.

The increase in the six months ended June 30, 2010 compared to the six months ended June 30, 2009 is primarily attributable to \$1.9 million of higher employee-related expense and \$0.5 million of higher depreciation expense. These increases were partially offset by lower expenses, primarily comprised of \$1.2 million of lower legal-related and professional fees, \$0.3 million of lower bad debt expense and \$0.3 million of lower foreign currency translation expense. The increase in employee-related expense includes \$0.9 million of bonus expense related to both the implementation of our new Company-wide employee bonus program in fiscal 2010 and the provisions of Dr. Nottenburg's Retention Agreement, as well as \$0.8 million of additional stock-based compensation expense, primarily attributable to the provisions of Dr. Nottenburg's Retention Agreement. The increase in depreciation expense primarily relates to our investments in infrastructure technology and our research and development facility in India.

We believe that our general and administrative expenses in fiscal 2010 will be consistent with fiscal 2009 levels, the net result of lower expected professional fees and personnel-related expenses, offset primarily by expense related to the provisions of Dr. Nottenburg's Retention Agreement, in the remainder of the fiscal year.

Restructuring. In the six months ended June 30, 2009, we recorded restructuring expenses aggregating \$2.0 million related to two restructuring initiatives implemented as part of our efforts to right-size the business to align with market opportunities while managing costs to position the Company for profitable growth. Of this amount, \$0.9 million was recorded for severance and related expenses for our January 9, 2009 restructuring initiative, which reduced our workforce by approximately 40 people, or 4% of employees worldwide, and \$1.1 million was recorded for severance and related expenses for our March 10, 2009 restructuring initiative, which further reduced our workforce by approximately 60 people, or 6% of employees worldwide. We did not record any restructuring expense in either the three or six months ended June 30, 2010 or in the three months ended June 30, 2009.

Interest Income, net. Interest income and interest expense for the three months and six months ended June 30, 2010 and 2009 were as follows (in thousands, except percentages):

<u>Three months ended June 30,</u>	2010	2009	Increase (decrease) from prior year	
			\$	%
Interest income	\$ 466	\$ 1,077	\$ (611)	-56.7%
Interest expense	(30)	8	38	475.0%
Interest income, net	<u>\$ 436</u>	<u>\$ 1,085</u>	<u>\$ (649)</u>	<u>-59.8%</u>

<u>Six months ended June 30,</u>	2010	2009	Decrease from prior year	
			\$	%
Interest income	\$ 981	\$ 2,726	\$ (1,745)	-64.0%
Interest expense	(43)	(71)	(28)	-39.4%
Interest income, net	<u>\$ 938</u>	<u>\$ 2,655</u>	<u>\$ (1,717)</u>	<u>-64.7%</u>

Interest income consists of interest earned on our cash equivalents, marketable securities and long-term investments. Interest expense primarily relates to interest on capital lease obligations. The reduction in interest income, net, in the three and six months ended June 30, 2010 compared to the same prior year periods is primarily attributable to a lower average portfolio yield.

Income Taxes. Our provision for income taxes was \$0.3 million for the six months ended June 30, 2010 and our income tax benefit was \$1.0 million for the six months ended June 30, 2009. These amounts reflect our estimates of the effective rates expected to be applicable for the respective full fiscal years, adjusted for any discrete events, which are recorded in the period that they occur. These estimates are reevaluated each quarter based on our estimated tax expense for the full fiscal year.

During the fourth quarter of fiscal 2008, 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 recorded an increase to our valuation allowance on substantially all of our domestic net deferred tax assets. The estimated annual effective rate for the year ending December 31, 2010 does not include any benefit for our projected domestic losses as we have continued to conclude that a valuation allowance for our domestic losses is appropriate.

The provision for income taxes for the six months ended June 30, 2010 represents forecasted tax expense on the earnings of our foreign operations. Our effective tax rate for the six months ended June 30, 2009 was less than the statutory federal and state rates primarily due to our inability to recognize tax benefits on domestic losses incurred.

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 condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Liquidity and Capital Resources

At June 30, 2010, our cash, cash equivalents, marketable securities and investments totaled \$419.7 million.

Our operating activities provided \$13.8 million and \$12.4 million of cash in the six months ended June 30, 2010 and 2009, respectively.

Cash provided by operating activities in the six months ended June 30, 2010 was primarily the result of higher accounts payable and lower accounts receivable, partially offset by increases in inventory, both current and noncurrent, and decreases in deferred revenue and accrued expenses. Our accounts payable increase is primarily attributable to purchases of materials in the latter part of the quarter for which payments are due to the vendors in the third quarter of 2010. The decrease in accounts receivable was mainly driven by our continued focus on cash collections. The decrease in deferred revenue is primarily the result of the completion of projects for which the revenue had been deferred at December 31, 2009, partially offset by new orders in 2010 for which revenue recognition criteria had not been met as of June 30, 2010. The decrease in accrued expenses is primarily attributable to payments for previously accrued royalty payments and lower taxes payable. Our net income, adjusted for non-cash items such as depreciation, amortization and stock-based compensation, contributed \$11.0 million to the cash provided by operating activities.

Cash provided by operating activities in the six months ended June 30, 2009 was the result of lower levels of accounts receivable and higher deferred revenue and accounts payable, coupled with non-cash adjustments for stock-based compensation, depreciation and amortization. These amounts were partially offset by our net loss, lower accrued expenses and higher levels of operating assets and inventory. The lower accounts receivable levels were primarily the result of focused collection efforts in the quarter as a result of the strong seasonal billings and shipments in late fiscal 2008. The decrease in accrued expenses is primarily attributable to lower employee compensation and related costs, including reductions for the payment of bonuses to our executives and employees under our bonus programs, the completion of an employee stock purchase under our Amended and Restated 2000 Employee Stock

Purchase Plan ("ESPP"), and lower taxes payable, accrued royalties and professional fees. The increase in operating assets is primarily attributable to higher deferred costs, including cost of goods, royalties, commissions and third party installation costs, for which the related revenue has not yet been recognized.

Our investing activities used \$35.6 million of cash in the six months ended June 30, 2010, compared to \$79.0 million of cash provided by investing activities in the six months ended June 30, 2009. Our net investment in marketable securities in the six months ended June 30, 2010 was \$29.3 million, compared to \$91.8 million of net sales and maturities of marketable securities and investments in the six months ended June 30, 2009. In addition, during the six months ended June 30, 2010, we used \$4.3 million of cash for purchases of property and equipment and \$2.0 million to purchase intangible assets. In the six months ended June 30, 2009, we placed \$9.5 million into escrow related to a litigation settlement and used \$3.4 million for purchases of property and equipment.

Our financing activities provided \$0.3 million of cash in the six months ended June 30, 2010, including \$0.6 million of proceeds from the sale of common stock in connection with our ESPP and \$0.1 million from the exercise of stock options. These amounts were partially offset by \$0.3 million used to pay withholding obligations related to the net share settlement of restricted stock awards upon vesting and \$0.1 million used for payments on our capital leases for office equipment. Our financing activities provided \$0.1 million of cash in the six months ended June 30, 2009, including \$0.5 million of proceeds from the sale of common stock in connection with our ESPP, partially offset by \$0.3 million used to pay withholding obligations related to the net share settlement of restricted stock awards upon vesting and \$0.1 million used for payments on our capital leases for office equipment.

Based on our current expectations, we believe our cash, cash equivalents, marketable securities and long-term investments will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. 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 operations, to improve our controls environment and for other general corporate activities, as well as to vigorously defend against existing and potential litigation. See Note 14 to our condensed consolidated financial statements for a description of legal contingencies.

Recent Accounting Pronouncements

In October 2009, the FASB issued an update to *Certain Arrangements that Include Software Elements*. This update removes tangible products from the scope of software revenue guidance and provides guidance on determining whether software deliverables in an arrangement that includes a tangible product are covered by the scope of the software revenue guidance. This update will require us to account for many of our multiple-element arrangements as non-software transactions and could impact the timing and revenue recognized in a reporting period. This update is effective for us beginning January 1, 2011, although early adoption is permitted, and adoption can be applied prospectively or retrospectively. We are currently evaluating the effect that implementation of this update will have on our consolidated financial position and results of operations upon adoption.

In October 2009, the FASB issued an update to the accounting guidance related to the separation criteria used to determine the unit of accounting for multiple-element arrangements. This update removes the objective-and-reliable-evidence-of-fair-value criterion from the separation criteria used to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting, replaces references to "fair value" with "selling price" to distinguish from the fair value

measurements required under ASC 820, provides a hierarchy that entities must use to estimate the selling price, eliminates the use of the residual method for allocation and expands the ongoing disclosure requirements. This guidance is effective for us beginning January 1, 2011, although early adoption is permitted, and adoption can be applied prospectively or retrospectively. We are currently evaluating the effect that implementation of this update will have, if any, on our consolidated financial position and results of operations upon adoption.

Item 3. 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. We do not believe that a hypothetical 10% adverse movement in interest rates and foreign currency exchange rates would have a materially different impact than what was disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Evaluation of Disclosure Controls and Procedures. Our management (with the participation of our Chief Executive Officer and Chief 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 June 30, 2010.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures are effective as of June 30, 2010.

Changes in Internal Control over Financial Reporting. No changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) were identified in connection with the evaluation as of June 30, 2010 referenced above that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We are a party to the legal proceedings described in Part I, Item 3, "Legal Proceedings" of our Annual Report on Form 10-K for the year ended December 31, 2009 and Note 14 of this Quarterly Report on Form 10-Q. There were no material developments to these legal proceedings in the three or six months ended June 30, 2010.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. Set forth below and elsewhere in this report and in other documents we file with the Securities and Exchange Commission are descriptions of certain risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this report.

The following risk factor has been updated since the filing of our Annual Report on Form 10-K for the year ended December 31, 2009:

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

Our business depends upon highly skilled technical, managerial, engineering, sales, marketing and customer support personnel. Competition for these personnel is intense, especially once the economy begins to recover. 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. 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 have had three key executive departures in fiscal 2010, including the announcement of the future departure of our current President and Chief Executive Officer. There is always a risk of uncertainty and instability relating to our ability to find highly qualified successors and to transition the duties and responsibilities of any departing key executive in an orderly manner.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We have not announced any currently effective authorization to repurchase shares of our common stock. However, upon vesting of restricted stock awards, 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. The following table summarizes repurchases of our common stock during the second quarter of fiscal 2010, which represent shares returned to satisfy tax withholding obligations:

Issuer Purchases of Equity Securities

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs</u>
April 1, 2010 to April 30, 2010	—	—	—	—
May 1, 2010 to May 31, 2010	474	\$ 2.48	—	—
June 1, 2010 to June 30, 2010	29,572	\$ 2.55	—	—
Total	<u>30,046</u>	\$ 2.55	—	—

Item 6. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
10.1(a)	Retention Letter between Sonus Networks, Inc. and Dr. Richard N. Nottenburg dated May 18, 2010.
10.2	Employment Agreement between Sonus Networks, Inc. and Jeffrey M. Snider dated May 29, 2009.
10.3	Employment Agreement between Sonus Networks, Inc. and Kumar Vishwanathan dated July 7, 2009.
10.4	Amendment to Employment Agreement between Sonus Networks, Inc. and Kumar Vishwanathan dated July 29, 2009.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(a) Incorporated by reference from the Registrant's Current Report on Form 8-K (File No. 001-34115) filed with the Securities and Exchange Commission on May 20, 2010.

EXHIBIT INDEX

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(a)	Incorporated by reference from the Registrant's Current Report on Form 8-K (File No. 001-34115) filed with the Securities and Exchange Commission on May 3, 2010.

Sonus Networks, Inc.

7 Technology Park Drive, Westford, MA 01886

May 29, 2009

Mr. Jeffrey M. Snider

Dear Jeff:

I am pleased to provide you in this letter (the "Agreement") with the terms and conditions of our offer of employment to you by Sonus Networks, Inc. (the "Company").

1. **Position.** The Company agrees to employ you as Senior Vice President and General Counsel, reporting to the President and Chief Executive Officer. As the Company's organization evolves, in addition to performing duties and responsibilities associated with the position of General Counsel you may be assigned other Executive duties and responsibilities as the Company may determine.

As a full-time employee of the Company, you will be expected to devote your full business time and energies to the business and affairs of the Company.

2. **Commencement Date/Nature of Relationship.** Your employment shall commence no later than June 22, 2009 (the "Commencement Date"). Subject to the severance and other provisions of Section 11 below, your employment shall not be for any specified period of time. Employment at Sonus Networks, Inc. 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 11 below.

3. **Base Compensation.** Your initial base salary ("Base Salary") will be at the annualized rate of \$285,000.00, 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 of Directors; provided that you may elect to terminate your employment for Good Reason under Section 12(b)(A) below if the Compensation Committee reduces your Base Salary.

4. **Target Bonus.** You will be eligible to participate in the Officer Bonus Program during each year you are employed by the Company with a target bonus of 50% of your then-current annual base salary ("Target Bonus"). For 2009, your Target Bonus will be pro-rated and your Target Bonus for 2009 is guaranteed and payable by April 15, 2010. Specific objectives for your Target Bonus for 2009 will be agreed upon with the Compensation Committee of the Board of Directors within the first sixty (60) days of your employment for 2009 and on or about January 1 of each subsequent calendar year with respect to an award for such year. Your annual target bonus shall be paid as soon as practicable following the Company's public disclosure of its financial results for the applicable bonus year.

5. **Stock Option Grants.** You will be granted non-qualified options to purchase 210,000 shares of common stock under the Company's 2007 Stock Plan, subject to the terms of the Plan and the terms of the Company's stock option agreement which shall reflect the terms of this Agreement. The grant date will be on the earliest 15th day of a month that next follows your Commencement Date or the first business day thereafter if that day is not a business day. The per share exercise price will be the per share

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closing price of the Company's common stock on the grant date ("2009 Option Exercise Price"). Subject to the provisions of this Agreement, the options shall vest and become exercisable as follows: (A) 25% of the shares (52,500 shares) shall vest on the first anniversary of the Commencement Date and, (B) the remaining 75% of the shares (157,500 shares) shall vest in equal monthly increments of 2.0833% of the shares (4,375 shares per month) thereafter through the fourth anniversary of the Commencement Date.

6. **Restricted Stock Grants.** You will be granted Restricted Shares of the Company's common stock, \$0.001 par value per share ("Restricted Shares") as follows:

- (a) You will be granted 210,000 shares of the Company's common stock under the Company's 2007 Stock Plan, subject to the terms of the Plan and the Company's restricted stock agreement, which shall reflect the terms of this Agreement. The grant date will be on the earliest 15th day of a month that next follows your Commencement Date or the first business day thereafter if that day is not a business day. The Restricted Shares shall vest as follows: (A) 25% of the Restricted Shares (52,500 Restricted Shares) shall vest on the first anniversary of the Commencement Date and, (B) 75% of the Restricted Shares (157,500 Restricted Shares) shall vest in six equal increments of 12.5% of the Restricted Shares (26,250 Restricted Shares) semi-annually thereafter through the fourth anniversary of the Commencement Date;
- (b) You may elect under Section 83(b) of the Internal Revenue Code of 1986, as amended, to be taxed at the time the Restricted Shares are acquired on the Grant Date ("Section 83(b) Election"). A Section 83(b) Election, if made, must be filed with the Internal Revenue Service within thirty (30) days of the Grant Date. You are obligated to pay to the Company the amount of any federal, state, local or other taxes of any kind required by law to be withheld with respect to the granting (if a Section 83(b) Election is made) or vesting (if a Section 83(b) Election is not made) of the shares. If you do not make a Section 83(b) Election, you shall satisfy such tax withholding obligations by delivery to the Company, on each date on which shares vest, such number of shares that vest on such date as have a fair market value (calculated using the last reported sale price of the common stock of the Company on the NASDAQ Global Select Market on the trading date immediately prior to such vesting date) equal to the amount of the Company's withholding obligation; provided, however, that the total tax withholding 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). Such delivery of shares to the Company shall be deemed to happen automatically, without any action required on your part, and the Company is hereby authorized to take such actions as are necessary to effect such delivery of shares to the Company.

- (c) Change in Control. In the event of a Change in Control (defined below), (i) 100% of all unvested options granted to you to purchase the Company's common stock shall accelerate and all such options shall immediately become vested and exercisable, and (ii) 100% of all Restricted Shares granted to you shall accelerate and become fully vested and any and all restrictions on such Restricted Shares shall be terminated and any and all legends shall be removed.

7. Employment Eligibility. In compliance with the Immigration Reform and Control Act of 1986, you are required to establish your identity and employment eligibility. Therefore, on your first day of employment you will be required to fill out an Employment Verification Form and present documents in accordance with this form.

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8. Benefits. You will be entitled as an employee of the Company to receive such benefits as are generally provided its employees in accordance with Company policy in effect from time to time. Company benefits include group health, life and dental insurance, and liberal holidays, vacation and 401K programs. All employees begin accruing three (3) weeks of vacation upon date of hire in accordance with Company policy. The Company is committed to providing a healthy work environment for every employee. Therefore, we provide a smoke free environment and require all employees to comply. The Company retains the right to change, add or cease any particular benefit.

9. 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 and the stock option and restricted stock grants described above, you and the Company will become parties to a Noncompetition and Confidentiality Agreement. Two copies of this agreement are sent with this offer letter. Both copies must be signed and returned to the Company prior to the Commencement Date.

10. Indemnity. As an executive of the Company, you will enter into an Indemnity Agreement with the Company. Two copies of this agreement are sent with this offer letter. Both copies must be signed and returned to the Company upon your employment.

11. Termination and Eligibility for Severance. If your employment with the Company is terminated by the Company without Cause (as defined below) or you terminate your employment with the Company for Good Reason (as defined below), the Company will provide you the following severance and related post-termination benefits:

- (a) a lump sum payment equal to the sum of your then annual base salary and your then target annual bonus, less applicable state and federal withholdings;
- (b) continuation of payment of the Company's share of medical, dental and vision insurance premiums for you and your dependents for the twelve (12) 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 such 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;
- (c) any allowable unreimbursed expenses and any accrued but unused vacation pay owing to you at the time of termination;
- (d) any stock options granted to you by the Company to purchase the Company's common stock that are unvested as of the termination date and would vest during the twelve (12) months following your termination will accelerate and immediately vest and become exercisable upon termination, and your stock options that are or become vested will remain outstanding and exercisable for the shorter of three (3) years following your termination date or the original remaining life of the options; and
- (e) any Restricted Shares granted to you by the Company that are unvested as of the termination date will accelerate and immediately vest upon termination, and any and all restrictions on such Restricted Shares shall be terminated and any and all legends shall be removed so that the shares be and are freely marketable.

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The Company's provision of the benefits described in Section 11(a), (b), (d) and (e) above shall be contingent upon your execution of a release of all claims of any kind or nature 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 fifty-two (52) days following the termination of your employment. The lump sum payment described in Section 11(a) above shall be made on the sixtieth (60) day following the termination of your employment, after the Company's receipt of the executed Release Agreement and the expiration of any revocation period described in the Release Agreement. The Company shall 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 11.

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. If you seek to terminate your employment for Good Reason, the Company shall have ten (10) business 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.

12. Definitions. As used in this Agreement, the following terms shall have the following meanings:

- (a) "*Change in Control*" as used in this Agreement shall have the meaning set forth on Annex A attached hereto.
- (b) "*Good Reason*" as used in this Agreement means the occurrence of any of the following without your consent: (A) a reduction in your annual Base Salary set forth above; (B) the assignment to you of a lower position in the organization in terms of your title, responsibility,

authority or status unless agreed to in writing by you, or (C) the relocation of the Company to a location that is more than fifty (50) miles from the Company's current headquarters location in Westford, MA.

- (c) "Cause" as used in this Agreement means the occurrence of any of the following: (i) your indictment for, formal admission to (including a plea of guilty or *nolo contendere* to), or conviction of a felony, a crime of moral turpitude, dishonesty, breach of trust or unethical business conduct, or any crime involving the Company, (ii) gross negligence or willful misconduct by you in the performance of your duties that is likely to have an adverse affect on the Company or its reputation; (iii) your commission of an act of fraud or dishonesty in the performance of your duties; (iv) repeated failure by you to perform your duties which are reasonably and in good faith requested in writing by the Chief Executive Officer of the Company or the Board of Directors of the Company; (v) material breach of this Agreement by you, which you do not cure within ten (10) days following receipt by you of such written notice notifying you of such breach, or material breach by you of any confidentiality agreement with the Company.

13. Tax Implications of Termination Payments. Subject to this Section 13, any payments or benefits required to be provided under Section 11 shall be provided only after the date of your "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"). The following rules shall apply with respect to distribution of the payments and benefits, if any, to be provided to you under Section 11:

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- (a) It is intended that each installment of the payments and benefits provided under Section 11 shall be treated as a separate "payment" for purposes of Section 409A. Neither the Company nor you shall 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.
- (b) If, as of the date of 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 shall be made on the dates and terms set forth in Section 11; and
- (c) 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:
- (i) Each installment of the payments and benefits due under Section 11 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) shall 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
- (ii) Each installment of the payments and benefits due under Section 11 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 shall not be paid until the date that is six months and one day after such separation from service (or, if earlier, upon 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 shall 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.

14. Section 409A of the Code. This Agreement is intended to comply with the provisions of Section 409A and this Agreement shall, to the extent practicable, be construed in accordance therewith. Terms used in this Agreement shall 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 shall be deemed not to comply with Section 409A, then neither the Company, the Board of Directors nor its or their designees or agents shall be liable to you or any other person for any actions, decisions or determinations made in good faith.

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15. 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 accepting employment with the Company or 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.

16. Assignment. This Agreement is personal in nature and neither of the parties hereto shall, 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 shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all of the promises, covenants, duties and obligations of the Company hereunder.

17. General.

- (a) Entire Agreement; Modification. This Agreement along with the other agreements and Plans referenced herein contain 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 (or in the other documents referenced herein). This Agreement, along with the other agreements and Plans referenced herein, supersede any and all prior agreements, written or oral, between you and the Company. No modification of this Agreement shall be valid unless made in writing and signed by the parties hereto.

- (b) *Severable Provisions.* The 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 shall nevertheless be binding and enforceable. Notwithstanding the foregoing, if there are any conflicts between the terms of this Agreement and the terms of any Plan document referred to in this Agreement, then the terms of this Agreement shall govern and control. Except as modified hereby, this Agreement shall remain unmodified and in full force and effect.
- (c) *Governing Law.* This Agreement shall 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 the commonwealth of Massachusetts, under the jurisdiction of the American Arbitration Association or other mutually agreeable alternative arbitration dispute resolution service, before a single arbitrator appointed in accordance with the arbitration rules of the American Arbitration Association or other selected service, modified only as herein expressly provided. The arbitrator may enter a default decision against any party who fails to participate in the arbitration proceedings.

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- (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) The fees and expenses of the arbitrator will be shared equally by the parties, and each party will bear the fees and expenses of its own attorney.
- (iv) The parties agree that this Section 17(d) has been included to resolve any disputes between them with respect to this Agreement, and that this Section 17(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, to the maximum extent allowed by law, 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 or the rules and regulations of the Securities and Exchange Commission or other government agencies, the existence of any controversy hereunder, the referral of any such controversy to arbitration or the status or resolution thereof
- (e) *Notices.* All notices shall be in writing and shall be delivered personally (including by courier), sent by facsimile transmission (with appropriate documented receipt thereof), by overnight receipted courier service (such as UPS or FedEx) or sent by certified, registered or express mail, postage prepaid, to the Company at the following address: CEO, Sonus Networks, Inc., 7 Technology Park Drive, Westford, MA 01886, and to you at the following address: . Any such notice shall 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 shall be deemed to be an original, and all such counterparts together shall constitute one and the same instrument.

You may accept this offer of employment and the terms and conditions thereof by confirming your acceptance in writing by May 29, 2009. Please send your signed letter to the company, or via e-mail to kharris@sonusnet.com which execution will evidence your agreement with the terms and conditions set forth herein and therein. We are enthusiastic about your joining us, and believe that our technical and business goals will provide every opportunity for you to achieve your personal and professional objectives.

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I am looking forward to your joining the team to help us take Sonus to the next level.

Very truly yours,

/s/ Dr. Richard Nottenburg

Dr. Richard Nottenburg
President and CEO

Accepted by:

/s/ Jeffrey M. Snider

1 June 2009

Annex A

A “Change in Control” as used in this Agreement of which this Annex is a part shall mean the first to occur of 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; or
- (b) in the event that the individuals who as of the date hereof constitute the Board of Directors, 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; or
- (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 or acquiring corporation 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.

Sonus Networks, Inc.

7 Technology Park Drive, Westford, MA 01886

July 7, 2009

Mr. Kumar K. Vishwanathan

Dear Kumar:

I am pleased to provide you in this letter (the "Agreement") with the terms and conditions of our offer of employment to you by Sonus Networks, Inc. (the "Company").

1. **Position.** The Company agrees to employ you as Vice President and Chief Architect, reporting to Guru Pai. As the Company's organization evolves, in addition to performing duties and responsibilities associated with the position of Vice President and Chief Architect you may be assigned other management duties and responsibilities as the Company may determine.

As a full-time employee of the Company, you will be expected to devote your full business time and energies to the business and affairs of the Company.

2. **Commencement Date/Nature of Relationship.** Your employment shall commence no later than August 3, 2009 (the "Commencement Date"). No provision of this letter shall be construed to create an express or implied employment contract for a specific period of time. Employment at Sonus Networks, Inc. is considered "at will" and either you or the Company may terminate the employment relationship at any time and for any reason or no reason.

3. **Base Compensation.** Your initial base salary ("Base Salary") will be at the annualized rate of \$195,000.00, less applicable state and federal withholdings, paid twice monthly in accordance with the Company's normal payroll practices.

4. **Target Bonus.** You will be eligible to participate in the Sonus MBO Bonus Program during each year you are employed by the Company with a target bonus of 50% of your then-current annual base salary ("Target Bonus"). For 2009, your Target Bonus will be pro-rated. Specific objectives for your Target Bonus for 2009 will be agreed upon with Guru Pai within the first sixty (60) days of your employment for 2009. Your annual target bonus shall be paid as soon as practicable following the Company's public disclosure of its financial results for the applicable bonus year.

5. **Stock Option Grants.** You will be granted non-qualified options to purchase 150,000 shares of common stock under the Company's 2007 Stock Plan, subject to the terms of the Plan and the terms of the Company's stock option agreement which shall reflect the terms of this Agreement. The grant date will be on the earliest 15th day of a month that next follows your Commencement Date or the first business day thereafter if that day is not a business day. The per share exercise price will be the per share closing price of the Company's common stock on the grant date ("2009 Option Exercise Price"). Subject to the provisions of this Agreement, the options shall vest and become exercisable as follows: (A) 25% of the shares (37,500 shares) shall vest on the first anniversary of the Commencement Date and, (B) the remaining 75% of the shares (112,500 shares) shall vest in equal monthly increments thereafter through the fourth anniversary of the Commencement Date.

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6. **Restricted Stock Grant.** You will be granted Restricted Shares of the Company's common stock, \$0.001 par value per share ("Restricted Shares") as follows:

- (a) You will be granted 75,000 shares of the Company's common stock under the Company's 2007 Stock Plan, subject to the terms of the Plan and the Company's restricted stock agreement, which shall reflect the terms of this Agreement. The grant date will be on the earliest 15th day of a month that next follows your Commencement Date or the first business day thereafter if that day is not a business day. The Restricted Shares shall vest as follows: (A) 25% of the Restricted Shares (18,750 Restricted Shares) shall vest on the first anniversary of the Commencement Date and, (B) 75% of the Restricted Shares (56,250 Restricted Shares) shall vest in six equal increments semi-annually thereafter through the fourth anniversary of the Commencement Date;
- (b) You may elect under Section 83(b) of the Internal Revenue Code of 1986, as amended, to be taxed at the time the Restricted Shares are acquired on the Grant Date ("Section 83(b) Election"). A Section 83(b) Election, if made, must be filed with the Internal Revenue Service within thirty (30) days of the Grant Date. You are obligated to pay to the Company the amount of any federal, state, local or other taxes of any kind required by law to be withheld with respect to the granting (if a Section 83(b) Election is made) or vesting (if a Section 83(b) Election is not made) of the shares. If you do not make a Section 83(b) Election, you shall satisfy such tax withholding obligations by delivery to the Company, on each date on which shares vest, such number of shares that vest on such date as have a fair market value (calculated using the last reported sale price of the common stock of the Company on the NASDAQ Global Select Market on the trading date immediately prior to such vesting date) equal to the amount of the Company's withholding obligation; provided, however, that the total tax withholding 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). Such delivery of shares to the Company shall be deemed to happen automatically, without any action required on your part, and the Company is hereby authorized to take such actions as are necessary to effect such delivery of shares to the Company.

7. **Performance Stock Grant, Performance Stock Grant.** In addition to the grant of Restricted Shares described in paragraph 6 above, you will be eligible to receive 75,000 shares of the Company's common stock (also in the form of "Restricted Shares") under the Company's 2007 Stock Plan, subject to the terms of the Plan and the Company's restricted stock agreement, which shall reflect the terms of this Agreement. Your grant of additional Restricted Shares under this paragraph shall be conditioned upon your achieving and/or the Company achieving (as determined by the CEO and Senior Vice President & General Manager) during your employment certain performance metrics for each of the three fiscal years ended December 31, 2009, 2010 and 2011. You shall be eligible to be granted 1/3 of such performance-based Restricted Shares after the conclusion of each such fiscal year (that is, up to 25,000 per year).

Any such additional grants will be made on the 15th day of the month after the month during which the Company publicly reports its financial results for such year.

8. **Employment Eligibility.** In compliance with the Immigration Reform and Control Act of 1986, you are required to establish your identity and employment eligibility. Therefore, on your first day of employment you will be required to fill out an Employment Verification Form and present documents in accordance with this form.

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9. **Benefits.** You will be entitled as an employee of the Company to receive such benefits as are generally provided its employees in accordance with Company policy as in effect from time to time. Company benefits include group health, life and dental insurance, and liberal holidays, vacation and 401K programs. All employees begin accruing three (3) weeks of vacation upon date of hire in accordance with Company policy. The Company is committed to providing a healthy work environment for every employee. Therefore, we provide a smoke free environment and require all employees to comply. The Company retains the right to change, add or cease any particular benefit.

10. **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 and the stock option and restricted stock grants described above, you and the Company will become parties to a Noncompetition and Confidentiality Agreement. Two copies of this agreement are sent with this offer letter. Both copies must be signed and returned to the Company prior to the Commencement Date.

11. **Termination and Eligibility for Severance.** If your employment with the Company is terminated by the Company without Cause (as defined below) or you terminate your employment with the Company for Good Reason (as defined below), the Company will provide you the following severance and related post-termination benefits:

- (a) a lump sum payment equal to the sum of six-months of your then annual base salary and 50% of your then target annual bonus, less applicable state and federal withholdings;
- (b) continuation of payment of the Company's share of medical, dental and vision insurance premiums for you and your dependents for the six (6) 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 such 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;
- (c) any allowable unreimbursed expenses and any accrued but unused vacation pay owing to you at the time of termination;
- (d) any stock options granted to you by the Company to purchase the Company's common stock that are unvested as of the termination date and would vest during the six (6) months following your termination will accelerate and immediately vest and become exercisable upon termination, and your stock options that are or become vested will remain outstanding and exercisable for the shorter of three (3) years following your termination date or the original remaining life of the options; and
- (e) any Restricted Shares granted to you by the Company that are unvested as of the termination date will accelerate and immediately vest upon termination, and any and all restrictions on such Restricted Shares shall be terminated and any and all legends shall be removed so that the shares be and are freely marketable.

The Company's provision of the benefits described in Section 11(a), (b), (d) and (e) above shall be contingent upon your execution of a release of all claims of any kind or nature 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 fifty-two (52) days following the termination of your employment. The

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lump sum payment described in Section 11(a) above shall be made on the sixtieth (60) day following the termination of your employment, after the Company's receipt of the executed Release Agreement and the expiration of any revocation period described in the Release Agreement. The Company shall 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 11.

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. If you seek to terminate your employment for Good Reason, the Company shall have ten (10) business 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.

12. **Definitions.** As used in this Agreement, the following terms shall have the following meanings:

- (a) "Change in Control" as used in this Agreement shall have the meaning set forth on Annex A attached hereto.
- (b) "Good Reason" as used in this Agreement means the occurrence of any of the following without your consent: (A) a reduction in your annual Base Salary set forth above; (B) the assignment to you of a lower position in the organization in terms of your title, responsibility, authority or status unless agreed to in writing by you, or (C) the relocation of the Company to a location that is more than fifty (50) miles from the Company's current headquarters location in Westford, MA.
- (c) "Cause" as used in this Agreement means the occurrence of any of the following: (i) your indictment for, formal admission to (including a plea of guilty or *nolo contendere* to), or conviction of a felony, a crime of moral turpitude, dishonesty, breach of trust or unethical business

conduct, or any crime involving the Company, (ii) gross negligence or willful misconduct by you in the performance of your duties that is likely to have an adverse affect on the Company or its reputation; (iii) your commission of an act of fraud or dishonesty in the performance of your duties; (iv) repeated failure by you to perform your duties which are reasonably and in good faith requested in writing by the Chief Executive Officer of the Company or the Board of Directors of the Company; (v) material breach of this Agreement by you, which you do not cure within ten (10) days following receipt by you of such written notice notifying you of such breach, or material breach by you of any confidentiality agreement with the Company.

13. Tax Implications of Termination Payments. Subject to this Section 13, any payments or benefits required to be provided under Section 11 shall be provided only after the date of your "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"). The following rules shall apply with respect to distribution of the payments and benefits, if any, to be provided to you under Section 11:

- (a) It is intended that each installment of the payments and benefits provided under Section 11 shall be treated as a separate "payment" for purposes of Section 409A. Neither the Company nor you shall 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.

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- (b) If, as of the date of 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 shall be made on the dates and terms set forth in Section 11; and
- (c) 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:
 - (i) Each installment of the payments and benefits due under Section 11 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) shall 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
 - (ii) Each installment of the payments and benefits due under Section 11 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 shall not be paid until the date that is six months and one day after such separation from service (or, if earlier, upon 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 shall 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.

14. Section 409A of the Code. This Agreement is intended to comply with the provisions of Section 409A and this Agreement shall, to the extent practicable, be construed in accordance therewith. Terms used in this Agreement shall 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 shall be deemed not to comply with Section 409A, then neither the Company, the Board of Directors nor its or their designees or agents shall be liable to you or any other person for any actions, decisions or determinations made in good faith.

15. 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 accepting employment with the Company or 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

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disclose any confidential information in breach of an agreement with a previous employer or any other party.

16. Assignment. This Agreement is personal in nature and neither of the parties hereto shall, 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 shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all of the promises, covenants, duties and obligations of the Company hereunder.

17. General.

- (a) Entire Agreement; Modification. This Agreement along with the other agreements and Plans referenced herein contain 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 (or in the other documents referenced herein). This Agreement, along with the other agreements and Plans referenced herein, supersede any and all prior agreements, written or oral, between you and the Company. No modification of this Agreement shall be valid unless made in writing and signed by the parties hereto.
- (b) Severable Provisions. The 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 shall nevertheless be binding and enforceable. Notwithstanding the foregoing, if there are any conflicts between the terms of this Agreement and the terms of any Plan document referred

Annex A

A "Change in Control" as used in this Agreement of which this Annex is a part shall mean the first to occur of 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; or

(b) in the event that the individuals who as of the date hereof constitute the Board of Directors, 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; or

(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 or acquiring corporation 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.

Mr. Kumar Vishwanathan
Sonus Networks, Inc.
7 Technology Park Drive
Westford, MA 01886

July 29, 2010

Dear Kumar:

In recognition of your contributions to the Company, this letter amends the terms of your July 7, 2009 employment letter (the "2009 Employment Letter") to increase the terms of your eligibility for severance from a period of six months to a period of twelve months and to increase the severance amount of the lump sum payment of your then target annual bonus from 50% to 100%.

More specifically, each of the references to "six (6)" or "six" in paragraphs 11(a), 11(b) and 11(d) of the 2009 Employment Letter is hereby amended and restated as "twelve (12)" or "twelve", as applicable. Additionally, the reference to "50%" in paragraph 11(a) of the 2009 Employment Letter is hereby amended and restated as "100%".

This letter agreement will be considered effective the date of your acceptance of the terms hereof. You are, and will remain, an employee at will; nothing in this letter constitutes a guaranty of employment for any particular period. Capitalized terms not defined herein have the meanings given to them in the 2009 Employment Letter. Except as modified by this letter, the terms of the 2009 Employment Letter remain in full force and effect.

Sincerely,

/s/ Kathy Harris

Kathy Harris
Vice President of Human Resources

ACCEPTED:

/s/ KumarVishwanathan

Kumar Vishwanathan

Date: July 29, 2010

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Richard N. Nottenburg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: August 3, 2010

/s/ RICHARD N. NOTTENBURG

Richard N. Nottenburg
President and Chief Executive Officer
(Principal Executive Officer)

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[EXHIBIT 31.1](#)

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Wayne Pastore, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 the 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: August 3, 2010

/s/ WAYNE PASTORE

Wayne Pastore
Senior Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

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[EXHIBIT 31.2](#)

**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 Quarterly Report on Form 10-Q of Sonus Networks, Inc. (the "Company") for the period ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Richard N. Nottenburg, 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: August 3, 2010

/s/ RICHARD N. NOTTENBURG

Richard N. Nottenburg
President and Chief Executive Officer
(Principal Executive Officer)

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[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 Quarterly Report on Form 10-Q of Sonus Networks, Inc. (the "Company") for the period ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Wayne Pastore, 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: August 3, 2010

/s/ WAYNE PASTORE

Wayne Pastore
Senior Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

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[EXHIBIT 32.2](#)