AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON DECEMBER 22, 2000
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SONUS NETWORKS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	3661	04-3387074
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

SONUS NETWORKS, INC.
5 CARLISLE ROAD
WESTFORD, MASSACHUSETTS 01886
TEL.: (978) 692-8999
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

HASSAN M. AHMED
PRESIDENT AND CHIEF EXECUTIVE OFFICER
SONUS NETWORKS, INC.
5 CARLISLE ROAD
WESTFORD, MASSACHUSETTS 01886
TEL.: (978) 692-8999
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

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51 West 52nd Street
New York, NY 10019
Tel: (212) 403-1000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement and the satisfaction of all conditions to the closing of the merger.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: / /

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE (1)
Common stock, $0.001 par value per share.....	15,000,000	Not Applicable	$150,000	$250

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(f)(2) of the Securities Act. telecom technologies, inc. has an accumulated capital deficit of $35.2 million as of September 30, 2000 and the 100,000,000 shares of Class A and Class B common stock to be exchanged in connection with this Registration Statement on Form S-4 have an assumed stated value of $0.01 par value per share.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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THE INFORMATION IN THIS PRELIMINARY PROXY STATEMENT/PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THESE SECURITIES MAY NOT BE SOLD UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PRELIMINARY PROXY STATEMENT/PROSPECTUS IS NOT AN OFFER TO SELL NOR DOES IT SEEK AN OFFER TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED.

[TELECOM TECHNOLOGIES, INC. LETTERHEAD]

January [ ], 2001

Fellow Shareholders:

Sonus Networks, Inc. and telecom technologies, inc. have entered into an agreement and plan of merger involving the two companies. The board of directors of TTI has unanimously recommended that the TTI shareholders approve this merger agreement and is seeking your approval of this important transaction.

TTI is sending you this proxy statement/prospectus to describe the terms of the merger agreement involving Sonus Networks and TTI. If we complete this merger, TTI will become a wholly-owned subsidiary of Sonus and your shares of TTI Class A and Class B common stock will be converted into shares of Sonus common stock. For each share of TTI Class A and Class B common stock you own, you will receive up to an aggregate of 0.15 shares of Sonus common stock. Of these shares, 0.096 will be issued at closing and the remaining 0.054 shares will be placed in escrow, a portion of which will be subject to the achievement by TTI after the closing of specified business expansion and product development milestones, and a portion of which will be subject to indemnification claims that may be made by Sonus under the merger agreement for a period after closing. Sonus common stock is traded on the Nasdaq Stock Market under the trading symbol "SONS". On November 2, 2000, the last trading day prior to the public announcement of the proposed merger, Sonus common stock had a closing sales price on the Nasdaq Stock Market of approximately $40.88 per share. As of December 21, 2000, Sonus common stock had a closing sale price of $22.25. Based on the number of shares of Sonus' common stock outstanding as of November 30, 2000, following the completion of the merger, and assuming the release of all of the escrowed shares to the former TTI shareholders, the shares of Sonus common stock that will be owned by those shareholders will represent approximately 7.6% of the outstanding Sonus common stock.

We cannot complete the merger unless the agreement and plan of merger is approved by holders of two-thirds of the TTI shares entitled to vote on such approval. This proxy statement/prospectus provides you with detailed information about the merger.

The special meeting of the TTI shareholders will be held on the following date and time and at the following location:

DATE: , 2001
TIME: A.M.
PLACE: 1701 NORTH COLLINS BLVD., SUITE 3000
RICHARDSON, TX 75080

At the special meeting, TTI shareholders will be asked to approve the agreement and plan of merger. Only shareholders who held Class A voting common stock of TTI at the close of business on , 2000, the TTI record date, will be entitled to vote at the special meeting. We encourage you to read this proxy statement/prospectus carefully. IN PARTICULAR, PLEASE CONSIDER THE MATTERS DISCUSSED UNDER "RISK FACTORS" BEGINNING ON PAGE 16 OF THIS PROXY STATEMENT/PROSPECTUS.

Whether or not you plan to attend the special meeting, please take the time to vote by completing and mailing the enclosed proxy card. Your vote is very important.

Sincerely,

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE MERGER OR THE SECURITIES TO BE ISSUED UNDER THIS PROXY STATEMENT/ PROSPECTUS OR DETERMINED IF THIS PROXY STATEMENT/PROSPECTUS IS COMPLETE OR ACCURATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This proxy statement/prospectus is dated , 2001, and was first mailed to TTI shareholders on or about , 2001.

TELECOM TECHNOLOGIES LETTERHEAD

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
DATE: , 2001
TIME: A.M.
PLACE: 1701 NORTH COLLINS BLVD., SUITE 3000
RICHARDSON, TX 75080

To telecom technologies, inc. Shareholders:

Notice is hereby given that a special meeting of telecom technologies, inc. shareholders will be held on , 2001 at a.m. at the offices of telecom technologies, inc. located at 1701 North Collins Blvd., Suite 3000, Richardson, Texas 75080. At the special meeting you will be asked to consider and vote on:

1. The approval of an Agreement and Plan of Merger and Reorganization among Sonus Networks, Inc., telecom technologies, inc. and Storm Merger Sub, Inc., a wholly-owned subsidiary of Sonus, whereby Storm Merger Sub will be merged with and into TTI, TTI will become a wholly-owned subsidiary of Sonus, and each outstanding share of TTI Class A and Class B common stock will convert into the right to receive, subject to an escrow agreement, up to 0.15 shares of Sonus common stock, which equals an aggregate of up to 15,000,000 shares of Sonus common stock; and

2. Such other business as may properly come before the special meeting or any adjournments or postponements, including potential postponements or adjournments for the purpose of soliciting additional proxies in order to approve the agreement and plan of merger.

The TTI board of directors has carefully considered the terms of the agreement and plan of merger and has determined that they are fair and in the best interests of TTI and its shareholders. The TTI board of directors unanimously recommends that you vote FOR the approval of the merger agreement.

Only holders of record of outstanding voting shares of TTI Class A common stock at the close of business on , 2000, the record date for the special meeting, are entitled to notice of, and to vote at, the special meeting and any adjournment or postponement of the special meeting. The approval of the agreement and plan of merger will require the affirmative vote of holders of two-thirds of the shares of TTI Class A common stock outstanding on the record date and entitled to vote.

WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED POSTAGE-PAID ENVELOPE. YOU MAY VOTE IN PERSON AT THE SPECIAL MEETING, EVEN IF YOU HAVE RETURNED A PROXY. IF YOU DO NOT VOTE BY PROXY OR IN PERSON AT THE SPECIAL MEETING, IT WILL HAVE THE EFFECT OF A VOTE NOT TO APPROVE THE MERGER AGREEMENT.

By order of the board of directors,

Hamid Ansari, SECRETARY

Richardson, Texas

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: WHAT IS THE PROPOSED MERGER?

A: A wholly-owned subsidiary of Sonus will merge into TTI, with TTI being the surviving corporation. As a result of the merger, TTI will become a wholly-owned subsidiary of Sonus, and TTI shareholders will receive shares of Sonus common stock in exchange for their shares of TTI Class A and Class B common stock.

Q: WHY IS THE BOARD OF DIRECTORS OF TTI PROPOSING THE MERGER?

A: After careful consideration of the terms of the merger agreement, the board of directors of TTI determined that it would be in the best interests of TTI and its shareholders to complete the proposed merger. TTI believes Sonus has complementary strategies and greater resources, and anticipates that the combination will result in significant growth opportunities beyond those which could be realized as an independent entity. Further, the shares of Sonus common stock you will receive in the merger will be publicly-traded securities, giving you greater liquidity than your privately held Class A and Class B shares of TTI.

Q: WHAT DO I NEED TO DO NOW?

A: After carefully reading and considering the information contained in this proxy statement/ prospectus, please complete and sign your proxy and return it in the enclosed return envelope as soon as possible, so that your shares may be represented and voted at the TTI special meeting. If you sign and send in your proxy and do not indicate how you want your shares to be voted, your proxy will be counted as a vote FOR approval of the merger agreement. If you do not attend the special meeting and you do not return your proxy card, it will have the effect of a vote AGAINST approval of the merger agreement.

Q: CAN I CHANGE MY VOTE AFTER I HAVE MAILED MY SIGNED PROXY?

A: Yes. You can change your vote at any time before your proxy is voted at the special meeting. First, you can send a written notice stating that you would like to revoke your proxy. Second, you can complete and submit a new proxy. If you choose either of these two methods, you must submit your notice of revocation or your new proxy to the secretary of TTI at the address set forth in the answer to the last question below. Third, you can attend the special meeting and vote in person.

Q: HOW DOES THE TTI BOARD OF DIRECTORS RECOMMEND I VOTE MY SHARES?

A: After considering a wide variety of factors and circumstances relating to the merger agreement and the merger, the TTI board of directors concluded that the terms of the merger agreement and the merger are fair to, and in the best interests of, TTI and its shareholders. TTI's board of directors unanimously recommends that you vote your shares in favor of approval of the merger agreement. For more information on the factors and circumstances considered by the TTI board of directors in consideration of the merger agreement, please see "The Merger--Reasons for the Merger" elsewhere in this proxy statement/prospectus.

Q: SHOULD I SEND IN MY TTI STOCK CERTIFICATES NOW?

A: No. When the merger is completed, you will be requested to return your TTI stock certificate and you will receive Sonus stock certificates in exchange for your TTI stock certificates. Please do not send in your stock certificates with your proxy.

Q: WHEN DO YOU EXPECT THE MERGER TO BE COMPLETED?

A: We expect to complete the merger immediately after receipt of approval of the TTI stockholders.

Q: WHAT WILL I RECEIVE IN THE MERGER?

A: What you will ultimately receive in the merger cannot be determined at this time because some of the shares you would otherwise receive at the closing are subject to an escrow arrangement. An aggregate of up to 15,000,000 shares of Sonus common stock will be issued in the merger. Accordingly, you may receive up to 0.15 shares of Sonus common stock for each share of TTI Class A and Class B common stock you own, as follows:

- At the closing of the merger, 9,600,000 shares of Sonus common stock will be issued, with the TTI shareholders receiving 0.096 shares of Sonus common stock with respect to each share of TTI common stock;

- If specific business expansion and product development milestones are met by TTI at specific times prior to December 31, 2002, up to an aggregate of 4,200,000 additional shares of Sonus common stock will be released from escrow, and the former TTI shareholders will receive up to an additional 0.042 shares of Sonus common stock with respect to each share of TTI common stock they held at the closing; and

- Finally, if Sonus does not make any successful claims for indemnification prior to the first anniversary of the closing of the merger relating to TTI's representations, warranties and covenants under the merger agreement, an aggregate of 1,200,000 additional shares of Sonus common stock will be released from escrow, and the former TTI shareholders will receive an additional 0.012 shares of Sonus common stock with respect to each share of TTI common stock they held at the closing.

TTI shareholders will also receive cash in lieu of any fractional share of Sonus common stock that they would otherwise be entitled to receive in the merger.

For more information on the escrow account, see the section "The Escrow Agreements" in this proxy statement/prospectus.

The exchange ratio is based on a fixed number of shares of Sonus common stock and will not be adjusted based upon changes in the value of Sonus common stock. As a result, you will not know the value of the Sonus common stock that you will be entitled to receive in the merger at the time you vote on the merger. The value of those shares of Sonus common stock will go up or down with the market price of Sonus common stock. TTI does not have the right to terminate the merger agreement or to resolicit the vote of its shareholders based solely on changes in the market value of Sonus common stock.

Q: WHAT WILL TTI OPTION HOLDERS RECEIVE IN THE MERGER?

A: Under the terms of the merger agreement, Sonus will assume all outstanding options to purchase TTI Class B common stock, which will convert into the right to receive shares of Sonus common stock on the same terms as the outstanding TTI Class A and Class B common stock converts in the merger, including that an equivalent portion of these option shares will not be issued until the satisfaction of the various escrow release conditions.

Q: IS THE MERGER TAXABLE?

A: Sonus and TTI each expect that, for U.S. federal income tax purposes, the exchange of your shares of TTI Class A and Class B common stock for shares of Sonus common stock in the merger generally will not cause you to recognize any gain or loss. You will, however, have to

recognize income or gain in connection with any cash received instead of fractional shares of Sonus common stock.

The tax consequences to you will depend on the facts of your own situation. Please consult your tax advisors for a full understanding of the tax consequences to you of the merger. For more information on the tax consequences of the merger, please see "Material U.S. Federal Income Tax Consequences" on page 41 of this proxy statement/prospectus.

Q: AM I ENTITLED TO APPRAISAL RIGHTS?

A: Under Texas law, holders of Class B non-voting common stock of TTI are not entitled to dissenters' rights of appraisal in connection with the merger. However, under Texas law, holders of Class A voting common stock of TTI may be entitled to dissenters' rights of appraisal in connection with the merger. For more information, please see "Appraisal Rights" on page 43 of this proxy statement/prospectus.

Q: WHO CAN HELP ANSWER MY QUESTIONS?

A: If you have any questions about the merger or if you need additional copies of this proxy statement/prospectus, you should contact:

Sonus Networks, Inc.
Attn: General Counsel
5 Carlisle Road
Westford, MA 01886
Tel.: (978) 692-8999

telecom technologies, inc.
Attn: Secretary
1701 North Collins Blvd., Suite 3000
Richardson, TX 75080
Tel.: (972) 301-4900

SUMMARY OF THE TRANSACTION

THIS SUMMARY HIGHLIGHTS ONLY SELECTED INFORMATION FROM THIS PROXY STATEMENT/PROSPECTUS AND MAY NOT CONTAIN ALL OF THE INFORMATION THAT IS IMPORTANT TO YOU. TO BETTER UNDERSTAND THE MERGER AGREEMENT, THE MERGER AND THE TERMS OF THE SHARES OF SONUS COMMON STOCK THAT WILL BE ISSUED IN THE MERGER, YOU SHOULD READ CAREFULLY THIS ENTIRE PROXY STATEMENT/PROSPECTUS AND THE DOCUMENTS TO WHICH WE REFER YOU. SEE "WHERE YOU CAN FIND MORE INFORMATION." WE HAVE SOMETIMES INCLUDED PAGE REFERENCES OR SECTION REFERENCES TO DIRECT YOU TO MORE COMPLETE DESCRIPTIONS OF THE TOPICS PRESENTED IN THIS SUMMARY. ALL SHARE NUMBERS OF SONUS COMMON STOCK TO WHICH WE REFER IN THIS PROXY STATEMENT/PROSPECTUS RETROACTIVELY REFLECT SONUS' 3-FOR-1 STOCK SPLIT THAT OCCURRED IN OCTOBER, 2000. THE NUMBER OF SHARES OF SONUS COMMON STOCK ISSUABLE WITH RESPECT TO EACH SHARE OF TTI CLASS A AND CLASS B COMMON STOCK IS BASED ON AN ASSUMED 100,000,000 SHARES OF SUCH STOCK ISSUED AND OUTSTANDING AT THE EFFECTIVE TIME OF THE MERGER.

THE COMPANIES

telecom technologies, inc.
1701 North Collins Blvd., Suite 3000
Richardson, TX 75080
Tel.: (972) 301-4900

TTI is a provider of software products and services for network and service providers, offering end-to-end solutions for next generation, carrier-grade, multi-service networks. TTI offers intelligent network software products that provide call control, enhanced services, operational support systems and internetworking to voice and data networks.

TTI's principal product is the INtelligentIP softswitch, which allows carriers to deploy a circuit-switched, packet or mixed circuit/packet infrastructure with the capacity, reliability and intelligence they require. The INtelligentIP softswitch is currently being used by customers in laboratory testing and internal trials, and is also the focus of a partnering program designed to assure its interoperability with the products of leading telecommunications/network equipment vendors. TTI's other products and services include call control application software and professional services.

Founded in Texas in 1993 as a network design and consulting company, TTI's professional services personnel continue to offer a broad array of services including network design and planning, implementation, system integration, testing and support.

Sonus Networks, Inc.
5 Carlisle Road
Westford, MA 01886
Tel.: (978) 692-8999

Sonus is a leading provider of voice infrastructure products for the new public network. Sonus products are a new generation of carrier-class switching equipment and software that enable voice services to be delivered over packet-based networks. Sonus' target customers include new and established communications service providers, including long distance carriers, local exchange carriers, Internet service providers, cable operators, international telephone companies and carriers that provide services to other carriers. These service providers are rapidly building packet-based networks to support the dramatic growth in data traffic resulting from Internet use. 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 for telephone calls. By enabling voice traffic to be carried over these

packet-based networks, Sonus' products will accelerate the convergence of voice and data into the new public network.

Sonus' suite of voice infrastructure products includes the GSX9000 Open Services Switch, PSX6000 SoftSwitch, SGX2000 SS7 Signaling Gateway and System 9200 Internet offload solution. Sonus' products, designed for deployment at the core of a service provider's network infrastructure, significantly reduce the cost to build and operate voice services compared to traditional alternatives. Moreover, Sonus' products offer a powerful and open platform for service providers to increase their revenues through the creation and delivery of new and innovative voice and data services. Sonus' switching equipment and software can be rapidly and easily deployed, and readily expanded to accommodate growth in traffic volumes. Sonus' products also interoperate with service providers' existing telephone infrastructure, allowing them to preserve the investment in their current networks. Designed for the largest telephone networks in the world, Sonus' products offer the reliability and voice quality that have been hallmarks of the public telephone network for decades.

Sonus' objective is to capitalize on its early technology and market lead and build the premier franchise in voice infrastructure solutions for the new public network. Synergy Research Group projects that the market for voice infrastructure products to enable just two applications for the new public network, voice over Internet protocol and Internet offload, will grow dramatically to in excess of $15 billion in 2003.

REASONS FOR THE MERGER (SEE PAGE 35)

The Sonus board of directors considered a number of factors in determining to approve the merger, and the TTI board of directors considered a number of factors in determining to recommend that TTI shareholders approve the merger agreement. The two companies believe that the merger will result in the following benefits to the combined company:

- Coupling Sonus' core platform and softswitch capabilities with TTI's softswitch technology will enable the combined company to offer to its customers a broad range of network intelligence solutions for the new public network and a strong platform upon which to deliver high value-added services;

- The combination of Sonus' high performance and scalable softswitch with TTI's softswitch capabilities which emphasize multi-vendor services and interoperability will further the combined company's effort to provide all of the network intelligence that service providers require to successfully deploy powerful end-to-end heterogeneous, next-generation networks;

- Sonus will benefit from TTI's 207 employees, approximately two-thirds of whom are network engineers, which will augment Sonus' team of product development talent; and

- The combined company will have operations at two of the leading locations for the telecommunications industry: Richardson's Telecom Corridor-TM- in Texas and the Rt. 495 belt in Massachusetts, which provide access to valuable pools of network engineers.

To review these considerations, as well as the factors that each board of directors individually considered, in more detail, please see "Reasons for the Merger" elsewhere in this proxy/statement prospectus.

THE MERGER (SEE PAGE 34)

Sonus and TTI have entered into a merger agreement that provides for the merger of a wholly-owned subsidiary of Sonus with and into TTI. As a result of the merger, TTI will become a wholly-owned subsidiary of Sonus. We encourage you to read the merger agreement, which is attached to

this proxy statement/prospectus as Appendix A and which is incorporated into this proxy statement/ prospectus by reference, as it is the principal legal document that governs the merger.

In the merger, each share of TTI Class A and Class B common stock will be converted into the right to receive a portion of a share of Sonus common stock. The aggregate number of shares of Sonus common stock that will be issued in the merger is fixed. This number of shares will not be adjusted as a result of changes in Sonus' stock price.

WHAT YOU WILL RECEIVE IN THE MERGER (SEE PAGE 45)

At the time the merger is completed, each outstanding share of TTI Class A and Class B common stock will be converted into the right to receive up to an aggregate of 0.15 of a share of Sonus common stock, plus cash in lieu of any fractional shares. This figure is composed of 0.096 shares of Sonus stock that will be received at closing, 0.042 shares of Sonus stock that will be released from escrow if all of the business expansion and product development escrow release conditions are satisfied, and 0.012 shares of Sonus stock that will be released from escrow if there are no successful indemnity claims made by Sonus against the escrowed shares. For more information on this conversion and exactly how many shares of Sonus common stock you may receive in the merger, please see "The Merger Agreement" and "The Escrow Agreements" in this proxy statement/prospectus.

VOTE REQUIRED OF TELECOM TECHNOLOGIES SHAREHOLDERS (SEE PAGE 32)

Under the Texas Business Corporation Act, the merger agreement must be approved by holders of two-thirds of the shares of TTI stock outstanding on the record date and entitled to vote on the matter. We expect that this approval will be received because TTI shareholders holding in excess of two-thirds of the shares of TTI currently outstanding and entitled to vote have entered into a voting agreement with Sonus. Under the terms of this voting agreement, these TTI shareholders have agreed to vote their voting shares of TTI common stock for the approval of the merger agreement, and have agreed not to transfer their shares of TTI Class A and Class B common stock during the term of the voting agreement. For more information on this voting agreement, please see "The Voting Agreement" in this proxy statement/prospectus.

OWNERSHIP OF SONUS FOLLOWING THE MERGER (SEE PAGE 45)

TTI shareholders will receive up to an aggregate of 15,000,000 shares of Sonus common stock in the merger, subject to the terms of the escrow agreement relating to 5,400,000 of these shares. For a more complete discussion of the terms of this escrow agreement, please see the section "The Escrow Agreements" in this proxy statement/prospectus. Based on these numbers, following the merger, former TTI shareholders will own approximately 5.6% of the outstanding shares of Sonus common stock, assuming no exercise of presently outstanding Sonus stock options, assuming the release of all escrowed shares subject to indemnity claims and assuming that none of the escrowed shares subject to the business expansion and product development release conditions are released. However, if all of the business expansion and product development escrow release conditions are satisfied in a timely fashion, the former TTI shareholders will own approximately 7.6% of the outstanding Sonus common stock. Neither of these calculations include any shares of Sonus common stock that may be issued, to former employees of TTI who became employees of Sonus, under the Sonus 2000 Retention Plan, which is described under "Management of Sonus--Benefit Plans" in this proxy statement/prospectus.

THE SONUS 2000 RETENTION PLAN (SEE PAGE 84)

As a condition to the merger, Sonus has agreed to establish the Sonus 2000 Retention Plan. Under this plan, certain of the employees of TTI who will become Sonus employees as a result of the merger will receive contingent awards of up to an aggregate of 3,000,000 shares of Sonus common stock that will vest on January 1, 2003 if (1) the recipients do not voluntarily terminate employment with TTI or Sonus prior to such dates and (2) the business expansion and product development escrow release conditions are satisfied in whole or in part. The final number of shares of Sonus common stock awarded to each employee that will vest on such dates will be proportional to the number of shares escrowed in the merger that are eventually released upon the satisfaction of the business expansion and product development escrow release conditions. Generally, any awards forfeited by employees who terminate employment with TTI, other than a termination by Sonus or TTI without cause, prior to the date on which they would otherwise vest, may be reallocated to remaining TTI employees, awarded to replacement hires or returned to Sonus as provided by the terms of this plan.

INTERESTS OF DIRECTORS AND MANAGEMENT OF TELECOM TECHNOLOGIES IN THE MERGER (SEE PAGE 38)

Some of the officers and directors of TTI may have interests in the merger that are different from, or that are in addition to, their interests as TTI shareholders. These interests exist because of new or existing employment agreements between these individuals and TTI or Sonus, because of awards granted, or to be granted, to these individuals under TTI's 1998 Amended Equity Incentive Plan and the Sonus 2000 Retention Plan and for a number of other reasons. The board of directors of TTI considered these additional interests when it determined that the merger agreement was fair to and in the best interests of TTI and its shareholders, and determined to recommend that TTI's shareholders approve the agreement and plan of merger.

CONDITIONS TO THE MERGER (SEE PAGE 53)

Sonus and TTI are not obligated to complete the merger unless a number of conditions and events are satisfied and have occurred. As the conditions to complete the merger, in many cases, may be waived by the parties, TTI shareholders should not unduly rely on the satisfaction of these conditions prior to the completion of the merger. These conditions and events include the following:

- the affirmative vote of the holders of two-thirds of the shares of TTI Class A common stock outstanding on the record date and entitled to vote thereon has been obtained;

- the registration statement, of which this proxy statement/prospectus forms a part, must have become effective under the Securities Act and must not be the subject of any stop order or proceedings seeking a stop order;

- no governmental orders or statutes, rules or regulations may have been enacted that would have the effect of making the merger illegal or otherwise prohibiting consummation of the merger;

- the Sonus common stock to be issued in the merger must have been approved for listing on the Nasdaq Stock Market;

- the representations and warranties of TTI and Sonus contained in the merger agreement must be true and correct at the time made and at the time of closing, except where the failures to be so would not have a material adverse effect;

- there shall have been no material adverse effect on the business, financial condition or results of operations of either company, however, a decline in the market price of Sonus common stock is not considered to have a material adverse effect for this purpose;

- both TTI and Sonus must have performed their obligations under the merger agreement in all material respects; and

- TTI must have received an opinion of its special outside legal counsel, Wachtell, Lipton, Rosen & Katz, to the effect that the merger will be treated for federal income tax purposes as a tax-free reorganization within the meaning of the Internal Revenue Code of 1986, as amended.

TERMINATION OF THE MERGER AGREEMENT (SEE PAGE 55)

Notwithstanding the approval of the merger agreement and/or of the merger by the board of directors of Sonus and the board of directors and shareholders of TTI, the merger agreement may be terminated at any time before the effective date by written agreement of Sonus and TTI.

In addition, either Sonus or TTI may terminate the merger agreement by written notice to the other, if:

- any restraining order, injunction, or other order issued by any court of competent jurisdiction, or other binding legal restraint or prohibition permanently preventing the consummation of the merger has become final and non-appealable;

- the effective time of the merger has not occurred on or before May 31, 2001, but only if the terminating party is not in material breach of the merger agreement; or

- the other party has materially breached any of its representations, warranties, covenants, promises and other agreements set forth in the merger agreement and has not cured such breach within fifteen days after written notice thereof from the terminating party.

REGULATORY APPROVALS (SEE PAGE 43)

United States antitrust laws prohibit Sonus, TTI, and some of the TTI shareholders from completing the merger until after they have furnished information and materials to the Antitrust Division of the Department of Justice and the Federal Trade Commission and the waiting period required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and related rules. Sonus and TTI each filed the required notification and report forms with the Antitrust Division and the Federal Trade Commission on November 16, 2000 and the required waiting period expired on December 16, 2000.

COMPARATIVE PER SHARE MARKET PRICE INFORMATION (SEE PAGE 31)

Sonus common stock has been traded on the Nasdaq Stock Market under the symbol "SONS" since May 25, 2000. From May 25, 2000 until the date of this proxy statement/prospectus, the high and low closing sales prices on such market for the Sonus common stock were $87.04 and $16.17, as adjusted for a 3-for-1 stock split, which occurred in October, 2000. As of November 2, 2000, the day on which we announced the execution of the merger agreement, the closing sales price of Sonus common stock was approximately $40.88.

There is no public market for the TTI Class A and Class B common stock.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES (SEE PAGE 41)

The merger is conditioned upon TTI receiving an opinion of its special outside legal counsel that the merger will qualify as a "tax-free reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

TAX MATTERS ARE VERY COMPLICATED, AND THE TAX CONSEQUENCES OF THE MERGER TO YOU WILL DEPEND ON THE FACTS OF YOUR SITUATION. ACCORDINGLY, IN ADDITION TO REVIEWING THE MORE DETAILED TAX DISCUSSION UNDER "MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES" ON PAGE 41 OF THIS PROXY STATEMENT/PROSPECTUS, YOU SHOULD CONSULT YOUR TAX ADVISOR FOR A FULL UNDERSTANDING OF THE TAX CONSEQUENCES OF THE MERGER TO YOU.

ACCOUNTING TREATMENT (SEE PAGE 42)

The merger will be accounted for under the purchase method of accounting in accordance with generally accepted accounting principles with Sonus being deemed to have acquired TTI as of the date of the merger.

APPRAISAL RIGHTS OF DISSENTING SHAREHOLDERS (SEE PAGE 43)

Under Texas law, holders of Class B common stock of TTI are not entitled to dissenters' rights of appraisal in connection with the merger. However, under Texas law, holders of Class A common stock of TTI may be entitled to dissenters' rights of appraisal in connection with the merger.

THE ESCROW AGREEMENTS (SEE PAGE 56)

In connection with the merger, the parties have agreed that an aggregate of 5,400,000 shares of Sonus common stock that the TTI shareholders would otherwise receive in connection with the merger will be placed into an escrow account. An aggregate of 1,200,000 of these escrowed shares may be released to Sonus in the event it is entitled to indemnification under the merger agreement, and an aggregate of 4,200,000 of these escrowed shares will be held in escrow pending satisfaction by TTI of specified business expansion and product development release conditions at specified times prior to December 31, 2002.

THE VOTING AGREEMENT (SEE PAGE 58)

In connection with the execution of the merger agreement, holders of more than two-thirds of the voting power of TTI Class A common stock entered into a voting agreement with Sonus. Under the terms of the voting agreement, each of these TTI shareholders agreed to vote all of that holder's shares of TTI Class A common stock in favor of approval of the merger agreement, and agreed not to transfer any of those shares during the term of the voting agreement.

COMPARISON OF STOCKHOLDER RIGHTS (SEE PAGE 109)

In the merger, holders of TTI Class A and Class B common stock will receive shares of Sonus common stock. As such, after the completion of the merger, the rights of those holders will then be governed by Delaware law and by the certificate of incorporation and by-laws of Sonus, as opposed to being governed by Texas law and by the articles of incorporation and by-laws of TTI, as they were prior to the completion of the merger.

SELECTED CONSOLIDATED FINANCIAL DATA OF SONUS

The following selected consolidated financial data of Sonus should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes to those statements included elsewhere in this proxy statement/prospectus. The consolidated statement of operations data for the period from our inception on August 7, 1997 to December 31, 1997 and the years ended December 31, 1998 and 1999 and the consolidated balance sheet data as of December 31, 1998 and 1999 are derived from our consolidated financial statements, audited by Arthur Andersen LLP, independent public accountants, which are included elsewhere in this proxy statement/prospectus. The consolidated statement of operations data for the nine months ended September 30, 1999 and 2000 and the consolidated balance sheet data as of September 30, 2000 are derived from our unaudited consolidated financial statements, which are included elsewhere in this proxy statement/prospectus. In the opinion of management, these unaudited interim consolidated financial statements include all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of Sonus' financial position and operating results for these periods. The consolidated statement of operations data for the period from our inception on August 7, 1997 to December 31, 1997 and the consolidated balance sheet data as of December 31, 1997 have been derived from our consolidated financial statements audited by Arthur Andersen LLP, independent public accountants, not included in this document. The results for the nine months ended September 30, 2000 are not necessarily indicative of the operating results to be expected for the entire year or any future periods.

	PERIOD FROM INCEPTION (AUGUST 7, 1997) TO DECEMBER 31,	YEAR ENDED DECEMBER 31,		NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1998	1999	1999	2000
				(UNAUDITED)	
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
CONSOLIDATED STATEMENT OF OPERATIONS DATA:					
Revenues	$ --	$ --	$ --	$ --	$ 23,171
Manufacturing and product costs (1)	--	--	1,861	1,091	14,846
Gross profit (loss)	--	--	(1,861)	(1,091)	8,325
Operating expenses:					
Research and development (1)	299	5,824	10,780	7,505	18,231
Sales and marketing (1)	--	426	5,606	2,747	13,576
General and administrative (1)	187	919	1,723	1,114	3,750
Stock-based compensation	--	59	4,404	2,171	20,347
Total operating expenses	486	7,228	22,513	13,537	55,904
Loss from operations	(486)	(7,228)	(24,374)	(14,628)	(47,579)
Interest income (expense), net	25	314	487	283	3,813
Net loss	(461)	(6,914)	(23,887)	(14,345)	(43,766)
Beneficial conversion feature of Series C preferred stock	--	--	(2,500)	--	--
Net loss applicable to common stockholders	$(461)	$(6,914)	$(26,387)	$(14,345)	$ (43,766)
Net loss per share (2):					
Basic and diluted	$ --	$ (1.42)	$ (1.84)	$ (1.13)	$ (0.57)
Pro forma basic and diluted			(0.25)	(0.16)	(0.34)
Shares used in computing net loss per share (2):					
Basic and diluted	--	4,858	14,324	12,729	77,448
Pro forma basic and diluted			96,188	91,351	130,291

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(FOOTNOTES ON FOLLOWING PAGE)

	DECEMBER 31,			SEPTEMBER 30,
	1997	1998	1999	2000
				(UNAUDITED)
		(IN THOUSANDS)		
CONSOLIDATED BALANCE SHEET DATA:				
Cash, cash equivalents and marketable securities	$6,606	$16,501	$23,566	$152,685
Working capital	6,308	15,321	19,604	138,742
Total assets	6,987	18,416	30,782	188,183
Long-term obligations, less current portion	6	1,220	3,402	--
Redeemable convertible preferred stock	7,100	22,951	46,109	--
Total stockholders' equity (deficit)	(447)	(7,097)	(25,199)	150,356

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(1) Excludes non-cash, stock-based compensation expense as follows:

	YEAR ENDED DECEMBER 31,		NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999	1999	2000
			(UNAUDITED)	
		(IN THOUSANDS)		
Manufacturing and product costs	$ --	$ 92	$ 47	$ 302
Research and development	29	1,537	680	8,784
Sales and marketing	12	2,104	1,084	9,108
General and administrative	18	671	360	2,153
	$ 59	$ 4,404	$ 2,171	$ 20,347

(2) See note (1)(p) to our consolidated financial statements for an explanation of the method of calculation. Pro forma per share calculation reflects the conversion of all outstanding shares of Series A, Series B, Series C and Series D redeemable convertible preferred stock into shares of common stock which occurred upon the closing of our initial public offering in May 2000, as if the conversion occurred at the date of original issuance.

SELECTED CONSOLIDATED FINANCIAL DATA OF TELECOM TECHNOLOGIES

The following selected consolidated financial data of TTI should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and TTI's consolidated financial statements and notes to those statements included elsewhere in this proxy statement/prospectus. The consolidated statement of operations data for the years ended December 31, 1998 and 1999 and the consolidated balance sheet data as of December 31, 1998 and 1999 are derived from TTI's consolidated financial statements, audited by Arthur Andersen LLP, independent public accountants, which are included elsewhere in this proxy statement/prospectus. The consolidated statement of operations data for the nine months ended September 30, 1999 and 2000 and the consolidated balance sheet data as of September 30, 2000 are derived from TTI's unaudited consolidated financial statements, which are included elsewhere in this proxy statement/ prospectus. In the opinion of TTI's management, these unaudited interim consolidated financial statements include all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of TTI's financial position and operating results for these periods. The consolidated statement of operations data for the year ended December 31, 1997 and the consolidated balance sheet data as of December 31, 1997 are derived from TTI's unaudited consolidated financial statements, not included in this document. The consolidated statement of operations data for the years ended December 31, 1995 and 1996 and the consolidated balance sheet data as of December 31, 1995 and 1996, have been derived from TTI's consolidated financial statements, audited by Arthur Andersen LLP, independent public accountants, not included in this document. The results for the nine months ended September 30, 2000 are not necessarily indicative of the operating results to be expected for the entire year or any future periods.

In recent periods, TTI has generated revenue from the following product and service offerings:

	YEAR ENDED DECEMBER 31,		NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999	1999	2000
	(IN THOUSANDS)			
Call control application software	$ 922	$ 2,474	$ 449	$ 9,450
Network testing software	5,090	7,372	5,810	5,192
Professional services	8,732	9,486	6,799	5,326
	$14,744	$19,332	$13,058	$19,968

Over the next several quarters, after completion of the merger TTI's historical sources of revenue are expected to decline significantly as TTI accelerates its shift in focus to the development and deployment of its INtelligentIP softswitch line of products. In addition, as a result of the sale of the network testing software product line, revenues related to these products are expected to decline or cease in 2001. As of September 30, 2000, TTI has not recognized any revenue on its INtelligentIP softswitch, but has shipped product to customers who are currently using it in laboratory testing and internal trials.

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	1995	1996	1997	1998	1999	1999	2000
			(UNAUDITED)			(UNAUDITED)	
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
CONSOLIDATED STATEMENT OF OPERATIONS DATA:							
Revenues	$ 3,660	$ 6,976	$ 8,708	$14,744	$19,332	$13,058	$19,968
Cost of product and services (1)	2,286	3,621	5,522	11,083	11,637	9,562	10,324
Gross profit	1,374	3,355	3,186	3,661	7,695	3,496	9,644
Operating expenses:							
Research and development (1)	182	427	426	1,389	7,486	5,589	8,523
Sales and marketing (1)	192	376	507	1,183	3,287	1,602	3,113
General and administrative (1)	339	729	994	1,344	1,960	1,088	2,289
Stock-based compensation	--	--	--	--	--	--	394
Total operating expenses	713	1,532	1,927	3,916	12,733	8,279	14,319
Income (loss) from operations	661	1,823	1,259	(255)	(5,038)	(4,783)	(4,675)
Other income (expense), net	(34)	(41)	(42)	(155)	6,241	6,258	(189)
Income (loss) before income taxes	627	1,782	1,217	(410)	1,203	1,475	(4,864)
Provision (benefit) for income taxes	--	--	2,098	(145)	336	411	--
Net income (loss)	$ 627	$ 1,782	$ (881)	$ (265)	$ 867	$ 1,064	$(4,864)
Net income (loss) per share (2):							
Basic and diluted	$ 0.01	$ 0.02	$ (0.01)	$ (0.00)	$ 0.01	$ 0.01	$ (0.05)
Shares used in computing net income (loss) per share (2):							
Basic and diluted	100,000	100,000	100,000	100,000	100,000	100,000	100,000

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(1) Excludes non-cash, stock-based compensation expense as follows:

Cost of product and services	$ 5
Research and development	23
Sales and marketing	360
General and administrative	6
	$ 394

(2) See note 1(o) to our consolidated financial statements for an explanation of the method of calculation.

	DECEMBER 31,					SEPTEMBER 30,
	1995	1996	1997	1998	1999	2000
			(UNAUDITED)			(UNAUDITED)
	(IN THOUSANDS)					
CONSOLIDATED BALANCE SHEET DATA:						
Cash and cash equivalents	$ 394	$ 267	$ 390	$ 520	$ 533	$ 1,550
Working capital (deficit)	226	1,573	663	751	187	(5,732)
Total assets	1,188	3,462	6,062	8,100	13,904	12,824
Capital lease obligations, less current portion	--	--	--	--	673	930
Redeemable common stock	--	--	--	2,281	7,226	31,752
Total stockholders' equity (deficit)	346	1,723	811	(1,735)	(5,813)	(34,809)

SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA

The following selected unaudited pro forma condensed combined financial data present the effect of the pending merger between Sonus and TTI as if the merger had been completed on January 1, 1999 and 2000 for results of operations purposes and on September 30, 2000 for balance sheet purposes. The unaudited pro forma condensed combined financial data was prepared using the purchase method of accounting.

The unaudited pro forma condensed combined financial data is based on estimates and assumptions which are preliminary and have been made solely for the purposes of developing these unaudited pro forma condensed combined financial data. The unaudited pro forma condensed combined financial data is not necessarily an indication of the results that would have been achieved had the transaction been consummated as of the dates indicated or results that may be achieved in the future.

These selected unaudited pro forma condensed combined financial data should be read in conjunction with the unaudited pro forma condensed combined financial data, the historical financial statements and notes thereto of Sonus, the historical financial statements and notes thereto of TTI, and other financial information pertaining to Sonus and TTI including "Sonus' Management's Discussion and Analysis of Financial Condition and Results of Operations," "TTI's Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" included herein.

	YEAR ENDED DECEMBER 31, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000
	(UNAUDITED)	
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
CONSOLIDATED STATEMENT OF OPERATIONS DATA:		
Revenues	$ 19,332	$ 43,139
Manufacturing, product and service costs	13,498	25,170
Gross profit	5,834	17,969
Operating expenses:		
Research and development	18,266	26,754
Sales and marketing	8,893	16,689
General and administrative	3,683	5,889
Amortization of intangibles	102,558	76,919
Stock-based compensation	72,620	71,903
Total operating expenses	206,020	198,154
Loss from operations	(200,186)	(180,185)
Other income (expense), net	6,728	3,624
Net loss	(193,458)	(176,561)
Beneficial conversion feature of Series C preferred stock	(2,500)	--
Net loss applicable to common stockholders	$(195,958)	$(176,561)
Net loss per share (1):		
Basic and diluted	$ (7.80)	$ (2.00)
Pro forma basic and diluted	(1.81)	(1.25)
Shares used in computing net loss per share (1):		
Basic and diluted	25,124	88,248
Pro forma basic and diluted	106,988	141,091

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(FOOTNOTE ON FOLLOWING PAGE)

	SEPTEMBER 30, 2000 (UNAUDITED) (IN THOUSANDS)
CONSOLIDATED BALANCE SHEET DATA:	
Cash and cash equivalents	$138,235
Working capital	121,902
Total assets	614,007
Capital lease obligations, less current portion	930
Total stockholders' equity	560,299

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(1) Pro forma per share calculation reflects the conversion of all outstanding shares of Series A, Series B, Series C and Series D redeemable convertible preferred stock into shares of Sonus common stock which occurred upon the closing of our initial public offering in May 2000, as if the conversion occurred at the date of the original issuance.

YOU SHOULD CONSIDER CAREFULLY THE FOLLOWING RISKS, ALONG WITH THE OTHER INFORMATION CONTAINED IN THIS PROXY STATEMENT/PROSPECTUS. THE RISKS AND UNCERTAINTIES DESCRIBED BELOW ARE NOT THE ONLY ONES WHICH MAY AFFECT SONUS AND TTI. ADDITIONAL RISKS AND UNCERTAINTIES MAY ALSO ADVERSELY AFFECT SONUS' AND TTI'S BUSINESS AND OPERATIONS, AS WELL AS THOSE OF THE COMBINED COMPANY FOLLOWING COMPLETION OF THE MERGER. IF ANY OF THE FOLLOWING EVENTS ACTUALLY OCCUR, SONUS', TTI'S AND/OR THE COMBINED COMPANY'S BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS WOULD BE ADVERSELY AFFECTED, POSSIBLY MATERIALLY. THE TERMS "WE," "OUR" AND "US" WHEN USED IN THIS SECTION UNDER THE HEADING "RISKS RELATING TO SONUS" MEAN SONUS BOTH PRIOR TO AND FOLLOWING THE MERGER. SOME OF THE RISKS RELATING TO TTI AS AN INDEPENDENT ENTITY MAY ALSO BE APPLICABLE TO THE COMBINED COMPANY FOLLOWING THE MERGER.

RISKS RELATING TO THE MERGER

TTI SHAREHOLDERS MAY NEVER RECEIVE UP TO 4,200,000 SHARES OF THE SONUS COMMON STOCK ISSUABLE IN THE MERGER IF TTI DOES NOT SATISFY THE BUSINESS EXPANSION AND PRODUCT DEVELOPMENT ESCROW RELEASE CONDITIONS.

An aggregate of 4,200,000 shares of Sonus common stock that the TTI shareholders would otherwise be entitled to receive in the merger will be placed in an escrow account and will only be distributed to the former TTI shareholders if TTI achieves specified business expansion and product development performance milestones, on or prior to specified times prior to December 31, 2002. None of Sonus, TTI or their officers and directors can assure you that TTI will satisfy these business expansion and product development escrow release conditions within the specified time periods, if at all.

There is a significant risk that TTI will not satisfy these business expansion and product development escrow release conditions and that TTI shareholders will not receive any of these 4,200,000 shares of Sonus common stock. For more information on the escrow and the shares held in the escrow accounts, see the section entitled "The Escrow Agreements" elsewhere in this proxy statement/prospectus.

TTI SHAREHOLDERS MAY NEVER RECEIVE UP TO 1,200,000 SHARES OF THE SONUS COMMON STOCK ISSUABLE IN THE MERGER IF SONUS SUCCESSFULLY MAKES CERTAIN INDEMNIFICATION CLAIMS.

Sonus may make indemnification claims after the closing of the merger against up to 1,200,000 shares held in an escrow account for liabilities, damages and expenses arising out of:

- any material inaccuracy or breach of any representation or warranty made by TTI in the merger agreement or in any certificate delivered by TTI pursuant to the terms of the merger agreement; and

- any material breach or default of any of the covenants or agreements made by TTI in the merger agreement or in any certificate delivered by TTI pursuant to the terms of the merger agreement.

To the extent that some or all of these 1,200,000 escrowed shares are not required to be released to Sonus in satisfaction of indemnity claims by Sonus, the remaining shares will be distributed pro rata to the TTI shareholders on or about the first anniversary of the merger. Sonus cannot assure you that Sonus will not make claims for indemnification against these 1,200,000 shares.

BECAUSE THE EXCHANGE RATIO IN THE MERGER IS BASED ON A FIXED NUMBER OF SHARES OF SONUS COMMON STOCK, TTI SHAREHOLDERS ARE EXPOSED TO THE RISK THAT THE MARKET PRICE OF SONUS' COMMON STOCK WILL DECREASE.

Under the merger agreement, each share of TTI Class A and Class B common stock will convert into the right to receive up to an aggregate of 0.15 shares of Sonus common stock. The exchange ratio is based on a fixed number of shares of Sonus common stock and will not be adjusted if the price of Sonus common stock increases or decreases. The price of Sonus common stock at the effective time of the merger, or at the time Sonus common stock is released from the escrow agreement, may vary from its price on the date of this proxy statement/prospectus. The trading price of Sonus common stock has historically been volatile. Since Sonus' common stock began trading on May 25, 2000, its closing price on the Nasdaq Stock Market has been as high as $87.04 and as low as $16.17, adjusted for the 3-for-1 stock split that occurred in October, 2000. The trading price of Sonus common stock may vary because of:

- changes in the business, operations or prospects of Sonus, TTI or the combined company;
- market assessments of the likelihood of completion of the merger;
- the timing of the completion of the merger;
- the prospects of post-merger operations;
- regulatory considerations; and
- general market and economic conditions, as well as those specific to the telecommunications, networking and related industries and other factors.

SONUS MAY NOT BE ABLE TO SUCCESSFULLY INTEGRATE TTI AND ACHIEVE THE BENEFITS EXPECTED TO RESULT FROM THE MERGER.

Sonus and TTI entered into the merger agreement with the expectation that the merger will result in mutual benefits including, among other things, benefits relating to expanded and complementary product offerings, enhanced revenues, increased market opportunity, new technology and the addition of engineering personnel who are specialists in the softswitch sector and professional services. Achieving the benefits of the merger will depend in part on the integration of our technology, operations and personnel in a timely and efficient manner so as to minimize the risk that the merger will result in the loss of market opportunity or key employees or the diversion of the attention of management. Among the challenges involved in this integration are demonstrating to our customers that the merger will not result in adverse changes in client service standards or business focus and persuading our personnel that our business cultures are compatible.

In addition, TTI's principal offices are located in Richardson, Texas, and Sonus' principal offices are located in Westford, Massachusetts. Under the merger agreement Sonus has agreed not to transfer the operations of TTI from Richardson, Texas for a period of two years. We must successfully integrate TTI's operations and personnel with Sonus' operations and personnel for the merger to be successful. We cannot assure you that we will successfully integrate or profitably manage TTI's businesses. In addition, we cannot assure you that, following the transaction, our businesses will achieve revenues, net income or loss levels, efficiencies or synergies that justify the merger or that the merger will result in increased earnings for the combined company in any future period. Further, the combined company may experience slower rates of growth as compared to historical rates of growth of Sonus and TTI independently.

IF SONUS AND TTI DO NOT INTEGRATE THEIR TECHNOLOGIES AND OPERATIONS QUICKLY AND EFFECTIVELY, SOME OR ALL OF THE POTENTIAL BENEFITS OF THE MERGER MAY NOT OCCUR.

Sonus and TTI must make TTI's technology, products and services operate together with Sonus' technologies, products and services. If Sonus and TTI do not integrate their operations and technologies quickly and smoothly, serious harm to the combined company's business, financial condition and prospects may result. Integrating the two businesses will entail significant diversion of management's time and attention. Both Sonus and TTI may be required to spend additional time or money on integration that would otherwise be spent on developing their business and services or other matters. In addition, the integration may require the partial or wholesale conversion or redesign of some or all of the technologies, products and services of either Sonus or TTI.

THE LOSS OF KEY TTI PERSONNEL COULD MAKE IT DIFFICULT TO COMPLETE EXISTING PROJECTS AND UNDERTAKE NEW PROJECTS.

The success of the combined company will depend on its ability to identify, hire and retain employees, and a significant component of the value of the merger is in the know-how and experience of TTI employees that Sonus expects to employ. We have established the Sonus 2000 Retention Plan and established employment agreements with 13 employees and officers of TTI, to encourage employees to remain with the combined company for at least two years, however, we cannot assure you that this will be sufficient to retain essential personnel. If key TTI employees were to leave after the merger, we may be unable to complete existing TTI projects or to undertake new projects, each of which could materially impair our future earnings and results of operations. If key TTI employees do leave after the merger, it is highly unlikely that TTI will satisfy the business expansion and product development escrow release conditions and as a result the escrowed shares allocated to such conditions would be less likely to be distributed to the former TTI shareholders.

WE EXPECT SUBSTANTIAL TRANSACTION, CONSOLIDATION AND INTEGRATION COSTS RELATED TO THE MERGER.

Whether or not the merger is consummated, we will have incurred substantial expenses. We estimate that, if the merger is consummated, the combined company will incur transaction costs of approximately $11,000,000, including investment banking, legal, accounting and printing fees. We expect that we will also incur significant consolidation and integration expenses that we cannot accurately estimate at this time. We expect that the combined company will charge the majority of these consolidation and integration costs and expenses to operations in fiscal 2001. The amount of the transaction costs is a preliminary estimate and is subject to change. Actual transaction costs may substantially exceed our estimates and, when combined with the expenses incurred in connection with the consolidation and integration of our companies, could have an adverse effect on the business, financial condition and operating results of the combined company.

THE MERGER MAY RESULT IN DEFAULTS UNDER OTHER AGREEMENTS.

Unless we obtain consents prior to the merger, consummation of the merger may result in a default under one or more agreements applicable to us, dealing with, among other things:

- real property leases;

- license agreements;

- credit facilities and operating leases; and

- partner agreements.

Such defaults may result in the combined company becoming liable for litigation costs, settlement expenses or, possibly, contractual liabilities. Further, as part of any settlement of these liabilities, the combined company may lose the right to use licensed products, and be forced to seek replacements, if available on comparable terms, or at all. The consents necessary to avoid such liability may not be obtained and, may have a material impact on the combined company.

THE ACCOUNTING TREATMENT OF THE MERGER WILL RESULT IN SIGNIFICANT CHARGES TO SONUS' OPERATIONS.

We intend to account for the merger as a purchase for financial reporting and accounting purposes, under United States generally accepted accounting principles, with Sonus acquiring TTI. After completion of the merger, the results of operations of TTI will be included in the consolidated financial statements of Sonus from the date of the merger. The purchase price will be allocated to TTI's assets and liabilities based on the fair values of the assets acquired and the liabilities assumed. Any excess of cost over the fair value of the net tangible assets of TTI and identifiable intangible assets acquired will be classified as goodwill and other intangible assets, including in-process research and development. Goodwill and other intangibles will be amortized by charges to operations over their estimated useful lives of three to four years and in-process research and development will be charged to operations at the time of closing in accordance with United States generally accepted accounting principles. Sonus will also record stock-based compensation relating to the issuance of awards under the Sonus 2000 Retention Plan. The amount of charges for stock-based compensation, in-process research and development and amortization of goodwill and other intangibles will be significant and will therefore have a material negative impact on the combined company's future operating results which could cause Sonus' stock price to decline.

TTI HAS EXPERIENCED OPERATING LOSSES OVER THE LAST SEVERAL YEARS AND MAY CONTINUE TO INCUR LOSSES WHICH MAY MATERIALLY IMPAIR THE COMBINED COMPANY'S, AND SONUS', ABILITY TO BECOME PROFITABLE AFTER THE MERGER.

TTI has incurred significant operating losses in fiscal 1997, 1998, 1999 and the first nine months of 2000. As of September 30, 2000, TTI had an accumulated deficit of $35.2 million. Sonus has not achieved profitability on a quarterly or annual basis. As a result, the losses of TTI would adversely, and possibly materially, impact the combined company's ability to become profitable in the near future, if ever.

TTI'S INTELLIGENTIP SOFTSWITCH PRODUCT IS UNPROVEN AND MAY BE SUBJECT TO ERRORS OR OPERATIONAL FAILURES THAT COULD SERIOUSLY HARM THE VALUE OF TTI OR THE COMBINED COMPANY.

The further development of TTI's softswitch technologies after the consummation of the merger is critical to the value of TTI to the combined company. TTI's product is sophisticated and designed to interoperate with different types of hardware from different manufacturers in large and complex networks, however, it has never been deployed on a commercial scale. This product may never complete final testing with TTI's customers, or these customers may, upon full deployment, discover errors or defects in the product. Furthermore, this product may fail to operate as expected, either alone or in conjunction with hardware of different manufacturers.

If TTI is unable to deliver products that complete final testing with its customers or to fix errors or other performance or interoperability problems that arise after deployment, the combined company may experience:

- Loss of, or delay in, revenues;

- Loss of customers and failure to acquire market share;

- A failure to attract new customers or achieve market acceptance for its products;

- Increased service, support and warranty costs and a diversion of development resources; and

- Costly and time-consuming legal actions by TTI's customers.

TTI HAS NOT YET RECOGNIZED REVENUE FROM SALES OF ITS INTELLIGENTIP SOFTSWITCH PRODUCT AND WE CANNOT OFFER ASSURANCE IT WILL EVER ACHIEVE SIGNIFICANT REVENUE FROM SUCH SALES.

Sonus considers TTI's INtelligentIP softswitch technology to be a critical component of the value of TTI to the combined company. Although TTI had revenues of $19.3 million in 1999 and $20.0 million for the first nine months of 2000 from the sale of products and services, TTI has not yet recognized any revenue from the sale of its INtelligentIP softswitch products. TTI has, however, shipped its INtelligentIP softswitch product to a limited number of customers who are currently using such products in laboratory testing and internal trials. We cannot offer assurance that TTI will be able to generate significant revenue from the sale of these softswitch products after the merger, or that TTI will be able to generate sufficient sales of other products and services to offset any failure to achieve expected revenues from such products. If TTI is unable to generate significant revenues from the sale of its softswitch products, the combined company will likely be unable to achieve many of the goals it established for this transaction.

RISKS RELATING TO SONUS

WE EXPECT THAT A MAJORITY OF OUR REVENUES WILL BE GENERATED FROM A LIMITED NUMBER OF CUSTOMERS, AND OUR REVENUES WILL NOT GROW IF WE DO NOT SUCCESSFULLY SELL PRODUCTS TO THESE CUSTOMERS.

To date, we have shipped our products to a limited number of customers, and only during the first quarter of fiscal 2000 did we begin to recognize revenues. We expect that in the foreseeable future, substantially all of our revenues will depend on sales of our products to a limited number of customers. Our customers are not contractually committed to purchase any minimum quantities of products from us. The customers to whom we have shipped products are currently using our products in laboratory testing, internal trials or deployed in their commercial networks.

Our customers may not deploy our products in their commercial networks on a timely basis, or at all, and any delay or failure by our customers to introduce commercial services based on our products, or a downturn in their business, would seriously harm our ability to sell products and generate revenues.

WE WILL NOT BE SUCCESSFUL IF WE DO NOT GROW OUR CUSTOMER BASE BEYOND OUR INITIAL CUSTOMERS.

Our future success will depend on our ability to attract additional customers beyond our current limited number. The growth of our customer base could be adversely affected by:

- customer unwillingness to implement our new voice infrastructure products;

- any delays or difficulties that we may incur in completing the development and introduction of our planned products or product enhancements;

- new product introductions by our competitors;

- any failure of our products to perform as expected; or

- any difficulty we may incur in meeting customers' delivery requirements.

If we do not expand our customer base to include additional customers that deploy our products in operational, commercial networks, our revenues will not grow significantly, or at all.

THE MARKET FOR VOICE INFRASTRUCTURE FOR THE NEW PUBLIC NETWORK IS NEW AND EVOLVING AND OUR BUSINESS WILL SUFFER IF IT DOES NOT DEVELOP AS WE EXPECT.

The market for our products is rapidly evolving. Packet-based technology may not be widely accepted as a platform for voice and a viable market for our products may not develop or be sustainable. If this market does not develop, or develops more slowly than we expect, we may not be able to sell our products in significant volumes, or at all.

WE ARE ENTIRELY DEPENDENT UPON OUR VOICE INFRASTRUCTURE PRODUCTS AND OUR FUTURE REVENUES DEPEND UPON THEIR COMMERCIAL SUCCESS.

Our future growth depends upon the commercial success of our voice infrastructure products. We intend to develop and introduce new products and enhancements to existing products in the future. We may not successfully complete the development or introduction of these products. If our target customers do not adopt, purchase and successfully deploy our current or planned products, our revenues will not grow.

BECAUSE OUR PRODUCTS ARE SOPHISTICATED AND DESIGNED TO BE DEPLOYED IN COMPLEX ENVIRONMENTS, THEY MAY HAVE ERRORS OR DEFECTS THAT WE FIND ONLY AFTER FULL DEPLOYMENT, WHICH COULD SERIOUSLY HARM OUR BUSINESS.

Our products are sophisticated and are designed to be deployed in large and complex networks. Because of the nature of our products, they can only be fully tested when substantially deployed in very large networks with high volumes of traffic. Some of our customers have only recently begun to commercially deploy our products and they may discover errors or defects in the software or hardware, or the products may not operate as expected.

If we are unable to fix errors or other performance problems that may be identified after full deployment of our products, we could experience:

- loss of, or delay in, revenues;

- loss of customers and market share;

- a failure to attract new customers or achieve market acceptance for our products;

- increased service, support and warranty costs and a diversion of development resources; and

- costly and time-consuming legal actions by our customers.

IF WE DO NOT RESPOND RAPIDLY TO TECHNOLOGICAL CHANGES OR TO CHANGES IN INDUSTRY STANDARDS, OUR PRODUCTS COULD BECOME OBSOLETE.

The market for voice infrastructure products for the new public network is likely to be characterized by rapid technological change and frequent new product introductions. We may be unable to respond quickly or effectively to these developments. We may experience difficulties with software development, hardware design, manufacturing or marketing that could delay or prevent our development, introduction or marketing of new products and enhancements. The introduction of new products by competitors, the market acceptance of products based on new or alternative technologies or the emergence of new industry standards could render our existing or future products obsolete. If the standards adopted are different from those that we have chosen to support, market acceptance of our products may be significantly reduced or delayed. If our products become technologically obsolete, we may be unable to sell our products in the marketplace and generate revenues.

WE DEPEND UPON CONTRACT MANUFACTURERS AND ANY DISRUPTION IN THESE RELATIONSHIPS MAY CAUSE US TO FAIL TO MEET THE DEMANDS OF OUR CUSTOMERS AND DAMAGE OUR CUSTOMER RELATIONSHIPS.

We rely on a small number of contract manufacturers to manufacture our products according to our specifications and to fill orders on a timely basis. Our contract manufacturers provide comprehensive manufacturing services, including assembly of our products and procurement of materials. Each of our contract manufacturers also builds products for other companies and may not always have sufficient quantities of inventory available to fill our orders, or may not allocate their internal resources to fill these orders on a timely basis. We do not have long-term supply contracts with our manufacturers and they are not required to manufacture products for any specified period. We do not have internal manufacturing capabilities to meet our customers' demands. Qualifying a new contract manufacturer and commencing commercial-scale production is expensive and time consuming and could result in a significant interruption in the supply of our products. If a change in contract manufacturers results in delays of our fulfillment of customer orders or if a contract manufacturer fails to make timely delivery of orders, we may lose revenues and suffer damage to our customer relationships.

WE HAVE BEEN IN BUSINESS FOR A SHORT PERIOD OF TIME AND YOUR BASIS FOR EVALUATING US IS LIMITED.

We were founded in August 1997, and only during the first quarter of fiscal 2000 did we begin to recognize any revenues. We have a limited meaningful operating history upon which you may evaluate us and our prospects. Moreover, we cannot be sure that we have accurately identified all of the risks to our business. Also, our assessment of the prospects for our success may prove inaccurate.

THERE MAY BE SALES OF A SUBSTANTIAL AMOUNT OF OUR COMMON STOCK THAT COULD CAUSE OUR STOCK PRICE TO FALL.

Upon the consummation of the merger, an aggregate of 9,600,000 shares will be registered and eligible for immediate sale on the Nasdaq Stock Market, and up to 8,400,000 additional shares may become available for sale from time to time thereunder upon the release of shares from escrow and the vesting of shares issued under awards granted under the Sonus 2000 Retention Plan. Sales of a substantial number of shares of our common stock in the public market within a short period of time would cause our stock price to fall significantly. In addition, the sale of these shares could impair our future ability to raise capital through the sale of additional stock.

THE UNPREDICTABILITY OF OUR QUARTERLY RESULTS MAY ADVERSELY AFFECT THE TRADING PRICE OF OUR COMMON STOCK.

Our revenues and operating results will vary significantly from quarter to quarter due to a number of factors, many of which are outside of our control and any of which may cause our stock price to fluctuate. Generally, purchases by service providers of telecommunications equipment from manufacturers have been unpredictable and clustered, rather than steady, as the providers build out their networks. The primary factors that may affect our revenues and results include the following:

- fluctuation in demand for our voice infrastructure products and the timing and size of customer orders;

- the length and variability of the sales cycle for our products and the corresponding timing of recognizing or deferring revenues;

- new product introductions and enhancements by our competitors and us;

- changes in our pricing policies, the pricing policies of our competitors and the prices of the components of our products;

- our ability to develop, introduce and ship new products and product enhancements that meet customer requirements in a timely manner;

- the mix of product configurations sold;

- our ability to obtain sufficient supplies of sole or limited source components;

- our ability to attain and maintain production volumes and quality levels for our products;

- costs related to acquisitions of complementary products, technologies or businesses; and

- general economic conditions, as well as those specific to the telecommunications, networking and related industries and other factors.

As with other telecommunications product suppliers, we may recognize a substantial portion of our revenue in a given quarter from sales booked and shipped in the last weeks of that quarter. As a result, a delay in customer orders is likely to result in a delay in shipments and recognition of revenue beyond the end of a given quarter, which would have a significant impact on our operating results for that quarter.

Our operating expenses are largely based on anticipated organizational growth and revenue trends. As a result, a delay in generating or recognizing revenues for the reasons set forth above, or for any other reason, could cause significant variations in our operating results. We believe that quarter-to-quarter comparisons of our operating results are not a good indication of our future performance. It is likely that in some future quarters, our operating results may be below the expectations of public market analysts and investors. In this event, the price of our common stock will probably substantially decrease.

WE MAY NOT BECOME PROFITABLE.

We have incurred significant losses since inception and expect to continue to incur losses in the future. As of September 30, 2000, we had an accumulated deficit of $77.7 million and had only recognized cumulative revenues since inception of $23.2 million through the third quarter of fiscal 2000. We have not achieved profitability on a quarterly or annual basis. Our revenues may not grow and we may never generate sufficient revenues to achieve or sustain profitability. We expect to continue to incur significant and increasing sales and marketing, product development, administrative and other expenses. As a result, we will need to generate significant revenues to achieve and maintain profitability.

WE WILL NOT RETAIN CUSTOMERS OR ATTRACT NEW CUSTOMERS IF WE DO NOT ANTICIPATE AND MEET SPECIFIC CUSTOMER REQUIREMENTS AND IF OUR PRODUCTS DO NOT INTEROPERATE WITH OUR CUSTOMERS' EXISTING NETWORKS.

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

Many of our customers will require that our products be designed to interface with their existing networks, each of which may have different specifications. Issues caused by an unanticipated lack of interoperability may result in significant warranty, support and repair costs, divert the attention of our engineering personnel from our hardware and software development efforts and cause significant customer relations problems. If our products do not interoperate with those of our customers' networks, installations could be delayed or orders for our products could be cancelled, which would seriously harm our gross margins and result in loss of revenues or customers.

IF WE FAIL TO COMPETE SUCCESSFULLY, OUR ABILITY TO INCREASE OUR REVENUES OR ACHIEVE PROFITABILITY WILL BE IMPAIRED.

Competition in the telecommunications market is intense. This market has historically been dominated by large companies, such as Lucent Technologies and Nortel Networks, both of whom are our direct competitors. We also face competition from other large telecommunications and networking companies, including Cisco Systems and Tellabs, that have entered our market by acquiring companies that design competing products. In addition, a number of smaller companies, including Unisphere Networks and Convergent Networks, have announced plans for new products that address similar market opportunity that we address. Because this market is rapidly evolving, additional competitors with significant financial resources may enter these markets and further intensify competition.

Many of our current and potential competitors have significantly greater selling and marketing, technical, manufacturing, financial and other resources, including the ability to offer vendor-sponsored financing programs. If we are unable or unwilling to offer vendor-sponsored financing, prospective customers may decide to purchase products from one of our competitors who offers this type of financing. Furthermore, some of our competitors are currently selling significant amounts of other products to our current and prospective customers. Our competitors' broad product portfolios coupled with already existing relationships may cause our customers to buy our competitors' products.

To compete effectively, we must deliver products that:

- provide extremely high reliability and voice quality;

- scale easily and efficiently;

- interoperate with existing network designs and other vendors' equipment;

- provide effective network management;

- are accompanied by comprehensive customer support and professional services; and

- provide a cost-effective and space-efficient solution for service providers.

If we are unable to compete successfully against our current and future competitors, we could experience price reductions, order cancellations, loss of revenues and reduced gross margins.

WE AND OUR CONTRACT MANUFACTURERS RELY ON SINGLE OR LIMITED SOURCES FOR SUPPLY OF SOME COMPONENTS OF OUR PRODUCTS AND IF WE FAIL TO ADEQUATELY PREDICT OUR MANUFACTURING REQUIREMENTS OR IF OUR SUPPLY OF ANY OF THESE COMPONENTS IS DISRUPTED, WE WILL BE UNABLE TO SHIP OUR PRODUCTS.

We and our contract manufacturers currently purchase several key components of our products, including commercial digital signal processors, from single or limited sources. We purchase these components on a purchase order basis. If we overestimate our component requirements, we could have excess inventory, which would increase our costs. If we underestimate our requirements, we may not have adequate supply, which could interrupt manufacturing of our products and result in delays in shipments and revenues.

We currently do not have long-term supply contracts with our component suppliers and they are not required to supply us with products for any specified periods, in any specified quantities or at any set price, except as may be specified in a particular purchase order. In the event of a disruption or delay in supply, or inability to obtain products, we may not be able to develop an alternate source in a timely manner or at favorable prices, or at all. A failure to find acceptable alternative sources could hurt our ability to deliver high-quality products to our customers and negatively affect our operating margins. In addition, our reliance on our suppliers exposes us to potential supplier production difficulties or quality variations. Our customers rely upon our ability to meet committed delivery dates, and any disruption in the supply of key components would seriously impact our ability to meet these dates and could result in legal action by our customers, loss of customers or harm to our ability to attract new customers.

IF WE ARE NOT ABLE TO OBTAIN NECESSARY LICENSES OF THIRD-PARTY TECHNOLOGY AT ACCEPTABLE PRICES, OR AT ALL, OUR PRODUCTS COULD BECOME OBSOLETE.

We have incorporated third-party licensed technology into our current products. From time to time, we may be required to license additional technology from third parties to develop new products or product enhancements. Third-party licenses may not be available or continue to be available to us on commercially reasonable terms. The inability to maintain or re-license any third-party licenses required in our current products, or to obtain any new third-party licenses to develop new products and product enhancements could require us to obtain substitute technology of lower quality or performance standards or at greater cost, and delay or prevent us from making these products or enhancements, any of which could seriously harm the competitiveness of our products.

OUR FAILURE TO MANAGE OUR EXPANSION EFFECTIVELY IN A RAPIDLY CHANGING MARKET COULD INCREASE OUR COSTS, HARM OUR ABILITY TO SELL FUTURE PRODUCTS AND IMPAIR OUR FUTURE GROWTH.

We intend to expand our operations rapidly and plan to hire a significant number of employees during 2001. Our growth has placed, and our anticipated growth will continue to place, a significant strain on our management systems and resources. Our ability to successfully offer our products and implement our business plan in a rapidly evolving market requires effective planning and management processes. We expect that we will need to continue to improve our financial, managerial and manufacturing controls and reporting systems, and will need to continue to expand, train and manage our work force worldwide. If we fail to implement adequate control systems in an efficient and timely manner, our costs may be increased and our growth could be impaired and we may not be able to accurately anticipate and fulfill market demand, the result of which will be a loss of revenues and customers.

IF WE FAIL TO HIRE AND RETAIN NEEDED PERSONNEL, THE IMPLEMENTATION OF OUR BUSINESS PLAN COULD SLOW OR OUR FUTURE GROWTH COULD HALT.

Competition for highly skilled engineering, sales, marketing and support personnel is intense because there are a limited number of people available with the necessary technical skills and understanding of our market. Any failure to attract, assimilate or retain qualified personnel to fulfill our current or future needs could impair our growth. The support of our products requires highly trained customer support and professional services personnel. Once we hire them, they may require extensive training in our voice infrastructure products. If we are unable to hire, train and retain our customer support and professional services personnel, we may not be able to increase sales of our products.

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.

OUR ABILITY TO COMPETE AND OUR BUSINESS COULD BE JEOPARDIZED IF WE ARE UNABLE TO PROTECT OUR INTELLECTUAL PROPERTY OR BECOME SUBJECT TO INTELLECTUAL PROPERTY RIGHTS LITIGATION, WHICH COULD REQUIRE US TO INCUR SIGNIFICANT COSTS.

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology. Monitoring unauthorized use of our products is difficult and we cannot be certain that the steps we have taken will prevent unauthorized use of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. If competitors are able to use our technology, our ability to compete effectively could be harmed.

In addition, we may also become involved in litigation as a result of allegations that we infringe the intellectual property rights of others. Any parties asserting that our products infringe upon their proprietary rights would force us to defend ourselves and possibly our customers or contract manufacturers against the alleged infringement. These claims and any resulting lawsuit, if successful, could subject us to significant liability for damages and invalidation of our proprietary rights. Any potential intellectual property litigation also could force us to do one or more of the following:

- stop selling, incorporating or using our products that use the challenged intellectual property;

- obtain from the owner of the infringed intellectual property right a license to sell or use the relevant technology, which license may not be available on reasonable terms, or at all; or

- redesign those products that use any allegedly infringing technology.

Any lawsuits regarding intellectual property rights, regardless of their success, would be time-consuming, expensive to resolve and would divert our management's time and attention.

IF WE ARE SUBJECT TO UNFAIR HIRING CLAIMS, WE COULD INCUR SUBSTANTIAL COSTS IN DEFENDING OURSELVES.

Companies in our industry whose employees accept positions with competitors frequently claim that their competitors have engaged in unfair hiring practices. We may be subject to claims of this kind in the future as we seek to hire qualified personnel. Those claims may result in material litigation. We could incur substantial costs defending ourselves or our employees against those claims, regardless of their merits. In addition, defending ourselves from those types of claims could divert our management's attention from our operations. If we are found to have engaged in unfair hiring practices, or our employees are found to have violated agreements with previous employers, we may suffer a significant disruption in our operations.

WE MAY FACE RISKS ASSOCIATED WITH OUR INTERNATIONAL EXPANSION THAT COULD IMPAIR OUR ABILITY TO GROW OUR REVENUES ABROAD.

Our expansion into international markets will require significant management attention and financial resources to successfully develop direct and indirect international sales and support channels. In addition, we may not be able to develop international market demand for our products, which could impair our ability to grow our revenues.

We have limited experience marketing and distributing our products internationally and, to do so, we expect that we will need to develop versions of our products that comply with local standards. Furthermore, international operations are subject to other inherent risks, including:

- greater difficulty collecting accounts receivable and longer collection periods;

- difficulties and costs of staffing and managing foreign operations;

- the impact of differing technical standards outside the United States;

- the impact of recessions in economies outside the United States;

- unexpected changes in regulatory requirements and currency exchange rates;

- certification requirements;

- reduced protection for intellectual property rights in some countries; and

- potentially adverse tax consequences.

ANY INVESTMENTS OR ACQUISITIONS WE MAKE COULD DISRUPT OUR BUSINESS AND SERIOUSLY HARM OUR FINANCIAL CONDITION.

Although we have no current agreements to do so other than our proposed merger with TTI, we intend to consider investing in, or acquiring, complementary products, technologies or businesses. In the event of any additional future investments or acquisitions, we could, and in connection with the TTI merger we will:

- issue stock that would dilute our current stockholders' percentage ownership;

- incur debt or assume liabilities;

- incur significant amortization expenses related to goodwill and other intangible assets; or

- incur large and immediate write-offs for in-process research and development and stock-based compensation.

Our integration of any acquired products, technologies or businesses, including those of TTI, will also involve numerous risks, including:

- problems and unanticipated costs associated with combining the purchased products, technologies or businesses;

- diversion of management's attention from our core business;

- adverse effects on existing business relationships with suppliers and customers;

- risks associated with entering markets in which we have limited or no prior experience; and

- potential loss of key employees, particularly those of the acquired organizations.

We may be unable to successfully integrate any products, technologies, businesses or personnel that we might acquire in the future without significant costs or disruption to our business.

WE MAY NEED ADDITIONAL CAPITAL IN THE FUTURE, WHICH MAY NOT BE AVAILABLE TO US, AND IF IT IS AVAILABLE, MAY DILUTE OWNERS OF OUR COMMON STOCK.

We may need to raise additional funds through public or private debt or equity financings in order to:

- fund ongoing operations;

- take advantage of opportunities, including more rapid expansion or acquisition of complementary products, technologies or businesses;

- develop new products; or

- respond to competitive pressures.

Any additional capital raised through the sale of equity may dilute an investor's percentage ownership of our common stock. Furthermore, additional financings may not be available on terms favorable to us, or at all. A failure to obtain additional funding could prevent us from making expenditures that may be required to grow or maintain our operations.

OUR STOCK PRICE MAY BE VOLATILE.

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

- loss of any of our major customers;
- the addition or departure of key personnel;
- variations in our quarterly operating results;
- announcements by us or our competitors of significant contracts, new products or product enhancements, acquisitions, distribution partnerships, joint ventures or capital commitments;
- changes in financial estimates by securities analysts;
- acquisitions, distribution partnerships, joint ventures or capital commitments;
- sales of common stock or other securities by us or by our existing stockholders in the future;
- changes in market valuations of telecommunications and networking companies; and
- fluctuations in stock market prices and volumes.

In addition, the stock market in general, and the Nasdaq Stock Market and technology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. The trading prices of many technology companies' stocks are substantially above historical levels and may not be sustained. These broad market and industry trends may materially and adversely affect the market price of our common stock, regardless of our actual operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been initiated against these companies. Class-action litigation, if initiated, could result in substantial costs and a diversion of management's attention and resources. All of these factors could cause the market price of our stock to drop and you may not be able to sell your shares at or above the initial offering price.

INSIDERS WILL CONTINUE TO HAVE SUBSTANTIAL INFLUENCE OVER US AND COULD LIMIT YOUR ABILITY TO INFLUENCE THE OUTCOME OF KEY TRANSACTIONS, INCLUDING CHANGES OF CONTROL.

As of November 30, 2000, our executive officers, directors and entities affiliated with them, beneficially owned in the aggregate approximately 34.6% of our outstanding common stock. These stockholders, if acting together, would be able to influence significantly all matters requiring approval by our stockholders, including the election of directors and the approval of mergers or other business combination transactions.

PROVISIONS OF OUR CHARTER DOCUMENTS AND DELAWARE LAW MAY HAVE ANTI-TAKEOVER EFFECTS THAT COULD PREVENT A CHANGE OF CONTROL.

Provisions of our amended and restated certificate of incorporation, amended and restated by-laws, and Delaware law could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus contains forward-looking statements that involve substantial risks and uncertainties. In some cases you can identify these statements by forward-looking words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "should," "will," and "would" or similar words. You should read statements that contain these words carefully because, with respect to both Sonus and TTI, they discuss future expectations, contain projections of future results of operations or of financial position or state other "forward-looking" information. Without limiting the foregoing, the statements contained below under "The Merger--Reasons for the Merger" constitute forward-looking statements. The important factors listed above in the section captioned "Risk Factors," as well as any cautionary language in this proxy statement/prospectus, provide examples of risks, uncertainties and events that may cause the actual results of either company to differ materially from the expectations described in these forward-looking statements. You should be aware that the occurrence of the events described in these risk factors and elsewhere in this proxy statement/prospectus could have a material adverse effect on the business, results of operations and financial position of Sonus or TTI.

Any forward-looking statements in this proxy statement/prospectus are not guarantees of future performances, and actual results, developments and business decisions may differ from those envisaged by such forward-looking statements, possibly materially. Sonus and TTI disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section.

COMPARATIVE PER SHARE DATA

The following table reflects the historical net loss and book value per share of Sonus common stock and the historical net income (loss) and book value per share of TTI common stock in comparison with the unaudited pro forma net loss and book value per share after giving effect to the pending merger of Sonus and TTI. The information presented in the following table should be read in conjunction with the unaudited pro forma condensed combined financial data and the Sonus and TTI historical financial statements and notes thereto included elsewhere in this proxy statement/prospectus.

	YEAR ENDED DECEMBER 31,		NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999	1999	2000
			(UNAUDITED)	
SONUS HISTORICAL PER SHARE DATA:				
Basic and diluted net loss per share	$(1.42)	$(1.84)	$(1.13)	$(0.57)
Book value per share (1)	(0.14)	(0.38)		0.82
TTI'S HISTORICAL PER SHARE DATA:				
Basic and diluted net income (loss) per share	$(0.00)	$ 0.01	$ 0.01	$(0.05)
Book value per share (1)	(0.02)	(0.06)		(0.39)

	YEAR ENDED DECEMBER 31,	NINE MONTHS ENDED SEPTEMBER 30,
	1999	2000
UNAUDITED PRO FORMA COMBINED PER SHARE DATA:		
Basic and diluted net loss per Sonus share	$(7.80)	$(2.00)
Basic and diluted net loss per equivalent TTI share (3)	(0.84)	(0.22)
Book value per Sonus share (2)		$ 2.89
Book value per equivalent TTI share (3)		0.31

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(1) Book value per share is computed by dividing total stockholders' equity (deficit) by the number of shares outstanding as of each balance sheet date.

(2) Sonus' pro forma combined book value per share is computed by dividing pro forma stockholders' equity by the pro forma number of shares of Sonus common stock which would have been outstanding had the merger been consummated as of September 30, 2000.

(3) TTI equivalent pro forma combined amounts are calculated by multiplying the Sonus pro forma combined per share amounts and book value by an assumed exchange ratio of 0.108 of a share of Sonus common stock for each share of TTI common stock. This exchange ratio assumes none of the business expansion and product development escrow release conditions are satisfied and all escrowed shares subject to indemnity claims by Sonus are released to the former TTI shareholders.

MARKET PRICE AND DIVIDEND DATA

SONUS MARKET PRICE DATA

The following table reflects the range of the reported high and low sales prices of shares of Sonus' common stock on the Nasdaq Stock Market.

	HIGH	LOW
YEAR ENDED DECEMBER 31, 2000:		
Second quarter(1)	$56.65	$10.67
Third quarter	$93.67	$38.50
Fourth quarter (through December 21, 2000)	$49.00	$18.50

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(1) Sonus' common stock began trading on the Nasdaq Stock Market on May 25, 2000.

Sonus' common stock is listed on the Nasdaq Stock Market under the symbol "SONS". The common stock of Sonus has been listed on the Nasdaq Stock Market since May 25, 2000. Prior to May 25, 2000, the Sonus common stock was not publicly traded. The information set forth above reflects inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

On November 2, 2000, the last full trading day prior to the announcement of the merger, the closing price per share of Sonus common stock was approximately $40.88 as reported on the Nasdaq Stock Market. Based on the exchange ratio, the pro forma equivalent value of a share of TTI Class A and Class B common stock at the close of trading on November 2, 2000 was approximately $6.13, assuming all of the escrowed shares are issued to the former TTI shareholders.

The following table presents information regarding the sales of Sonus common stock on November 2, 2000, which was the last full trading day prior to the public announcement of the proposed merger.

	HIGH	LOW	CLOSE
November 2, 2000	$41.44	$37.00	$40.88

Because the market price of Sonus common stock is subject to fluctuation, the market value of the shares of Sonus common stock that the TTI shareholders will receive in the merger may increase or decrease prior to and following the merger. We cannot predict what the future price for Sonus common stock will be, or if Sonus common stock will continue to be listed on the Nasdaq Stock Market.

TELECOM TECHNOLOGIES MARKET PRICE DATA

Neither the TTI Class A nor Class B common stock is traded on any public securities market.

DIVIDEND DATA

Neither Sonus nor TTI has ever paid any cash dividends on its common stock and Sonus does not anticipate paying any cash dividends in the foreseeable future. Payment of future dividends, if any, will be at the discretion of Sonus' board of directors.

THE TELECOM TECHNOLOGIES SPECIAL MEETING

This proxy statement/prospectus is furnished in connection with the solicitation of proxies from TTI shareholders for use at the TTI special meeting. This proxy statement/prospectus is also furnished to TTI shareholders as a prospectus in connection with the issuance of Sonus shares in the merger. This proxy statement/prospectus and accompanying form of proxy are first being mailed to TTI shareholders on or about , 2001.

TIME AND PLACE; PURPOSES

The special meeting will be held on , 2001, at a.m., at TTI's offices at 1701 N. Collins Blvd., Suite 3000, Richardson, Texas 75080. At that meeting, TTI shareholders will be asked to vote on the proposal to approve the merger agreement.

RECORD DATE

TTI has established the close of business on , 2000, as the record date to determine the TTI shareholders entitled to vote at the special meeting. At the close of business on the record date, 77,777,780 shares of TTI Class A common stock were outstanding and entitled to vote at the special meeting, and were held by approximately 10 record holders. These TTI Class A shares constitute the only outstanding class of TTI voting securities. Each holder of a share of TTI Class A common stock is entitled to one vote on the merger agreement. Votes may be cast at the meeting in person or by proxy.

QUORUM

The presence at the special meeting, either in person or by proxy, of holders of a majority of the TTI Class A common shares outstanding on the record date is necessary to constitute a quorum to transact business at that meeting. If a quorum is not present, it is expected that the special meeting will be adjourned or postponed in order to solicit additional proxies.

Abstentions will be counted solely for the purpose of determining whether a quorum is present.

VOTE REQUIRED

Approval of the merger agreement requires the affirmative vote of the holders of two-thirds of the TTI Class A common shares outstanding on the record date. Failure to vote and abstentions will not be deemed to be cast either "FOR" or "AGAINST" approval of the merger agreement. Because approval of the merger agreement requires the affirmative vote of the holders of two-thirds of the outstanding TTI Class A common shares, the failure to vote and abstentions will have the same effect as a vote "AGAINST" the merger agreement.

TTI's directors, executive officers and affiliated entities owned, as of the record date, 77,777,780 shares of TTI Class A common stock, which represented 100% of the outstanding shares of TTI Class A common stock. As a condition to Sonus' willingness to enter into the merger agreement, a number of TTI shareholders have agreed to vote their shares "FOR" approval of the merger agreement. This voting agreement is described more fully under "The Voting Agreement." Because the TTI shareholders entering into this voting agreement hold in excess of two-thirds of the outstanding shares of TTI Class A common stock, we expect that the merger agreement will be approved at the special meeting.

PROXIES

TTI shares represented by properly executed proxies, if such proxies are received in time and are not revoked, will be voted in accordance with instructions indicated on the proxies. If no instructions are indicated, those proxies will be voted "FOR" approval of the merger agreement, and as determined by TTI's board of directors as to any other matter that may properly come before the special meeting. In the event that a quorum is not present at the time the special meeting is convened, TTI may postpone that meeting or may adjourn the meeting with or without a vote of shareholders. If TTI proposes to postpone or adjourn the special meeting by a vote of shareholders, the persons named in the enclosed form of proxy will vote all TTI shares for which they have voting authority in favor of a postponement or adjournment. However, those persons will not vote any TTI shares for which they have been instructed to vote against the approval of the merger agreement in favor of that postponement or adjournment.

Any TTI shareholder that executes and returns a proxy may revoke it at any time prior to the voting of the proxies by giving written notice to the secretary of TTI, by executing a later dated proxy, or by attending the TTI special meeting and voting in person.

All written notices of revocation and other communications with respect to revocation of proxies should be addressed to telecom technologies, 1701 N. Collins Blvd., Suite 3000, Richardson, Texas 75080, Attention: Secretary. A proxy appointment will not be revoked by death or incapacity of the TTI shareholder executing the proxy unless, before the shares are voted, notice of such death or incapacity is filed with TTI's secretary or other person responsible for tabulating votes on TTI's behalf.

Your attendance at the special meeting will not by itself constitute revocation of your proxy--you must also vote in person at the special meeting.

SOLICITATION OF PROXIES

Sonus will pay all expenses incurred in connection with the printing and mailing of this proxy statement/prospectus to TTI's stockholders and the filing fees related to the registration statement of which this proxy statement/prospectus forms a part.

BACKGROUND OF THE MERGER

Both Sonus and TTI have in the past from time to time considered potential business combinations that they believe are in their respective best interests and those of their respective stockholders. In each case, these reviews have been considered in light of each company's strategies toward strengthening and expanding the prospects for its business in the rapidly evolving new public network.

Consistent with these past practices, in early August 2000, Rubin Gruber, Sonus' Chairman, and Michael G. Hluchyj, Sonus' Chief Technology Officer, approached Hamid Ansari, TTI's President, concerning the possibility of a strategic business combination involving Sonus and TTI. After discussing these proposals with Anousheh Ansari, TTI's Chairman and Chief Executive Officer, Mr. Ansari indicated to Messrs. Gruber and Ahmed that TTI was willing to consider such a proposal and that the parties should engage in further discussions to determine the strategic benefits of such a transaction.

On September 15, 2000, Mr. Gruber and Stephen J. Nill, Sonus' Chief Financial Officer, had further discussions via teleconference with Ms. Ansari, Mr. Ansari and representatives of Goldman, Sachs, & Co., TTI's financial advisor, concerning the proposed transaction and a structure for that transaction. After this, Ms. Ansari and Mr. Ansari met with Messrs. Ahmed and Nill at Sonus' headquarters in Westford, Massachusetts.

On September 20, 2000, Sonus held a regularly scheduled meeting of its board of directors. At the meeting, the board discussed the general concept of acquiring TTI, approved the general terms of the acquisition and authorized the officers of Sonus to continue negotiations with TTI.

The parties agreed that the transaction would take the form of a stock-for-stock merger in which TTI would become a wholly-owned subsidiary of Sonus. It was also broadly agreed that the consideration in the merger would consist of an initial payment to TTI shareholders together with a subsequent payment, or "earn-out," in the event TTI was to meet specified business expansion and product development milestones following the merger, and that the structure of the transaction would be designed to ensure that the employees of TTI were retained following completion of the merger. Sonus also indicated that it would require various key TTI employees to enter into employment agreements.

Around this time, Sonus began conducting financial, business and legal due diligence on TTI and TTI conducted similar due diligence on Sonus. These due diligence investigations included visits by Sonus personnel to TTI's offices in Richardson, Texas. On September 28, 2000, the parties, together with their various outside advisors, met near Sonus' headquarters to conduct due diligence and to further negotiate the terms of the proposed transaction.

On October 2, 2000, TTI held a special meeting of its board of directors. At this meeting, Ms. Ansari and Mr. Ansari updated the board on the status of the negotiations with Sonus, and representatives of Goldman, Sachs and Wachtell, Lipton, Rosen & Katz, TTI's special outside legal counsel, reviewed for the board the material terms of the proposed transaction, as well as those points as to which agreement had not yet been reached. The board of directors instructed Ms. Ansari and Mr. Ansari to continue the negotiations and to report back to the board of directors. Thereafter, and continuing through the month of October 2000, the parties and their respective outside advisors continued to negotiate the terms of the transaction and the definitive documentation for it.

TTI had another special meeting of its board of directors on October 20, 2000. Ms. Ansari and Mr. Ansari again updated the board on the status of the negotiations and noted the issues that remained unresolved. The board of directors again instructed Ms. Ansari and Mr. Ansari to continue

the negotiations to resolve the remaining open issues. The parties held a series of conference calls during the week of October 23, 2000, and reached agreement on all of the material terms of the proposed transaction early in the week of October 30, 2000.

On November 1, 2000, Sonus held a special meeting of its board of directors. At this meeting, Messrs. Gruber, Ahmed and Nill presented the terms for the proposed merger and status of the negotiations between the parties. Representatives of Robertson Stephens, the investment bankers engaged by the Company in connection with the merger, reviewed with the Board the summary of the transaction. The Board voted to approve the merger and authorized the Company to execute the merger agreement and the definitive agreements contemplated by the merger agreement.

On November 1, 2000, TTI held a special meeting of its board of directors. At this meeting, Ms. Ansari and Mr. Ansari informed the board that they had reached agreement with Sonus on the material terms of the proposed transaction. Ms. Ansari and Mr. Ansari, and representatives of Goldman, Sachs and Wachtell, Lipton then answered questions of the board. Following this discussion, the board voted to unanimously approve the merger and the various definitive documents to be entered into by TTI in connection with the merger, including the voting agreement, the escrow agreements and the employment agreements, to be effective upon the consummation of the merger, between it and some of its employees and Sonus. In addition, the board of directors unanimously approved TTI's entering into an agreement among shareholders, which is intended to resolve various rights and obligations among some of TTI shareholders at the time the merger is completed.

On November 2, 2000, each of the parties entered into the merger agreement, the various employees entered into the employment agreements and Ms. Ansari, Mr. Ansari and some of their affiliates, entities affiliated with MSD Capital L.P., shareholders of TTI, and Sonus entered into the voting agreement.

REASONS FOR THE MERGER; RECOMMENDATION OF THE BOARDS OF DIRECTORS

JOINT REASONS FOR THE MERGER

The Sonus board of directors considered a number of factors in determining to approve the merger, and the TTI board of directors considered a number of factors in determining to recommend that TTI shareholders approve the merger agreement. The two companies believe that the merger will result in the following benefits to the combined company:

- Coupling Sonus' core platform and softswitch capabilities with TTI's softswitch technology will enable the combined company to offer to its customers a broad range of network intelligence solutions for the new public network and a strong platform upon which to deliver high value-added services;

- The combination of Sonus' high performance and scalable softswitch with TTI's softswitch capabilities which emphasize multi-vendor services and interoperability will further the combined company's effort to provide all of the network intelligence that service providers require to successfully deploy powerful end-to-end heterogeneous, next-generation networks;

- Sonus will benefit from TTI's 207 employees, approximately two-thirds of whom are network engineers, which will augment Sonus' team of product development talent; and

- The combined company will have operations at two of the leading locations for the telecommunications industry: Richardson's Telecom Corridor-TM- in Texas and the Rt. 495 belt in Massachusetts, which provide access to valuable pools of network engineers.

SONUS' REASONS FOR THE MERGER

In reaching its decision to approve the merger agreement, the Sonus board of directors consulted with its management team and advisors and independently considered the proposed merger agreement and the transactions contemplated by the merger agreement. Among the factors considered by the Sonus board of directors were the following factors in favor of the merger:

- the broadening of Sonus' product portfolio will strengthen its ability to compete in the rapidly evolving market for voice infrastructure products;

- with 207 employees, approximately two-thirds of whom are network engineers, TTI will provide Sonus with a strong team of engineering and product development talent focused on advanced software solutions for the voice market;

- Sonus will be able to leverage TTI's presence in Richardson's Telecom Corridor-TM- in Texas to further expand its engineering capability;

- TTI's INIP Powered Partner Program, which promotes standards-based interoperability between dozens of application, softswitch and hardware vendors, will complement Sonus' Open Services Partner Alliance and thus augment Sonus' approach to serving customer needs;

- TTI is conducting internal trials and laboratory tests of its INtelligentIP softswitch product with important potential customers, and its relationships with these prospects will assist Sonus in obtaining additional customers;

- the complementary nature of the businesses and the anticipated improved stability of the companies' combined business as a result of the enhanced product offerings and fortified competitive position;

- Sonus' belief that the high quality of TTI's products and services is consistent with Sonus' belief in quality service offerings; and

- the belief that the synergy between Sonus and TTI will result in a more competitive combined enterprise.

The Sonus board also considered factors which weighed against the merger, including:

- the potential negative effect that the public announcement of the merger could have on the market price of Sonus common stock;

- the fixed nature of the exchange ratio and the resulting risk that, should there be a significant increase in the market value of the Sonus' common stock, the value of the consideration to be received by TTI's shareholders would be increased;

- the risk that TTI's products would not be successfully completed and integrated within the projected timetable and the risk that other benefits of the merger would not be achieved;

- the risk that TTI's employees and management may terminate employment with the surviving company, as a result of the merger which will therefore reduce the probability that the merger will be successful; and

- the risk that TTI's employees, especially its key management, would not be successfully integrated, which could reduce the value of the acquisition for Sonus and its stockholders.

On balance, considering all of the foregoing factors and risks, the Sonus board of directors concluded that the terms of the merger are fair to, and in the best interests of, Sonus' stockholders, and the Sonus board of directors unanimously approved the merger and the merger agreement.

The preceding discussion of information and factors considered by the Sonus board of directors is not intended to be exhaustive, but is believed to include material factors considered by

the Sonus board of directors. The Sonus board of directors did not assign relative weight to, or quantify the importance of, the factors considered. Accordingly, individual members of the Sonus board of directors may have given different weights to different factors and may have viewed different factors as affecting the determination of fairness differently.

TTI'S REASONS FOR THE MERGER

After careful consideration of the terms of the merger agreement and the merger as well as the other transaction agreements referred to in this proxy statement/prospectus, the TTI board of directors unanimously adopted a resolution recommending that the merger agreement be approved by TTI shareholders. The TTI board of directors believes that the merger is fair to, and in the best interests of TTI and its shareholders. In reaching its decision, the TTI board of directors considered a number of factors in addition to those listed under "Joint Reasons for the Merger," including, among others:

- the current and anticipated market value of the consideration to be received by TTI shareholders in the merger is substantially greater than the current book value of TTI's assets and represents a substantial per share premium over the per share book value of TTI Class A and Class B common stock;

- the opportunity that will be afforded by the merger to TTI shareholders to participate in the growth of the combined company;

- the difficulty of maximizing the potential for TTI products within a small, privately-owned business;

- the shares of Sonus common stock that TTI shareholders will receive in the merger are publicly traded and therefore provide substantially more liquidity than TTI Class A and Class B common stock which is not publicly-traded;

- the combination with Sonus will create a larger company with greater financial and marketing resources, enabling the combined company to more effectively compete with those of its competitors who have substantially greater financial and other resources;

- because TTI's and Sonus' technologies are complementary, significant research and development, marketing and other synergies could result from the combination of the two companies;

- although several other potential acquirers had expressed interest in a transaction with TTI and both TTI and its advisors had held discussions with various parties regarding a possible transaction, the Sonus transaction and synergies compared favorably with the preliminary discussions held with other parties; and

- the likelihood that the merger will be treated as a tax-free reorganization under Section 368(a) of the Internal Revenue Code.

In the course of its deliberations concerning the plan of merger and the merger, the TTI board of directors reviewed with its management and outside advisors a number of other factors that the TTI board of directors deemed relevant, including:

- the TTI board of directors' familiarity with the business and prospects of TTI if it were to continue operations as a private independent company;

- the strategic and financial alternatives available to TTI, including the risks and uncertainties of potential future financings, including an initial public offering; and

- a review of the historical operating results of TTI and Sonus, and the projected operating results of the two companies, both individually and as a combined company.

The TTI board of directors also identified and considered a number of potentially negative factors that could result from the merger, including, among others:

- the potential negative effect that the public announcement of the merger could have on the market price of Sonus common stock;

- the fixed nature of the exchange ratio and the resulting risk that, should there be a significant decrease in the market value of Sonus common stock, the value of the consideration to be received in the merger would decrease;

- the risk that the potential benefits sought in the merger, including the integration of TTI's products and services with those of Sonus, might not be fully realized, or realized within the contemplated timeframe;

- the possibility that the merger might not be completed;

- the possibility that all or a substantial portion of the merger consideration which is to be held in escrow will not be released to the former TTI shareholders if the relevant business expansion and product development escrow release conditions are not achieved;

- the risk that the public announcement of the merger might have an adverse effect on TTI's relationship with current and potential customers;

- the risk that key technical, marketing and management personnel of TTI might choose not to remain employed by the combined company following the merger;

- the effects of the diversion of management resources to negotiate and complete the merger, including the preparation of this document and the integration of the two companies; and

- the other risks associated with the merger and Sonus' business, including those described under "Risk Factors."

The TTI board of directors determined that these risks were outweighed by the potential benefits resulting from the merger.

The preceding discussion of TTI's reasons for merger and the other information and factors considered by the TTI board of directors highlights only the most material reasons, information and factors, and is not intended to be exhaustive. In view of the wide variety of information and factors considered by the TTI board of directors, the TTI board of directors did not find it practicable and did not quantify or otherwise assign relative weight or value to the specific information and factors set forth above in making its determination concerning the merger. In addition, different directors may have assigned different weight or value to different factors.

AFTER CAREFUL CONSIDERATION OF THE TERMS OF THE MERGER AGREEMENT AND THE MERGER, THE TTI BOARD OF DIRECTORS UNANIMOUSLY ADOPTED A RESOLUTION RECOMMENDING THAT THE MERGER AGREEMENT BE APPROVED BY TTI SHAREHOLDERS. THE TTI BOARD OF DIRECTORS BELIEVES THAT THE MERGER IS FAIR AND IN THE BEST INTERESTS OF TTI AND ITS SHAREHOLDERS. IN CONSIDERING THE RECOMMENDATION OF THE TTI BOARD OF DIRECTORS, PLEASE CAREFULLY READ THE INFORMATION CONTAINED UNDER "INTERESTS OF DIRECTORS AND MANAGEMENT OF TTI IN THE MERGER" BELOW.

INTERESTS OF DIRECTORS AND MANAGEMENT OF TTI IN THE MERGER

Some of the officers and directors of TTI may have interests in the merger that are different from, or that are in addition to, their interests as shareholders of TTI. These interests exist because of current employment agreements with TTI or their new employment agreements with Sonus, because of awards granted, or to be granted, to such individuals under TTI's 1998 Amended Equity Incentive Plan and the Sonus 2000 Retention Plan and for a number of other reasons that are described below.

EMPLOYMENT AGREEMENTS WITH TTI EXECUTIVES

EMPLOYMENT AGREEMENT WITH ANOUSHEH ANSARI. In connection with entering into the merger agreement, Sonus and TTI entered into an employment agreement with Anousheh Ansari, currently the Chairman and Chief Executive Officer of TTI. The term of this employment agreement begins on the effective time of the merger and continues until January 1, 2003. Under this employment agreement, Ms. Ansari will be a Sonus senior executive with the title of General Manager and Vice President responsible for the division of Sonus conducting the business of TTI.

During the employment period, Ms. Ansari will receive a minimum annual base salary of $150,000 per year, and an annual cash bonus to be determined on the same basis as Sonus determines annual bonuses, if any, for its other senior executives. In addition, as of the effective time of the merger, Sonus will grant Ms. Ansari a retention stock award of up to 750,000 shares of Sonus common stock under the Sonus 2000 Retention Plan, which is described under "Management of Sonus--Benefit Plans". Ms. Ansari will be entitled to participate in all employee benefit, welfare, performance, fringe benefit and other plans, practices, policies and programs applicable to senior executives of Sonus.

In the event Sonus terminates Ms. Ansari's employment other than for cause or disability, or Ms. Ansari terminates her employment for good reason, Sonus will pay or Ms. Ansari will receive the following:

- an immediate lump-sum payment equal to the sum of (1) Ms. Ansari's annual base salary earned through the date of termination; (2) any bonus amounts earned but unpaid with respect to a calendar year ending prior to the date of termination; and (3) any compensation previously deferred by Ms. Ansari, together with accrued interest thereon, in each case to the extent not already paid;

- any additional severance amounts and benefits payable to senior executives of Sonus in accordance with Sonus' most favorable policies and procedures, or, if greater, an immediate lump-sum payment equal to Ms. Ansari's annual base salary for the remainder of the employment term; and

- the retention stock award will immediately and fully vest and become free of restrictions without regard to the achievement of the business expansion and product development milestones under the Sonus 2000 Retention Plan, and any lock-up agreement with respect to shares of Sonus common stock to be entered into under the registration rights agreement described below will expire.

Ms. Ansari has agreed that, in the event she terminates her employment on or before January 1, 2003 without good reason, or Sonus terminates her employment on or before January 1, 2003 for cause, she will make a payment to Sonus. This payment will be $35.0 million if her employment terminates on or prior to 18 months and one day following the effective time of the merger and will thereafter decline by $5.0 million per month. Any payment made by Hamid Ansari under the similar provision in his employment agreement is to be credited against any payment that may become due by Ms. Ansari.

Under the terms of the employment agreement, Ms. Ansari has agreed that for the employment period and for an additional period ending on the later of (1) two years after her termination of employment during the employment period and (2) four years from the effective time of the merger, she will not, directly or indirectly, compete with Sonus or TTI, or recruit, hire or solicit any employees of Sonus or TTI, other than Hamid Ansari. Ms. Ansari has also agreed not to disclose any confidential information of Sonus or TTI to any person other than employees of Sonus or TTI or use that information for any purpose other than the performance of her duties as an employee of Sonus or TTI.

EMPLOYMENT AGREEMENT WITH HAMID ANSARI. In connection with entering into the merger agreement, Sonus and TTI entered into an employment agreement with Hamid Ansari, currently the President of TTI. The term of this new employment agreement begins on the effective time of the merger and continues until January 1, 2003.

Under this employment agreement, Mr. Ansari will be a divisional vice president of Sonus. The remaining terms, including compensation, non-competition, termination payment and the grant of a retention stock award, of Mr. Ansari's employment agreement are substantially the same as the terms of Ms. Ansari's employment agreement.

EMPLOYMENT AGREEMENTS WITH OTHER TTI EXECUTIVES. In connection with entering into the merger agreement, Sonus and TTI entered into employment agreements with eleven other TTI executives. For six of these executives, the term of these employment agreements begins on the effective time of the merger and lasts until the first anniversary of the consummation of the merger. For five of these executives, the term of these employment agreements begins on the effective time of the merger and lasts until the second anniversary of the consummation of the merger. For some of these executives the employment agreements replace their existing employment agreements with TTI. These agreements provide that the executives will receive an annual base salary during the employment period substantially similar to that currently received from TTI. In addition, as of the effective time of the merger, Sonus will grant each of these executives a retention stock award of shares of Sonus common stock under the Sonus 2000 Retention Plan, which is described below.

In the event Sonus terminates the employment of any of these executives other than for cause or disability, or that the executive terminates employment for good reason, Sonus will pay or the executive will receive the following:

- an immediate lump-sum payment equal to the sum of (1) his or her annual base salary earned through the date of termination; (2) any bonus amounts earned but unpaid with respect to a calendar year ending prior to the date of termination; and (3) any compensation previously deferred by that executive, together with accrued interest thereon, in each case to the extent not already paid;

- any additional severance amounts and benefits payable to similarly situated employees of Sonus in accordance with Sonus' policies and procedures of general application to similarly situated employees, or, if greater, an immediate lump-sum payment equal to that executive's annual base salary for the remainder of the employment term; and

- executive's retention stock award will immediately and fully vest and become free of restrictions without regard to the achievement of the business expansion and product development escrow release conditions to which awards under the Sonus 2000 Retention Plan are subject, and any lock-up agreement with respect to shares of Sonus common stock entered into by that executive will expire.

Under the terms of the employment agreement, each executive has agreed that for the employment period and for an additional period ending on the later of (1) one year after the termination of his/her employment during the employment period and (2) one year, or two years in the case of executives whose employment period is two years, from the effective time of the merger, the executive will not, directly or indirectly, compete with Sonus or TTI or recruit, hire or solicit any employees of Sonus or TTI. Each executive has also agreed not to disclose any confidential information of Sonus or TTI to any person other than employees of Sonus or TTI or use that information for any purpose other than the performance of duties as an employee of Sonus or TTI.

EFFECTIVE TIME OF THE MERGER

The merger will occur as soon as reasonably practicable after receipt of approval of the TTI shareholders so long as the other conditions set forth in the merger agreement are either waived or satisfied. The merger will become effective upon the filing of the articles of merger with the Secretary of State of the State of Texas or on such later date and time as may be specified in the articles of merger. The time at which the merger becomes effective is referred to in this proxy statement/prospectus as the "effective time of the merger."

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the material anticipated United States federal income tax consequences of the merger generally applicable to TTI shareholders who hold their shares of TTI as a capital asset and TTI option holders. The summary is based on the Internal Revenue Code of 1986, as amended, Treasury Regulations issued under the Internal Revenue Code, and administrative pronouncements and court decisions in effect as of the date of this proxy statement/ prospectus, all of which are subject to change at any time, possibly with retroactive effect. This summary is not a complete description of all of the United States federal income tax consequences of the merger and, in particular, may not address considerations applicable to TTI shareholders who are subject to special treatment under United States federal income tax law. TTI shareholders subject to special treatment include, for example, foreign persons, financial institutions, dealers in securities, traders in securities who elect to apply a mark-to-market method of accounting, insurance companies, tax-exempt entities, holders who acquired their shares of TTI Class A and Class B common stock pursuant to the exercise of a stock option or otherwise as compensation, and shareholders who hold TTI Class A and Class B common stock as part of a "hedge," "straddle" or "conversion transaction." In addition, no information is provided in this proxy statement/prospectus with respect to the tax consequences of the merger under any foreign, state or local laws.

ALL TTI SHAREHOLDERS AND OPTION HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE TAX CONSEQUENCES OF THE MERGER TO THEM IN THEIR PARTICULAR SITUATIONS, INCLUDING THE EFFECTS OF UNITED STATES FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

In connection with the filing of the registration statement of which this proxy statement/ prospectus is a part, Wachtell, Lipton, Rosen & Katz, special outside legal counsel to TTI, has delivered to TTI an opinion dated on or about the date of this proxy statement/prospectus to the effect that (i) the merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended and (ii) no gain or loss will be recognized by shareholders of TTI who exchange all of their TTI Class A and Class B common stock for Sonus common stock pursuant to the merger, except with respect to cash, if any, received instead of a fractional share interest in Sonus common stock. Counsel to TTI has rendered its opinion on the basis of certain assumptions and representations described in such opinion.

Assuming that the merger qualifies as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code, the material United States federal income tax consequences are as follows:

- no gain or loss will be recognized, as a result of the merger, by Sonus, by the wholly-owned subsidiary of Sonus that will merge into TTI, or by TTI;

- TTI shareholders who exchange all of their TTI Class A and Class B common stock solely for Sonus common stock pursuant to the merger will not recognize any gain or loss as a result of that exchange, except with respect to cash received instead of a fractional share interest in Sonus common stock;

- the aggregate tax basis of the shares of Sonus common stock received by a TTI shareholder, including a fractional share deemed received and redeemed as described below, will equal the aggregate tax basis of the shares of TTI Class A and Class B common stock surrendered in exchange for that Sonus common stock;

- the holding period of the shares of Sonus common stock received by a TTI shareholder in the merger, including a fractional share deemed received and redeemed as described below, will include the shareholder's holding period in the TTI Class A and Class B common stock surrendered in exchange for that Sonus common stock; and

- a TTI shareholder who receives cash in lieu of a fractional share interest in Sonus common stock will be treated as having received a fractional share interest in Sonus common stock that is immediately redeemed by Sonus for such cash, and generally will recognize a capital gain or loss equal to the difference, if any, between the amount of cash received and the portion of the tax basis of the shares of TTI Class A and Class B common stock allocable to that fractional share interest. Any such capital gain or loss will be a long-term capital gain or loss if the TTI shareholder's holding period in the fractional share interest, determined as described above, is more than one year at the effective time of the merger.

TTI will not be obligated to complete the merger unless it receives a further opinion of Wachtell, Lipton, Rosen & Katz, dated the closing date of the merger, to substantially the same effect as the opinion delivered by Wachtell, Lipton, Rosen & Katz in connection with the filing of the registration statement of which this proxy statement/prospectus is a part, as described above. In rendering its opinion, Wachtell, Lipton, Rosen and Katz will be entitled to require and rely upon reasonable and customary representations contained in certificates of the officers of TTI, Sonus and the wholly-owned subsidiary of Sonus that will merge into TTI.

Holders of TTI options generally will not recognize any income or gain from Sonus' assumption of their options in connection with the merger. Instead, Sonus and TTI generally expect such option holders will continue to recognize taxable income only as such options are exercised, in amounts based on the then current value of the shares, reduced by the applicable option exercise prices. However, option holders exercising their options before the indemnity escrow and business expansion and product development milestones are resolved are not expected to be taxed on the shares under their options which are subject to those conditions until, and at amounts determined based on values when, those conditions are satisfied and the shares are delivered, if ever.

THIS DISCUSSION IS INTENDED TO PROVIDE ONLY A SUMMARY OF THE MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER. IT DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OR DESCRIPTION OF ALL POTENTIAL FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER. IT DOES NOT ADDRESS ALL CATEGORIES OF SHAREHOLDERS, AND IT DOES NOT ADDRESS STATE, LOCAL OR FOREIGN TAX CONSEQUENCES. IN ADDITION, AS NOTED ABOVE, THIS SUMMARY DOES NOT ADDRESS TAX CONSEQUENCES THAT MAY VARY WITH, OR ARE CONTINGENT UPON, THE INDIVIDUAL CIRCUMSTANCES OF SHAREHOLDERS. SHAREHOLDERS SHOULD CONSULT THEIR INDIVIDUAL TAX ADVISORS TO DETERMINE THEIR PARTICULAR UNITED STATES FEDERAL, STATE, LOCAL OR FOREIGN INCOME OR OTHER TAX CONSEQUENCES RESULTING FROM THE MERGER, IN LIGHT OF THEIR INDIVIDUAL CIRCUMSTANCES.

ACCOUNTING TREATMENT

The merger will be accounted for under the purchase method of accounting in accordance with United States generally accepted accounting principles, with Sonus acquiring TTI. After the completion of the merger, the results of operations of TTI will be included in the consolidated financial statements of Sonus from the date of the merger. Under the purchase method of accounting, the purchase price will be allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase price, including estimated fees and expenses related to the merger, over the fair value of net

tangible assets and identifiable intangible assets acquired is classified as goodwill and other intangible assets, including in-process research and development. Goodwill and other intangibles will be amortized by charges to operations over their estimated useful lives of three to four years and in-process research and development will be charged to operations at the time of closing in accordance with United States generally accepted accounting principles. Sonus will also record stock-based compensation for the fair market value of the awards under the Sonus 2000 Retention Plan over the approximate two year vesting period of the shares. The amount of charges for stock-based compensation, in-process research and development and amortization of goodwill and other intangibles will be significant and will therefore have a material negative impact on Sonus' future operating results.

REGULATORY APPROVALS

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and related rules, the merger cannot be completed until notifications have been given and information has been furnished to the Federal Trade Commission and the Antitrust Division of the Department of Justice and specified waiting period requirements have been satisfied. Sonus and TTI filed notification and report forms with the Federal Trade Commission and the Antitrust Division on November 16, 2000. The required waiting period under the Act expired December 16, 2000, allowing the parties to move forward towards completion of the merger. At any time before or after consummation of the merger, the Antitrust Division or the Federal Trade Commission, or any state, could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the consummation of the merger or seeking divestiture of particular assets of Sonus or TTI. Private parties also may seek to take legal action under the antitrust laws. In addition, non-United States governmental and regulatory authorities may seek to take action under applicable antitrust laws. We cannot assure you that a challenge to the merger will not be made or, if such challenge is made, that Sonus and TTI will prevail.

LISTING OF SHARES OF SONUS COMMON STOCK ON THE NASDAQ STOCK MARKET

When required to do so, Sonus will file a listing application with the Nasdaq Stock Market to try to cause the shares of Sonus common stock that are to be issued in the merger, and upon exercise of options, to be listed for trading on the Nasdaq Stock Market.

APPRAISAL RIGHTS

Under the Texas Business Corporation Act, a shareholder is entitled to dissent from and obtain the appraised value of his shares in connection with any plan of merger or exchange or disposition of all or substantially all of the corporation's assets if a shareholder vote on the action is required by Texas law and the shareholder has shares of a class that is entitled to vote on that transaction. Accordingly, holders of TTI Class B common stock are not entitled to dissenters' rights of appraisal in connection with the merger, while holders of TTI Class A common stock are, provided that they voted against the merger agreement and the merger at the special meeting of TTI's shareholders and otherwise comply with the procedures described below.

Holders of Sonus common stock and options are not entitled to appraisal rights in connection with the merger. This proxy statement/prospectus is being sent to all holders of record of TTI common stock as of the record date for the TTI special meeting and constitutes notice of appraisal rights under the Texas Business Corporation Act. The statutory appraisal rights granted by the Texas Business Corporation Act are complex and require strict compliance with the procedures described below. Failure to follow any of these procedures may result in a termination or waiver of appraisal rights.

THE FOLLOWING SUMMARY OF THE APPRAISAL RIGHTS GRANTED BY SECTIONS 5.11 AND 5.12 OF THE TEXAS BUSINESS CORPORATION ACT IS NOT COMPLETE, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SECTIONS

5.11 AND 5.12, WHICH, TOGETHER WITH ANY AMENDMENTS AFTER THE DATE OF THIS PROXY STATEMENT/ PROSPECTUS IS INCORPORATED INTO THIS PROXY STATEMENT/PROSPECTUS BY REFERENCE. COPIES ARE ATTACHED TO THIS PROXY STATEMENT/PROSPECTUS AS ANNEX C.

Holders of TTI Class A common stock may exercise their dissenters' rights by filing with TTI a written objection to the merger prior to the special meeting. This written objection must include the shareholder's address and state that the shareholder's right to dissent will be exercised if the merger is approved and completed. Furthermore, the dissenting shareholder must not vote in favor of the action at the meeting whether in person or by proxy. Within 10 days of receiving notice from TTI that the merger has become effective, the shareholder must make written demand for payment of fair value for his shares. The demand shall state the number and class of shares owned by the shareholder and the shareholder's estimate of the fair value of his shares. If the shareholder fails to make demand within this 10 day period, he will be bound by the merger and will forfeit his appraisal rights. In addition, if the shareholder's shares are represented by certificates, the shareholder must submit these certificates to TTI within 20 days of his demand request. Again, failure to do so generally will terminate the shareholder's appraisal rights.

Within 20 days of receipt of the shareholder's demand request, TTI will respond by either (1) accepting the amount claimed by the shareholder as fair value for his shares and agreeing to pay this amount within 90 days after the effective time of the merger or (2) providing an alternate estimate of the fair value of the shareholder's shares and offering to pay that amount within 90 days after the effective time of the merger.

If, within 60 days after the effective time of the merger, the shareholder and TTI cannot agree on the fair value of the shareholder's shares, either party may file a petition with a court of competent jurisdiction in the county in which the principal office of the corporation is located requesting a determination of the fair value of the shareholder's shares. After determining whether the shareholder has complied with the requisite procedures for exercising his or her demand rights, the court will appoint appraisers to determine the fair value of the shares. The appraisers will then examine the books and records of the corporation as necessary to determine the value of the shares and file their report with the court. Upon receipt of the appraiser's report, the court shall hold a hearing to fix the fair value of the shares and direct payment of that amount plus interest, which shall begin to accrue 91 days after the merger became effective and end on the date of judgment.

Absent allegations of fraud, appraisal rights are the dissenting shareholder's only remedy. Except for payment of the fair value of their shares, Class A shareholders demanding appraisal rights will have no further rights as shareholders of TTI. However, shareholders generally may withdraw their demand request until payment is made, thereby retaining their rights as shareholders.

IN VIEW OF THE COMPLEXITY OF THESE PROVISIONS OF THE TEXAS BUSINESS CORPORATION ACT, ANY TTI SHAREHOLDER WHO IS CONSIDERING EXERCISING APPRAISAL RIGHTS SHOULD CONSULT AN INDEPENDENT LEGAL ADVISOR.

RESALE RESTRICTIONS

Sonus common stock issued in the merger will not be subject to any restrictions on transfer arising under the Securities Act of 1933, except for shares issued to any TTI shareholder who may be deemed to be an "affiliate" of TTI or Sonus for purposes of Rule 145 under the Securities Act. This proxy statement/prospectus does not cover resales of Sonus common stock received by any person upon completion of the merger, and no person is authorized to make any use of this proxy statement/prospectus in connection with any such resale. Some affiliates of TTI have been granted registration rights for the shares of Sonus common stock issued to them in the merger. See "The Merger Agreement--Additional Agreements; Registration Rights."

THE MERGER AGREEMENT

IN THIS SECTION OF THE PROXY STATEMENT/PROSPECTUS, WE DESCRIBE THE MATERIAL PROVISIONS OF THE MERGER AGREEMENT. WE HAVE ATTACHED A COPY OF THE MERGER AGREEMENT AS APPENDIX A TO THIS PROXY STATEMENT/PROSPECTUS AND INCORPORATE THE MERGER AGREEMENT IN ITS ENTIRETY INTO THIS PROXY STATEMENT/ PROSPECTUS BY REFERENCE. THE SUMMARY OF THE MERGER AGREEMENT WE PROVIDE BELOW IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MERGER AGREEMENT. WE ENCOURAGE YOU TO READ THE MERGER AGREEMENT FOR A COMPLETE UNDERSTANDING OF ITS TERMS.

THE MERGER

Following the approval of the merger agreement and the merger by the shareholders of TTI and the satisfaction or waiver of the other conditions to the merger, Storm Merger Sub, Inc., a wholly-owned subsidiary of Sonus, will be merged with and into TTI. TTI, the surviving corporation, will become a wholly-owned subsidiary of Sonus, and all outstanding shares of TTI Class A and Class B common stock will be converted into shares of Sonus common stock. If all conditions to the merger are either satisfied or waived, the merger will become effective at the time of the filing by the surviving corporation of the Articles of Merger with the Secretary of State of the State of Texas and the issuance by the Secretary of State of the State of Texas of a certificate of merger. It is expected that the effective time of the merger will take place shortly after the satisfaction or waiver of all of the conditions to the merger, which is expected to be no later than the first quarter of 2001.

BOARD OF DIRECTORS AND ARTICLES OF INCORPORATION

In connection with the merger, the directors of the Merger Sub will be appointed to the board of directors of the surviving corporation. The Articles of Incorporation of Storm Merger Sub will become those of the surviving corporation.

CONVERSION OF SECURITIES

At the effective time of the merger, an aggregate of up to 15,000,000 shares of Sonus common stock will be issued for all of the outstanding shares of TTI Class A and Class B common stock. Accordingly, up to 0.15 shares of Sonus common stock will be issued with respect to each share of TTI common stock, as follows:

- At the closing of the merger, 9,600,000 shares of Sonus common stock will be issued, with the TTI shareholders receiving 0.096 shares of Sonus common stock with respect to each share of TTI common stock.

- If specific business expansion and product development milestones are met by TTI at specific times prior to December 31, 2002, up to an aggregate of 4,200,000 additional shares of Sonus common stock will be released from escrow, and the former TTI shareholders will receive up to an additional 0.042 shares of Sonus common stock with respect to each share of TTI common stock they held at the closing; and

- Finally, if Sonus does not make any successful claims for indemnification prior to the first anniversary of the closing of the merger relating to TTI's representations, warranties and covenants under the merger agreement, an aggregate of 1,200,000 additional shares of Sonus common stock will be released from escrow, and the former TTI shareholders will receive an additional 0.012 shares of Sonus common stock with respect to each share of TTI common stock they held at the closing.

If a stock split, reverse split, stock dividend, reorganization, recapitalization or similar transaction relating to either the Sonus common stock or the TTI Class A and Class B common stock takes place before the effective time of the merger, the exchange ratio described above will

be adjusted accordingly. After the effective time, holders of TTI stock will cease to be, and have no rights as, shareholders of TTI, and will have only the rights to receive shares of Sonus common stock, and all stock certificates representing shares of TTI Class A and Class B common stock will thereafter represent only the shares of Sonus common stock into which they have been converted. For a discussion of the treatment of option shares, please see the section entitled "Treatment of TTI Options" below.

Sonus will not issue fractional shares. Instead of receiving fractional shares, shareholders will receive a cash payment as described below.

EXCHANGE OF SHARES

SURRENDER OF SHARES OF TELECOM TECHNOLOGIES CLASS A AND CLASS B COMMON STOCK

Sonus will retain the services of American Stock Transfer and Trust Company to act as exchange agent to facilitate the exchange of shares. When a TTI shareholder surrenders share certificates to the exchange agent, the shareholder will be entitled to receive a certificate for a number of whole shares of Sonus common stock to be issued at the closing in respect of shares of TTI Class A and Class B common stock surrendered, plus cash in lieu of fractional shares.

DISSENTING SHARES

Each share of TTI Class A common stock that was held by a shareholder exercising appraisal rights will be converted into the right to receive the fair value of those shares in accordance with the Texas Business Corporations Act and not the shares of Sonus common stock otherwise issuable in the merger.

DISTRIBUTIONS WITH RESPECT TO UNEXCHANGED SHARES

No dividends or distributions declared or made after the effective time of the merger with respect to shares of Sonus common stock will be paid to the holder of any unsurrendered certificate with respect to shares of TTI Class A and Class B common stock and no cash payment in lieu of fractional shares will be paid to any such holder until the holder surrenders the TTI stock certificate as provided above.

NO FURTHER OWNERSHIP RIGHTS IN TTI CLASS A AND CLASS B COMMON STOCK

Shares of Sonus common stock issued upon the surrender of certificates for TTI Class A and Class B common stock and cash in lieu of fractional shares will be in full satisfaction of all rights to such TTI Class A and Class B common stock. The stock transfer books of TTI will close upon the consummation of the merger and no further transfers of TTI stock will take place. After the merger, TTI certificates surrendered in accordance with the merger agreement will be canceled and exchanged for shares of Sonus common stock.

FRACTIONAL SHARES.

Sonus will not issue any fractional shares. Instead of fractional shares, TTI shareholders will receive cash equal to the product of the same fraction multiplied by the price per Sonus share on the date of the effective time of the merger.

TREATMENT OF TTI OPTIONS

Under the terms of the merger agreement, Sonus will assume all TTI stock options outstanding at the time the merger is completed. Each option to purchase shares of TTI Class B common stock will become an option to purchase a number of shares of Sonus common stock equal to the

shares of Sonus common stock that holder would have received in the merger had that holder exercised that option immediately prior to the merger. For example, an option to purchase one share of TTI Class B common stock would be converted into an option to purchase 0.15 shares of Sonus common stock with the exercise price being adjusted accordingly in order to preserve the value of the option. However, similarly to shareholders exchanging TTI Class A and Class B common stock in the merger, on exercising an option the holder will not have the option to receive all 0.15 of a share immediately. Rather, at any given time following completion of the merger, the holder of the option will only have (1) the right to immediately receive that portion of a share of Sonus common stock the holder would have received as of that time had the holder held a share of TTI Class A and Class B common stock at the effective time of the merger, and (2) the right to receive, in the event the specified escrow release conditions are satisfied, that portion of a share of Sonus common stock that a holder of a share of TTI Class B common stock at the effective time of the merger subsequently becomes entitled to receive when those conditions are satisfied.

For example, assume an option to purchase 100 shares of TTI Class B common stock with an aggregate exercise price of $100, or $1.00 per share. In the merger, this option would be converted into the right to purchase up to an aggregate of 15 shares of Sonus common stock, with the aggregate exercise price for this option remaining $100. However, if the holder of that option fully exercises the option and pays the $100 exercise price prior to the time that any shares of Sonus common stock are released from escrow because TTI has not satisfied any of the business expansion and product development escrow release conditions and because TTI's indemnity obligations to Sonus have not expired, that holder will be entitled to receive upon exercise 9 shares of Sonus common stock. In addition, at such time as additional shares of Sonus common stock are released from escrow either because TTI satisfies any of the business expansion and product development escrow release conditions or because TTI indemnity obligations to Sonus have lapsed, that holder will be entitled to receive, as will each other former holder of TTI Class A and Class B common stock, a PRO RATA portion of those shares, up to an additional 6 shares of Sonus common stock.

Under an agreement entered into by Anousheh and Hamid Ansari and other shareholders of TTI in 1997, the Ansaris agreed to transfer to TTI from time to time a number of shares of TTI Class B common stock equal to the number of shares of TTI Class B common stock issued upon the exercise of any options in exchange for the option exercise proceeds. In continuation of this agreement after the effective time of the merger, the Ansaris have agreed, from time to time, to transfer to Sonus a number of shares of Sonus common stock received by them in the merger equal to the number of shares of Sonus common stock issued upon exercise of the TTI stock options assumed by Sonus in exchange for the option exercise proceeds. As a result of this agreement, the aggregate number of shares of Sonus common stock that will be issued in connection with the merger will not increase as the TTI stock options assumed by Sonus in the merger are exercised.

Except as provided above, each TTI stock option will remain subject to the same terms and conditions as were applicable to the option immediately before the effective time. Sonus will prepare and file with the Securities and Exchange Commission a registration statement on Form S-8 covering the issuance of all of the shares of Sonus common stock issuable upon exercise of TTI stock options.

REPRESENTATIONS AND WARRANTIES

In the merger agreement, TTI and Sonus have each made a number of representations and warranties about their businesses, financial condition, structure and other facts pertinent to the

merger. Sonus and TTI have each made representations regarding the following matters to each other:

- its corporate organization and authority to own its assets and conduct its business;
- its authorized and outstanding capital stock;
- its authority to enter into the merger agreement, the enforceability of the merger agreement against it, the absence of required consents, licenses, permits, orders and authorizations from governmental authorities relating to the merger agreement and the absence of conflict between the requirements of the merger agreement and its obligations under its organizational documents, law or contracts;
- the absence of undisclosed material liabilities;
- the filing of tax returns and payment of taxes;
- its intellectual property matters;
- its material contracts;
- the absence of litigation that could materially harm it;
- its compliance with applicable laws, regulations and other contracts or agreements;
- regulatory matters relating to it;
- safety and environmental matters;
- its relationships with its suppliers and customers;
- the absence of any fact or circumstance likely to prevent the merger from qualifying as a reorganization under Section 368(a) of the Internal Revenue Code;
- the absence of registration rights granted to third parties;
- the accuracy of information supplied by it in connection with this proxy statement/prospectus and the registration statement of which it is a part; and
- its relationships with brokers in connection with the merger agreement.

TTI has made additional representations and warranties relating to the following:

- its subsidiaries and the absence of any undisclosed subsidiaries;
- its qualification and good standing;
- the absence of specified changes in its business;
- the sound preparation and reflective character of its financial statements;
- the sufficiency of its assets and properties to conduct its business, and its title to such assets and properties;
- its leased real property;
- the lack of undisclosed material indebtedness;
- any potential conflicts of interest relating to its business;
- its compliance with employment regulation;
- its accounts receivable and payable;
- its insurance coverage;

- matters regarding its employees;

- the accuracy of its minute books;

- its employee benefit plans; and

- the approval of the Sonus 2000 Retention Plan by at least 75% of TTI's shareholders.

COVENANTS

SONUS' COVENANTS

- The certificate of incorporation and by-laws of Sonus will contain provisions with respect to indemnification and elimination of liability for monetary damages for directors, officers, employees, and agents of TTI, which provisions will not be amended, repealed, or otherwise modified for a period of six years from the effective time in any manner that would adversely affect the rights thereunder of individuals who, at the effective time of the merger, were directors, officers, employees, or agents of TTI;

- After the effective time of the merger, Sonus will, to the fullest extent permitted under applicable law or under its Articles of Incorporation or by-laws, indemnify and hold harmless, each present or former director or officer of TTI or any of its subsidiaries and his or her heirs, executors and assigns against any costs or expenses, including attorneys' fees, judgments, fines, losses, claims, damages, liabilities and amounts paid in settlement in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, to the extent arising out of or pertaining to any action or omission in his or her capacity as a director, officer, employee or agent of TTI occurring prior to the effective time of the merger, including actions or omissions relating to the merger, for a period of six years;

- For a period of six years after the effective time of the merger, Sonus will maintain in effect, the current policies of directors' and officers' liability insurance covering those persons who are currently covered by TTI's directors, officers and company liability insurance policies or substitute therefor policies on terms comparable to those applicable to the current directors of TTI; however in no event will Sonus be required to expend per year an amount in excess of one and one-half times the annual premium currently paid by Sonus for its directors and officers' liability insurance coverage;

- Sonus will advance reasonably incurred fees and expenses incurred in connection with indemnification described above;

- Sonus will, prior to the earlier of either the full satisfaction of the escrow release conditions and escrowed shares or December 31, 2002, allow Anousheh Ansari or Hamid Ansari as her successor to have discretion in managing the day-to-day business of the surviving corporation, including making personnel decisions, subject to Sonus' employment agreements, determining pricing structures, determining the location of TTI's headquarters and the like. Specific powers not granted include: disposition of material assets, changes in accounting procedures, acquiring assets in excess of $500,000, acquiring any interest in another person, incurring any indebtedness beyond trade credit in the ordinary course, and establishing any policies contrary to Sonus' corporate-wide policies as a public company;

- During the period between the closing and December 31, 2002, Sonus will fund and assist the surviving corporation's operations relating to TTI's INtelligentIP softswitch technology in accordance with reasonable budgets;

- During the period between the closing and December 31, 2002, Sonus will honor TTI's employee benefit plans or offer comparable and no less favorable benefit plans;

- Sonus will promptly prepare and submit to the NASD an application to have the shares of Sonus common stock to be issued in the merger approved for listing on the Nasdaq Stock Market; and

- Sonus will adopt the Sonus 2000 Retention Plan and make the scheduled awards thereunder.

TELECOM TECHNOLOGIES' COVENANTS

- TTI will carry on its business in the ordinary course;

- TTI may not increase compensation payable to its officers or employees, increase any bonus, compensation, pension or other plan for the benefit of any directors, officers or employees outside of the ordinary course of business;

- TTI will not enter into any contract or other transactions outside the ordinary course;

- TTI will not purchase, lease, license, acquire any interest, or dispose of any interest in, any capital asset(s) (1) other than in the ordinary course of business, or (2) having a market value in excess of $50,000 in any instance, or in excess of $250,000 in the aggregate;

- TTI will not establish any subsidiaries nor will it make an investment in any subsidiary;

- TTI will maintain all its insurance policies currently in place;

- TTI will not take or omit to take any action, or permit any action or omission to act, that would cause a default under or a material breach of any of its material contracts, commitments, or obligations;

- TTI will not, and will use its best efforts to cause its employees, directors, or representatives to not, directly or indirectly negotiate for, solicit, initiate, or enter into any agreement or understanding with respect to any, merger, consolidation, business combination, purchase, asset sale, stock issuance or similar transaction, or discuss or negotiate any such transaction, with any third party; however, unsolicited offers may by relayed to the shareholders as required by fiduciary duty;

- TTI will hold a shareholders' meeting as soon as practicable after the effectiveness of the registration statement on Form S-4, of which this proxy statement/prospectus is a part, to obtain shareholder approval of the merger;

- TTI will cooperate in the orderly transition of TTI's 401(k) plan to a new 401(k) plan maintained by Sonus or, if necessary, the termination of such plan;

- TTI will take any action necessary to cause the acceleration of vesting of all TTI stock options held by non-employees, immediately prior to the consummation of the merger; and

- TTI will, until the consummation of the merger and while the plan remains in effect, issue TTI stock options under its 1998 Amended Equity Incentive Plan to all employees entitled to them, and grant stock options, under TTI's DASH and related programs, to the extent that all contingencies relating to such grants have been satisfied prior to the merger.

- TTI will not declare or pay dividends on or make any other distributions in respect of any of its capital stock;

- TTI will not issue any shares of its capital stock or other securities, including any options, warrants, or other rights to acquire shares of its capital stock, other than for specified purposes;

- TTI will not enter into any contract, commitment, or transaction, with any of its affiliates, other than in the usual and ordinary course of business and consistent with its normal past business practices; and

- TTI will use its reasonable best efforts to preserve its business organization intact, to keep available its present officers and key employees and consultants, and to preserve its present business relationships with its suppliers and customers and others having business relationships with it.

MUTUAL COVENANTS

TTI and Sonus have each agreed that from and after the date of the merger agreement and until the consummation of the merger:

- they will use their reasonable best efforts to cause the satisfaction of all conditions precedent;

- they will use their reasonable best efforts to take all actions necessary to effect the merger;

- they will make all filings required by the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and cooperate in seeking early termination of the waiting period thereunder;

- they will grant each other full access to each other's property, records, and documents as a reasonable investigation may require, and any information obtained by way of such investigation will remain confidential;

- they will cooperate in the preparation and filing of a registration statement on Form S-4 with the Securities and Exchange Commission and Sonus will use its reasonable best efforts to cause such registration statement to be declared effective, and to obtain all needed approvals under state securities laws;

- they will not take or cause or permit any action that would disqualify the merger as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code and will report the transaction as such on their tax returns;

- they will consult with each other before issuing any press releases or making public statements with respect to the merger;

- they will supplement and correct as necessary their respective disclosure schedules to the merger agreement;

- they will promptly advise each other in writing of any material adverse change with respect to themselves; and

- they will use their reasonable best efforts to obtain all required consents and approvals of third parties.

ADDITIONAL AGREEMENTS

RETENTION PLAN

In connection with the merger, Sonus will establish the Sonus 2000 Retention Plan. For more details concerning the Retention Plan, see the section "Management of Sonus--Benefit Plans" contained elsewhere in this proxy statement/prospectus.

REGISTRATION RIGHTS

Upon the effective date of the merger, Sonus will enter into a registration rights agreement with the holders of TTI Class A common stock. These holders include Anousheh Ansari, Hamid Ansari, and Michael B. Yanney, each of whom is a director of TTI, and some of its affiliates, as well as affiliates of John C. Phelan and Leslie Alexander, each of whom is also a director of TTI. In the registration rights agreement, Sonus generally agrees to use its reasonable best efforts to cause the shares of Sonus common stock held by such holders of TTI Class A and Class B common stock to be registered for sale under any registration statement that Sonus proposes to file from time to time whether on its behalf or on behalf of other of its shareholders. Subject to specified exceptions, each holder will agree in the registration rights agreement, if requested within 180 days of the effective time of the merger by Sonus and the managing underwriter of an offering of Sonus common stock under a registration statement, not to sell publicly or otherwise transfer or dispose of any shares of Sonus common stock held by that holder for a period of time not to exceed 90 days following the effective date of that registration statement.

ESCROW AGREEMENTS

In connection with the merger, the parties have agreed that an aggregate of 5,400,000 shares of Sonus common stock the TTI shareholders would otherwise receive in connection with the merger will be placed into an escrow account. An aggregate of 1,200,000 of the escrow shares may be subject to claims made by Sonus for indemnification under the merger agreement, and an aggregate of 4,200,000 shares will be held in escrow pending satisfaction of specified business expansion and product development milestones by TTI through December 31, 2002. For a detailed description of the escrow agreement, please see the section entitled "The Escrow Agreements" contained elsewhere in this proxy statement/prospectus.

In addition, Sonus and Ms. Ansari have also agreed to enter into an escrow agreement under which Ms. Ansari will agree to deposit shares of Sonus common stock she would otherwise receive in the merger into escrow to fund the exercise of TTI stock options assumed by Sonus. These escrowed shares will be delivered to Sonus at such time as the TTI options assumed by Sonus in the merger are exercised, and Ms. Ansari will receive the exercise price received by Sonus upon exercise of those options. For a detailed description of this option escrow agreement, please see "The Escrow Agreements--Option Plan Escrow" contained elsewhere in this proxy statement/ prospectus.

VOTING AGREEMENT

Sonus and holders of in excess of two-thirds of the outstanding shares of TTI voting stock have entered into a voting agreement, wherein these TTI shareholders have agreed to vote their shares in favor of the merger at the special meeting. For more details concerning the voting agreement, see the section entitled "The Voting Agreement" contained elsewhere in this proxy statement/ prospectus.

EMPLOYMENT AGREEMENTS

In connection with the merger, 13 employees of TTI have entered into employment agreements with TTI and Sonus. For a detailed description of these employment agreements, please see "Interests of TTI Officers and Directors in the Merger" contained elsewhere in this proxy statement/ prospectus.

CONDITIONS

Neither Sonus nor TTI will be obligated to complete the merger unless specified conditions are satisfied or waived, including the following:

- no temporary restraining order, preliminary or permanent injunction, or other order issued by any court of competent jurisdiction, or other legal restraint or prohibition preventing the consummation of the merger, will be in effect, and no petition or request by any governmental authority for any such injunction or other order will be pending;

- holders of the requisite majority of TTI Class A common stock must have approved the merger agreement;

- all authorizations, consents, orders or approvals of, or declarations or filings with, or expirations of waiting periods imposed by, any governmental entity must have been filed, been obtained or occurred;

- the shares of Sonus common stock issuable to TTI shareholders in the merger will have been approved for quotation on the Nasdaq Stock Market;

- the registration statement, of which this proxy statement/prospectus is a part, must have become effective and must not be the subject of a stop order or proceeding seeking a stop order;

- all parties must have entered into the registration rights agreement; and

- all parties must have entered into the escrow agreements.

ADDITIONAL CONDITIONS TO THE OBLIGATIONS OF TELECOM TECHNOLOGIES

The obligation of TTI to effect the merger is also subject to the satisfaction or waiver of the following additional conditions:

- the representations and warranties of Sonus contained in the merger agreement must be true and correct when made and on the closing date;

- Sonus and merger sub must have performed in all material respects all of their obligations under the merger agreement;

- there must have been no material adverse effect on the business, financial condition and results of operations of Sonus, however, a decline in the market price of Sonus common stock is not considered to have a material adverse effect for this purpose.

- TTI will have received a written opinion of its special outside legal counsel, Wachtell, Lipton, Rosen & Katz, dated as of the closing date to the effect that in such counsel's opinion, the merger will constitute a "reorganization" under Section 368(a) of the Internal Revenue Code and will not result in a gain or loss, except with respect to cash received in lieu of fractional shares, being recognized by those TTI shareholders who exchange all of their TTI stock for Sonus stock; and

- Sonus must have entered into the Sonus 2000 Retention Plan and issued award agreements thereunder.

ADDITIONAL CONDITIONS TO THE OBLIGATIONS OF SONUS

The obligations of Sonus and its wholly-owned subsidiary to effect the merger are also subject to the satisfaction or waiver of the following additional conditions:

- TTI's representations and warranties contained in the merger agreement must be true and correct when made and on the closing date;

- TTI must have performed in all material respects all of its obligations under the merger agreement;

- there must not have been a material adverse effect on the business, financial condition and results of operations of TTI;

- holders of no more than 0.25% of the issued and outstanding common stock of TTI will have elected to, or have contingent rights to, exercise dissenters rights under the Texas Business Corporation Act; and

- TTI principal executive officer and its principal financial officer will have executed and delivered a certificate describing TTI's capitalization as of the closing to Sonus, and this certificate will be deemed a representation and warranty of TTI.

SHAREHOLDER REPRESENTATIVES

By approving the merger agreement, TTI and TTI's shareholders will appoint Anousheh Ansari and John C. Phelan as their shareholder representatives, granting them powers as the respective agents and attorneys-in-fact of TTI's shareholders for particular purposes, including for purposes of enforcing the escrow agreements.

INDEMNIFICATION

After the effective time of the merger, Sonus will indemnify, defend and hold harmless TTI's shareholders and each of their respective directors, officers, employees, representatives, and other affiliates, from all damages related to any breach by Sonus of any representation, warranty, covenant, agreement, obligation, or undertaking made by Sonus in the merger agreement or any other agreement, instrument, certificate, or other document delivered by Sonus in connection with the merger agreement, or any other transactions contemplated therein. The shareholder representatives will have the ability to enforce these provisions on behalf of the shareholders of TTI.

After the effective time of the merger, TTI will indemnify, defend and hold harmless Sonus' stockholders and each of their respective directors, officers, employees, representatives, and other affiliates, from all damages related to any breach by TTI of any representation, warranty, covenant, agreement, obligation, or undertaking made by TTI in the merger agreement or any other agreement, instrument, certificate, or other document delivered by TTI in connection with the merger agreement, or any other transactions contemplated therein. Sonus will have the ability to enforce these provisions solely pursuant to the terms of the escrow agreement and will have no other recourse against the former shareholders of TTI.

No party will be entitled to indemnification until the aggregate amount of damages suffered by such party exceeds $1,000,000, and the maximum liability of the parties from time to time will not exceed the value of the indemnity shares identified in the contingency escrow agreement. The liability for indemnification as described above expires one year after the effective time of the merger, except when the claim involves a breach by TTI of tax warranties, in which case liability expires when the applicable statute of limitations has run, or in the case of a breach of certain representations and warranties relating to TTI's intellectual property and its capitalization at closing,

in which case liability continues until December 31, 2002. The indemnification described above provides the exclusive remedy for claims in connection with the merger.

In all other circumstances, if the merger is completed, the TTI shareholders' sole and exclusive remedy in the event of a breach by Sonus of covenants relating to management of the surviving corporation will be that set forth in the escrow agreement.

TERMINATION

Notwithstanding the approval of the merger agreement and/or of the merger by the board of directors and/or shareholders of TTI, the merger agreement may be terminated at any time before the effective date of the merger by written agreement of Sonus and TTI.

In addition, either Sonus or TTI may terminate the merger agreement by written notice to the other, if:

- any restraining order, injunction, or other order issued by any court of competent jurisdiction, or other binding legal restraint or prohibition permanently preventing the consummation of the merger has become final and non-appealable at any time in effect for a period of more than 20 consecutive days;

- the other party has materially breached any of its representations, warranties, covenants, promises, and other agreements set forth in the merger agreement and has not cured such breach within 15 days after written notice thereof from the terminating party; or

- if the closing does not occur before May 31, 2001, so long as the failure to close is not the result of a breach of the merger agreement by the terminating party.

BUSINESS EXPANSION AND PRODUCT DEVELOPMENT AND INDEMNITY ESCROWS

Under the terms of the merger agreement, Sonus, Ms. Ansari and John C. Phelan, a director of TTI, as representatives of the TTI shareholders entitled to receive shares of Sonus common stock in the merger, will enter into an escrow agreement with an independent escrow agent. Under this escrow agreement, at the effective time of the merger, Sonus will deposit an aggregate of 5,400,000 shares of Sonus common stock that would otherwise be issuable to the TTI shareholders in the merger into an escrow account. An aggregate of up to 1,200,000 of these escrow shares may be released to Sonus in satisfaction of indemnification claims that may be made by Sonus under the merger agreement. The remaining 4,200,000 shares will be held in escrow for release to the former TTI shareholders if certain agreed upon specified business expansion and product development performance milestones are achieved by TTI on or prior to specified dates prior to December 31, 2002.

The first set of milestones relates to TTI's ability to ship and receive customer acceptance of certain customer-related deliverables. If TTI achieves this milestone on or before December 31, 2001, 1,800,000 shares will be released from the escrow to the former TTI shareholders at the time this milestone is satisfied. If TTI does not reach this milestone on or before December 31, 2001, these shares will be released from escrow to Sonus.

The second set of milestones relates to TTI's ability to incorporate certain specified features into its INtellligentIP softswitch product prior to certain dates ranging from May 31, 2001 to December 31, 2001. If TTI meets all these milestones in a timely fashion, up to 900,000 additional shares will be released from the escrow and delivered to former TTI shareholders, at the times these milestones are met. If TTI meets some, but not all, of these milestones, or if TTI satisfies some or all of these milestones on a less than timely basis, some of these 900,000 shares will be released from escrow and delivered to former TTI shareholders, at the times these milestones are met. Any of these shares not released to former TTI shareholders in satisfaction of these escrow release conditions will be released from the escrow to Sonus.

The third set of milestones relates to expansion of TTI's customers. If TTI expands its customers as required by these milestones by December 31, 2002, 1,500,000 shares of Sonus common stock will be released from the escrow and delivered to former TTI shareholders at the time this milestone is met. In addition, if TTI partially satisfies this milestone before December 31, 2002, some of these 1,500,000 shares will be released from escrow at that time and delivered to former TTI shareholders. Any of these 1,500,000 shares not released to former TTI shareholders in satisfaction of these escrow release conditions will be released from the escrow to Sonus.

To the extent that some or all of the 1,200,000 escrowed shares allocated to TTI's indemnification obligations are not required to be released to Sonus, these shares will be distributed pro rata among the former TTI shareholders entitled to receive Sonus shares in the merger on the first anniversary of the consummation of the merger. In addition, in some circumstances up to 1,200,000 of the 4,200,000 shares that would otherwise be released to TTI shareholders may be retained in escrow in order to secure additional indemnity obligations of TTI until December 31, 2002.

Until the proceeds of the escrow account are distributed, all cash dividends and other cash distributions on the shares of Sonus common stock held in the escrow account will be invested by the escrow agent at the direction of a representative of the shareholder representatives, and all noncash dividends and other noncash distributions will become part of the escrow fund. As a result of the escrow, depending on the amounts to which Sonus is entitled to indemnification under the merger agreement and the successful completion of the performance milestones, the TTI

shareholders may never receive up to 5,400,000 of the shares of Sonus common stock they would otherwise be entitled to receive.

OPTION PLAN ESCROW

Under the terms of the merger agreement, Sonus will assume all outstanding options to purchase TTI Class B common stock, which will convert into the right to receive shares of Sonus common stock on the same terms as the outstanding TTI Class B common stock converts in the merger, including that an equivalent portion of these option shares will be subject to the indemnity escrow release conditions and the business development and product development escrow release conditions. Under an agreement entered into by Ms. Ansari prior to the merger, Ms. Ansari has agreed to transfer to TTI from time to time a number of shares of TTI Class B common stock held by her equal to the number of shares of TTI stock issued upon the exercise of any employee stock options in exchange for the option exercise price. In continuation of this agreement after the closing, Ms. Ansari will transfer to Sonus shares of Sonus common stock, received by her in the merger, necessary to cover the exercise of the TTI stock options assumed by Sonus in exchange for the option exercise price. As a result, the number of shares of Sonus common stock that will be issued upon the exercise of former TTI stock options that are assumed by Sonus will not increase the aggregate number of shares of Sonus common stock issuable in connection with the merger.

THE VOTING AGREEMENT

THE FOLLOWING DESCRIPTION SUMMARIZES THE MATERIAL PROVISIONS OF A VOTING AGREEMENT BY AND AMONG SONUS AND A MAJORITY OF THE TTI SHAREHOLDERS. THIS DESCRIPTION IS QUALIFIED IN ITS ENTIRETY BY THE VOTING AGREEMENT WHICH IS ATTACHED AS APPENDIX B TO THIS PROXY STATEMENT/PROSPECTUS, AND WHICH IS INCORPORATED HEREIN BY REFERENCE.

In connection with the execution of the merger agreement, shareholders representing over two-thirds of the voting power of TTI's common stock entered into a voting agreement with Sonus. Under the voting agreement, each of these shareholders agreed to vote all of their shares of TTI Class A common stock in favor of adoption of the merger agreement and have appointed a representative of Sonus to serve as their irrevocable proxy at any meeting of the TTI shareholders called to consider the merger agreement and the merger. In addition, under the voting agreement, these shareholders may not transfer their shares of the TTI stock while the voting agreement is in effect. These TTI shareholders were not, and will not be, paid any additional consideration in connection with the voting agreement. The voting agreement contains other agreements made by the TTI shareholders that are parties to the voting agreement. The TTI shareholders who entered into the voting agreement own a majority of the TTI voting common stock. Accordingly, assuming no breach of the voting agreement by any party thereto, adoption of the merger agreement by the TTI shareholders is assured.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF SONUS

THE FOLLOWING DISCUSSION SHOULD BE READ IN CONJUNCTION WITH OUR CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THOSE STATEMENTS AND OTHER FINANCIAL INFORMATION APPEARING ELSEWHERE IN THIS PROXY STATEMENT/PROSPECTUS. THE FOLLOWING DISCUSSION CONTAINS FORWARD-LOOKING INFORMATION THAT INVOLVES RISKS AND UNCERTAINTIES. OUR ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THE FORWARD-LOOKING STATEMENTS AS A RESULT OF A NUMBER OF FACTORS, INCLUDING THE RISKS DISCUSSED IN "RISK FACTORS" AND ELSEWHERE IN THIS PROXY STATEMENT/PROSPECTUS.

OVERVIEW

Sonus is a leading provider of voice infrastructure products for the new public network. We offer a new generation of carrier-class switching equipment and software that enable voice services to be delivered over packet-based networks.

Since our inception, we have incurred significant losses and, as of September 30, 2000, had an accumulated deficit of $77.7 million. We have not achieved profitability on a quarterly or an annual basis, and anticipate that we will continue to incur net losses. We have a lengthy sales cycle for our products and, accordingly, we expect to incur sales and other expenses before we realize the related revenues. We expect to incur significant sales and marketing, research and development and general and administrative expenses and, as a result, we will need to generate significant revenues to achieve and maintain profitability.

We sell our products through a direct sales force, resellers and distributors. In the future, we anticipate expanding our sales efforts to include additional overseas distribution partners. 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. We believe these long sales cycles, as well as our expectation that customers will tend to sporadically place large orders with short lead times, will cause our revenues and results of operations to vary significantly and unexpectedly from quarter to quarter. We expect to recognize revenues from a limited number of customers for the foreseeable future.

We recognize revenue from product sales to end users, resellers and distributors upon shipment, provided there are no uncertainties regarding acceptance, persuasive evidence of an arrangement exists, the sales price is fixed or determinable and collection of the related receivable is probable. If uncertainties exist, we recognize revenue when those uncertainties are resolved. In multiple element arrangements, we use the residual method in accordance with Statement of Position 97-2 and 98-9. Service revenue is recognized as the services are performed. Amounts collected prior to satisfying our revenue recognition criteria are reflected as deferred revenue. We estimate and record warranty costs at the time of product revenue recognition. In November 1999, we began shipping our products. For the nine months ended September 30, 2000, we recognized $23.2 million in revenue. As of September 30, 2000 we had a total of $12.3 million in deferred revenue. See note 1(h) to our consolidated financial statements.

RESULTS OF OPERATIONS

Because we were incorporated in August 1997 and commenced our principal operations in November 1997 after obtaining our initial funding, management believes that a discussion of the period from inception to December 31, 1997 would not be meaningful.

MANUFACTURING AND PRODUCT COSTS. Our manufacturing and product costs consist primarily of amounts paid to third-party manufacturers, manufacturing start-up expenses and manufacturing and professional services, personnel and related costs. Commencing in 1999, we outsourced certain of

our manufacturing processes to third-parties. Manufacturing engineering, documentation control, final testing and assembly are performed at our facility.

GROSS PROFIT MARGINS. We believe that our gross profit margins will be affected primarily by the following factors:

- demand for our products and services;
- new product introductions both by us and by our competitors;
- product service and support costs associated with initial deployment of our products in customers' networks;
- changes in our pricing policies and those of our competitors;
- the mix of product configurations sold;
- the mix of sales channels through which our products and services are sold; and
- the volume of manufacturing and costs of manufacturing and components.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses consist primarily of salaries and related personnel costs, recruiting expenses and prototype costs related to the design, development, testing and enhancement of our products. We have expensed our research and development costs as incurred. Some aspects of our research and development effort require significant short-term expenditures, the timing of which can cause significant quarterly variability in our expenses. We believe that research and development is critical to our strategic product development objectives and we intend to enhance our technology to meet the changing requirements of our customers. As a result, we expect our research and development expenses to increase in absolute dollars in the future.

SALES AND MARKETING EXPENSES. Sales and marketing expenses consist primarily of salaries and related personnel expenses, commissions, recruiting expenses, promotions, customer evaluations and other marketing expenses. We expect that sales and marketing expenses will increase substantially in absolute dollars in the future as we increase our direct sales efforts, expand our operations internationally, hire additional sales and marketing personnel, initiate additional marketing programs and establish sales offices in new locations.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses consist primarily of salaries and related expenses for executive, finance, and administrative personnel, recruiting expenses and professional fees. We expect that general and administrative expenses will increase in absolute dollars as we add personnel and incur additional costs related to the growth of our business and our operation as a public company.

STOCK-BASED COMPENSATION EXPENSES. In connection with our grant of stock options and issuance of restricted common stock during the year ended December 31, 1999 and the nine months ended September 30, 2000, we recorded deferred compensation of $20.9 million and $41.2 million, respectively. Stock-based compensation expenses include the amortization of stock compensation charges resulting from the granting of stock options and the sales of restricted common stock to employees with exercise or sales prices that may be deemed for accounting purposes to be below the fair value of our common stock on the date of grant and compensation expense associated with the grant of stock options and issuance of restricted stock to non-employees. Deferred compensation amounts are being amortized over the vesting periods of the applicable options or restricted stock, which are four to five years. The compensation expense associated with non-employees is recorded at the time services are provided. See note 9(h) to our consolidated financial statements.

BENEFICIAL CONVERSION OF PREFERRED STOCK. In 1999, we recorded a charge to accumulated deficit of $2.5 million representing the beneficial conversion feature of our Series C redeemable convertible preferred stock that was sold in November and December 1999. This charge is accounted for as a dividend to preferred stockholders and, as a result, will increase the net loss available to common stockholders and the related net loss per share.

YEARS ENDED DECEMBER 31, 1999 AND 1998

MANUFACTURING EXPENSES. Manufacturing expenses were $1.9 million in 1999, compared to no expense in 1998. The increase was due to the commencement of manufacturing operations.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses were $10.8 million in 1999, an increase of $5.0 million, or 85%, from $5.8 million in 1998. The increase reflects costs primarily associated with a significant increase in personnel and personnel-related expenses and, to a lesser extent, recruiting expenses and prototype expenses for the development of our products.

SALES AND MARKETING EXPENSES. Sales and marketing expenses were $5.6 million in 1999, an increase of $5.2 million from $426,000 in 1998. The increase reflects costs primarily associated with the hiring of additional sales and marketing personnel and, to a lesser extent, marketing program costs, including Web development, trade shows and product launch activities.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses were $1.7 million in 1999, an increase of $804,000, or 87%, from $919,000 in 1998. The increase reflects costs primarily associated with the hiring of additional general and administrative personnel and, to a lesser extent, expenses necessary to support and scale our operations.

STOCK-BASED COMPENSATION EXPENSES. Stock-based compensation expenses were $4.4 million in 1999, an increase of $4.3 million, from $59,000 in 1998. The increase is due to the amortization of deferred stock-based compensation resulting from the granting of stock options and sales of restricted common stock to employees with exercise or sales prices below the deemed fair value of our common stock on the date of grant or sale for accounting purposes.

INTEREST INCOME (EXPENSE), NET. Interest income consists of interest earned on our cash balances and marketable securities. Interest expense consists of interest incurred on equipment debt. Interest income, net of interest expense was $487,000 and $314,000 for 1999 and 1998, respectively. This increase reflects higher invested balances partially offset by an increase in interest expense from increased borrowings.

NET OPERATING LOSS CARRYFORWARDS. As of December 31, 1999, we had approximately $23.0 million of state and federal net operating loss carryforwards for tax reporting purposes available to offset future taxable income. These net operating loss carryforwards expire at dates through 2019, to the extent that they are not used. We have not recognized any benefit from the future use of loss carryforwards for these periods, or for any other periods since inception. Use of the net operating loss carryforwards may be limited in future years if there is a significant change in our ownership. Management has recorded a full valuation allowance for the related net deferred tax asset due to the uncertainty of realizing the benefit of this asset.

NINE MONTHS ENDED SEPTEMBER 30, 2000 AND 1999

REVENUES. Revenues were $23.2 million for the nine months ended September 30, 2000 due to the introduction of our voice infrastructure products. No revenues were reported for the nine months ended September 30, 1999. We had three customers, each of whom contributed more than

10% of our revenue, during the nine months ended September 30, 2000, and who represented an aggregate of 71% of our total revenue.

MANUFACTURING AND PRODUCT COSTS. Manufacturing expenses and product costs were $14.8 million, or 64% of revenues, for the nine months ended September 30, 2000, an increase of $13.8 million as compared to the same period in fiscal 1999. The increase in costs are primarily the result of an increase in product and personnel costs associated with revenues. We expect manufacturing and product costs to decrease as a percentage of revenues based on product mix changes and improved efficiencies as our revenue expands.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses increased $10.7 million to $18.2 million for the nine months ended September 30, 2000, compared to $7.5 million for the same period in fiscal 1999. The increase in expense was primarily a result of increases in personnel and personnel-related expenses.

SALES AND MARKETING EXPENSES. Sales and marketing expenses increased $10.9 million to $13.6 million for the nine months ended September 30, 2000, compared to $2.7 million for the same period in fiscal 1999. The increase in expense was primarily a result of increases in sales and marketing personnel, sales commissions, marketing programs, and travel related expenses.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses increased $2.7 million to $3.8 million for the nine months ended September 30, 2000, compared to $1.1 million for the same period in fiscal 1999. The increase reflects costs associated with being a public company, hiring of additional general and administrative personnel and for professional services.

STOCK-BASED COMPENSATION EXPENSES. Stock-based compensation expenses were $20.3 million for the nine months ended September 30, 2000, an increase of $18.1 million from $2.2 million for the same period in fiscal 1999. This increase is due to the amortization of deferred stock-based compensation resulting from the granting of additional stock options and sale of restricted common stock to employees and compensation expense associated with stock option grants and the sale of restricted stock to non-employees. Based on the grant of stock options and sale of restricted common stock through September 30, 2000, we expect employee stock-based compensation expense to be approximately $24.9 million, $16.5 million, $9.9 million, $5.7 million, and $1.2 million in the years ending December 31, 2000, 2001, 2002, 2003, and 2004, respectively.

INTEREST INCOME (EXPENSE), NET. Interest income, net of interest expense increased $3.5 million to $3.8 million for the nine months ended September 30, 2000, compared to $0.3 million for the same period in fiscal 1999. This increase reflects higher invested cash and marketable securities balances as a result of our May 2000 initial public offering and private financings, partially offset by interest expense from increased borrowings through June 2000.

INCOME TAXES. No provision for income taxes has been recorded for the nine months ended September 30, 2000 and 1999, due to accumulated net losses. We did not record any tax benefits relating to these losses or other tax benefits due to the uncertainty surrounding the timing of the realization of these future tax benefits.

QUARTERLY RESULTS OF OPERATIONS

The following table presents our operating results for the quarters ended March 31, 1999, June 30, 1999, September 30, 1999, December 31, 1999, March 31, 2000, June 30, 2000 and September 30, 2000. The information for each of these quarters is unaudited and has been prepared on the same basis as the audited consolidated financial statements appearing elsewhere in this prospectus. In the opinion of management, all necessary adjustments, consisting only of

normal recurring adjustments, have been included to present fairly the unaudited consolidated quarterly results when read in conjunction with our audited consolidated financial statements and related notes appearing elsewhere in this prospectus. These operating results are not necessarily indicative of the results of any future period.

	THREE MONTHS ENDED						
	MARCH 31, 1999	JUNE 30, 1999	SEPT. 30, 1999	DEC. 31, 1999	MARCH 31, 2000	JUNE 30, 2000	SEPT. 30, 2000
	(IN THOUSANDS) (UNAUDITED)						
CONSOLIDATED STATEMENT OF OPERATIONS DATA:							
Revenues	$ --	$ --	$ --	$ --	$ 1,093	$ 6,511	$ 15,568
Manufacturing and product costs	223	349	519	770	1,462	4,555	8,830
Gross profit (loss)	(223)	(349)	(519)	(770)	(369)	1,956	6,738
Operating expenses:							
Research and development	2,684	2,387	2,434	3,275	4,844	6,355	7,032
Sales and marketing	438	834	1,475	2,859	3,358	4,381	5,833
General and administrative	301	375	438	609	713	1,277	1,763
Stock-based compensation	517	564	1,090	2,233	6,979	6,386	6,982
Total operating expenses	3,940	4,160	5,437	8,976	15,894	18,399	21,610
Loss from operations	(4,163)	(4,509)	(5,956)	(9,746)	(16,263)	(16,443)	(14,872)
Interest income (expense), net	120	92	71	204	228	1,089	2,495
Net loss	(4,043)	(4,417)	(5,885)	(9,542)	(16,035)	(15,354)	(12,377)
Beneficial conversion feature of Series C preferred stock	--	--	--	(2,500)	--	--	--
Net loss applicable to common stockholders	$(4,043)	$(4,417)	$(5,885)	$(12,042)	$(16,035)	$(15,354)	$(12,377)

Our revenues and operating results will vary significantly from quarter to quarter due to a number of factors, many of which are outside of our control and any of which may cause our stock price to fluctuate. Generally, purchases by service providers of telecommunications equipment from manufacturers have been unpredictable and clustered, rather than steady, as the providers build out their networks. The primary factors that may affect our revenues and results include the following:

- fluctuation in demand for our voice infrastructure products and the timing and size of customer orders;
- the length and variability of the sales cycle for our products and the corresponding timing of recognizing revenues and deferred revenues;
- new product introductions and enhancements by our competitors and us;
- changes in our pricing policies, the pricing policies of our competitors and the prices of the components of our products;
- our ability to develop, introduce and ship new products and product enhancements that meet customer requirements in a timely manner;
- the mix of product configurations sold;
- our ability to obtain sufficient supplies of sole or limited source components;
- our ability to attain and maintain production volumes and quality levels for our products;
- costs related to acquisitions of complementary products, technologies or businesses; and

- general economic conditions, as well as those specific to the telecommunications, networking and related industries.

As with other telecommunications product suppliers, we may recognize a substantial portion of our revenue in a given quarter from sales booked and shipped in the last weeks of that quarter. As a result, a delay in customer orders is likely to result in a delay in shipments and recognition of revenue beyond the end of a given quarter, which would have a significant impact on our operating results for that quarter.

Our operating expenses are largely based on anticipated organizational growth and revenue trends. As a result, a delay in generating or recognizing revenues for the reasons set forth above, or for any other reason, could cause significant variations in our operating results. We believe that quarter-to-quarter comparisons of our operating results are not a good indication of our future performance. It is likely that in some future quarters, our operating results may be below the expectations of public market analysts and investors. In this event, the price of our common stock will probably substantially decrease.

LIQUIDITY AND CAPITAL RESOURCES

Prior to our initial public offering, we financed our operations primarily through private sales of redeemable convertible preferred stock totaling $70.7 million in net proceeds. Upon the closing of our initial public offering on May 31, 2000, we received cash proceeds, net of underwriters' discount and offering expenses, totaling $121.6 million, and all of our redeemable convertible preferred stock converted into 96,957,222 shares of common stock. At September 30, 2000, cash and cash equivalents totaled $152.7 million.

Net cash used by operating activities was $9.0 million for the nine months ended September 30, 2000, as compared to $11.3 million for the nine months ended September 30, 1999. The decrease reflects higher non-cash charges for stock-based compensation and depreciation, and increases in accounts payable, accrued expenses and deferred revenue offset in part by inventory purchases and accounts receivable. Net cash used by operating activities was $16.0 million for the year ended December 31, 1999 and consisted primarily of our net loss offset by non-cash expenses and changes in working capital items.

Net cash provided by investing activities was $4.6 million for the nine months ended September 30, 2000, as compared to net cash used in investing activities of $4.7 million for the nine months ended September 30, 1999. Net cash used in investing activities was $6.4 million for the year ended December 31, 1999. Net cash provided by or used in investing activities in each period reflects purchases of property and equipment, primarily computers and test equipment for our development and manufacturing activities, and net purchases and maturities of marketable securities. We expect our capital expenditures to remain at high levels as we further expand our research and development efforts and our employee base grows. The timing and amount of future capital expenditures will depend primarily on our future growth.

Net cash provided by financing activities was $148.1 million for the nine months ended September 30, 2000 as compared to $22.6 million for the nine months ended September 30, 1999. The increase was primarily a result of the net cash proceeds from our initial public offering and a private financing. Net cash provided by financing activities for the year ended December 31, 1999 was $27.6 million which was primarily a result of proceeds received from the private sale of common and preferred stock and long-term borrowings.

We believe our current cash and cash equivalents will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least 12 months. If our existing resources and cash generated from operations are insufficient to satisfy our liquidity requirements,

we may seek to sell additional equity or debt securities. The sale of additional equity or convertible debt securities could result in additional dilution to our stockholders, and we cannot be certain that additional financing will be available in amounts or on terms acceptable to us, if at all. If we are unable to obtain this additional financing, we may be required to reduce the scope of our planned product development and sales and marketing efforts, which could harm our business, financial condition and operating results.

MARKET RISK

We do not currently use derivative financial instruments. We generally place our marketable security investments in high-quality credit instruments, primarily U.S. Government obligations and corporate obligations with contractual maturities of less than one year. We do not expect any material loss from our marketable security investments and therefore believe that our potential interest rate exposure is not material.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, REVENUE RECOGNITION IN FINANCIAL STATEMENTS. This bulletin established guidelines for revenue recognition. Our revenue recognition policy complies with this pronouncement.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, ACCOUNTING FOR DERIVATIVES AND HEDGING ACTIVITIES, as amended by SFAS No. 138, which establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and for hedging activities. We do not currently engage in trading market risk sensitive instruments, purchase hedging instruments or "other than trading" instruments that are likely to expose us to market risk, whether interest rate, foreign currency exchange, commodity price or equity price risk. We may do so in the future as our operations expand domestically and abroad. We will evaluate the impact of foreign currency exchange risk and other derivative instrument risk on our results of operations when appropriate. We will adopt SFAS No. 133 as required by SFAS No. 137, DEFERRAL OF THE EFFECTIVE DATE OF FASB STATEMENT NO. 133, in fiscal year 2001. The adoption of SFAS No. 133 is not expected to have a material impact on our financial condition or results of operations.

SONUS' BUSINESS

OVERVIEW

Sonus is a leading provider of voice infrastructure products for the new public network. We offer a new generation of carrier-class switching equipment and software that enable voice services to be delivered over packet-based networks.

We expect two global forces--deregulation and the expansion of the Internet--to revolutionize the public telephone network worldwide. Packet networks more efficiently use available network bandwidth as compared to traditional circuit-switched telephone networks, which were designed for voice traffic and built long before the advent of the Internet. Packet-based networks, which transport voice and data in small bundles, or "packets," offer a highly flexible, cost-effective and efficient means to provide communications services, including data, voice and multimedia. Our GSX9000 Open Services Switch, PSX6000 SoftSwitch, SGX2000 SS7 signaling gateway and System 9200 Internet offload solution are designed to offer high-reliability, toll-quality voice, improved economics, interoperability, rapid deployment and an open architecture enabling the design and implementation of new services and applications.

Sonus' customers include Global Crossing, Intermedia Communications, Time Warner Telecom and Williams Communications, four of the world's leading service providers. Sonus sells products through a direct sales force, distributors and resellers. Sonus also collaborates with its customers to identify and develop new advanced services and applications that they can offer to their customers.

Our objective is to be the primary supplier of voice infrastructure products for the new public network. We intend to capitalize on our early technology and market lead to build the premier franchise in voice infrastructure solutions for the new public network. The following are key elements of Sonus' strategy:

- Leverage its technology leadership to achieve key service provider design wins;
- Expand and broaden its customer base by targeting specific market segments;
- Expand its global sales, marketing, support and distribution capabilities;
- Grow its base of software applications and development partners;
- Leverage its technology platform from the core of the network out to the access edge;
- Actively contribute to the standards definition and adoption process; and
- Expand through investments in and acquisitions of complementary products, technologies and businesses.

INDUSTRY BACKGROUND

The public telephone network is an integral part of our everyday lives. For most of its 100-year history, the telephone industry has been heavily regulated, which has slowed the evolution of its underlying circuit-switching technologies and limited innovation in service offerings and the pricing of telephone services. We expect two global forces--deregulation and the expansion of the Internet--to revolutionize the public telephone network worldwide.

Deregulation of the telephone industry accelerated with the passage of the Telecommunications Act of 1996. The barriers that once restricted service providers to a specific geography or service offering, such as local or long distance, are disappearing. The opportunity created by opening up the $750 billion telephone services market has been attracting thousands of new service providers.

Intense competition between new players and incumbents is driving down prices. With limited ability to reduce the cost structure of the public telephone network, profit margins for traditional telephone services are eroding. In response, service providers are seeking both new, creative and differentiated service offerings and the means to reduce their costs.

Simultaneously, the rapid adoption of the Internet is driving dramatic growth of data traffic. Today, a significant portion of this data traffic is carried over the traditional circuit-switched telephone network. However, the circuit-switched network, designed for voice traffic and built long before the advent of the Internet, is not suited to efficiently transport data traffic. In a circuit-switched network, a dedicated path, or circuit, is established for each call, reserving a fixed amount of capacity or bandwidth in each direction. The dedicated circuit is maintained for the duration of the call across all of the circuit switches spanning the path from origination to the destination of the call, even when no traffic is being sent. As a result, a circuit-switched architecture is highly inefficient for Internet applications, which tend to create large bursts of data traffic followed by long periods of silence.

In contrast, a packet network divides traffic into distinct units called packets, and routes each packet independently. By combining traffic from users with differing capacity demands at different times, packet networks more efficiently fill available network bandwidth with packets of data from many users, thereby reducing the bandwidth wasted due to silence from any single user. The volume of data traffic continues to increase as use of the Internet and the number of connected users grow, driving service providers to build large-scale, more efficient packet networks.

With voice traffic carried over the vast installed base of traditional circuit-switched networks, and data traffic carried over rapidly expanding packet networks, service providers are faced with the expense and complexity of building and maintaining parallel networks.

The following diagrams depict these parallel voice and data networks.

[Two diagrams appear: the first diagram is symmetric and depicts a circuit-switched network. A large, rectangular box labeled "Circuit Switched Network" is in the center. The box contains a series of small shapes aligned linearly and connected by a straight bold line. From left to right, the shapes are a small circle labeled "End Office," two small hexagons labeled "Tandem/Toll" and a small circle labeled "End Office." Outside of the rectangular box on each side is an icon representing a telephone connected to the outer circle labeled "End Office" by a bold line. Also on each side and connected to the outer "End Office" circle by dotted lines are icons representing a fax machine and second telephone. Above the rectangular box and connected by dotted lines to each of the small shapes inside of the large rectangle is a shaded oval labeled "SS7."

Lower diagram is symmetric and depicts a generic packet-switched network. Shaded cloud labeled "Packet Network" is aligned directly below the rectangular box of the upper diagram. On left and right side of the cloud, aligned linearly, is an icon representing a computer, connected to the cloud by a dotted line. Connected to the bottom of the cloud by dotted lines are three additional computers.]

THE NEED FOR, AND BENEFITS OF, COMBINING VOICE AND DATA NETWORKS

We believe significant opportunities exist in uniting these separate, parallel networks into a new integrated public network capable of transporting both voice and data traffic. Enormous potential savings can be realized by eliminating redundant or overlapping equipment purchases and reducing network operating costs. Also, combining traditional voice services with Internet or Web-based services in a single network is expected to enable new and powerful high-margin, revenue-generating service offerings such as single-number dialing, unified messaging, Internet click-to-talk, sophisticated call centers and other services.

The packet network is the platform for the new public network. The volume of data traffic has already eclipsed voice traffic and is growing much faster than voice. Packet architectures are more efficient at moving data, more flexible, and reduce equipment and operating costs. The key to realizing the full potential of a converged, packet-based network is to enable the world's voice traffic to run over those networks.

Early attempts to develop new technologies to carry voice traffic over packet networks have included voice over Internet protocol, or VoIP, systems using a personal computer platform and devices that added VoIP capability to existing data devices such as remote access servers. While demonstrating the viability of transmitting voice over packet technology, these approaches have fallen far short of the quality, reliability and scalability required by the public telephone network.

These early VoIP systems have also lacked the ability to interoperate with the signaling infrastructure of the circuit-switched network. Without this signaling capability, VoIP applications cannot provide the consistent "look, sound and feel" of traditional telephone calls and are not well-suited to more complex applications such as voicemail, unified messaging and other value-added services.

The public telephone network is large, highly complex and generates significant revenues, a substantial majority of which are derived from voice services. Given service providers' substantial investment in, and dependence upon, traditional circuit-switched technology, their transition to the new public network will be gradual. During this transition, an immediate opportunity exists to reduce the burden on overloaded and expensive circuit-switched resources. Internet offload will allow modem-connected Internet calls to be identified and diverted from the circuit-switched network to the packet network, thus optimizing use of valuable network bandwidth.

With $45 billion spent on traditional circuit switches in 1999, according to Synergy Research Group, a market research firm, the market opportunity for providers of voice infrastructure is significant. For example, spending on voice infrastructure products to enable just two applications in the new public network, VoIP and Internet offload, is projected to grow dramatically to in excess of $15 billion in 2003.

REQUIREMENTS FOR VOICE INFRASTRUCTURE PRODUCTS FOR THE NEW PUBLIC NETWORK

Users demand high levels of quality and reliability from the public telephone network, and service providers require a cost-efficient network that enables new revenue-generating services. As a result, voice infrastructure products for the new public network must satisfy the following requirements:

CARRIER-CLASS PERFORMANCE. Because they operate complex, mission-critical networks, service providers have clear infrastructure requirements. These include extremely high reliability, quality and interoperability. For example, service providers typically require equipment that complies with their 99.999% availability standard.

SCALABILITY AND DENSITY. Infrastructure solutions for the new public network face challenging scalability requirements. Service providers' central offices typically support tens or even hundreds of thousands of simultaneous calls. In order to be economically attractive, the new infrastructure must compare favorably with existing networks in terms of cost per port, space occupied, power consumption and cooling requirements.

COMPATIBILITY WITH STANDARDS AND EXISTING INFRASTRUCTURE. New infrastructure equipment and software must support the full range of telephone network standards, including signaling protocols such as SS7 and various physical interfaces such as ISDN, primary rate interface, or PRI, and T1. It must also support data networking protocols such as Internet protocol, or IP, and asynchronous transfer mode, or ATM, as well as newer protocols such as H.323, IPDC and SIP. When operating, the new equipment and software cannot hinder, and ideally should enhance, the capabilities of the existing infrastructure, for example, by alleviating Internet access bottlenecks.

INTELLIGENT SOFTWARE IN AN OPEN AND FLEXIBLE PLATFORM. The architecture for the new public network will decouple the capabilities of traditional circuit-switching equipment into robust hardware elements and highly intelligent software platforms that provide control, signaling and service creation capabilities. This approach will transform the closed, proprietary circuit-switched public telephone network into a flexible, open environment accessible to a wide range of software developers. Service providers and third-party vendors will be able to develop and implement new applications independent of switch vendors. Moreover, the proliferation of independent software providers promises to drive the creation of innovative voice and data services that could expand service provider revenues.

SIMPLE AND RAPID INSTALLATION, DEPLOYMENT AND SUPPORT. Infrastructure solutions must be easy to install, deploy, configure and manage. These attributes will enable rapid growth and effective management of dynamic and complex service provider networks.

THE SONUS SOLUTION

We develop, market and sell what we believe to be the first comprehensive suite of voice infrastructure products purpose-built for the deployment and management of voice and data services over the new public network. The Sonus solution consists of four carrier-class products:

- the GSX9000 Open Services Switch;

- the PSX6000 SoftSwitch;

- the SGX2000 SS7 Signaling Gateway; and

- the System 9200 Internet offload solution.

These products are designed to offer high reliability, toll-quality voice, improved economics, interoperability, rapid deployment and an open architecture enabling the design and implementation of new services and applications. Our solution has been specifically designed to meet the requirements of the new public network. As shown in the following diagram, our products unite the voice and data networks, unleashing the potential of the new public network.

[Symmetric diagram with shaded cloud labeled "Packet Network" at the center. Aligned on the horizontal axis extending from each of the left and right sides of the "Packet Network" cloud is a box with caption reading "Sonus GSX9000 Open Services Switch" and a small cloud labeled "Public Telephone Network." Connected to the small cloud by bold lines are icons representing telephones and fax machines. Below the center "Packet Network" cloud and connected by bold lines are a stacked figure labeled "3rd Party Application Servers" and an icon representing a computer. Above the center "Packet Network" cloud on the left side is a small box labeled "Sonus SGX2000 SS7 Signaling Gateway" connected by a bold line. Above that box to the left, connected by a dotted line, is an oval labeled "SS7." Above the center "Packet Network" cloud on the right side is a small box labeled "Sonus PSX6000 SoftSwitch."]

CARRIER-CLASS PERFORMANCE. Our products are designed to offer the highest levels of quality, reliability and interoperability, including:

- full redundancy, enabling 99.999% availability;

- voice quality as good as, or superior to, today's circuit-switched network;

- system hardware designed for network equipment building standards, or NEBS, Level 3 compliance;

- a complete set of service features, addressing those found in the existing voice network and extending them to offer greater flexibility; and

- sophisticated network management and configuration capabilities.

COMPATIBILITY WITH STANDARDS AND EXISTING INFRASTRUCTURE. Our products are designed to be compatible with all applicable voice and data networking standards and interfaces, including:

- SS7 and other telephone network signaling protocols, including advanced services as well as simple call management and routing;

- IP, ATM, Ethernet and optical data networking standards;

- encoding, compression and call management standards including H.323, IPDC, SIP and others;

- voice coding standards such as G.711, and echo cancellation standard G.168; and

- all common interfaces, including T1, T3, E1 and PRI, and optical interfaces.

The Sonus solution is designed to interface with legacy circuit-switching equipment, supporting the transparent flow of calls and other information between the circuit and packet networks. As a result, our products allow service providers to migrate to the new public network, while preserving their significant legacy infrastructure investments.

COST EFFECTIVENESS AND HIGH SCALABILITY. The Sonus solution can be used to cost-effectively build packet-based switch configurations supporting a range from a few hundred calls to hundreds of thousands of simultaneous calls. In addition, the capital cost of our equipment is typically half that of traditional circuit-switched equipment. At the same time, our GSX9000 Open Services Switch offers unparalleled density, requires less than one-tenth of the space needed by circuit- switching implementations and requires significantly less power and cooling. This enables a significant reduction in expensive central office facilities' cost and allows service providers to deploy our equipment in locations where traditional circuit switches are not even an option given the limited space and environmental services.

The GSX9000 Open Services Switch can create central office space savings as shown below.

[Three dimensional diagram with a set of four rectangular bars parallel to one another and lined up evenly with caption reading "Traditional Circuit Switch (50,000 calls)." Depicted in front of the rectangular bars is a single, small, upright rectangular box labeled "Sonus GSX9000 Open Services Switch (50,000 calls)." Extending from each of the left and right sides of the small rectangular box back to the sides of the first of the four larger bars is a thin line.]

OPEN SOFTWARE ARCHITECTURE AND FLEXIBLE PLATFORM. Our Open Services Architecture, or OSA, is based on a software-centric design and a flexible platform, allowing rapid development of new products and services. For example, software intelligence in our System 9200 can detect Internet modem calls as they enter the network and divert them to remote access servers to be routed directly to a packet network. New services may be developed by us, by service providers or by any number of third parties including software developers and systems integrators. The OSA also facilitates the creation of services that were previously not possible on the circuit-switched network. In addition, we have partnered with a number of third-party application software developers to stimulate the growth of new applications available for our platform.

EASE OF INSTALLATION AND DEPLOYMENT. Our equipment and software can be installed and placed in service by our customers much more quickly than circuit-switching equipment. By offering comprehensive testing, configuration and management software, we expedite the deployment process as well as the ongoing management and operation of our products. We believe that typical installations of our solution require just weeks of time from product arrival to final testing, thereby reducing the cost of deployment and speeding the time to market for new services.

THE SONUS STRATEGY

Our objective is to be the primary supplier of voice infrastructure for the new public network. We intend to capitalize on our early technology and market lead to build the premier franchise in voice infrastructure solutions for the new public network. Principal elements of our strategy include:

LEVERAGE TECHNOLOGY LEADERSHIP TO ACHIEVE KEY SERVICE PROVIDER DESIGN WINS. As the first company to provide voice infrastructure for the new public network, we plan to achieve key design wins with market-leading service providers as they develop the architecture for their new voice networks. We expect service providers to select vendors that provide leading technology and the ability to maintain that technology leadership. Our equipment is an integral part of the network architecture, and achieving design wins will enable us to rapidly grow our business as these networks are deployed. We have been awarded contracts by major service providers including Broadband Office, Global Crossing, Intermedia Communications, Time Warner Telecom, Williams Communications and XO Communications. Furthermore, by working closely with our customers as they deploy these networks, we will gain valuable knowledge regarding their requirements, positioning us to develop product enhancements and extensions that address evolving service provider needs.

EXPAND AND BROADEN OUR CUSTOMER BASE BY TARGETING SPECIFIC MARKET SEGMENTS. We plan to leverage our early success to penetrate new customer segments. We believe new and incumbent service providers will build the new public network at different rates. Initially, the new service providers, also called greenfield carriers, who are relatively unencumbered by legacy equipment, will be the most likely first purchasers of our equipment and software, as they compete aggressively with the incumbent service providers. Other newer entrants, such as competitive local exchange carriers, or CLEC's, and Internet service providers, or ISP's, are also likely to be early adopters of our products. As competitive service providers achieve greater market presence and leverage the lower costs and advanced services inherent in packet-switching technology, we believe incumbents will face further competitive pressure, increasing the likelihood that, and pace at which, they will adopt our products.

EXPAND OUR GLOBAL SALES, MARKETING, SUPPORT AND DISTRIBUTION CAPABILITIES. Becoming the primary supplier of voice infrastructure for the new public network will require a strong worldwide presence. We are rapidly expanding our sales, marketing, support and distribution capabilities to address this need. We have recently opened regional sales offices in the United States, Singapore, Germany and France and a European headquarters in the United Kingdom. In addition, we plan to augment our global direct sales effort with international distribution partners. As a carrier-class solution provider, we are making a significant investment in professional services and customer support.

GROW OUR BASE OF SOFTWARE APPLICATIONS AND DEVELOPMENT PARTNERS. We have established and promote the Open Services Partner Alliance, or OSPA, which brings together a broad range of development partners to provide our customers with a variety of advanced services and application options. This alliance includes more than forty members that are enabling new IP-based enhanced services, call processing, billing, provisioning, network management and operations systems. We plan to expand this program to maximize the services available to our customers, and speed their time to market.

LEVERAGE OUR TECHNOLOGY PLATFORM FROM THE CORE OF THE NETWORK OUT TO THE ACCESS EDGE. Our robust and sophisticated technology platform has been designed to operate at the heart of the largest networks in the world. From a fundamental position in this trunking infrastructure, we plan to extend our reach by moving outward to the access segments of the network. For example, we have already announced our System 9200 Internet offload solution, a turnkey product that gives service

providers a cost effective means to manage Internet data traffic. Over time, we plan to expand our product offerings into other high-growth areas, such as business and residential access. This approach will allow our customers to design and execute a coordinated migration and expansion strategy as they build entirely new networks or transition from their legacy circuit-switched infrastructure.

ACTIVELY CONTRIBUTE TO THE STANDARDS DEFINITION AND ADOPTION PROCESS. To advance our technology and market leadership, we will continue to actively lead and contribute to standards bodies such as the International Softswitch Consortium, the Internet Engineering Task Force and the International Telecommunications Union. The definition of standards for the new public network is in an early stage and we intend to drive these standards to meet the requirements for an open, accessible, scalable and powerful new public network infrastructure.

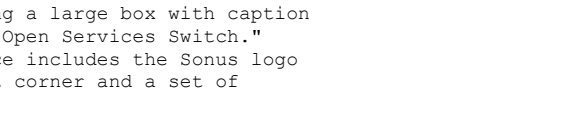
PURSUE STRATEGIC ACQUISITIONS AND ALLIANCES. We intend to expand our products and services through selected acquisitions and alliances. These may include acquisitions of complementary products, technologies and businesses that further enhance our technology leadership or product breadth. We also believe that allying with companies providing complementary products or services for the new public network will enable us to bring greater value to our customers and extend our lead over potential competitors.

SONUS' PRODUCTS

GSX9000 OPEN SERVICES SWITCH

The Sonus GSX9000 Open Services Switch enables voice traffic to be transported over packet networks. Its carrier-class hardware, which is NEBS Level 3 compliant and designed to provide 99.999% availability, with no single point of failure, and offers optional full redundancy and full hot-swap capability. It is powered from -48VDC sources standard in central offices and attaches to the central office timing network. The basic building block of a GSX9000 is a shelf. Each shelf is 28" high, mounts in a standard 19" or 23" rack, and provides 16 slots for server and adapter modules. The first 2 slots are reserved for management modules, while the other 14 slots may be used for any mix of other module types. It supports the following interfaces:

- - T1;
- - T3;
- - E1;
- - OC3;
- - 100BaseT; and
- - OC12c/STM-4.



[Diagram depicting a large box with caption reading "GSX9000 Open Services Switch." Detail on the face includes the Sonus logo in the upper left corner and a set of vertical slots.]

The GSX9000 is designed to deliver voice quality equal, or superior, to that of the public network. It is designed to support the G.711 approach used in circuit switches, and will deliver a number of other voice compression algorithms. It also is designed to provide world-class echo cancellation, conforming to the latest G.168 standard, on every circuit port. It automatically disables echo cancellation when it detects a modem signal. The GSX9000 is also designed to minimize

delay, further enhancing perceived voice quality. The GSX9000 scales to the very large configurations required by major carriers. A single GSX9000 shelf can support up to 8,064 simultaneous calls. A single GSX9000 consisting of multiple shelves, can support 100,000 or more simultaneous calls. The GSX9000 is designed to operate with our PSX6000 SoftSwitch and with softswitches and network products offered by other vendors.

PSX6000 SOFTSWITCH

The Sonus PSX6000 SoftSwitch controls the operation of the GSX9000. It contains the service provider's specifications of the features to be used for each subscriber or group of subscribers, the available services and when to provide them, and the policies for routing calls across the packet core. The PSX6000 does not handle voice calls directly; instead, it controls a GSX9000 to implement the necessary services. The PSX6000 supports a broad range of carrier switching requirements and provides a platform upon which new services can be easily and quickly created and implemented. It allows carriers to deploy a circuit-switched, packet, or converged circuit/packet infrastructure with the capacity, reliability and intelligence that they require. Functions such as provisioning, service selection and routing can be centralized in a small number of PSX6000 SoftSwitches.

The PSX6000 can reside in a wide range of standard hardware platforms to fit any size network. It may be replicated as required for high availability or to support very high call processing requirements. The service provider can designate a primary softswitch to control each GSX9000 gateway. In case of a failure of the primary PSX6000, the GSX9000 will transparently transfer control to another PSX6000 without affecting calls.

We believe the PSX6000 has the flexibility to support the requirements of the full range of service providers. Typical applications include Internet offload, PRI switching, domestic and international direct dial, business direct access, virtual private networks, and toll/tandem switching. The PSX6000 also facilitates new applications and services, integrating enhanced applications on IP-based platforms similar to Internet Web servers.

SGX2000 SS7 SIGNALING GATEWAY

The Sonus SGX2000 SS7 Signaling Gateway offers carriers a comprehensive and cost-effective SS7 signaling solution that provides interconnection between the traditional public telephone network and elements of our Open Services Architecture. With the SGX2000, existing public telephone network voice switches can interact with the Sonus GSX9000 using the same signaling methods they would use with other circuit switches. This compatibility means that carriers can preserve their existing investment in infrastructure, and can offer their customers the full range of normal public telephone network services, such as 800 services and 1+ dialing in the new public network.

The SGX2000 also supports full access to SS7 service control points. Using the SGX2000, our products gain access to signal control processor-based applications such as 800 number translation and local number portability. This support allows service providers to preserve their application investment and ensure compatibility between applications common to both circuit and packet voice services. The SGX2000 supports up to 64 A-links to the SS7 network, and transports the SS7 messages to other network devices using IP protocols. The SGX2000 can be deployed in a redundant configuration, providing the performance and high availability required of a carrier-class SS7 solution.

SYSTEM 9200

The Sonus System 9200 Internet offload solution is a turnkey product that allows local service providers, including CLEC's and ISP's, to more effectively handle the rapidly increasing amount of

modem-originated Internet traffic traversing voice networks. The System 9200 is designed to divert Internet traffic from expensive circuit switches as calls enter the network, enabling service providers to improve network performance and significantly reduce network operating costs.

The System 9200 utilizes the technology delivered in the GSX9000, PSX6000 and SGX2000 to provide a smooth migration to packetized voice and data transport.

CUSTOMER SUPPORT AND PROFESSIONAL SERVICES

We believe our comprehensive technical customer support and professional services capabilities are an important element of our solution for customers. These services cover the full network lifecycle: planning; design; installation; and operations. We help our customers create or revise their business plans and design their networks and also provide the following:

- turnkey network installation services;

- 24-hour technical support; and

- educational services to customer personnel on the installation, operation and maintenance of our equipment.

We have established a technical assistance center at our headquarters in Westford, Massachusetts. The technical assistance center provides customers with periodic updates to our software and product documentation. We offer our customers a variety of service plans.

A key differentiator of our support activities is our professional services group, many members of which hold advanced technical degrees in electrical engineering or related disciplines. We offer a broad range of professional services, including sophisticated network deployment, assistance with logistics and project management support. We also maintain a customer support laboratory in which customers can test the utility of our products for their specific applications and in which they can gain an understanding of the applications enabled by the converged network.

CUSTOMERS

Our target customer base includes long distance carriers, local exchange carriers, Internet service providers, cable operators, international telephone companies and carriers that provide services to other carriers. We have shipped products to customers including: Broadband Office, Global Crossing, Intermedia Communications, Time Warner Telecom, Williams Communications and XO Communications. Currently, our customers are using our products in laboratory testing, internal trials and deployment in their commercial networks.

SALES AND MARKETING

We sell our products through a direct sales force, distributors and resellers, including Nissho Electronics Corporation and Samsung Corporation. In addition, we intend to establish relationships with selected original equipment manufacturers and other marketing partners in order to serve particular markets or geographies and provide our customers with opportunities to purchase our products in combination with related services and products. As of November 30, 2000, our sales and marketing organization consisted of 83 employees, of which 15 are located in our headquarters in Westford, Massachusetts, and 68 are located in sales and support offices around the world.

RESEARCH AND DEVELOPMENT

We believe that strong product development capabilities are essential to our strategy of enhancing our core technology, developing additional applications, incorporating that technology into new products and maintaining the comprehensiveness of our product and service offerings. Our research and development process is driven by the availability of new technology, market data

and customer feedback. We have invested significant time and resources in creating a structured process for undertaking all product development projects.

We have assembled a team of highly skilled engineers with significant telecommunications and networking industry experience. Our engineers have experience in, and have been drawn, from leading computer data networking, telecommunications and multimedia companies. As of November 30, 2000, we had 191 employees responsible for research and development, of which 159 were software and quality assurance engineers and 32 were hardware engineers. Our engineering effort is focused on new applications and network access features, new network interfaces, improved scalability, quality, reliability and next generation technologies. We currently maintain United States research and development offices in New Jersey and Massachusetts, an office in the United Kingdom and have a joint development effort in Japan with Nissho Electronics Corp. and NTT Communicationware Corp., a wholly-owned subsidiary of NTT, the world's largest carrier.

We have made, and intend to continue to make, a substantial investment in research and development. Research and development expenses were $299,000 for the period from inception on August 7, 1997 to December 31, 1997, $5.8 million for the year ended December 31, 1998, $10.8 million for the year ended December 31, 1999 and $18.2 million for the nine months ended September 30, 2000.

COMPETITION

The market for voice infrastructure products for the new public network is intensely competitive, subject to rapid technological change and significantly affected by new product introductions and other market activities of industry participants. We expect competition to persist and intensify in the future. Our primary sources of competition include vendors of networking and telecommunications equipment, such as Cisco Systems, Lucent Technologies, Nortel Networks, Siemens and Tellabs. Private companies are also focusing on similar market opportunities including Unisphere Networks and Convergent Networks. Many of our competitors have significantly greater financial resources than we do and are able to devote greater resources to the development, promotion, sale and support of their products. In addition, many of our competitors have more extensive customer bases and broader customer relationships than we do, including relationships with our potential customers.

In order to compete effectively, we must deliver products that:

- provide extremely high network reliability and voice quality;

- scale easily and efficiently;

- interoperate with existing network designs and other vendors' equipment;

- provide effective network management;

- are accompanied by comprehensive customer support and professional services; and

- provide a cost-effective and space-efficient solution for service providers.

In addition, we believe that the ability to provide vendor-sponsored financing, which some of our competitors currently offer, is an important competitive factor in our market.

INTELLECTUAL PROPERTY

Our success and ability to compete are dependent on our ability to develop and maintain our technology and operate without infringing on the proprietary rights of others. We rely on a combination of patent, trademark, trade secret and copyright law and contractual restrictions to protect the proprietary aspects of our technology. These legal protections afford only limited protection for our technology. We presently have two patent applications pending in the United

States and abroad and we cannot be certain that patents will be granted based on these or any other applications. We seek to protect our intellectual property by:

- protecting our source code for our software, documentation and other written materials under trade secret and copyright laws;

- licensing our software pursuant to signed license agreements, which impose restrictions on others' ability to use our software; and

- seeking to limit disclosure of our intellectual property by requiring employees and consultants with access to our proprietary information to execute confidentiality agreements.

Due to rapid technological change, we believe that factors such as the technological and creative skills of our personnel, new product developments and enhancements to existing products are more important than the various legal protections of our technology to establishing and maintaining technology leadership.

We have incorporated third-party licensed technology into our current products. From time to time, we may be required to license additional technology from third parties to develop new products or product enhancements. Third-party licenses may not be available or continue to be available to us on commercially reasonable terms. The inability to maintain or re-license any third-party licenses required in our current products, or to obtain any new third-party licenses to develop new products and product enhancements could require us to obtain substitute technology of lower quality or performance standards or at greater cost, and delay or prevent us from making these products or enhancements, any of which could seriously harm the competitiveness of our products.

MANUFACTURING

Currently, we outsource the manufacturing of our products. Our contract manufacturers provide comprehensive manufacturing services, including assembly of our products and procurement of materials on our behalf. We perform final test and assembly at our facility to ensure that we meet our internal and external quality standards. We believe that outsourcing our manufacturing will enable us to conserve working capital, better adjust manufacturing volumes to meet changes in demand and more quickly deliver products. At present, we purchase products from our outside contract manufacturers on a purchase order basis. We may not be able to enter into long-term contracts with outside manufacturers on terms acceptable to us, if at all.

EMPLOYEES

As of November 30, 2000, we had a total of 403 employees, including 191 in research and development, 83 in sales and marketing, 57 in customer support and professional services, 46 in manufacturing and 26 in finance and administration. Our employees are not represented by any collective bargaining unit. We believe our relations with our employees are good.

PROPERTIES

Our headquarters are currently located in a leased facility in Westford, Massachusetts, consisting of approximately 90,000 square feet under leases that expire in 2004. In 2000, we executed leases for an additional facility in Littleton, Massachusetts consisting of approximately 42,000 square feet under subleases that expire in 2004. We also lease short-term office space in Colorado, Oklahoma, New Jersey, the United Kingdom and Singapore. We believe our existing facilities are adequate for our current needs and that suitable additional space will be available as needed.

LEGAL PROCEEDINGS

We are not currently a party to any material litigation.

EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth our executive officers and directors, their respective ages and positions as of November 30, 2000:

NAME	AGE	POSITION
Rubin Gruber	56	Chairman of the Board of Directors
Hassan M. Ahmed	43	President, Chief Executive Officer and Director
Michael G. Hluchyj	46	Chief Technology Officer, Vice President and Secretary
Paul R. Jones	51	Vice President of Engineering
Jeffrey Mayersohn	49	Vice President of Customer Support and Professional Services
Stephen J. Nill	48	Chief Financial Officer, Vice President of Finance and Administration and Treasurer
Gary A. Rogers	45	Vice President of Worldwide Sales and Marketing
Frank T. Winiarski	58	Vice President of Manufacturing
Edward T. Anderson (1)	51	Director
Paul J. Ferri (1)(2)	61	Director
Paul J. Severino (1)(2)	54	Director

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(1) Member of audit committee.

(2) Member of compensation committee.

RUBIN GRUBER is one of our founders and has been a Director since November 1997 and Chairman of our board of directors since November 1998. From November 1997 until November 1998, Mr. Gruber was our President. Before founding Sonus, Mr. Gruber was a founder of VideoServer, Inc., now Ezenia!, Inc., a manufacturer of videoconference network equipment and from February 1992 until September 1996 served as Vice President of Business Development. Previously, Mr. Gruber was a founder and served as President of both Cambridge Telecommunications, Inc., a manufacturer of networking equipment, and Davox Corporation, a developer of terminals supporting voice and data applications, and served as a Senior Vice President of Bolt, Beranek and Newman Communications Corporation, a subsidiary of Bolt, Beranek and Newman, Inc., a manufacturer of data communications equipment. Mr. Gruber also serves on the board of directors of the International Softswitch Consortium. Mr. Gruber holds a B.Sc. in mathematics from McGill University and a M.A. in mathematics from Wayne State University.

HASSAN M. AHMED has been our President and Chief Executive Officer and a member of our board of directors since November 1998. From July 1998 to November 1998, Mr. Ahmed was Executive Vice President and General Manager of the Core Switching Division of Ascend Communications, Inc., a provider of wide area network switches and access data networking equipment, and from July 1997 until July 1998 was a Vice President and General Manager of the Core Switching Division. From June 1995 to July 1997, Mr. Ahmed was Chief Technology Officer and Vice President of Engineering for Cascade Communications Corp., a provider of wide area network switches. From 1993 until June 1995, Mr. Ahmed was a founder and President of WaveAccess, Inc., a supplier of wireless communications. Prior to that, he was an Associate Professor at Boston University, Engineering Manager at Analog Devices, a chip manufacturer, and director of VSLI Systems at Motorola Codex, a supplier of communications equipment. Mr. Ahmed

holds a B.S. and M.S. in engineering from Carleton University and a Ph.D. in engineering from Stanford University.

MICHAEL G. HLUCHYJ is one of our founders and has been our Chief Technology Officer and Vice President since November 1997. He also has been our Secretary since our inception, our President from August 1997 to November 1997, our Treasurer from inception until March 2000 and a Director from our inception until November 1998. From July 1994 until July 1997, he was Vice President and Chief Technology Officer at Summa Four, Inc., a supplier of switches for carrier networks. Previously, he was Director of Networking Research at Motorola Codex and on the technical staff at AT&T Bell Laboratories. Mr. Hluchyj holds a B.S. degree in engineering from the University of Massachusetts, and M.S. and Ph.D. degrees in engineering from the Massachusetts Institute of Technology.

PAUL R. JONES has been our Vice President of Engineering since June 2000. From February 1997 until May 2000, he was Vice President of Engineering for Indus River Networks, Inc., a developer of virtual private network solutions. From December 1994 until February 1996 he was Chief Operating Officer at Isis Distribution Systems, a wholly-owned subsidiary of Stratus Computers. From March 1990 until November 1994, he was Vice President of Engineering at Stratus Computers, Inc. a provider of fault tolerant computer systems and services. Previously, Mr. Jones held senior engineering management positions at Stellar Computers, Inc. and Prime Computer, Inc. Mr. Jones holds a B.A. from Brown University and a M.S. degree in engineering from the University of Massachusetts.

JEFFREY MAYERSOHN has been our Vice President of Customer Support and Professional Services since July 1999. From March 1998 until July 1999, he was our Vice President of Carrier Relations. From June 1997 to March 1998, Mr. Mayersohn was a Senior Vice President at GTE Internetworking, an Internet service provider. From January 1995 to June 1997, he was with BBN Corporation, formerly Bolt, Beranek and Newman, Inc., and was a Vice President at the BBN Planet division, an Internet service provider. From 1978 to January 1995, he held a number of positions at Bolt, Beranek and Newman Communications Corporation, including Senior Vice President of Engineering, Senior Vice President responsible for U.S. Government Networks and Vice President of Professional Services. Mr. Mayersohn holds an A.B. in physics from Harvard College and a M.Phil. in physics from Yale University.

STEPHEN J. NILL has been our Chief Financial Officer and Vice President of Finance and Administration since September 1999 and our Treasurer since March 2000. From June 1994 until August 1999, he was Vice President of Finance and Chief Financial Officer of VideoServer, Inc., now Ezenia!, Inc. Previously, he served at Lotus Development Corporation, a software supplier, as Corporate Controller and Chief Accounting Officer. Prior to that, Mr. Nill held various financial positions with Computervision, Inc., a supplier of workstation-based software, International Business Machines Corporation and Arthur Andersen LLP. Mr. Nill has a B.A. in accounting from New Mexico State University and a M.B.A. from Harvard University.

GARY A. ROGERS has been our Vice President of Worldwide Sales and Marketing since March 1999. From February 1997 to March 1999, Mr. Rogers was Senior Vice President of Worldwide Sales and Operations at Security Dynamics, Inc., now RSA Security, Inc., a supplier of network security products. Previously, he served at Bay Networks, Inc., a provider of Internetworking communications products, as Vice President of International Sales from July 1996 to February 1997 and as Vice President of Europe, Middle East and Africa from 1994 until July 1996. Prior to that, he held sales and marketing positions with International Business Machines Corporation. Mr. Rogers holds a B.S. degree in mathematics from Dartmouth College and a M.B.A. from the University of Chicago.

FRANK T. WINIARSKI has been our Vice President of Manufacturing since July 1998. From June 1997 until June 1998, he was Vice President of Manufacturing at Net2Net, Inc., a supplier of

network analyzers. From June 1992 until June 1997, he was Vice President of Manufacturing at VideoServer, Inc., now Ezenia!, Inc. Previously, Mr. Winiarski was Vice President of Manufacturing at Synernetics, a supplier of local area networks, Vice President of Operations at Ashton-Tate Corporation, a software supplier, and held various positions with Digital Equipment Corporation, a computer equipment manufacturer. He holds a B.S. in engineering from the University of Idaho and a M.B.A. from Boston University.

EDWARD T. ANDERSON has been a Director since November 1997. Mr. Anderson has been managing general partner of North Bridge Venture Partners, a venture capital firm, since 1994. Previously, he was a general partner for ABS Ventures, the venture capital affiliate of Alex Brown & Sons. He has a M.F.A. from the University of Denver and a M.B.A. from Columbia University.

PAUL J. FERRI has been a Director since November 1997. Mr. Ferri has been a general partner of Matrix Partners, a venture capital firm, since 1982. He also serves on the board of directors of Applix, Inc. and Sycamore Networks, Inc. Mr. Ferri has a B.S. in engineering from Cornell University, a M.S. in engineering from Polytechnic Institute of New York and a M.B.A. from Columbia University.

PAUL J. SEVERINO has been a Director since March 1999. Mr. Severino is a private investor. He has been Chairman of NetCentric Corporation, a provider of Internet telephony applications since January 1998 and was Acting Chief Executive Officer from January 1998 to March 1999. From November 1996 until January 1998, Mr. Severino was a private investor. From 1994 to October 1996, he was Chairman of Bay Networks, Inc. after its formation from the merger of Wellfleet Communications, Inc. and Synoptics Communications, Inc. Prior to that, he was a founder, President and Chief Executive Officer of Wellfleet Communications, Inc. He also serves on the board of directors of Interspeed, Inc., MCK Communications, Inc., Media 100, Inc., and Silverstream Software, Inc. Mr. Severino has a B.S. in engineering from Rensselaer Polytechnic Institute.

Each executive officer serves at the discretion of the board of directors and holds office until his or her successor is elected and qualified or until his or her earlier resignation or removal. There are no family relationships among any of our directors or executive officers.

ELECTION OF DIRECTORS

The board of directors is divided into three classes, with members of each class serving for a staggered three-year term. Messrs. Ferri and Gruber serve in the class whose term expires in 2001; Messrs. Ahmed and Severino serve in the class whose term expires in 2002; and Mr. Anderson serves in the class whose term expires in 2003. Upon the expiration of the term of a class of directors, directors in that class will be elected for three-year terms at the annual meeting of stockholders in the year in which their term expires.

COMPENSATION OF DIRECTORS

We reimburse directors for reasonable out-of-pocket expenses incurred in attending meetings of the board of directors. See "Common Stock and Option Issuances" and "1997 Stock Incentive Plan."

BOARD COMMITTEES

The board of directors has established a compensation committee and an audit committee. The compensation committee, which consists of Messrs. Ferri and Severino, reviews executive salaries, administers bonuses, incentive compensation and stock plans, and approves the salaries and other benefits of our executive officers. In addition, the compensation committee consults with our management regarding our benefit plans and compensation policies and practices.

The audit committee, which consists of Messrs. Anderson, Ferri and Severino, reviews the professional services provided by our independent accountants, the independence of our accountants from our management, our annual financial statements and our system of internal

accounting controls. The audit committee also reviews other matters with respect to our accounting, auditing and financial reporting practices and procedures as it may find appropriate or may be brought to its attention.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Prior to the appointment of the compensation committee, our full board of directors, which includes Messrs. Gruber and Ahmed, was responsible for the functions of a compensation committee. Messrs. Gruber and Ahmed did not participate in deliberations regarding their own compensation. No interlocking relationship exists between any member of our board of directors or our compensation committee and any member of the board of directors or compensation committee of any other company, and none of these interlocking relationships have existed in the past.

Messrs. Ferri and Severino are the members of our compensation committee. Neither Mr. Ferri nor Mr. Severino is an executive officer of Sonus, nor has either received any compensation from us within the last three years other than in his capacity as a director.

Since November 1997, we have issued and sold shares of Series A, Series B, Series C and Series D redeemable convertible preferred stock. Prior to Sonus' initial public offering, Matrix Partners and affiliated entities held 2,100,000 shares of our Series A preferred stock, 600,000 shares of our Series B preferred stock and 230,266 shares of our Series C preferred stock. Mr. Ferri is a general partner of Matrix Partners V Management Co., L.L.C., the general partner of the Matrix Partners entities that held the preferred stock. Mr. Severino also purchased 50,000 shares of Series B preferred stock and 4,264 shares of Series C preferred stock. In addition, we sold 262,500 shares of common stock to Mr. Severino in April 1999. In March 2000, both Messrs. Ferri and Severino each purchased 30,000 shares of common stock under our 1997 Stock Incentive Plan. See "Certain Transactions."

EXECUTIVE COMPENSATION

The following table sets forth, for the year ended December 31, 1999, the compensation earned by:

- our Chairman of the board of directors;
- our Chief Executive Officer; and
- the other three most highly compensated executive officers who received annual compensation in excess of $100,000.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION SALARY	ANNUAL COMPENSATION BONUS	ALL OTHER COMPENSATION	LONG-TERM COMPENSATION AWARDS RESTRICTED STOCK AWARDS(3)
Rubin Gruber Chairman of the Board of Directors....	$150,000	$ --	$ --	$ --
Hassan M. Ahmed President and Chief Executive Officer.....	186,417	75,000	--	--
Michael G. Hluchyj Chief Technology Officer, Vice President and Secretary.....	150,000	--	--	--
Jeffrey Mayersohn Vice President of Customer Support and Professional Services.....	150,000	--	--	--
Gary A. Rogers Vice President of Worldwide Sales and Marketing.....	111,371(1)	--	99,107(2)	0(4)

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(1) Represents the total amount of compensation Mr. Rogers received in fiscal 1999 for the portion of the year during which he was one of our executive officers. Mr. Rogers joined us in March 1999.

(2) Represents commission income.

(3) On December 31, 1999, the remaining number of shares of restricted common stock held by the above executive officers that had not vested and the value of this stock as of December 31, 1999, was as follows: Mr. Gruber: 2,724,372 shares, $20,883,220; Mr. Ahmed: 6,095,415 shares, $46,528,335; Mr. Hluchyj: 3,252,657 shares, $24,936,587; Mr. Mayersohn: 1,462,497 shares, $11,202,727; and Mr. Rogers: 1,875,000 shares, $14,250,000. The value is based on Sonus' initial public offering price less the purchase price paid. The holders of these shares of restricted common stock will be entitled to receive any dividends we pay on our common stock.

(4) In April 1999, we sold 1,875,000 shares of restricted common stock to Mr. Rogers, subject to our right to repurchase at $0.07 per share, the then current fair market value of the common stock as determined by our board of directors. Our repurchase right lapses 20% one year from the date Mr. Rogers commenced employment and thereafter lapses an additional 1.6667% of the shares for each month of employment. There was no public trading market for the common stock in April 1999. Our board of directors determined the market value of the common stock based on various factors including the illiquid nature of an investment in our common stock, our historical performance, the preferences, including liquidation and redemption of our outstanding redeemable convertible preferred stock, our future prospects and the price for securities sold in arms' length issuances to third parties.

BENEFIT PLANS

SONUS 1997 STOCK INCENTIVE PLAN

In November 1997, our board of directors approved our 1997 Stock Incentive Plan, which was amended in November 1998, October 1999 and March 2000. The initial adoption of the plan and each of its amendments were subsequently approved by our stockholders. Our 1997 Stock Incentive Plan provides for the grant of incentive stock options, non-qualified stock options, restricted common stock awards and common stock grants to our employees, directors and consultants.

In March 2000, our stockholders approved an amendment to increase the maximum number of shares of common stock reserved for issuance under our 1997 plan to 81,000,000. This maximum number of shares will increase, effective as of January 1, 2001 and each January 1 thereafter during the term of the plan, by an additional number of shares of common stock in an amount equal to the lesser of (1) 5% of the total number of shares of common stock issued and outstanding as of the close of business on December 31 of the preceding year or (2) a number of

shares determined by our board of directors. However, no more than an aggregate of 81,000,000 shares will be available for incentive stock options during the life of the 1997 plan. As of November 30, 2000, we had outstanding common stock options for the purchase of approximately 12,100,000 shares of common stock and had issued approximately 43,000,000 shares of restricted common stock, and had approximately 24,500,000 shares remaining available for future grant under the 1997 plan.

Our board of directors has authorized the compensation committee to administer our 1997 plan, including the granting of options and restricted common stock to our executive officers. Subject to any applicable limitations contained in our 1997 plan, our board of directors, our compensation committee or executive officers to whom our board of directors delegates authority, as the case may be, selects the recipients of awards and determines:

- the number of shares of common stock covered by options and the dates upon which any option grants vest and become exercisable;

- the exercise price of options;

- the duration of options; and

- the number of shares of common stock subject to any restricted stock or other stock awards and the terms and conditions of these awards, including the conditions for repurchase, issue price and repurchase price.

Generally, options and restricted common stock under the 1997 plan vest over four to five year periods from the date of grant. In the event of a merger, consolidation or other acquisition event resulting in a change in control of Sonus, outstanding options and restricted common stock will accelerate in vesting by 12 months. Our board of directors may in its discretion accelerate the vesting of any options or restricted grant at any time. The vesting of restricted common stock granted to some of our executive officers will fully accelerate upon a change in control. Upon a change in control, the acquiring or successor corporation may assume or make substitutions for options or restricted common stock outstanding under our 1997 plan.

The board of directors may amend, modify, suspend or terminate our 1997 plan at any time, subject to applicable law and the rights of holders of outstanding options and restricted common stock awards. Our 1997 plan will terminate in November 2007, unless the board of directors terminates it prior to that time.

SONUS 2000 EMPLOYEE STOCK PURCHASE PLAN

Our 2000 Employee Stock Purchase Plan was adopted by our board of directors in March 2000, and our stockholders approved the purchase plan in May 2000. The purchase plan authorizes the issuance of up to a total of 3,600,000 shares of our common stock to participating employees. This number of shares will increase, effective as of January 1, 2001 and each January 1 thereafter during the term of the plan, by an additional number of shares of common stock in an amount equal to the lesser of (1) 2% of the total number of shares of common stock issued and outstanding as of the close of business on December 31 of the preceding year or (2) a number of shares determined by our board of directors. However, no more than an aggregate of 75,000,000 shares will be available for the grant of options during the life of the plan. Unless terminated earlier by our board of directors, the purchase plan will terminate in May 2020.

The employee stock purchase plan, which is intended to qualify under Section 423 of the Internal Revenue Code, will be implemented by a series of overlapping 24-month offering periods. New offering periods, other than the first offering period, are expected to commence on February 1 and August 1 of each year. Each offering period will generally consist of four consecutive six-month purchase periods, and at the end of each six-month period an automatic purchase will be made for participants. The initial offering and initial purchase periods commenced on May 24, 2000. The

2000 employee stock purchase plan will be administered by the board of directors or by a committee appointed by the board. Employees of ours, or of any majority-owned subsidiary designated by the board, are eligible to participate if we or any subsidiary employs them for at least 20 hours per week and more than five months per year. Eligible employees may purchase common stock through payroll deductions, which in any event may not exceed 20% of an employee's compensation, at a price equal to the lower of 85% of the fair market value of the common stock at the beginning of each offering period or at the end of each purchase period. Employees may end their participation in the 2000 employee stock purchase plan at any time during an offering period and participation ends automatically on termination of employment.

Under the 2000 employee stock purchase plan, no employee will be granted an option under the plan if immediately after the grant the employee would own stock and/or hold outstanding options to purchase stock equaling 5% or more of the total voting power or value of all classes of our stock. In addition, no employee will be granted an option under the 2000 employee stock purchase plan if the option would permit the employee to purchase stock under all of our employee stock purchase plans in an amount that exceeds $25,000 of fair market value for each calendar year in which the option is outstanding at any time. In addition, no employee may purchase more than 2,500 shares of common stock under the 2000 employee stock purchase plan in any one purchase period. If the fair market value of the common stock on a purchase date other than the final purchase date of an offering is less than the fair market value at the beginning of the offering period, each participant will automatically be withdrawn from the offering period as of the purchase date and re-enrolled in a new 24 month offering period beginning on the first business day following the purchase date.

In the event of a merger, consolidation or other acquisition event resulting in any change of control of Sonus, each right to purchase stock under the 2000 employee stock purchase plan will be assumed or an equivalent right will be substituted by the successor corporation. Our board of directors will shorten any ongoing offering period, however, so that employees' rights to purchase stock under the 2000 employee stock purchase plan are exercised prior to the transaction in the event that the successor corporation refuses to assume each purchase right or to substitute an equivalent right. The board of directors has the power to amend or terminate the 2000 employee stock purchase plan and to change or terminate offering periods as long as any action does not adversely affect any outstanding rights to purchase stock. Our board of directors may amend or terminate the 2000 employee stock purchase plan or an offering period even if it would adversely affect outstanding options in order to avoid us incurring adverse accounting charges. We have not issued any shares under the 2000 employee stock purchase plan to date.

SONUS 2000 RETENTION PLAN

In connection with and contingent upon completion of the merger, Sonus adopted the Sonus 2000 Retention Plan to encourage retention of TTI employees. The plan provides for the grant of restricted stock awards to employees of TTI. We have reserved 3,000,000 shares of our common stock for issuance pursuant to awards granted under the plan, all or substantially all of which we expect will be awarded, subject to the vesting conditions described below, at or shortly after the merger. The value of awards generally will be subject to federal and state income and employment taxes as additional compensation income to the recipients as and when the awards vest. Sonus will be entitled to deduct the amount of such compensation income for purposes of determining its federal income taxes, subject to applicable Internal Revenue Code limitations, including Code Section 162(m).

A TTI employee who receives an award under the plan will vest in the shares on January 1, 2003, provided that the employee remains employed full time by TTI or Sonus continuously between the date of grant of the award until January 1, 2003 and that TTI satisfies the specified business expansion and product development escrow release conditions. The service requirement

will be deemed satisfied if the employee is terminated by TTI or Sonus without cause, by reason of the employee's death or disability, or under such other circumstances as may be outlined in the employee's particular award agreement or employment agreement with Sonus. The final number of shares of Sonus common stock awarded to each employee that will vest on such date will be proportional to the number of shares escrowed in the merger that are eventually released upon the satisfaction of the business expansion and product development escrow release conditions. However, in the event of a merger, consolidation, or other acquisition event resulting in a change in control of Sonus, all shares subject to awards will vest upon satisfaction of the service requirement only and not the other escrow release conditions.

The plan is administered by a plan manager to meet the requirements of Internal Revenue Code Section 162(m) or as otherwise provided in the plan. The manager has the authority to interpret the plan, to prescribe, amend and rescind rules and regulations relating to the plan, to determine the terms and provisions of the respective awards, and to make all other determinations necessary or advisable for the administration of the plan. The manager's determinations made in good faith on matters referred to in the plan are final, binding and conclusive on TTI and Sonus and anyone receiving or having an interest in an award. Generally, any awards forfeited by employees who terminate employment with TTI, other than a termination by Sonus or TTI without cause, prior to the date on which they would otherwise vest, may be reallocated to remaining TTI employees, awarded to replacement hires or returned to Sonus as provided by the terms of this plan. Only employees of Sonus who were formerly employees of TTI will be eligible for awards under the plan.

The Sonus board of directors may amend or terminate the plan subject to the prior written consent of the manager. However, no amendment or termination of the plan or any award agreement may adversely affect the terms of any outstanding award, nor may any amendment reduce the number of shares of common stock reserved for issuance under the plan.

401(k) PLAN

On February 27, 1998, Sonus adopted an employee savings and retirement plan, qualified under Section 401(a) of the Internal Revenue Code, covering all of its employees. Pursuant to the 401(k) plan, employees may elect to reduce their current compensation by up to the statutorily prescribed annual limit and have the amount of the reduction contributed to the 401(k) plan. Sonus may make matching or additional contributions to the 401(k) plan in amounts to be determined annually by its board of directors. Sonus has made no contributions to the 401(k) plan to date.

TTI'S 1998 AMENDED EQUITY INCENTIVE PLAN

The 1998 Amended Equity Incentive Plan was adopted by TTI in 1998 and provided for the issuance of up to 20,000,000 shares of TTI Class B common stock. The 1998 Plan provides for the grant of incentive stock options and non-qualified stock options to employees, consultants and directors. The 1998 Plan and all grants of options under the 1998 Plan will be assumed by Sonus in the merger.

As described in "The Escrow Agreements--Option Plan Escrow," each outstanding option to purchase TTI Class B common stock granted under TTI's 1998 Amended Equity Incentive Plan immediately prior to the effective time will be converted into an option to purchase Sonus common stock based on the merger consideration, with the exercise price of the options being proportionately adjusted. In addition, at the effective time of merger, a number of TTI options will accelerate in vesting and become immediately exercisable, including an aggregate of 3,487,000 options held by those executives of TTI who have entered into employment agreements with Sonus, as described above. In the event of a merger, consolidation or other change in control of Sonus, after the merger, some portion of outstanding options under the 1998 Plan for certain employees will accelerate in vesting.

Under an agreement entered into by Anousheh and Hamid Ansari and other shareholders of TTI in 1997, the Ansaris agreed to transfer to TTI from time to time a number of shares of TTI Class B common stock equal to the number of shares of TTI Class B common stock issued upon the exercise of any options in exchange for the option exercise proceeds. In continuation of this agreement after the effective time of the merger, the Ansaris have agreed, from time to time, to transfer to Sonus a number of shares of Sonus common stock received by them in the merger equal to the number of shares of Sonus common stock issued upon exercise of the TTI stock options assumed by Sonus in exchange for the option exercise proceeds. As a result of this agreement, the aggregate number of shares of Sonus common stock that will be issued in connection with the merger will not increase as the TTI stock options assumed by Sonus in the merger are exercised.

INDEMNIFICATION AND INSURANCE

The merger agreement provides that Sonus will indemnify and hold harmless each current and former officer and director of TTI for acts and omissions occurring at or prior to the effective time of the merger to the fullest extent provided by applicable law, including by advancing reasonable fee and expenses. In furtherance of this obligation, Sonus has agreed to cause the articles of incorporation and by-laws of TTI to contain provisions indemnifying and exculpating officers and directors to the fullest extent permitted by law, and not to adversely amend, repeal or otherwise modify those provisions for a period of six years from the effective time of the merger. Sonus has also agreed to maintain for a period of six years from the effective time of the merger the current policies of directors' and officers' liability insurance maintained by TTI to the extent the cost of providing such protection does not exceed 150% of the current amount expended by Sonus for its directors and officers' liability insurance coverage.

Sonus has also agreed to indemnify each TTI executive who entered into an employment agreement against claims arising in connection with his employment in accordance with Sonus' policies to the full extent permitted by Sonus' or TTI's charter and by-laws.

REGISTRATION RIGHTS

Upon the effective date of the merger, Sonus will enter into a registration rights agreement with the holders of TTI Class A common stock. These holders include Anousheh Ansari, Hamid Ansari, and Michael B. Yanney, each of whom is a director of TTI, and some of their affiliates, as well as affiliates of John C. Phelan and Leslie Alexander, each of whom is also a director of TTI. In the registration rights agreement, Sonus generally agrees to use its reasonable best efforts to cause the shares of Sonus common stock held by such holders of TTI Class A and Class B common stock to be registered for sale on any registration statement that Sonus proposes to file from time to time whether on its behalf or on behalf of other of its stockholders. Subject to certain exceptions, each holder will agree in the registration rights agreement, if requested within 180 days of the effective time of the merger by Sonus and the managing underwriter of an offering of Sonus common stock under a registration statement, not to sell publicly or otherwise transfer or dispose any shares of Sonus common stock held by that holder for a period of time not to exceed 90 days following the effective date of that registration statement.

PREFERRED STOCK ISSUANCES

Since November 1997, we have issued and sold shares of Series A, Series B and Series C redeemable convertible preferred stock to the following persons and entities who are our executive officers, directors or 5% or greater stockholders at the time of our initial public offering. Upon the closing of Sonus' initial public offering, and reflecting the 3-for-1 stock split in October 2000, each share of Series A, Series B and Series C redeemable convertible preferred stock automatically converted into 7.5 shares of common stock and the Series D redeemable convertible preferred stock converted into 3 shares of common stock. For more detail on shares to be held by these purchasers after conversion, see "Principal Stockholders."

INVESTOR	SERIES A PREFERRED STOCK	SERIES B PREFERRED STOCK	SERIES C PREFERRED STOCK
Matrix Partners and affiliated entities(1).....	2,100,000	600,000	230,266
North Bridge Venture Partners and affiliated entities(2).....	2,100,000	600,000	230,266
Charles River Ventures and affiliated entities...	2,100,000	600,000	230,265
Bedrock Capital Partners and affiliated entities.....	275,000	1,180,000	124,088
Paul J. Severino.....	--	50,000	4,264
Rubin Gruber.....	25,000	--	--
Michael G. Hluchyj.....	20,000	--	--
Frank T. Winiarski.....	--	10,000	853

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(1) Composed of Matrix Partners V, L.P. and Matrix V Entrepreneurs Fund, L.P. with the general partner being Matrix V Management Co., L.L.C. Paul J. Ferri, one of our directors, is a general partner of Matrix V Management Co., L.L.C.

(2) Composed of North Bridge Venture Partners II, L.P. and North Bridge Venture Partners III, L.P. with the general partners being North Bridge Venture Management II, L.P. and North Bridge Venture Management III, L.P. Edward T. Anderson, one of our directors, is a general partner of North Bridge Venture Management II and III, L.P.

SERIES A FINANCING. In November 1997 and July 1998, we issued an aggregate of 7,180,000 shares of Series A preferred stock to investors, including Rubin Gruber, Michael G. Hluchyj, and entities affiliated with Matrix Partners, North Bridge Venture Partners, Charles River Ventures and Bedrock Capital Partners. The per share purchase price for our Series A preferred stock was $1.00.

SERIES B FINANCING. In September and December 1998, and May 1999, we issued an aggregate of 3,204,287 shares of Series B preferred stock to investors, including Paul J. Severino, Frank T. Winiarski, and entities affiliated with Matrix Partners, North Bridge Venture Partners, Charles River Ventures and Bedrock Capital Partners. The per share purchase price for our Series B preferred stock was $5.00.

SERIES C FINANCING. In September, November and December 1999, we issued an aggregate of 1,939,681 shares of Series C preferred stock to investors, including Paul J. Severino, Frank T. Winiarski, and entities affiliated with Matrix Partners, North Bridge Venture Partners, Charles River Ventures and Bedrock Capital Partners. The per share purchase price for our Series C preferred stock was $11.81.

SERIES D FINANCING. In March 2000, we issued an aggregate of 1,509,154 shares of Series D preferred stock to investors, which did not include any officer, director or 5% or greater stockholder of Sonus. The per share purchase price for our Series D preferred stock was $16.40.

COMMON STOCK AND OPTION ISSUANCES

The following table presents information regarding our issuances of common stock to some of our executive officers. We issued the shares of common stock set forth below in the table pursuant to stock restriction agreements with each of the executive officers that give us rights to repurchase all or a portion of the shares at their original purchase price in the event the officer ceases to be our employee. Some of these stock restriction agreements prohibit us from repurchasing some or all of the shares following a change in control of Sonus.

NAME	DATE OF ISSUANCE	NUMBER OF RESTRICTED SHARES PURCHASED	AGGREGATE PURCHASE PRICE
Rubin Gruber	11/10/97	9,637,497	$ 12,850
Hassan M. Ahmed	11/4/98	9,637,497	321,250
Michael G. Hluchyj	8/26/97	7,228,125	1,000
Jeffrey Mayersohn	4/14/98	2,249,997	15,000
Gary A. Rogers	4/30/99	1,875,000	125,000
Stephen J. Nill	9/1/99	1,687,500	112,500

Other executive officers have purchased shares of common stock pursuant to similar stock restriction agreements for aggregate purchase prices that did not exceed $60,000 for any one executive officer. The repurchase right generally lapses as to 20% of the shares approximately one year from the hire date of the executive officer and thereafter lapses as to an additional 1.6667% of the shares for each month of employment completed by the executive officer.

In April 1999, we issued 262,500 shares of common stock for $17,500 to Paul J. Severino, one of our directors. See "Certain Transactions--Preferred Stock Issuances" for additional issuances of stock to Mr. Severino.

In March 2000, we granted options to purchase shares of our common stock and the right to purchase restricted common stock to our executive officers and non-employee directors, under our 1997 Stock Incentive Plan, each at a price of $3.33 per share, as listed below:

NAME	NUMBER OF OPTIONS GRANTED	NUMBER OF RESTRICTED SHARES PURCHASED
Rubin Gruber	888,000	75,000
Hassan M. Ahmed	813,000	150,000
Michael G. Hluchyj	723,000	--
Jeffrey Mayersohn	168,750	56,250
Gary A. Rogers	39,000	150,000
Stephen J. Nill	138,000	30,000
Frank T. Winiarski	--	75,000
Edward T. Andersen	--	30,000
Paul J. Ferri	--	30,000
Paul J. Severino	--	30,000

In May 2000, we granted an option to purchase 450,000 shares of Sonus common stock to Paul R. Jones, our Vice President of Engineering, under our 1997 Stock Incentive Plan, at an exercise price of $4.67 per share.

The aforementioned options vest, and the restrictions on the common stock lapse, over a four year period with 25% of the aggregate number of options and restricted shares vesting, or being released from restrictions, one year from the date of grant and monthly thereafter at the rate of

2.0833% for each month of employment or service completed by the executive officer or non-employee director.

AGREEMENTS WITH EXECUTIVE OFFICERS

On November 4, 1998, in connection with the issuance of restricted common stock, we loaned $257,000 to Hassan M. Ahmed, our President and Chief Executive Officer. The loan is secured by 7,710,000 shares of our restricted common stock and bears interest at 8% per year. The loan is due upon the earlier of November 4, 2003 or 180 days after his shares are eligible for public sale. As of September 30, 2000, the aggregate amount of principal and interest outstanding under Mr. Ahmed's loan was approximately $277,000, and the largest amount outstanding to date was approximately $281,000. Upon the consummation of Sonus' initial public offering, Sonus agreed to pay Mr. Ahmed a $275,000 bonus.

On September 1, 1999, in connection with the issuance of restricted common stock, we loaned $110,250 to Stephen J. Nill, our Chief Financial Officer, Vice President of Finance and Administration and Treasurer. The loan is secured by 1,687,500 shares of his common stock and is a full recourse note, which bears interest at 8% per year. The loan is due upon the earlier of September 1, 2004 or 180 days after his shares are eligible for public sale. As of September 30, 2000, the aggregate amount of principal and interest outstanding under Mr. Nill's loan was approximately $121,000, which is also the largest amount outstanding to date.

We believe that all of the transactions set forth above were made on terms no less favorable to us than could have been obtained from unaffiliated third parties. All future transactions, including loans between us and our officers, directors, principal stockholders and their affiliates will be approved by a majority of the board of directors, including a majority of the independent and disinterested directors on the board of directors, and will be on terms no less favorable to us than could be obtained from unaffiliated third parties.

PRINCIPAL STOCKHOLDERS OF SONUS

The following table sets forth information regarding beneficial ownership of our common stock as of November 30, 2000 by:

- each person who beneficially owns, to the best of our knowledge, more than 5% of the outstanding shares of our common stock;
- each of our executive officers listed in the Summary Compensation Table;
- each of our directors; and
- all of our executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and includes voting and investment power with respect to shares. Unless otherwise indicated below, to our knowledge, all persons named in the table have sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under applicable law.

As of November 30, 2000, the number of shares of Sonus common stock outstanding prior to the merger was 183,452,238. Unless otherwise indicated below, the address of each listed stockholder is care of Sonus Networks, Inc., 5 Carlisle Road, Westford, Massachusetts 01886.

NAME OF BENEFICIAL OWNER	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OUTSTANDING
Paul J. Ferri (1)	22,007,949	12.0%
Matrix Partners and affiliated entities (2)	21,976,992	12.0%
Edward T. Anderson (3)	13,926,323	7.6%
North Bridge Venture Partners and affiliated entities (4)	13,186,198	7.2%
Charles River Ventures and affiliated entities (5)	13,186,191	7.2%
Hassan M. Ahmed (6)	9,683,997	5.3%
Michael G. Hluchyj (7)	6,892,125	3.8%
Rubin Gruber (8)	4,001,747	2.2%
Jeffrey Mayersohn (9)	2,030,997	1.1%
Gary A. Rogers (10)	1,941,000	1.1%
Paul J. Severino (11)	528,316	*
All executive officers and directors as a group (11 persons) (12)	63,408,350	34.6%

* Less than 1% of the outstanding common stock.

(1) Composed of 19,779,291 shares held by Matrix Partners V, L.P., 2,197,701 shares held by Matrix V Entrepreneurs Fund, L.P., 957 shares held by Mr. Ferri and includes 30,000 shares which are subject to our right to repurchase at cost if Mr. Ferri ceases to serve as one of our directors. Matrix V Management Co., L.L.C. is the general partner of the aforementioned entities. Paul J. Ferri is a director of Sonus and is a general partner of Matrix V Management Co., L.L.C. Mr. Ferri disclaims beneficial ownership of the shares held by these entities except to the extent of his proportionate pecuniary interest therein. Mr. Ferri, by virtue of his management position in the Matrix entities, has sole voting and dispositive power with respect to the shares owned by Matrix Partners V, L.P. and Matrix V Entrepreneurs Fund, L.P. The address of Mr. Ferri is in care of Matrix V Management Co., L.L.C., 1000 Winter Street, Suite 4500, Waltham, MA 02451.

(2) Composed of 19,779,291 shares held by Matrix Partners V, L.P. and 2,197,701 shares held by Matrix V Entrepreneurs Fund, L.P. Matrix V Management Co., L.L.C. is the general partner of

the aforementioned entities. Mr. Ferri, by virtue of his management position in the Matrix entities, has sole voting and dispositive power with respect to the shares owned by Matrix Partners V, L.P. and Matrix V Entrepreneurs Fund, L.P. The address of Matrix Partners and its affiliated entities is in care of Matrix V Management Co., L.L.C., 1000 Winter Street, Suite 4500, Waltham, MA 02451.

(3) Composed of 11,340,033 shares held by North Bridge Venture Partners II, L.P., 1,846,165 shares held by North Bridge Venture Partners III, L.P., 644,470 shares held by Edward T. Anderson, 33,173 shares held by the Noelle Cabot Anderson Trust, 32,482 shares held by the Georgianna Cabot Anderson Trust and includes 30,000 shares which are subject to our right to repurchase at cost if Mr. Andersen ceases to serve as one of our directors. The general partner for North Bridge Venture Partners II, L.P. is North Bridge Venture Management II, L.P., and for North Bridge Venture Partners III, L.P. is North Bridge Venture Management III, L.P. Edward T. Anderson is a director of Sonus, and is a general partner of both North Bridge Venture Management II and III, L.P. Mr. Anderson disclaims beneficial ownership of the shares held by these entities and trusts except to the extent of his proportionate pecuniary interest therein. Edward T. Andersen, William J. Geary, Richard D'Amore and Jeffrey P. McCarthy, by virtue of their management position in the North Bridge entities, each have voting and dispositive power with respect to the shares owned by North Bridge Venture Partners II, L.P. and North Bridge Venture Partners III, L.P. The address of Mr. Anderson is in care of North Bridge Venture Management II and III, L.P., 950 Winter Street, Suite 4600, Waltham, MA 02451.

(4) Composed of 11,340,033 shares held by North Bridge Venture Partners II, L.P. and 1,846,165 shares held by North Bridge Venture Partners III, L.P. The general partner for North Bridge Venture Partners II, L.P is North Bridge Venture Management II, L.P., and for North Bridge Venture Partners III, L.P. is North Bridge Venture Management III, L.P. Edward T. Andersen, William J. Geary, Richard D'Amore and Jeffrey P. McCarthy, by virtue of their management position in the North Bridge entities, each have voting and dispositive power with respect to the shares owned by North Bridge Venture Partners II, L.P. and North Bridge Venture Partners III, L.P. The address of North Bridge Venture Partners and its affiliated entities is in care of North Bridge Venture Management II and III, L.P., 950 Winter Street, Suite 4600, Waltham, MA 02451.

(5) Composed of 12,947,457 shares held by Charles River Partnership VIII, L.P. and 238,734 shares held by Charles River VIII-A LLC. Charles River Partnership VIII GP Limited Partnership is the general partner of the Charles River Partnership VIII, L.P. and Charles River Friends VIII, Inc. is the manager of Charles River VIII-A LLC. Richard M. Burnes, Jr., Michael J. Zak and Ted R. Dintersmith, by virtue of their management position in the Charles River entities, each have voting and dispositive power with respect to the shares owned by Charles River Partnership VIII, L.P. and Charles River VIII-A LLC. The address of Charles River Ventures and its affiliated entities is in care of Charles River VIII GP Limited Partnership, 1000 Winter Street, Suite 3300, Waltham, MA 02154.

(6) Includes 7,710,000 shares subject to a stock pledge agreement in favor of Sonus. Includes 5,761,308 shares that are subject to our right to repurchase at cost if Mr. Ahmed ceases to be employed by us. Includes 1,206,000 shares held by the Hassan and Aliya Family Trust and by his minor children, and 1,700,000 shares held by the 1999 Hassan M. Ahmed Generation Skipping Family Trust on behalf of his family. Mr. Ahmed disclaims beneficial ownership of the shares held by these trusts.

(7) Includes 1,807,031 shares that are subject to our right to repurchase at cost if Mr. Hluchyj ceases to be employed by us. Includes an aggregate of 2,115,000 shares held by the Michael G. and Theresa M. Hluchyj Family Trust and by his minor children. Mr. Hluchyj

disclaims beneficial ownership of the shares held by the Michael G. and Theresa M. Hluchyj Family Trust and his minor children.

(8) Includes 1,408,642 shares that are subject to our right to repurchase at cost if Mr. Gruber ceases to be employed by us.

(9) Includes 1,087,499 shares that are subject to our right to repurchase at cost if Mr. Mayersohn ceases to be employed by us. Includes 545,451 shares held by the Mayersohn Seamonson Family Irrevocable Trust-1999 on behalf of his minor children. Mr. Mayersohn disclaims beneficial ownership of the shares held by the Mayersohn Seamonson Family Irrevocable Trust-1999.

(10) Includes 1,390,000 shares that are subject to our right to repurchase at cost if Mr. Rogers ceases to be employed by us. Includes 900,000 shares held by the Gary A. Rogers GRAT, and 12,000 shares held in trust for his minor children. Mr. Rogers disclaims beneficial ownership of the shares held by the Gary A. Rogers GRAT and trusts for his minor children.

(11) Includes 30,000 shares that are subject to our right to repurchase at cost if Mr. Severino ceases to serve as one of our directors. Includes 51,000 shares for the benefit of Mr. Severino's minor child under the Massachusetts Uniform Transfer to Minors Act.

(12) Includes 13,164,605 shares which are subject to our right to repurchase at cost if our executive officers cease to be employed by us or our directors cease to serve as directors.

DESCRIPTION OF CAPITAL STOCK OF SONUS

GENERAL

Our authorized capital stock consists of 300,000,000 shares of common stock, $0.001 par value per share, and 5,000,000 shares of preferred stock, $0.01 par value per share. As of November 30, 2000, there were approximately 550 holders of record of Sonus common stock. In connection with this proxy statement/prospectus, we are registering 15,000,000 shares of Sonus common stock.

COMMON STOCK

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of the stockholders and do not have cumulative voting rights. Accordingly, holders of a majority of the shares voted can elect all of the directors then standing for election. Holders of common stock are entitled to receive ratably any dividends that may be declared by the board of directors out of legally available funds, subject to any preferential dividend rights of any outstanding preferred stock. Upon our liquidation, dissolution or winding up, the holders of common stock are entitled to receive ratably our net assets available after the payment of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock. Holders of common stock have no preemptive, subscription, redemption or conversion rights. The outstanding shares of common stock are, and the shares offered by us in exchange for the shares of common stock of telecom technologies, inc. will be, when issued and paid for, fully paid and non-assessable. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of holders of shares of any series of preferred stock that we may designate and issue in the future without further stockholder approval. Immediately after the closing of the merger, there will be no shares of preferred stock outstanding.

PREFERRED STOCK

Our board of directors is authorized without further stockholder approval to issue from time to time up to an aggregate of 5,000,000 shares of preferred stock in one or more series. The board of directors has discretion to fix or alter the designations, preferences, rights, qualifications, limitations or restrictions of the shares of each series, including the dividend rights, dividend rates, conversion rights, voting rights, term of redemption including sinking fund provisions, redemption price or prices, liquidation preferences and the number of shares constituting any series or designations of any series without further vote or action by the stockholders.

The purpose of authorizing the board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could make it more difficult for a third party to acquire, or could discourage a third party from acquiring, a majority of our outstanding voting stock. We have no current plans to issue any shares of preferred stock.

DELAWARE LAW AND CHARTER AND BY-LAW PROVISIONS; ANTI-TAKEOVER EFFECTS

We are subject to the provisions of Section 203 of the General Corporation Law of Delaware. In general, the statute prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Subject to some

exceptions, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years did own, 15% or more of the corporation's voting stock.

Our amended and restated certificate of incorporation and amended and restated by-laws provide:

- that the board of directors be divided into three classes, as nearly equal in size as possible, with staggered three-year terms;

- that directors may be removed only for cause by the affirmative vote of the holders of at least 66 2/3% of the shares of our capital stock entitled to vote; and

- that any vacancy on the board of directors, however occurring, including a vacancy resulting from an enlargement of the board, may only be filled by vote of a majority of the directors then in office.

The classification of the board of directors and the limitations on the removal of directors and filling of vacancies could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, Sonus.

Our amended and restated certificate of incorporation and amended and restated by-laws also provide that:

- any action required or permitted to be taken by the stockholders at an annual meeting or special meeting of stockholders may only be taken if it is properly brought before the meeting and may not be taken by written action in lieu of a meeting; and

- special meetings of the stockholders may only be called by the chairman of the board of directors, the president or by the board of directors.

Our amended and restated by-laws provide that, in order for any matter to be considered "properly brought" before a meeting, a stockholder must comply with requirements regarding advance notice to us. These provisions could delay until the next stockholders' meeting stockholder actions that are favored by the holders of a majority of our outstanding voting securities. These provisions may also discourage another person or entity from making a tender offer for our common stock, because the person or entity, even if it acquired a majority of our outstanding voting securities, would be able to take action as a stockholder, such as electing new directors or approving a merger, only at a duly called stockholders meeting, and not by written consent.

Delaware's corporation law provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or by-laws, unless a corporation's certificate of incorporation or by-laws, as the case may be, requires a greater percentage. Our amended and restated certificate of incorporation requires the affirmative vote of the holders of at least 66 2/3% of the shares of our capital stock entitled to vote to amend or repeal any of the provisions of our amended and restated certificate of incorporation described in the preceding paragraphs. Generally, our amended and restated by-laws may be amended or repealed by a majority vote of the board of directors or the holders of a majority of the shares of our capital stock issued and outstanding and entitled to vote. To amend our amended and restated by-laws regarding special meetings of stockholders, written actions of stockholders in lieu of a meeting and the election, removal and classification of members of the board of directors requires the affirmative vote of the holders of at least 66 2/3% of the shares of our capital stock entitled to vote. The stockholder vote would be in addition to any separate class vote that might in the future be required pursuant to the terms of any series of preferred stock that might be outstanding at the time any of these amendments are submitted to stockholders.

LIMITATION OF LIABILITY AND INDEMNIFICATION

Our amended and restated certificate of incorporation provides that our directors and officers will be indemnified by us to the fullest extent authorized by Delaware law. This indemnification would cover all expenses and liabilities reasonably incurred in connection with their services for or on behalf of us. In addition, our amended and restated certificate of incorporation provides that our directors will not be personally liable for monetary damages to us for breaches of their fiduciary duty as directors, unless they violated their duty of loyalty to us or our stockholders, acted in bad faith, knowingly or intentionally violated the law, authorized illegal dividends or redemptions or derived an improper personal benefit from their action as directors.

REGISTRATION RIGHTS

Pursuant to the terms of an amended and restated Investors' Rights Agreement, some holders of Sonus common stock are entitled to rights with respect to the registration of their shares under the Securities Act. In connection with the merger, we will grant additional registration rights to former TTI shareholders, and we describe these rights in greater detail in the section "The Merger Agreement--Additional Agreements." Set forth below is a summary of the registration rights granted to Sonus stockholders prior to the merger.

DEMAND REGISTRATION RIGHTS. The holders of 35% or more of the shares having registration rights may request that we register shares of common stock. We will be obligated to effect only two registrations pursuant to a demand request by holders of registrable shares.

We are not obligated to effect a registration 90 days prior to, and extending up to three months from the effective date of, the anticipated filing of the most recent company-initiated registration. We are also not required to effect a stockholder requested registration, if the requested registration of shares would adversely affect, to our material harm, any other activity in which we are then engaged. We may only delay stockholder initiated registrations once every twelve months.

PIGGYBACK REGISTRATION RIGHTS. Stockholders with registration rights have unlimited rights to request that shares be included in any company-initiated registration of common stock other than registrations of shares issued in connection with employee benefit plans, shares issued in connection with business combinations subject to Rule 145 under the Securities Act, convertible debt or other specified registrations. If the registration that we initiate involves an underwriting, however, we will not be obligated to register any shares unless the holders agree to the terms of the underwriting agreement. It may also be necessary, at the discretion of the lead underwriter, to limit the number of selling stockholders in the offering, as a result of which stockholders may only be able to register a pro rata number of registrable shares, if any.

FORM S-3 REGISTRATION RIGHTS. After May 31, 2001, Sonus will be eligible, under applicable securities laws, to file registration statements on Form S-3. At such time, one or more stockholders may request that we file a registration statement on Form S-3, so long as the shares offered have an aggregate offering price of at least $1,000,000 based on the public market price at the time of the request. We will be obligated to effect no more than three registrations pursuant to an S-3 request by holders of registration rights.

FUTURE GRANTS OF REGISTRATION RIGHTS. Without the consent of current stockholders owning at least 66 2/3% of the then outstanding registrable shares, we may not grant further registration rights that would be on more favorable terms than the existing registration rights.

TRANSFERABILITY. The registration rights are transferable upon transfer of registrable securities and notice by the holder to us of the transfer, provided that, in most cases, a specified minimum number of shares, as adjusted for splits, dividends, recapitalizations and similar events, are

transferred and the transferee or assignee assumes the rights and obligations of the transferor of the shares.

TERMINATION. The registration rights will terminate as to any particular registrable securities on the date on which the shares are sold pursuant to a registration statement and are no longer subject to Rule 144 under the Securities Act. The piggyback registration rights will expire on May 31, 2003, the third anniversary of our initial public offering.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for our common stock is American Stock Transfer & Trust Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF TELECOM TECHNOLOGIES

THE FOLLOWING DISCUSSION SHOULD BE READ IN CONNECTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS OF TTI, AND THE NOTES TO THOSE STATEMENTS AND OTHER FINANCIAL INFORMATION APPEARING ELSEWHERE IN THIS PROXY STATEMENT/PROSPECTUS.

OVERVIEW

TTI is a provider of software products and services for network and service providers, offering end-to-end solutions for next generation, carrier-grade, multi-service networks. Founded in Texas in 1993 as a network design and consulting company, TTI's professional services personnel continue to offer a broad array of professional services including network design and planning, implementation, system integration, testing and support.

Today, TTI's principal focus is the development and deployment of its INtelligentIP softswitch. As of September 30, 2000, TTI has not recognized any revenue on its INtelligentIP softswitch, but has shipped product to customers who are currently using it in laboratory testing and internal trials. TTI's other products include call control application software and network testing software. In 1999, TTI sold its network testing software product line, but continues to provide certain manufacturing and engineering services to the acquiror.

TTI licenses its software products and sells its services primarily through a direct sales force. TTI generally has a lengthy sales cycle for its software products and, accordingly, TTI typically incurs sales and other expenses before it realizes the related revenues. Customers' decisions to purchase TTI software products and deploy those software products in commercial networks involve a significant commitment of resources and a lengthy evaluation, testing and product qualification process.

TTI recognizes revenue from software licenses and product shipments upon execution of the agreement and shipment of product, provided that there are no uncertainties regarding acceptance, persuasive evidence of an arrangement exists, the license fee is fixed or determinable and collection of the related receivable is considered probable. If uncertainties exist, TTI recognizes revenue when those uncertainties are resolved. In multiple element arrangements, TTI uses the residual method of accounting.

Service revenue consist primarily of contract engineering and consulting services. TTI also provides consulting services to customize its software products on a contract basis. Services are provided on both a time-and-materials basis and a fixed fee basis. Revenue with respect to time-and-materials contracts is recognized as services are provided. Revenue from services on fixed fee contracts is recognized under the terms of the contract based upon when the services have been provided and accepted by the customer, if required. Provisions for losses on service contracts are recorded in the period in which they first become determinable.

Deferred revenue includes customer payments on transactions that do not meet TTI's revenue recognition criteria as of the balance sheet date.

COST OF PRODUCT AND SERVICES. Cost of product and services consist primarily of manufacturing and professional services personnel and related expenses and hardware product costs.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses consist primarily of salaries and related personnel costs, recruiting expenses and prototype costs related to the design, development, testing and enhancement of existing products as well as new products.

TTI has expensed its research and development costs as incurred. TTI believes research and development is critical to its strategic product development objectives and intends to continue to enhance its technology. Accordingly, TTI expects research and development expenses to increase in absolute dollars in the future.

SALES AND MARKETING EXPENSES. Sales and marketing expenses consist primarily of salaries and related personnel expenses, commissions, recruiting expenses, promotions, trade shows, customer evaluations and other marketing expenses. TTI expects that sales and marketing expenses will increase in absolute dollars in the future as it increases its direct sales efforts and initiates additional marketing programs.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses consist primarily of salaries for executive, finance, and administrative personnel, recruiting expenses and professional fees.

STOCK-BASED COMPENSATION EXPENSES. In connection with TTI's grant of stock options during the nine months ended September 30, 2000, TTI recorded deferred compensation of $7.6 million. Stock-based compensation expenses include the amortization of stock compensation charges resulting from the granting of stock options to employees with exercise prices that may be deemed for accounting purposes to be below the fair value of TTI Class B common stock on the date of grant and compensation expense associated with the grant of stock options to non-employees. Deferred compensation amounts are being amortized over the four year vesting period of the applicable employee stock options. The compensation expense associated with non-employees is recorded at the time services are provided. See note 8(b) to TTI's consolidated financial statements.

RESULTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 1999 AND 1998

REVENUES. Revenues were $19.3 million in 1999, an increase of $4.6 million, or 31%, from $14.7 million in 1998. The increase is the result of an increase in revenues for network testing software, professional services and call control application software. TTI had two customers in 1999, and three customers in 1998, each of whom contributed more than 10% of revenue, and who contributed an aggregate of 63% and 51%, respectively, of TTI's revenue.

COST OF PRODUCT AND SERVICES. Cost of product and services was $11.6 million or 60% of revenue in 1999, compared to $11.1 million or 75% of revenue in 1998. The decrease as a percentage of revenue is the result of an increase in software revenue which has higher gross profit margins than services revenue.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses were $7.5 million in 1999, an increase of $6.1 million or 439%, from $1.4 million in 1998. The increase reflects costs primarily associated with a significant increase in personnel and personnel-related expenses and, to a lesser extent, recruiting expenses and prototype expenses for the development of TTI's products, principally the INtelligentIP softswitch.

SALES AND MARKETING EXPENSES. Sales and marketing expenses were $3.3 million in 1999, an increase of $2.1 million or 178%, from $1.2 million in 1998. The increase reflects costs primarily associated with the hiring of additional sales and marketing personnel and, to a lesser extent, marketing program costs, including Internet development, trade shows, interoperability lab and product launch activities.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses were $2.0 million in 1999, an increase of $616,000, or 46%, from $1.3 million in 1998. The increase

reflects costs primarily associated with the hiring of additional general and administrative personnel and, to a lesser extent, expenses necessary to support and scale operations.

INTEREST EXPENSE, NET. Interest expense, net was $74,000 in 1999, a decrease of $89,000 from $163,000 in 1998. This decrease reflects lower average borrowings under TTI's bank line of credit and from its majority stockholder, partially offset by an increase in interest income.

SALE OF PRODUCT LINE. In 1999, TTI sold the intellectual property rights and assets related to its network testing software product line for $5.5 million, plus royalties on future sales of this product line.

OTHER INCOME. Other income was $815,000 in 1999 compared to $8,000 in 1998. The increase primarily relates to an insurance claim under TTI business interruption policy.

PROVISION (BENEFIT) FOR INCOME TAXES. The effective tax rate was 28% for 1999 and (35%) for 1998. TTI's effective tax rate differs from the federal statutory rate in 1999 primarily due to the utilization of research and development tax credits.

NINE MONTHS ENDED SEPTEMBER 30, 2000 AND 1999

REVENUES. Revenues were $20.0 million for the nine months ended September 30, 2000, an increase of $6.9 million or 53%, from $13.1 million for the nine months ended September 30, 1999. The increase is primarily the result of the sale of TTI's call control application software, partially offset by a decrease in network testing software and professional services revenue. TTI had four customers in both the nine months ended September 30, 1999 and 2000, each of whom contributed more than 10% of revenue, and who contributed an aggregate of 71% and 77%, respectively, of TTI's revenue.

COST OF PRODUCT AND SERVICES. Cost of product and services was $10.3 million or 52% of revenue for the nine months ended September 30, 2000, as compared to $9.6 million or 73% of revenue for the nine months ended September 30, 1999. The decrease in costs as a percentage of revenue is the result of an increase in software revenue which has higher gross profit margins than services revenue.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses were $8.5 million for the nine months ended September 30, 2000, an increase of $2.9 million or 52%, from $5.6 million for the nine months ended September 30, 1999. The increase reflects costs primarily associated with a significant increase in personnel and personnel related expenses associated with the development effort for the INtelligentIP softswitch product.

SALES AND MARKETING EXPENSES. Sales and marketing expenses for the nine months ended September 30, 2000 were $3.1 million, an increase of $1.5 million, or 94%, from $1.6 million for the nine months ended September 30, 1999. The increase reflects costs primarily associated with the hiring of additional sales and marketing personnel and, to a lesser extent, marketing program costs, including Internet development, trade shows, interoperability lab and product launch activities.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses were $2.3 million for the nine months ended September 30, 2000, an increase of $1.2 million, or 110%, from $1.1 million for the nine months ended September 30, 1999. The increase reflects costs primarily associated with the hiring of additional general and administrative personnel and, to a lesser extent, expenses necessary to support and scale operations.

STOCK-BASED COMPENSATION EXPENSES. Stock-based compensation expense was $394,000 for the nine months ended September 30, 2000. Based on the grant of stock options through

September 30, 2000, TTI expects to incur stock-based compensation expense of approximately $1.2 million in 2000, $3.4 million in 2001, $1.8 million in 2002, $910,000 in 2003 and $329,000 in 2004.

INTEREST EXPENSE, NET. Interest expense, net was $234,000 for the nine months ended September 30, 2000, an increase of $226,000 from $8,000 for the comparable period of the preceding year. This increase reflects higher average borrowings under TTI's bank line of credit and capitalized lease obligations, partially offset by an increase in interest income.

SALE OF PRODUCT LINE. In January 1999, TTI sold the intellectual property rights and assets related to its network testing software product line for $5.5 million, plus royalties on future sales of this product line.

OTHER INCOME. Other income was $45,000 for the nine months ended September 30, 2000 compared to $766,000 for the comparable period of the preceding year. The decrease primarily relates to an insurance claim under a business interruption policy in 1999.

PROVISION FOR INCOME TAXES. The effective tax rate was 28% for the nine months ended September 30, 1999. TTI did not record any income tax benefit due to its net operating loss for the nine months ended September 30, 2000, due to the uncertainty surrounding the realization of any additional deferred tax assets.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, TTI has financed their operations from working capital loans from a bank, capital lease obligations, cash flow generated from operations, sale of a product line and loans from its majority stockholder. At September 30, 2000, cash and cash equivalents was $1.6 million. At September 30, 2000, TTI had redeemable common stock with a current redemption value of $31.8 million. Upon completion of the proposed merger with Sonus Networks, Inc., the redemption feature of this common stock will terminate. See note 7 to the TTI consolidated financial statements.

Net cash provided by (used in) operating activities was $1.3 million for the nine months ended September 30, 2000 and $619,000 and ($467,000) for the years ended December 31, 1999 and 1998, respectively. Net cash flows from operating activities was due primarily to an increase in deferred revenue and reductions in accounts receivable for the nine months ended September 30, 2000 and due primarily to TTI's net income in 1999. The net cash used in operating activities in 1998 was due primarily to TTI's net loss and increase in deferred tax assets.

Net cash used in investing activities was $1.1 million for the nine months ended September 30, 2000 and $1.5 million and $743,000 for the years ended December 31, 1999 and 1998, respectively. Net cash used in investing activities in each period reflects purchases of property and equipment, primarily computers and equipment for development and amounts paid for an acquisition in 1999.

Net cash provided by financing activities was $805,000 for the nine months ended September 30, 2000 and $890,000 and $1.3 million for the years ended December 31, 1999 and 1998, respectively. Net cash provided by financing activities was derived primarily from proceeds from a bank line of credit, offset in part by payments for capital lease obligations and amounts due to its majority stockholder. At December 31, 1999 and September 30, 2000, TTI had outstanding borrowings of $4.0 million and $5.0 million under the bank line of credit. At September 30, 2000, TTI had available borrowings under the line of credit of $4.6 million. See note 4 to the TTI consolidated financial statements.

TTI believes that its current cash and cash equivalents and available financing, together with internally generated funds at present sales levels may not be sufficient to satisfy its cash requirements for the next 12 months. Depending upon whether or not sufficient revenue and

working capital is generated from operations, TTI may require additional financing. TTI cannot be certain that additional financing will be available in amounts or on terms acceptable, if at all. If TTI is unable to obtain this additional financing, TTI may be required to reduce the scope of planned product development and sales and marketing efforts, which could materially harm TTI's business, financial condition and operating results.

RECENT ACCOUNTING PRONOUNCEMENT

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, REVENUE RECOGNITION IN FINANCIAL STATEMENTS. TTI's revenue recognition policy complies with this pronouncement.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, ACCOUNTING FOR DERIVATIVES AND HEDGING ACTIVITIES, as amended by SFAS No. 138, which establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and for hedging activities. TTI does not currently engage in trading market risk sensitive instruments or purchase hedging instruments or "other than trading" instruments that are likely to expose them to market risk. TTI may do so in the future as operations expand domestically and abroad. TTI will evaluate the impact of foreign currency exchange risk and other derivative instrument risk on results of operations when appropriate. TTI will adopt SFAS No. 133 as required by SFAS No. 137, DEFERRAL OF THE EFFECTIVE DATE OF FASB STATEMENT NO. 133, in fiscal year 2001. The adoption of SFAS No. 133 is not expected to have a material impact on TTI financial condition or results of operations.

TTI'S BUSINESS

OVERVIEW

TTI is a provider of software products and services for network and service providers, offering end-to-end solutions for next generation, carrier-grade, multi-service networks. TTI offers intelligent network software products that provide call control, enhanced services, operational support systems and internetworking to voice and data networks.

TTI's principal product is the INtelligentIP softswitch, which allows carriers to deploy a circuit-switched, packet or mixed circuit/packet infrastructure with the capacity, reliability and intelligence they require. The INtelligentIP softswitch is currently being used by customers in laboratory testing and internal trials, and is also the focus of a partnering program designed to assure its interoperability with the products of leading telecommunications/network equipment vendors. As of September 30, 2000, TTI has not recognized any revenue on its INtelligentIP softswitch but has shipped this product to customers who are currently using it in laboratory testing and internal trials. TTI's other products and services include call control application software and professional services.

Founded in Texas in 1993 as a network design and consulting company, TTI's professional services personnel continue to offer a broad array of services including network design and planning, implementation, system integration, testing and support.

TTI'S PRODUCTS AND SERVICES

INTELLIGENTIP SOFTSWITCH

TTI designed the INtelligentIP softswitch with an open architecture, enabling integration of new applications from both TTI and various third-party providers within both existing and next generation voice and data networks. The INtelligentIP softswitch resides on standard hardware platforms, and can control a number of different types of media gateways. Consequently, the INtelligentIP softswitch supports a broad range of carrier services, including the services required to support both circuit-based and packet-based networks and provides a platform upon which new value-added services can be created and implemented.

TTI believes that the INtelligentIP softswitch will enable systems vendors and service providers alike to protect their investments in circuit-switched network infrastructures while allowing them to take advantage of the performance and cost benefits packet-based networks offer. This flexibility will allow the opportunity for network and service providers to provide added features and services to their customers, including:

- follow-me anywhere communication, which is the ability to route a subscriber's e-mail, phone and web services to any location;
- conference calling across the Internet;
- multimedia conferencing;
- Internet--enabled call centers;
- unified messaging which is the integration of telephony, e-mail and web applications, allowing subscribers to have a unified mailbox for e-mail, voicemail and message filtering; and
- Internet content delivered with voice.

TTI's softswitch architecture allows for interoperability with existing circuit-based telephony networks. This interoperability enables service providers to rapidly deploy new, next generation networks and services while maximizing their existing network investment.

To offer its customers interoperability of the INtelligentIP softswitch with a wider variety of other network infrastructure and applications, TTI has instituted a partner program called the INIP Powered(SM) Partner Program and opened an interoperability laboratory. In this program, TTI partners with leading vendors who work to achieve "INIP Powered" status through testing of their products with the INtelligentIP softswitch. Some current INIP Powered partners include 3Com, Agilent Technologies, Cisco Systems, Ericsson, Lucent Technologies, Redback, Tellabs and Ulticom.

TTI believes that this program helps vendors achieve interoperability with the INtelligentIP softswitch quickly and efficiently, allowing those vendors, as well as service and network providers, to reduce the time to deploy new services. This program also allows network and service providers to select from a list of vendors that are INIP Powered. TTI believes that this flexibility allows those service and network providers a choice of solutions and value-added services, and to achieve differentiation through an integrated suite of "best-of-breed" solutions, rather than having to rely on a single vendor's products, timeframes and decisions.

CALL CONTROL APPLICATION SOFTWARE

The call control application software is based on a combination of architectural enhancements to traditional data and voice switching designs. The main component of the call control application software is a logic engine that separates resource-intensive processing from protocol and signaling functions. The design of the logic engine is supported by the logic control protocol, or LCP, builder toolset. LCP builder allows new protocols to be implemented quickly by protocol experts who do not have to be experienced in writing software. The call control application software can be used to support a variety of circuit and packet based telephony services, and can be customized to suit the needs of individual service providers.

NETWORK TESTING SOFTWARE

TTI's network testing software is the next generation, end-to-end testing, verification and emulation software platform that enables users to create, schedule, execute and generate reporting on a large number of test cases in a short period of time. The network testing software uses state-of-the-art computing technologies to reduce the complexity and increase the coverage of network and system testing and verification. In January 1999, TTI sold its network testing software product line to Hewlett Packard (now Agilent) but has continued to provide certain manufacturing and engineering services to Agilent. TTI anticipates that it may cease performing any future services for Agilent in 2001.

PROFESSIONAL SERVICES

TTI also offers a broad array of professional services, designed to ensure that its products are integrated into the customer's network to meet its specific needs and that TTI's customers realize the maximum value from their networking technology investments. TTI's professional services practices and competencies are focused on providing network design and planning, implementation, system integration, testing and support to its service provider customers directly or in partnership with other strategic network equipment providers. TTI's professional services employees provide skills and processes for effective end-to-end network management in implementing the entire network, including the core, edge or customer premises equipment of the network, to provide our customers with a strategic advantage.

SALES AND MARKETING; CUSTOMERS

TTI sells its products principally through a direct sales force. TTI's target customers are major telecommunications service providers and equipment manufacturers in the United States and around the world and some of its current customers include Agilent Technologies, Alcatel, Cisco Systems, MCI/Worldcom and Qwest Communications.

EMPLOYEES

As of November 30, 2000, TTI had a total of 207 employees, including 118 in research and development, 10 in sales, marketing and business development, 58 in professional services and 21 in finance and administration. None of TTI's employees are subject to any collective bargaining agreement. TTI considers its relations with its employees to be good.

PROPERTIES

As of November 30, 2000, TTI's only facility was approximately 49,000 square feet of office space in Richardson, Texas under a lease that expires in March 2003. However, in 2001, TTI expects to relocate to a 110,000 square-foot facility in Richardson, Texas under a new lease with the existing lessor. TTI believes that its current and available facilities are sufficient for its current operations.

MANAGEMENT OF TELECOM TECHNOLOGIES

The following table sets forth the only executive officer and director of TTI, as of November 30, 2000, who will become an executive officer of Sonus following completion of the merger, as well as her age and position:

NAME	AGE	POSITION
Anousheh Ansari	34	Chairman of the Board of Directors and Chief Executive Officer

ANOUSHEH ANSARI is a founder, Chairman of the Board of Directors and Chief Executive Officer of TTI. Prior to founding TTI in 1993, Ms. Ansari provided consulting services to major telecommunications service providers, and held positions with both MCI Telecommunications Corporation and Communication Satellite Corporation. Ms. Ansari holds an M.S. in electrical engineering from George Washington University and a B.S. in electrical engineering from George Mason University.

SUMMARY COMPENSATION TABLE

The following table sets forth the only executive officer and director of TTI, as of November 30, 2000, who will become an executive officer of Sonus upon completion of the proposed merger, and the compensation which she received as Chairman of the Board and Chief Executive Officer of TTI.

	ANNUAL COMPENSATION		
NAME AND PRINCIPAL POSITION	SALARY	BONUS	ALL OTHER COMPENSATION
Anousheh Ansari	$297,500	$ --	$5,000(1)

(1) Represents 401(k) matching compensation.

CERTAIN TRANSACTIONS OF TELECOM TECHNOLOGIES

On June 13, 1997, Ms. Ansari loaned TTI $700,000, at an interest rate of 9.25% per annum. On September 15, 1997, Ms. Ansari loaned $525,000 to TTI, at an interest rate of 9.25% per annum. TTI repaid the outstanding principal and accrued interest on these loans on April 13, 1998. In addition, on June 28, 1999, TTI loaned Ms. Ansari $1,486,000, at an interest rate of 9.75%. Ms. Ansari repaid the outstanding principal and accrued interest on this loan on and prior to November 15, 1999.

PRINCIPAL SHAREHOLDERS OF TELECOM TECHNOLOGIES

The following table sets forth information regarding the beneficial ownership of TTI Class A and Class B common stock, including the percent of the total voting power, as of November 30, 2000 by:

- each holder of more than 5% of either class of common stock;
- TTI's Chairman of the Board and Chief Executive Officer;
- each of TTI's directors; and
- all of TTI's executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and includes voting and investment power with respect to shares. Unless otherwise indicated below, to our knowledge, all persons named in the table have sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under applicable law.

In computing the number of shares beneficially owned by each person named in the following table and the percentage ownership of that person, shares of TTI Class A voting and Class B non-voting common stock that are subject to options held by those persons that are currently exercisable or exercisable within 60 days of November 30, 2000 are deemed outstanding.

As of November 30, 2000, there were 77,777,780 shares of TTI Class A voting common stock and 22,222,220 shares of TTI Class B non-voting common stock issued and outstanding. Unless otherwise indicated below, the address of each listed stockholder is care of telecom technologies, inc., 1701 North Collins Blvd., Suite 3000, Richardson, Texas, 75080.

	NUMBER OF SHARES BENEFICIALLY OWNED			
	CLASS A VOTING COMMON STOCK		CLASS B NON-VOTING COMMON STOCK	
NAME OF BENEFICIAL OWNER	SHARES	%	SHARES	%
Anousheh Ansari	66,875,000(1)	85.98%	19,638,380(3)	88.37%
Hamid Ansari (2)	66,875,000(1)	85.98	19,638,380	88.37
Leslie Alexander	7,777,780(4)	10.00	2,222,220(4)	10.00
Telecom Capital Partners, L.P.	7,777,780(4)	10.00	2,222,220	10.00
John C. Phelan	6,666,667(5)	8.57	--	--
Entities related to MSD Capital, L.P.	6,666,667(5)	8.57	--	--
Michael B. Yanney	1,375,000(6)	1.77	--	--
All executive officers and directors as a group (8 persons)	77,777,780	100.00	22,038,600(7)	99.17

(1) Includes 15,000,000 shares held by Ansari AA Investments, LLC, 3,000,000 shares held by Ansari AR Investments, LLC and 2,000,000 shares held by Ansari JA Investments, LLC over which Ms. Ansari has sole voting and investment power. Pursuant to the terms of shareholder agreements among Ms. Ansari, TTI and various other shareholders, Ms. Ansari has granted options to purchase an aggregate of 4,916,667 shares of Class A common stock to various other TTI shareholders.

(2) Mr. Ansari, the husband of Ms. Ansari, owns no shares in his own name.

(3) Pursuant to the terms of shareholder agreements among Ms. Ansari, TTI and various other shareholders, Ms. Ansari has agreed to transfer shares of her Class B common stock upon the exercise of options under TTI's 1998 Amended Equity Incentive Plan. As such, whenever

an option for Class B common stock granted under the 1998 Amended Equity Incentive Plan is exercised, Ms. Ansari returns to TTI one share of Class B common stock.

(4) All of these shares are held by Telecom Capital Partners, L.P. over which Mr. Alexander has sole voting and investment power. The address of Mr. Alexander is in care of Telecom Capital Partners, L.P., 300 Crescent Court, Suite 1300, Dallas, TX 75201.

(5) Includes 1,804,687 shares held by DBV Investments, L.P., 468,750 shares held by MSD Portfolio L.P.--Investments, 78,125 shares held by Black Marlin Investments, LLC, 78,125 shares held by Vermeer Investments, LLC and 70,313 shares held by MSD EC I, LLC, over each of which Mr. Phelan has shared voting and investment power. Also includes 4,166,667 shares subject to an option to purchase Class A common stock from Ms. Ansari, which option is currently exercisable. The address for each of the related entities of MSD Capital, L.P. is 780 Third Avenue, New York, NY 10017.

(6) Includes 525,000 shares held by Mr. Yanney and 100,000 shares held by Rainwood Enterprises, L.P. over which Mr. Yanney has voting and investment power. Also includes 750,000 shares subject to an option to purchase Class A common stock from Ms. Ansari, which option is currently exercisable. The address of Mr. Yanney is c/o America First Companies, 1004 Farnam St., Omaha, NE 68102.

(7) Includes 578,000 shares subject to options granted under the TTI 1998 Amended Equity Incentive Plan that are currently exercisable and 1,484,000 shares subject to options that will be accelerated and become exercisable under the TTI 1998 Amended Equity Incentive Plan upon completion of the merger.

COMPARISON OF STOCKHOLDER RIGHTS

The rights of TTI's shareholders are currently governed by the Texas Business Corporation Act and the articles of incorporation and by-laws of TTI. In accordance with the merger agreement, at the effective time of the merger each issued and outstanding share of TTI Class A and Class B common stock will be converted into the right to receive up to 0.15 of a share of Sonus common stock. Accordingly, upon completion of the merger, the rights of TTI's shareholders who become stockholders of Sonus will be governed by the Delaware General Corporation Law and the certificate of incorporation and by-laws of Sonus. The following are summaries of the material differences between the rights of TTI shareholders and the rights of Sonus stockholders. For more information and to obtain copies of the certificate of incorporation and by-laws of Sonus, see the section titled "Where You Can Find Additional Information" appearing elsewhere in this proxy statement/prospectus.

AUTHORIZED CAPITAL

TTI. As of November 30, 2000, the authorized capital stock of TTI consisted of (1) 180,000,000 shares of Class A voting common stock, par value $0.01 per share, of which 77,777,780 shares were issued and outstanding and (2) 50,000,000 shares of Class B non-voting common stock, par value $0.01 per share, of which 22,222,220 shares were issued and outstanding.

SONUS. As of November 30, 2000, the authorized capital stock of Sonus consisted of (1) 300,000,000 shares of common stock, par value $0.001 per share, of which 183,452,238 shares were outstanding; and (2) 5,000,000 shares of preferred stock, par value $0.01 per share, of which no shares were issued and outstanding.

BOARD OF DIRECTORS

TTI. Under the Texas Business Corporation Act, the articles of incorporation or by-laws of a corporation may set the number of directors or provide the manner of determining the number of directors. The TTI articles of incorporation provide that the number of directors will be not less than one and not more than nine, the exact number to be fixed from time to time as provided in the by-laws of TTI, which, in turn, provide that the number of directors may be increased or decreased from time to time by an amendment to the by-laws. The current number of TTI directors is five. The Texas Business Corporation Act permits the by-laws of a corporation to provide that directors be divided into classes. The by-laws of TTI do not provide for classification of the board of directors. Under the Texas Business Corporation Act and the by-laws of TTI, directors are elected at the annual stockholders meeting by a plurality of the voting rights represented by the shares present in person or represented by proxy and entitled to vote in the election, and hold office until the next annual meeting of stockholders and until his or her successor is duly elected and qualified.

The Texas Business Corporation Act and the by-laws of TTI provide that a quorum at any meeting of the TTI board of directors consists of a majority of the total number of directors. The by-laws of TTI provide the action of a majority of the directors present at a meeting at which a quorum is present will be the act of the board of directors.

SONUS. The Delaware General Corporation Law permits the certificate of incorporation or the by-laws of the corporation to govern the number and terms of directors. The by-laws of Sonus provide that the number of directors will be five, or such other number as the board of directors of Sonus may determine from time to time. The Delaware General Corporation Law permits the certificate of incorporation to provide for the division of directors into up to three classes, with the term of office of each class of directors expiring in successive years. Under the Sonus certificate of incorporation, the Sonus board of directors is divided into three classes as nearly equal in number

as possible, and the Sonus directors are elected for three-year terms by a plurality of the voting rights represented by the shares present in person or represented by proxy at the annual stockholders meeting and entitled to vote in the election.

Under the Sonus by-laws, a quorum at any meeting of the Sonus board of directors consists of a majority of the total number of directors, and a majority of the directors present at any meeting at which a quorum is present, is required to approve any Sonus board of directors' action except as may be otherwise specifically provided by the Delaware General Corporation Law, or the Sonus certificate of incorporation or by-laws.

CUMULATIVE VOTING

TTI. Under the Texas Business Corporation Act, shareholders are allowed to cumulate their votes in the election of directors unless prohibited in the corporation's articles of incorporation. The TTI articles of incorporation expressly prohibit cumulative voting.

SONUS. The Delaware General Corporation Law permits cumulative voting for the election of directors if provided for by the certificate of incorporation. The Sonus certificate of incorporation provides that there shall not be cumulative voting.

NEWLY CREATED DIRECTORSHIPS AND VACANCIES

TTI. Under the Texas Business Corporation Act, the number of directors may be increased or decreased by amendment to, or in the manner provided in, the articles of incorporation or the by-laws, but any decrease may not shorten the term of any incumbent director. The TTI by-laws provide that the number of directors may be increased or decreased by amendment to the by-laws. Under the Texas Business Corporation Act and the TTI by-laws, any directorship to be filled by reason of an increase in the number of directors may be filled by election at an annual or special meeting of shareholders called for that purpose.

SONUS. Under the Delaware General Corporation Law and the Sonus by-laws, any vacancies in the board of directors may be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director. When the number of directors is changed, any newly created or eliminated directorship will be apportioned among the classes of directors so as to make all classes as nearly equal in number as possible. A decrease in the number of directors may not shorten the term of the incumbent director.

REMOVAL OF DIRECTORS

TTI. Under the Texas Business Corporation Act, any director or the entire board of directors of a corporation with an unclassified board, such as TTI, may be removed, with or without cause, by the vote of the holders of a majority of the shares entitled to vote at any meeting of shareholders called expressly for such purpose.

SONUS. Under the Delaware General Corporation Law, any director or the entire board of directors of a corporation with a classified board, such as Sonus, may be removed by the holders of a majority of shares then entitled to vote at an election of directors, but only for cause. However, the Sonus certificate of incorporation provides that no director will be removed other than for cause, and only upon the affirmative vote of 66 2/3% of the issued and outstanding shares of stock entitled to vote thereon.

COMMITTEES OF THE BOARD OF DIRECTORS

TTI. Under the Texas Business Corporation Act, the TTI board of directors may designate one or more committees from among its members. The TTI board of directors currently has no committees.

SONUS. Under the Delaware General Corporation Law and the Sonus by-laws, the Sonus board of directors may designate one or more committees, which must consist of Sonus directors and will have such powers as the Sonus board of directors may provide, subject to restrictions in the Delaware General Corporation Law. The Sonus board of directors currently has a compensation committee and an audit committee.

SPECIAL MEETINGS OF STOCKHOLDERS

TTI. The Texas Business Corporation Act provides that a special meeting of shareholders may be called by the president, the board of directors or other persons authorized in the corporation's articles of incorporation or by-laws, or by holders of not less than 10% of all shares entitled to vote at the meeting, unless the articles of incorporation provide for a different percentage not greater than 50%. The TTI articles of incorporation and by-laws have no provisions regarding calling a special meeting of shareholders.

SONUS. Under the Delaware General Corporation Law, the board of directors or any person authorized in the corporation's certificate of incorporation or by-laws may call a special meeting of stockholders. Under the Sonus by-laws, a special meeting of the Sonus stockholders may only be called by the chairman of the board of directors, the president or a majority of the board of directors.

QUORUM AT STOCKHOLDER MEETINGS

TTI. Under the Texas Business Corporation Act and the TTI by-laws, the holders of record of a majority of the shares entitled to vote at a shareholder meeting, present in person or represented by proxy, constitute a quorum for the transaction of business. In the absence of a quorum, the shareholders present in person or represented by proxy at a meeting may adjourn the meeting until a quorum is present or represented.

SONUS. Under the Sonus by-laws, the holders of a majority of the issued and outstanding shares of stock entitled to vote at the meeting, and who are present in person or represented by proxy, constitute a quorum at all meetings of the stockholders for the transaction of business. The holders of a majority of the shares of stock represented by the shares represented at a meeting, whether or not a quorum is present, may adjourn the meeting from time to time.

STOCKHOLDER ACTION BY WRITTEN CONSENT

TTI. Under the Texas Business Corporation Act, shareholders may take any action without a meeting, without prior notice and without a vote if all shareholders entitled to vote on the matter consent to the action in writing. If a corporation's articles of incorporation so provide, shareholders may take any action under the Texas Business Corporation Act by a consent signed by the holders of shares having not less than the minimum number of votes that would be necessary to take such action at a meeting. The TTI articles of incorporation provide that any action required to be taken or that may be taken at any meeting of shareholders, may be taken without a meeting, without prior notice, and without a vote, if written consents are signed by the holders of shares having not less than the minimum number of votes that would be necessary to take such action at a meeting.

SONUS. Under the Delaware General Corporation Law unless the certificate of incorporation provides otherwise, stockholders may take any action without a meeting, without prior notice and without a vote, if written consents are signed by the holders of not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting. However, under the Sonus certificate of incorporation and by-laws, the Sonus stockholders may not take corporate action without a meeting.

ADVANCE NOTICE OF STOCKHOLDER-PROPOSED BUSINESS AT ANNUAL MEETINGS

TTI. Neither the TTI articles of incorporation nor the by-laws include a provision which requires that advance notice be given to TTI of shareholder-proposed business to be conducted at annual meetings.

SONUS. The Sonus by-laws provide that, for nominations to the Sonus board of directors or for other business to be properly brought before a meeting of stockholders, a stockholder must provide timely notice to the secretary. To be timely, a notice of nominations or other business for an annual meeting must be delivered to the secretary not less than 120 days and not more than 150 days prior to the first anniversary of the date of Sonus' proxy statement for the preceding years' annual meeting. However, if the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary, or if no such proxy statement was delivered, such notice must be made not earlier than 90 days prior to such meeting and not later than the earlier of (1) 60 days prior to the annual meeting or (2) 10 days after the date on which public announcement of the meeting is made. For a special meeting, notice of nominations or other business must be delivered to the secretary not more than 90 days prior to such meeting and not later than the later of (1) 60 days prior to the meeting or (2) 10 days after the date on which public announcement of the meeting is made.

This notice must contain the name and address of the stockholder making or proposing the nomination or business and other information, including, among other things, the number of shares of Sonus stock held by such stockholder and the manner in which they are held, and information on any person to be nominated.

AMENDMENT OF GOVERNING DOCUMENTS

TTI. Under the Texas Business Corporation Act, an amendment of the articles of incorporation requires a resolution of the board of directors and the approval of the holders of at least two-thirds of the outstanding shares of stock entitled to vote on the amendment. Each class or series of stock affected must also approve by at least a two-thirds vote amendments that make changes that adversely affect the rights of that class or series. The TTI articles of incorporation contain no provisions regarding amendments.

Under the Texas Business Corporation Act, a corporation's board of directors may amend or repeal the corporation's by-laws or adopt new by-laws unless (1) the articles of incorporation reserve the power exclusively to the shareholders in whole or in part or (2) the shareholders in amending, repealing or adopting a particular by-law expressly provide that the board of directors may not amend or repeal that by-law. Unless the articles of incorporation or a by-law adopted by the shareholders provide otherwise, the shareholders may amend, repeal or adopt by-laws even though the by-laws may also be amended, repealed or adopted by the board of directors. The TTI by-laws provide that they may be altered, amended or repealed in whole or in part by the affirmative vote of the holders of a majority of the shares issued and entitled to vote. The TTI articles of incorporation provide that the board of directors will have the power to alter, amend or repeal the by-laws or to adopt new by-laws.

SONUS. Under the Delaware General Corporation Law, an amendment to a corporation's certificate of incorporation requires the recommendation of a corporation's board of directors, the approval of a majority of all shares of stock entitled to vote on the amendment, voting together as a single class, and the approval of a majority of the outstanding stock of each class entitled to vote separately on the amendment unless a higher vote is required in the corporation's certificate of incorporation. The Sonus certificate of incorporation further provides that the affirmative vote of at least 66 2/3% of the shares of stock entitled to vote on the amendment is required to amend, alter or repeal Articles IV (to the extent it relates to the ability of the Sonus board of directors to issue and designate preferred stock),V (board of directors), VII (indemnification), IX (certain transactions), X (stockholder action) and XI (amendment of certificate of incorporation) of the Sonus certificate of incorporation.

Under the Delaware General Corporation Law, stockholders have the power to amend, adopt or repeal a corporation's by-laws. The Sonus by-laws provide that they may only be amended, adopted or repealed by the affirmative vote of at least 66 2/3% of the outstanding shares of voting stock of Sonus. The Sonus certificate of incorporation and the Sonus by-laws grant the Sonus board of directors the power to adopt, amend and repeal the Sonus by-laws.

VOTE REQUIRED FOR MERGERS

TTI. Under the Texas Business Corporation Act, a merger may become effective without the approval of the surviving corporation's shareholders in specified circumstances. Where shareholder approval is necessary, approval of a merger requires a two-thirds affirmative vote of the outstanding shares entitled to vote on the merger, and in circumstances where a class or series of shares are entitled to vote as a class, the merger must be approved by the holders of two-thirds of the outstanding shares of each class or series entitled to vote, unless the articles of incorporation otherwise require a different number of shares. The TTI articles of incorporation contain no provisions relating to the approval of mergers.

SONUS. Under the Delaware General Corporation Law, a merger may become effective without the approval of the corporation's stockholders in specified circumstances. Where stockholder approval is required, a merger may be adopted by the affirmative vote of a majority of the outstanding shares of stock entitled to vote on the merger.

REQUIRED VOTE FOR DISPOSITION OF ASSETS

TTI. Under the Texas Business Corporation Act, the sale, lease, exchange or other disposition of all, or substantially all, the property and assets of a corporation if not made in the usual and regular course of business requires the approval of the holders of at least two-thirds of the outstanding shares entitled to vote thereon, unless the articles of incorporation require the vote of a different number of shares. The TTI articles of incorporation contain no provisions relating to the approval of dispositions of assets.

SONUS. Under the Delaware General Corporation Law, a corporation may sell, lease or exchange all or substantially all of its property and assets if authorized by a majority of the outstanding shares of stock entitled to vote on the disposition.

PREEMPTIVE RIGHTS

TTI. Under the Texas Business Corporation Act, a shareholder has preemptive rights, unless the articles of incorporation limit those rights. The TTI articles of incorporation expressly deny preemptive rights to any holder of shares of any class of stock of TTI.

SONUS. Under the Delaware General Corporation Law, a stockholder does not have preemptive rights unless the corporation's certificate of incorporation specifically grants those rights. The Sonus certificate of incorporation does not grant preemptive rights.

BUSINESS COMBINATION WITH AN INTERESTED STOCKHOLDER

TTI. The Texas Business Corporation Act generally prevents an "affiliated" shareholder or its affiliates or associates from entering into or engaging in a "business combination" with a public corporation during the three-year period immediately following the affiliated shareholder's acquisition of shares unless specific conditions are satisfied. This prohibition does not apply to public corporations whose original articles of incorporation contain a provision expressly electing not to be governed by this provision of the Texas Business Corporation Act. The TTI articles of incorporation make no such election.

SONUS. Sonus is subject to the provisions of Section 203 of the Delaware General Corporation Law, generally described above under "Certain Charter and Statutory Provisions--Section 203 of the Delaware General Corporation Law."

DISSENTERS' APPRAISAL RIGHTS

TTI. Under the Texas Business Corporation Act, a shareholder is entitled to dissent from and obtain the appraised value of his or her shares in connection with any plan of merger or exchange or disposition of all or substantially all, of the corporation's assets if the Texas Business Corporation Act requires a shareholder vote on the action and the shareholder has shares of a class entitled to vote on that transaction. However, a shareholder does not have the right to dissent from any plan of merger in which there is a single surviving or new corporation, or from any plan of exchange, if (1) the shares held by the shareholder are listed on a national securities exchange, listed on the Nasdaq Stock Market, designated a national market security by the National Association of Securities Dealers, Inc. or held of record by not less than 2,000 shareholders; (2) the shareholder is not required by the terms of the plan of merger or the plan of exchange to accept for his or her shares any consideration that is different than the consideration to be provided to any other holder of shares of the same class or series; and (3) the shareholder is not required by the terms of the plan of merger or the plan of exchange to accept for his or her shares consideration (a) other than shares of a corporation which immediately after the effective time of the merger will be listed on a national securities exchange, approved for quotation as a national market security by the National Association of Securities Dealers, Inc., or held of record by not less than 2,000 shareholders, (b) cash in lieu of fractional shares the shareholder is otherwise entitled to receive, or (c) any combination of such securities and cash.

SONUS. Under the Delaware General Corporation Law, stockholders generally have the right to demand and receive payment in cash for the fair value of their stock in an appraisal proceeding in lieu of the consideration stockholders would otherwise receive in a merger or consolidation if the terms of the agreement of merger or consolidation require the stockholder to accept in exchange for his shares anything other than shares of stock in the corporation surviving or resulting from the merger or consolidation, shares of any other corporation that at the effective date of the merger or consolidation will be either listed on a national securities exchange or designated as a national market system security by the National Association of Securities Dealers, Inc., or held of record by more than 2,000 holders, cash in lieu of fractional shares, or any combination thereof. A stockholder does not have appraisal rights if the shares of the corporation are listed on a national securities exchange or designated as a national market system security by the National Association of Securities Dealers, Inc. or held of record by more than 2,000 holders, or if the corporation will be the surviving corporation of a merger and the merger does not require the vote of the corporation's stockholders.

A Delaware corporation's certificate of incorporation may provide that appraisal rights will be available in the event of the sale of all or substantially all of a corporation's assets or adoption of an amendment to its certificate of incorporation. The Sonus certificate of incorporation does not provide for such rights.

DIVIDENDS

TTI. Under the Texas Business Corporation Act, the board of directors of a corporation may authorize a corporation to make distributions only out of its surplus (the excess of net assets over stated capital).

SONUS. Under the Delaware General Corporation Law, a corporation may pay dividends out of surplus. If there is no surplus, dividends may be declared out of net profits for the current or preceding fiscal year unless the capital of the corporation has been decreased to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock having a preference upon the distribution of assets. Under the Sonus certificate of incorporation, holders of shares of Sonus common stock are entitled to receive dividends on each share, when and if declared by the Sonus board of directors out of assets legally available therefor, after payment of all dividends to holders of shares of any then outstanding shares of preferred stock.

LIQUIDATION RIGHTS

TTI. Under the Texas Business Corporation Act, a corporation liquidating its assets must satisfy its debts and liabilities followed by distributions to its shareholders, according to their respective rights and interests.

SONUS. Under the Delaware General Corporation Law, a dissolved corporation or successor entity must pay claims against the corporation, followed by unpaid dividends to the holders of preferred stock before making distributions to the holders of common stock. Under the Sonus certificate of incorporation, in the event of any dissolution or liquidation of Sonus, whether voluntary or involuntary, the holders of Sonus common stock will be entitled to receive all assets of Sonus available for distribution to its stockholders, subject to any preferential dividend rights of any then outstanding shares of preferred stock.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

TTI. Under the Texas Business Corporation Act, a corporation is permitted to provide indemnification or advancement of expenses against judgments, penalties, fines, settlements and reasonable expenses actually incurred by a person in connection with a proceeding resulting from that person being or having been a director, officer or agent of the corporation only if that person conducted himself in good faith; in the case of conduct in his official capacity, he reasonably believed that his conduct was in the corporation's best interests; in all other cases, he reasonably believed that his conduct was at least not opposed to the corporation's best interests; and in the case of any criminal proceeding, he had no reasonable cause to believe his conduct was unlawful. If, however, the person is found liable to the corporation or is found liable on the basis that he received improper personal benefit, indemnification is limited to the reasonable expenses actually incurred by the person in connection with the proceeding. Indemnification will not be available if the person is found liable for willful or intentional misconduct in the performance of his duty to the corporation.

Under the Texas Business Corporation Act, any of the following can determine whether indemnification is appropriate under Texas law: a majority vote of a quorum consisting of directors who at the time of the vote are not party to the proceeding; if such a quorum cannot be obtained, a majority vote of a special committee of the board of directors consisting of at least two directors

who at the time of the vote are not party to the proceeding; special legal counsel; or shareholder vote excluding shares held by directors party to the proceeding.

Under the Texas Business Corporation Act a corporation must indemnify a director if the director is wholly successful, on the merits or otherwise, in the defense of the proceeding.

The TTI articles of incorporation and by-laws provide that the TTI board of directors will have the power to indemnify persons for whom indemnification is permitted under the Texas Business Corporation Act to the maximum extent permitted by Texas law. Under the Texas Business Corporation Act and the TTI articles of incorporation, TTI may purchase and maintain liability insurance or make other arrangements for such director indemnification.

SONUS. Sonus is subject to Section 145 of the Delaware General Corporation Law pertaining to indemnification of officers and directors, as generally described above under "Description of Capital Stock of Sonus--Limitation of Liability and Indemnification."

LIMITATION OF PERSONAL LIABILITY OF DIRECTORS

TTI. Under the Texas Miscellaneous Corporation Laws Act, a corporation's articles of incorporation may eliminate or limit all monetary liability of directors to the corporation or its shareholders for conduct in the performance of the director's duties. A corporation may not limit the liability of a director for a breach of the director's duty of loyalty to the corporation or its shareholders, an act or omission not in good faith, an act or omission that involves intentional misconduct or a knowing violation of the law, obtaining an improper personal benefit from the corporation or violating applicable statutes that expressly provide for the liability of a director. The TTI articles of incorporation do not so eliminate the monetary liability of its directors.

SONUS. Sonus is subject to Section 102(b)(7) of the Delaware General Corporation Law which authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breach of directors' fiduciary duty of care as generally described above under "Description of Capital Stock of Sonus--Limitation of Liability and Indemnification."

The following unaudited pro forma condensed combined financial information gives effect to the merger using the purchase method of accounting after giving effect to the pro forma adjustments described in the accompanying notes. The unaudited pro forma condensed combined financial information should be read in conjunction with the audited historical financial statements and related notes of Sonus and TTI which appear elsewhere in this proxy statement/prospectus.

Pursuant to the terms of the merger agreement, a wholly-owned subsidiary of Sonus will merge with and into TTI and the shareholders of TTI will be entitled to receive up to an aggregate of 15,000,000 shares of Sonus common stock. Of these shares, 9,600,000 will be issued to the TTI shareholders on the closing date and an aggregate of up to 1,200,000 of escrowed shares that may be released to Sonus in satisfaction of indemnification claims that may be made by Sonus under the merger agreement. The remaining 4,200,000 shares will be held in escrow for release to the former TTI shareholders if certain agreed upon specified business expansion and product development performance milestones are achieved by TTI on or prior to specified dates prior to December 31, 2002.

Sonus has also agreed under the merger agreement to make contingent awards of up to 3,000,000 shares of common stock to certain employees of TTI who will become employees of Sonus as a result of the merger under the Sonus 2000 Retention Plan. These awards will vest on January 1, 2003, if (1) the recipients do not voluntarily terminate employment with TTI or Sonus prior to January 1, 2003 and (2) the business expansion and product development escrow release conditions are satisfied in whole or in part. The final number of shares of Sonus common stock awarded to each employee that will vest on January 1, 2003 will be proportional to the number of shares escrowed in the merger that are eventually released upon the satisfaction of the business expansion and product development escrow release conditions. Generally, any awards forfeited by employees who terminate employment with TTI, other than a termination by Sonus or TTI without cause, prior to January 1, 2003, may be reallocated to remaining TTI employees, awarded to replacement hires or returned to Sonus as provided by the terms of this plan. The value of the 3,000,000 shares awarded under the retention plan is expected to be expensed ratably over the approximate two year vesting period based upon the closing price of Sonus common stock on the date the merger is consummated (estimated to be $40.88 per share in the unaudited pro forma condensed combined financial statements) as adjusted for the change in the fair value on the date the specific escrow release conditions are satisfied.

The merger will be accounted for using the purchase method of accounting in accordance with Accounting Principles Board (APB) No. 16. Accordingly, the total purchase price will be allocated to the assets acquired and liabilities assumed based upon their estimated fair values. The purchase price will be determined by using the average market value of Sonus common stock for the period from two days before to two days after the announcement of the TTI merger ($41.61 per share) to value the 10,800,000 Sonus common shares deemed to be issued to the TTI shareholders at the closing date, comprised of the 9,600,000 shares issuable at the closing and the 1,200,000 indemnity escrowed shares, and adding the fair value of liabilities assumed and expenses of the merger. The estimate of the purchase price which has been used for the unaudited pro forma condensed combined financial information is as follows, in thousands:

Fair market value of shares to be issued.....	$450,000
Estimated liabilities to be assumed.....	16,000
Estimated merger expenses.....	11,000
	$477,000

The actual purchase price will be determined at closing and will reflect the actual closing balance sheet of TTI and in accordance with APB No. 16, with the assistance of valuation experts, the purchase price will be allocated to the tangible and intangible assets acquired based upon their fair values. Based upon preliminary appraisals, the purchase price allocation which has been used for the unaudited proforma condensed combined financial information is as follows, in thousands:

Tangible assets	$ 13,000
Intangible assets:	
Workforce	2,700
Developed technology	8,400
Customer list	15,400
In-process research and development	40,000
Prepaid compensation related to unvested options	22,600
Goodwill	374,900
	$477,000

The final purchase price allocation will be determined in 2001, after the closing, and will reflect the final purchase price calculation and the final appraisals of the tangible and intangible assets acquired. In addition, to the extent that any of the 4,200,000 escrowed shares are released to the former TTI shareholders, the purchase price and goodwill will be increased by the value of such shares on the date the relevant escrow release condition is satisfied.

Sonus has engaged third party appraisers to conduct a valuation of the intangible assets and to assist in the determination of useful lives for such assets. Based on the preliminary appraisal, $40,000,000 has been allocated to in-process research and development which will be expensed in the period the merger is consummated. The amounts allocated to developed technology, customer list, assembled workforce and goodwill will be amortized over their estimated useful lives of 3 to 4 years. Prepaid compensation was computed based on the intrinsic value of the unvested TTI options assumed by Sonus and will be expensed over the remaining vesting period of approximately 3 years.

The valuation of in-process research and development was determined using the income method. Revenue and expense projections for the in-process development project were prepared by the management of Sonus through 2008 and the present value was computed using a discount rate of 22.5%. The in-process project is not expected to reach technological feasibility until the end of 2001, at an estimated cost to complete of approximately $5.0 million. In the event that the project is not completed and technological feasibility is not achieved, there is no alternative future use for the in-process technology. The assumptions used for the valuation of in-process research and development are the responsibility of management and are subject to change.

The unaudited proforma condensed combined financial information does not purport to represent what the consolidated financial position or results of operations actually will be upon closing or at the beginning of the periods presented or to project the results of operations or financial position for any future period or at a future date. The unaudited pro forma financial information does not give effect to any cost savings and other synergies that may result from the merger. Sonus is developing plans for integration of TTI and has not determined if there will be any cost savings.

UNAUDITED PRO FORMA CONDENSED
COMBINED BALANCE SHEET

AS OF SEPTEMBER 30, 2000

(IN THOUSANDS)

	HISTORICAL			PRO FORMA
	SONUS	TTI	ADJUSTMENTS	COMBINED
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$152,685	$ 1,550	$(16,000)(G)	$138,235
Accounts receivable, net of allowances	7,617	1,824	--	9,441
Inventories	14,388	2,558	--	16,946
Other current assets	1,879	2,550	--	4,429
TOTAL CURRENT ASSETS	176,569	8,482	(16,000)	169,051
Property and equipment, net	10,703	3,338	--	14,041
Intangible assets	--	--	424,000 (E)	424,000
Other assets, net	911	1,004	--	1,915
	$188,183	$ 12,824	$408,000	$609,007
LIABILITIES, REDEEMABLE COMMON STOCK AND SHAREHOLDERS' EQUITY (DEFICIT)				
CURRENT LIABILITIES:				
Current portion of capital lease obligations	$ --	$ 310	$ --	$ 310
Note payable to bank	--	5,000	(5,000)(G)	--
Accounts payable	11,800	1,350	--	13,150
Accrued expenses	13,763	3,224	--	16,987
Deferred revenue	12,264	4,438	--	16,702
TOTAL CURRENT LIABILITIES	37,827	14,322	(5,000)	47,149
Deferred income taxes	--	629	--	629
Capital lease obligations, less current portion	--	930	--	930
Redeemable common stock	--	31,752	(31,752)(F)	--
STOCKHOLDERS' EQUITY (DEFICIT):				
Common stock	184	1	(1)(F)	195
			11 (F)	
Capital in excess of par value	268,165	7,742	(7,742)(F)	718,097
			449,932 (F)	
Accumulated deficit	(77,688)	(35,204)	35,204 (F)	(117,688)
			(40,000)(E)	
Stock subscriptions receivable	(346)	--	--	(346)
Deferred compensation	(39,894)	(7,348)	7,348 (F)	(39,894)
Treasury stock	(65)	--	--	(65)
Total stockholders' equity (deficit)	150,356	(34,809)	444,752	560,299
	$188,183	$ 12,824	$408,000	$609,007

See notes to unaudited pro forma condensed combined financial information.

UNAUDITED PRO FORMA CONDENSED
COMBINED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 1999

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	HISTORICAL			
	SONUS	TTI	ADJUSTMENTS	PRO FORMA COMBINED
REVENUES	$ --	$ 19,332	$ --	$ 19,332
Manufacturing, product and service costs	1,861	11,637	--	13,498
GROSS PROFIT (LOSS)	(1,861)	7,695	--	5,834
OPERATING EXPENSES:				
Research and development	10,780	7,486	--	18,266
Sales and marketing	5,606	3,287	--	8,893
General and administrative	1,723	1,960	--	3,683
Amortization of intangibles	--	--	102,558(A)	102,558
Stock-based compensation	4,404	--	68,216(B)	72,620
Total operating expenses	22,513	12,733	170,774	206,020
LOSS FROM OPERATIONS	(24,374)	(5,038)	(170,774)	(200,186)
Sale of product line	--	5,500	--	5,500
Other income (expense), net	487	741	--	1,228
INCOME (LOSS) BEFORE INCOME TAXES	(23,887)	1,203	(170,774)(D)	(193,458)
Provision for income taxes	--	336	(336)	--
NET INCOME (LOSS)	(23,887)	867	(170,438)	(193,458)
Beneficial conversion feature of Series C preferred stock	(2,500)	--	--	(2,500)
NET INCOME (LOSS) APPLICABLE TO COMMON STOCKHOLDERS	$(26,387)	$ 867	$(170,438)	$(195,958)
NET INCOME (LOSS) PER SHARE:				
Basic and diluted	$ (1.84)	$ 0.01		$ (7.80)
Pro forma basic and diluted	$ (0.25)	$ 0.01		$ (1.81)
SHARES USED IN COMPUTING NET LOSS PER SHARE:				
Basic and diluted	14,324	100,000	10,800	25,124
Pro forma basic and diluted	96,188	100,000	10,800	106,988

See notes to unaudited pro forma condensed combined financial information.

UNAUDITED PRO FORMA CONDENSED
COMBINED STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	HISTORICAL			
	SONUS	TTI	ADJUSTMENTS	PRO FORMA COMBINED
REVENUES	$ 23,171	$ 19,968	$ --	$ 43,139
Manufacturing, product and service costs	14,846	10,324	--	25,170
GROSS PROFIT	8,325	9,644	--	17,969
OPERATING EXPENSES:				
Research and development	18,231	8,523	--	26,754
Sales and marketing	13,576	3,113	--	16,689
General and administrative	3,750	2,289	(150)(C)	5,889
Amortization of intangibles	--	--	76,919 (A)	76,919
Stock-based compensation	20,347	394	51,162 (B)	71,903
Total operating expenses	55,904	14,319	127,931	198,154
LOSS FROM OPERATIONS	(47,579)	(4,675)	(127,931)	(180,185)
Other income (expense)	3,813	(189)	--	3,624
NET LOSS	$ (43,766)	$ (4,864)	$ (127,931)	$(176,561)
NET LOSS PER SHARE:				
Basic and diluted	$ (0.57)	$ (0.05)		$ (2.00)
Pro forma basic and diluted	$ (0.34)	$ (0.05)		$ (1.25)
SHARES USED IN COMPUTING NET LOSS PER SHARE:				
Basic and diluted	77,448	100,000	10,800	88,248
Pro forma basic and diluted	130,291	100,000	10,800	141,091

See notes to unaudited pro forma condensed combined financial information.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

BASIS OF PRESENTATION

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 1999 and the nine months ended September 30, 2000 gives effect to the merger as if the transaction had occurred at the beginning of the period presented. The unaudited pro forma condensed combined balance sheet as of September 30, 2000 gives effect to the merger as if the transaction had occurred on September 30, 2000. The unaudited pro forma condensed combined financial information is based upon a preliminary calculation of the purchase price and a preliminary purchase price allocation. This unaudited information will change based upon the actual closing.

Below is a table of the preliminary purchase price allocation, which reflects the total purchase price of $477,000,000 consisting of the 10,800,000 shares of Sonus common stock to be issued at closing, composed of the 9,600,000 shares issuable at the closing and the 1,200,000 indemnity escrow shares, which have been valued at $450,000,000, merger related fees and expenses of $11,000,000 and assumed liabilities of $16,000,000, in thousands:

Tangible assets acquired	$ 13,000
Assembled workforce	2,700
Acquired technology	8,400
Customer lists	15,400
In-process research and development	40,000
Prepaid compensation related to unvested options	22,600
Goodwill	374,900
TOTAL	$477,000

PRO FORMA ADJUSTMENTS

Adjustments to record amortization of intangibles in the unaudited pro forma condensed combined balance sheet and statements of operations, in thousands:

		ESTIMATED USEFUL LIFE IN YEARS	YEAR ENDED DECEMBER 31, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000
(A)	Amortization of intangibles:			
	Assembled workforce	3	$ 900	$ 675
	Acquired technology	3	2,800	2,100
	Customer lists	3	5,133	3,850
	Goodwill	4	93,725	70,294
	Total		$102,558	$ 76,919

(IN THOUSANDS EXCEPT PER SHARE DATA)

		YEAR ENDED DECEMBER 31, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000
(B)	Stock based compensation:		
	To record stock based compensation related to 3,000,000 shares of Sonus common stock reserved for employee retention incentives based upon an estimated common stock price of $40.88 per share, for purposes of the unaudited pro forma information. These shares are issuable to employees of TTI who maintain employment until January 1, 2003, and if TTI achieves certain business expansion and product development milestones.	$ 61,320	$ 45,990
	To record amortization of prepaid compensation.....	6,896	5,172
	Total.....	$ 68,216	$ 51,162
(C)	To reverse TTI's merger related expenses.....	$ --	$ (150)
(D)	To reverse tax provision related to TTI.....	$ (336)	$ --

		AT SEPTEMBER 30, 2000
(E)	Preliminary allocation of purchase price:	
	Assembled workforce.....	$ 2,700
	Acquired technology.....	8,400
	Customer lists.....	15,400
	Prepaid compensation related to unvested options.....	22,600
	Goodwill.....	374,900
	Total goodwill and intangible assets.....	$ 424,000
	Accumulated deficit (in process research and development charge).....	$ (40,000)
(F)	Exchange of all outstanding stock of TTI in exchange for 10,800,000 shares of Sonus common stock:	
	Sonus common stock.....	$ 11
	Sonus capital in excess of par value.....	449,932
	TTI redeemable common stock.....	(31,752)
	TTI common stock.....	(1)
	TTI capital in excess of par value.....	(7,742)
	TTI accumulated deficit.....	35,204
	TTI deferred compensation.....	7,348
(G)	Payment of merger related fees and expenses.....	$ (11,000)
	Payment of note payable to bank.....	(5,000)
	Total change in cash.....	$ (16,000)

NET INCOME (LOSS) PER SHARE ON A PRO FORMA BASIS

The unaudited basic and diluted net income (loss) per share is based on the weighted average number of Sonus unrestricted common shares outstanding prior to the merger plus the 10,800,000 shares of Sonus common stock issued upon the closing of the merger, composed of the 9,600,000 shares issuable at the closing and the 1,200,000 indemnity escrow shares as if they were issued on the first day of the period. The unaudited pro forma basic and diluted net income (loss) per share reflects the conversion of all outstanding shares of Sonus Series A, B, C and D redeemable convertible preferred stock into an aggregate of 96,957,222 shares of common stock upon the consummation of the Sonus IPO in May 2000, as if such conversion occurred at the date of original issuance. Options outstanding and the shares to be issued under the Sonus Retention Plan have not been included in the computation of the basic and diluted net income (loss) per share for the periods reported because their effect would not be dilutive.

LEGAL MATTERS

The validity of the shares of Sonus common stock to be issued in the merger will be passed upon for Sonus by Bingham Dana LLP, Boston, Massachusetts. Certain legal matters with respect to the federal income tax consequences of the merger will be passed upon for TTI by Wachtell, Lipton, Rosen & Katz, New York, New York. As of November 30, 2000, 6 attorneys at Bingham Dana LLP own, in the aggregate, 161,781 shares of Sonus' common stock.

EXPERTS

The consolidated financial statements of Sonus Networks, Inc. as of December 31, 1998 and 1999 and for the period from inception (August 7, 1997) through December 31, 1997, and for the years ended December 31, 1998 and 1999 included in this proxy statement/prospectus have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included in reliance upon the authority of said firm as experts in giving said report.

The consolidated financial statements of telecom technologies, inc. as of December 31, 1998 and 1999, and for the years ended December 31, 1998 and 1999, included in this proxy statement/ prospectus have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included in reliance upon the authority of said firm as experts in giving said report.

WHERE YOU CAN FIND MORE INFORMATION

You can obtain documents incorporated by reference in this proxy statement/prospectus without charge by requesting them in writing or by telephone from Sonus or TTI at the following addresses and telephone numbers:

Sonus Networks, Inc.	telecom technologies, inc.
5 Carlisle Road	1701 North Collins Blvd., Suite 3000
Westford, MA 01886	Richardson, TX 75080
Telephone: (978) 692-8999	Telephone: 972-301-4900
Attn: Investor Relations	Attn: Secretary

Sonus files quarterly and other reports and proxy statements with the Securities and Exchange Commission. You may read and copy any reports, statements or other information filed by Sonus at the Securities and Exchange Commission's public reference rooms in Washington, D.C. at 450 5th Street, N.W., and in New York, New York and Chicago, Illinois. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference rooms. Sonus' Securities and Exchange Commission filings are also available to the public from commercial document retrieval services and at the Web site maintained by the Securities and Exchange Commission at HTTP://WWW.SEC.GOV.

Sonus has filed a registration statement on Form S-4 to register with the Securities and Exchange Commission with regard to the Sonus common stock to be issued to TTI shareholders in the merger. This proxy statement/prospectus is a part of that registration statement. As allowed by Securities and Exchange Commission rules, this proxy statement/prospectus does not contain all the information you can find in the registration statement or the exhibits to the registration statement. You can obtain the additional information in the registration statement by contacting Sonus at its address and telephone number listed above.

Sonus has supplied all information contained in this proxy statement/prospectus relating to Sonus, and TTI has supplied all information contained or incorporated by reference in this proxy statement/prospectus relating to TTI.

Sonus' principal executive offices are located at 5 Carlisle Road, Westford, Massachusetts 01886, and our telephone number is (978) 692-8999. Sonus is a trademark and service mark of Sonus Networks, Inc. Each trademark, trade name or service mark of any other company appearing in this proxy statement/prospectus belongs to its holder. Information contained on Sonus' Web site, WWW.SONUSNET.COM, does not constitute part of this proxy statement/prospectus. Sonus was incorporated as a Delaware corporation in August 1997.

TTI's principal executive offices are located at 1701 North Collins Blvd., Suite 3000, Richardson, TX 75080, and our telephone number is 972-301-4900. INtelligentIP is a trademark and service mark of TTI. Information contained on our Web site, WWW.TELECOMTECHNOLOGIES.COM, does not constitute part of this proxy statement/prospectus. TTI was incorporated as a Texas corporation in 1993.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF SONUS NETWORKS, INC.

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of Sonus Networks, Inc. (a Delaware corporation) as of December 31, 1998 and 1999, and the related consolidated statements of operations, redeemable convertible preferred stock and stockholders' equity (deficit) and cash flows for the period from inception (August 7, 1997) to December 31, 1997, and for the years ended December 31, 1998 and 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sonus Networks, Inc. as of December 31, 1998 and 1999, and the results of its operations and its cash flows for the period from inception (August 7, 1997) to December 31, 1997, and for the years ended December 31, 1998 and 1999, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Boston, Massachusetts
March 10, 2000

SONUS NETWORKS, INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	DECEMBER 31,		SEPTEMBER 30,
	1998	1999	2000
			(UNAUDITED)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 3,584	$ 8,885	$152,685
Marketable securities	12,917	14,681	--
Accounts receivable, net of allowance of $700	--	--	7,617
Inventories	--	2,210	14,388
Other current assets	162	298	1,879
Total current assets	16,663	26,074	176,569
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization	1,506	4,269	10,703
OTHER ASSETS, net of accumulated amortization of $57, $301 and $500 at December 31, 1998 and 1999, and September 30, 2000, respectively	247	439	911
	$18,416	$30,782	$188,183
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)			
CURRENT LIABILITIES:			
Current portion of long-term obligations	$ 430	$ 1,336	$ --
Accounts payable	422	1,412	11,800
Accrued expenses	490	2,691	13,763
Deferred revenue	--	1,031	12,264
Total current liabilities	1,342	6,470	37,827
LONG-TERM OBLIGATIONS, less current portion	1,220	3,402	--
COMMITMENTS (Note 7)			
REDEEMABLE CONVERTIBLE PREFERRED STOCK, $0.01 par value; 17,000,000 shares authorized; 10,334,287 and 12,323,968 shares issued and outstanding, at December 31, 1998 and 1999, respectively; No shares authorized, issued and outstanding, at September 30, 2000	22,951	46,109	--
STOCKHOLDERS' EQUITY (DEFICIT):			
Preferred stock, $0.01 par value; 5,000,000 shares authorized; none issued and outstanding	--	--	--
Common stock, $0.001 par value; 300,000,000 shares authorized; 49,570,059, 65,510,921 and 184,031,864 shares issued at December 31, 1998 and 1999 and September 30, 2000, respectively; 49,570,059, 65,510,921 and 183,259,364 shares outstanding at December 31, 1998 and 1999 and September 30, 2000, respectively	50	66	184
Capital in excess of par value	556	25,567	268,165
Accumulated deficit	(7,446)	(33,882)	(77,688)
Stock subscriptions receivable	(257)	(346)	(346)
Deferred compensation	--	(16,604)	(39,894)
Treasury stock, at cost: 772,500 common shares	--	--	(65)
Total stockholders' equity (deficit)	(7,097)	(25,199)	150,356
	$18,416	$30,782	$188,183

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

SONUS NETWORKS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	PERIOD FROM INCEPTION (AUGUST 7, 1997) TO DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1998	YEAR ENDED DECEMBER 31, 1999	NINE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000
				(UNAUDITED)	
REVENUES	$ --	$ --	$ --	$ --	$ 23,171
Manufacturing and product costs (1)	--	--	1,861	1,091	14,846
GROSS PROFIT (LOSS)	--	--	(1,861)	(1,091)	8,325
OPERATING EXPENSES:					
Research and development (1)	299	5,824	10,780	7,505	18,231
Sales and marketing (1)	--	426	5,606	2,747	13,576
General and administrative (1)	187	919	1,723	1,114	3,750
Stock-based compensation	--	59	4,404	2,171	20,347
Total operating expenses	486	7,228	22,513	13,537	55,904
LOSS FROM OPERATIONS	(486)	(7,228)	(24,374)	(14,628)	(47,579)
Interest expense	--	(78)	(224)	(147)	(209)
Interest income	25	392	711	430	4,022
NET LOSS	(461)	(6,914)	(23,887)	(14,345)	(43,766)
Beneficial conversion feature of Series C preferred stock	--	--	(2,500)	--	--
NET LOSS APPLICABLE TO COMMON STOCKHOLDERS	$(461)	$ (6,914)	$ (26,387)	$(14,345)	$ (43,766)
NET LOSS PER SHARE (Note 1(p)):					
Basic and diluted	$ --	$ (1.42)	$ (1.84)	$ (1.13)	$ (0.57)
Pro forma basic and diluted			$ (0.25)	$ (0.16)	$ (0.34)
SHARES USED IN COMPUTING NET LOSS PER SHARE (Note 1(p)):					
Basic and diluted	--	4,858	14,324	12,729	77,448
Pro forma basic and diluted			96,188	91,351	130,291

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(1) Excludes non-cash, stock-based compensation expense as follows:

Manufacturing and product costs	$ --	$ 92	$ 47	$ 302
Research and development	29	1,537	680	8,784
Sales and marketing	12	2,104	1,084	9,108
General and administrative	18	671	360	2,153
	$ 59	$ 4,404	$ 2,171	$ 20,347

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

SONUS NETWORKS, INC.

CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)

(IN THOUSANDS, EXCEPT SHARE DATA)

	REDEEMABLE CONVERTIBLE PREFERRED STOCK		COMMON STOCK		CAPITAL IN EXCESS OF PAR
	SHARES	REDEMPTION VALUE	SHARES	PAR VALUE	VALUE
BALANCE, INCEPTION (AUGUST 7, 1997)	--	$ --	--	$ --	$ --
Issuance of common stock to founders	--	--	24,615,693	25	1
Issuance of Series A preferred stock and issuance costs of $28	7,100,000	7,100	--	--	--
Issuance of common stock to employees	--	--	3,095,625	3	18
Net loss	--	--	--	--	--
BALANCE, DECEMBER 31, 1997	7,100,000	7,100	27,711,318	28	19
Payments on subscriptions receivable	--	--	--	--	--
Issuance of Series A preferred stock and issuance costs of $2	80,000	80	--	--	--
Issuance of Series B preferred stock and issuance costs of $40	3,154,287	15,771	--	--	--
Issuance of common stock to officer	--	--	9,637,497	10	311
Issuance of common stock to employees	--	--	12,221,244	12	167
Compensation associated with the grant of stock options and sale of restricted stock to non-employees	--	--	--	--	59
Net loss	--	--	--	--	--
BALANCE, DECEMBER 31, 1998	10,334,287	22,951	49,570,059	50	556
Issuance of Series B preferred stock to a director and issuance costs of $9	50,000	250	--	--	--
Issuance of Series C preferred stock and issuance costs of $40	1,939,681	22,908	--	--	--
Beneficial conversion feature of Series C preferred stock	--	--	--	--	2,500
Payments on subscriptions receivable	--	--	--	--	--
Issuance of common stock to employees, officers and a director	--	--	15,230,612	15	1,488
Exercise of stock options	--	--	710,250	1	15
Compensation associated with the grant of stock options and sale of restricted stock to non-employees	--	--	--	--	149
Deferred compensation related to stock option grants and sale of restricted common stock	--	--	--	--	20,859
Amortization of deferred compensation	--	--	--	--	--
Net loss	--	--	--	--	--
BALANCE, DECEMBER 31, 1999	12,323,968	46,109	65,510,921	66	25,567
Issuance of Series D preferred stock and issuance costs of $40 (unaudited)	1,509,154	24,750	--	--	--
Issuance of common stock to public, net of issuance costs of $10,602 (unaudited)	--	--	17,250,000	17	121,632
Issuance of common stock to employees (unaudited)	--	--	3,865,671	4	6,421
Conversion of preferred stock to common stock (unaudited)	(13,833,122)	(70,859)	96,957,222	97	70,762
Exercise of stock options (unaudited)	--	--	448,050	--	146
Repurchase of common stock (unaudited)	--	--	--	--	--
Compensation associated with the grant of stock options and sale of restricted stock to non-employees (unaudited)	--	--	--	--	2,389
Deferred compensation related to stock options grants and sale of restricted common stock (unaudited)	--	--	--	--	41,248
Amortization of deferred compensation (unaudited)	--	--	--	--	--
Net loss (unaudited)	--	--	--	--	--
BALANCE, SEPTEMBER 30, 2000 (UNAUDITED)	--	$ --	184,031,864	$184	$268,165

	ACCUMULATED DEFICIT	STOCK SUBSCRIPTIONS RECEIVABLE	DEFERRED COMPENSATION	TREASURY STOCK SHARES	TREASURY STOCK COST
BALANCE, INCEPTION (AUGUST 7, 1997)	$ --	$ --	$ --	--	$ --
Issuance of common stock to founders	(1)	--	--	--	--
Issuance of Series A preferred stock and issuance costs of $28	(28)	--	--	--	--
Issuance of common stock to employees	--	(4)	--	--	--
Net loss	(461)	--	--	--	--
BALANCE, DECEMBER 31, 1997	(490)	(4)	--	--	--
Payments on subscriptions receivable	--	4	--	--	--
Issuance of Series A preferred stock and issuance costs of $2	(2)	--	--	--	--
Issuance of Series B preferred stock and issuance costs of $40	(40)	--	--	--	--
Issuance of common stock to officer	--	(257)	--	--	--
Issuance of common stock to employees	--	--	--	--	--
Compensation associated with the grant of stock options					

and sale of restricted stock to non-employees	--	--	--	--	--
Net loss	(6,914)	--	--	--	--
BALANCE, DECEMBER 31, 1998	(7,446)	(257)	--	--	--
Issuance of Series B preferred stock to a director and issuance costs of $9	(9)	--	--	--	--
Issuance of Series C preferred stock and issuance costs of $40	(40)	--	--	--	--
Beneficial conversion feature of Series C preferred stock	(2,500)	--	--	--	--
Payments on subscriptions receivable	--	21	--	--	--
Issuance of common stock to employees, officers and a director	--	(110)	--	--	--
Exercise of stock options	--	--	--	--	--
Compensation associated with the grant of stock options and sale of restricted stock to non-employees	--	--	--	--	--
Deferred compensation related to stock option grants and sale of restricted common stock	--	--	(20,859)	--	--
Amortization of deferred compensation	--	--	4,255	--	--
Net loss	(23,887)	--		--	--
BALANCE, DECEMBER 31, 1999	(33,882)	(346)	(16,604)	--	--
Issuance of Series D preferred stock and issuance costs of $40 (unaudited)	(40)	--	--	--	--
Issuance of common stock to public, net of issuance costs of $10,602 (unaudited)	--	--	--		
Issuance of common stock to employees (unaudited)	--	--	--	--	--
Conversion of preferred stock to common stock (unaudited)	--	--	--		
Exercise of stock options (unaudited)	--	--	--		
Repurchase of common stock (unaudited)	--	--	--	772,500	(65)
Compensation associated with the grant of stock options and sale of restricted stock to non-employees (unaudited)	--	--	--	--	--
Deferred compensation related to stock options grants and sale of restricted common stock (unaudited)	--	--	(41,248)	--	--
Amortization of deferred compensation (unaudited)	--	--	17,958	--	--
Net loss (unaudited)	(43,766)	--	--	--	--
BALANCE, SEPTEMBER 30, 2000 (UNAUDITED)	$(77,688)	$(346)	$(39,894)	772,500	$(65)

	TOTAL STOCKHOLDERS' EQUITY (DEFICIT)
BALANCE, INCEPTION (AUGUST 7, 1997)	$ --
Issuance of common stock to founders	25
Issuance of Series A preferred stock and issuance costs of $28	(28)
Issuance of common stock to employees	17
Net loss	(461)
BALANCE, DECEMBER 31, 1997	(447)
Payments on subscriptions receivable	4
Issuance of Series A preferred stock and issuance costs of $2	(2)
Issuance of Series B preferred stock and issuance costs of $40	(40)
Issuance of common stock to officer	64
Issuance of common stock to employees	179
Compensation associated with the grant of stock options and sale of restricted stock to non-employees	59
Net loss	(6,914)
BALANCE, DECEMBER 31, 1998	(7,097)
Issuance of Series B preferred stock to a director and issuance costs of $9	(9)
Issuance of Series C preferred stock and issuance costs of $40	(40)
Beneficial conversion feature of Series C preferred stock	--
Payments on subscriptions receivable	21
Issuance of common stock to employees, officers and a director	1,393
Exercise of stock options	16
Compensation associated with the grant of stock options and sale of restricted stock to non-employees	149
Deferred compensation related to stock option grants and sale of restricted common stock	--
Amortization of deferred compensation	4,255
Net loss	(23,887)
BALANCE, DECEMBER 31, 1999	(25,199)
Issuance of Series D preferred stock and issuance costs of $40 (unaudited)	(40)
Issuance of common stock to public, net of issuance costs of $10,602 (unaudited)	121,649
Issuance of common stock to employees (unaudited)	6,425
Conversion of preferred stock to common stock (unaudited)	70,859
Exercise of stock options (unaudited)	146
Repurchase of common stock (unaudited)	(65)
Compensation associated with the grant of stock options	

and sale of restricted stock to non-employees (unaudited)	2,389
Deferred compensation related to stock options grants and sale of restricted common stock (unaudited)	--
Amortization of deferred compensation (unaudited)	17,958
Net loss (unaudited)	(43,766)
BALANCE, SEPTEMBER 30, 2000 (UNAUDITED)	$150,356

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

SONUS NETWORKS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	PERIOD FROM INCEPTION (AUGUST 7, 1997) TO DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1998	YEAR ENDED DECEMBER 31, 1999	NINE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000
				(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net loss	$ (461)	$(6,914)	$(23,887)	$(14,345)	$(43,766)
Adjustment to reconcile net loss to net cash used in operating activities:					
Depreciation and amortization	11	466	1,632	862	3,150
Compensation expense associated with the grant of stock options and issuance of restricted stock to non-employees	--	59	149	74	2,389
Amortization of deferred compensation	--	--	4,255	2,097	17,958
Changes in current assets and liabilities:					
Accounts receivable	--	--	--	--	(7,617)
Inventories	--	--	(2,210)	(1,502)	(12,178)
Other current assets	(30)	(132)	(136)	(115)	(1,581)
Accounts payable	229	193	990	832	10,388
Accrued expenses	96	394	2,201	822	11,072
Deferred revenue	--	--	1,031	--	11,233
Net cash used in operating activities	(155)	(5,934)	(15,975)	(11,275)	(8,952)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property and equipment	(347)	(1,577)	(4,151)	(2,299)	(9,384)
Maturities of marketable securities	--	7,295	22,020	18,150	32,262
Purchases of marketable securities	--	(20,212)	(23,784)	(20,246)	(17,581)
Other assets	(14)	(292)	(436)	(328)	(672)
Net cash provided by (used in) investing activities	(361)	(14,786)	(6,351)	(4,723)	4,625
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net proceeds from sale of common stock	42	243	1,393	647	128,074
Proceeds from exercise of stock options	--	--	16	10	146
Net proceeds from issuance of preferred stock	6,847	15,809	23,109	20,609	24,710
Payment of stock subscriptions receivable	--	4	21	--	--
Proceeds from long-term obligations	8	1,749	3,609	1,726	405
Payments on long-term obligations	--	(107)	(521)	(360)	(5,143)
Repurchase of common stock	--	--	--	--	(65)
Proceeds from notes payable	225	--	--	--	--
Net cash provided by financing activities	7,122	17,698	27,627	22,632	148,127
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,606	(3,022)	5,301	6,634	143,800
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	--	6,606	3,584	3,584	8,885
CASH AND CASH EQUIVALENTS, END OF PERIOD	$6,606	$ 3,584	$ 8,885	$ 10,218	$152,685
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Cash paid during the period for interest	$ --	$ 78	$ 208	$ 147	$ 209
SUPPLEMENTARY DISCLOSURE OF NON-CASH TRANSACTIONS:					
Conversion of notes payable to preferred stock	$ 225	$ --	$ --	$ --	$ --
Issuance of common stock for subscriptions receivable	$ 4	$ 257	$ 110	$ --	$ --
Conversion of redeemable convertible preferred stock into common stock	$ --	$ --	$ --	$ --	$ 70,859

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

(1) OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Sonus Networks, Inc. (Sonus) was incorporated on August 7, 1997 and is a leading provider of voice infrastructure products for the new public network. Sonus offers a new generation of carrier-class switching equipment and software that enable voice services to be delivered over packet-based networks. Sonus was considered to be in the development stage through December 31, 1999 and was principally engaged in research and development, raising capital and hiring its management team.

Sonus is subject to risks common to technology-based companies including, but not limited to, the development of new technology, development of markets and distribution channels, dependence on key personnel and the ability to obtain additional capital as needed to meet its product plans. Sonus has a limited operating history and has incurred significant operating losses since inception.

The accompanying consolidated financial statements reflect the application of certain significant accounting policies as described in this note and elsewhere in the accompanying consolidated financial statements and notes.

(A) PRINCIPLES OF CONSOLIDATION

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

(B) UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION

The consolidated financial statements for the nine months ended September 30, 1999 and 2000 and related footnote information are unaudited and have been prepared on the same basis as the audited consolidated financial statements. In the opinion of management, the interim unaudited consolidated financial statements include all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the results of these interim periods. The results for the nine months ended September 30, 2000 are not necessarily indicative of the operating results to be expected for the entire year.

(C) CASH EQUIVALENTS AND MARKETABLE SECURITIES

Cash equivalents are stated at cost plus accrued interest, which approximates market value, and have maturities of three months or less at the date of purchase.

Marketable securities are classified as held-to-maturity, as Sonus has the intent and ability to hold to maturity. Marketable securities are reported at amortized cost. Cash equivalents and marketable securities are invested in high quality credit instruments, primarily U.S. Government obligations and corporate obligations with contractual maturities of less than one year. There have been no gains or losses to date.

(D) CONCENTRATIONS OF CREDIT RISK, SIGNIFICANT CUSTOMERS AND LIMITED SUPPLIERS

The financial instruments that potentially subject Sonus to concentrations of credit risk are cash, marketable securities and receivables. Sonus has no significant off-balance-sheet concentrations such as foreign exchange contracts, options contracts or other foreign hedging arrangements. Sonus' cash holdings are diversified between three financial institutions.

For the nine months ended September 30, 2000, three customers, each of whom contributed more than 10% of revenue and who accounted for an aggregate of 71% of revenues. As of September 30, 2000, three customers accounted for an aggregate of 90% of the Company's accounts receivable balance.

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

(E) INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out basis) or market.

(F) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Expenditures for maintenance and repairs are charged to expense as incurred, whereas major betterments are capitalized as additions to property and equipment. Sonus provides for depreciation and amortization using the straight-line method and charges to operations amounts estimated to allocate the cost of the assets over their estimated useful lives.

(G) OTHER ASSETS

Other assets include licenses for certain technology embedded in Sonus' products. These licenses are amortized over the lesser of their useful lives or the term of the license.

(H) REVENUE RECOGNITION

Sonus recognizes revenue from product sales to end users, resellers and distributors upon shipment, provided there are no uncertainties regarding acceptance, persuasive evidence of an arrangement exists, the sales price is fixed or determinable and collection of the related receivable is probable. If uncertainties exist, Sonus recognizes revenue when those uncertainties are resolved. In multiple element arrangements, Sonus uses the residual method in accordance with Statement of Position 97-2 and 98-9. Service revenue is recognized as the services are provided. Amounts collected prior to satisfying the revenue recognition criteria are reflected as deferred revenue. Warranty costs are estimated and recorded by Sonus at the time of product revenue recognition.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements. This bulletin established guidelines for revenue recognition. Our revenue recognition policy complies with this pronouncement.

(I) SOFTWARE DEVELOPMENT COSTS

Sonus accounts for its software development costs in accordance with Statement of Financial Accounting Standards (SFAS) No. 86, ACCOUNTING FOR THE COSTS OF COMPUTER SOFTWARE TO BE SOLD, LEASED OR OTHERWISE MARKETED. Accordingly, the costs for the development of new software and substantial enhancements to existing software are expensed as incurred until technological feasibility has been established, at which time any additional costs would be capitalized. Sonus has determined that technological feasibility is established at the time a working model of the software is completed. Because Sonus believes its current process for developing software is essentially completed concurrently with the establishment of technological feasibility, no costs have been capitalized to date.

(J) STOCK-BASED COMPENSATION

Sonus uses the intrinsic value-based method of Accounting Principles Board Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES, to account for all of its employee stock-based compensation plans and uses the fair value method to account for all non-employee stock-based compensation.

(K) COMPREHENSIVE LOSS

Sonus applies Financial Accounting Standards Board (FASB) SFAS No. 130, REPORTING COMPREHENSIVE INCOME. The comprehensive loss for the period from inception (August 7, 1997) to December 31, 1997, the years ended December 31, 1998 and 1999 and the nine months ended September 30, 1999 and 2000 does not differ from the reported loss.

(L) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of Sonus' financial instruments, which include cash equivalents, marketable securities, stock subscriptions receivable, accounts payable, accrued expenses and long-term obligations, approximate their fair value.

(M) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

(N) NEW PRONOUNCEMENTS

In June 1998, the FASB issued SFAS No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, as amended by SFAS No. 138, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. Pursuant to SFAS No. 137, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES--DEFERRAL OF THE EFFECTIVE DATE OF FASB NO. 133, SFAS No. 133 is effective in fiscal year 2001. SFAS No. 133 is not expected to have a material impact on Sonus' financial condition or results of operations.

(O) DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE

SFAS No. 131, DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION, establishes standards for reporting information regarding operating segments and establishes standards for related disclosures about products and services and geographic areas. 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, or decision making group, in making decisions regarding resource allocation and assessing performance. To date, the Company has viewed its operations and manages its business as principally one operating segment.

(P) NET LOSS PER SHARE

Basic net loss per share is computed by dividing the net loss for the period by the weighted average number of unrestricted common shares outstanding during the period. Diluted net loss per share is computed by dividing the net loss for the period by the weighted average number of unrestricted common shares and potential common stock outstanding during the period, if dilutive. Potential common stock is comprised of restricted shares of common stock and the incremental common shares issuable upon the exercise of stock options. Shares of common stock issuable upon the conversion of Sonus' redeemable convertible preferred stock have also been excluded. In accordance with Staff Accounting Bulletin No. 98, EARNINGS PER SHARE IN AN INITIAL PUBLIC OFFERING, Sonus determined there were no nominal issuances of Sonus' stock prior to Sonus' IPO. For the period from inception through December 31, 1997, there were no unrestricted outstanding shares of common stock.

Options to purchase 375,000, 1,672,500, 3,052,743, 3,340,500 and 12,471,249 shares of common stock have not been included in the computation of diluted net loss per share for the period from inception to December 31, 1997, the years ended December 31, 1998 and 1999 and the nine months ended September 30, 1999 and 2000, respectively, as their effects would have been anti-dilutive (see Note 9(g)).

Pro forma basic and diluted net loss per share for the year ended December 31, 1999 and the nine months ended September 30, 1999 and 2000 are computed using the weighted average number of unrestricted common shares outstanding, including the pro forma effects of the automatic conversion of Sonus' Series A, B, C and D redeemable convertible preferred stock into shares of Sonus' common stock which occurred upon the closing of Sonus' IPO in May of 2000, as if such conversion occurred at the date of original issuance. There were no dilutive shares of potential common stock for these periods.

The following table sets forth the computation of basic and diluted net loss per share and pro forma basic and diluted net loss per share:

	PERIOD FROM INCEPTION (AUGUST 7, 1997) TO DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1998	YEAR ENDED DECEMBER 31, 1999	NINE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000
		(IN THOUSANDS, EXCEPT PER SHARE DATA)			
HISTORICAL--					
Net loss applicable to common stockholders	$ (461)	$ (6,914)	$ (26,387)	$ (14,345)	$ (43,766)
Weighted average common shares outstanding	11,701	35,401	57,460	55,290	118,761
Less weighted average restricted common shares outstanding	(11,701)	(30,543)	(43,136)	(42,561)	(41,313)
Shares used in computing basic and diluted net loss per share	--	4,858	14,324	12,729	77,448
Basic and diluted net loss per share	$ --	$ (1.42)	$ (1.84)	$ (1.13)	$ (0.57)
PRO FORMA--					
Net loss			$ (23,887)	$ (14,345)	$ (43,766)
Shares used in computing historical basic and diluted net loss per share			14,324	12,729	77,448
Weighted average number of shares assumed upon conversion of redeemable convertible preferred stock			81,864	78,622	52,843
Shares used in computing pro forma basic and diluted net loss per share			96,188	91,351	130,291
Pro forma basic and diluted net loss per share			$ (0.25)	$ (0.16)	$ (0.34)

(2) INVENTORIES

Inventories consist of the following, in thousands:

	DECEMBER 31, 1999	SEPTEMBER 30, 2000
Raw materials	$ 305	$ 1,784
Work in progress	941	4,609
Finished goods	964	7,995
	$2,210	$14,388

(3) PROPERTY AND EQUIPMENT

Property and equipment consist of the following, in thousands:

	ESTIMATED USEFUL LIFE	DECEMBER 31, 1998	DECEMBER 31, 1999	SEPTEMBER 30, 2000
Computer equipment and software	2-3 years	$ 1,836	$ 5,956	$15,121
Furniture and fixtures	3-5 years	88	69	100
Leasehold improvements	Life of lease	--	50	238
		1,924	6,075	15,459
Less accumulated depreciation and amortization		(418)	(1,806)	(4,756)
		$ 1,506	$ 4,269	$10,703

(4) LONG-TERM OBLIGATIONS

Sonus had a $7,000,000 equipment line of credit with a bank, bearing interest at the bank's prime rate (8.5% at December 31, 1999) plus 0.5%, available through June 30, 2000. Under the agreement, all of Sonus' assets, except intellectual property, had been pledged as collateral and Sonus was to maintain a certain minimum tangible stockholders' equity and quick ratio, as defined. As of December 31, 1998 and 1999, Sonus had outstanding balances of $1,650,000 and $4,738,000, respectively. In June 2000, approximately $5,100,000, representing all amounts then outstanding under this line were repaid and the equipment line of credit was terminated.

(5) ACCRUED EXPENSES

Accrued expenses consist of the following, in thousands:

	DECEMBER 31, 1998	DECEMBER 31, 1999	SEPTEMBER 30, 2000
Employee compensation and related costs	$195	$1,381	$ 4,529
Professional fees	132	609	1,190
Royalties	--	91	2,227
Facilities	100	137	247
Other	63	473	5,570
	$490	$2,691	$13,763

(6) INCOME TAXES

Sonus provides for income taxes in accordance with SFAS No. 109, ACCOUNTING FOR INCOME TAXES. Deferred tax assets and liabilities are determined based on differences between the financial statement and tax bases of assets and liabilities using enacted tax rates.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts for income tax

purposes. A valuation allowance has been recorded for the net deferred tax asset due to the uncertainty of realizing the benefit of this asset.

The following is a summary of the significant components of Sonus' deferred tax assets and liabilities, in thousands:

	DECEMBER 31,	
	1998	1999
Net operating loss carryforwards	$2,230	$ 9,204
Tax credit carryforwards	308	761
Start-up costs	625	485
Deferred revenue	--	412
Other temporary differences	44	560
Valuation allowance	(3,207)	(11,422)
	$ --	$ --

As of December 31, 1999, Sonus has net operating loss carryforwards for income tax purposes of approximately $23,000,000, which expire through 2019. Sonus also has available research and development credit carryforwards of approximately $761,000 that expire through 2019. The Internal Revenue Code contains provisions that limit the net operating loss and tax credit carryforwards available to be used in any given year in the event of certain circumstances, including significant changes in ownership interests. Sonus has completed several financings since inception and has incurred ownership changes and may have incurred an ownership change upon the completion of the IPO. Sonus does not believe that these changes will have a material impact on its ability to use its net operating loss and tax credit carryforwards.

(7) LEASE COMMITMENTS

Sonus leases its administrative and development facility under an operating lease, which expires in March 2004. In 2000, Sonus entered into additional facility leases which expire between September 2001 and March 2004. Rent expense was approximately $20,000 from inception to December 31, 1997 and $150,000, $537,000, $315,078 and $639,644 for the years ended December 31, 1998 and 1999 and the nine months ended September 30, 1999 and 2000, respectively. Sonus is responsible for certain real estate taxes, utilities and maintenance costs. The future minimum payments under operating lease payments as of December 31, 1999, including the new 2000 facility leases, are as follows: $984,000 in 2000; $2,052,000 in 2001; $2,144,000 in 2002; $1,727,000 in 2003; and $368,000 in 2004.

(8) REDEEMABLE CONVERTIBLE PREFERRED STOCK

Prior to the closing of our IPO in May 2000, Sonus had authorized 17,000,000 shares of preferred stock, $0.01 par value, and designated four series of redeemable convertible preferred stock: 7,220,000 shares of Series A preferred stock; 3,247,857 shares of Series B preferred stock; 2,153,072 shares of Series C preferred stock and 1,585,366 shares of Series D preferred stock. In connection with our IPO in May 2000, all redeemable convertible preferred stock was converted into an aggregate of 96,957,222 shares of common stock. A summary of the redeemable convertible preferred stock issuances from inception and redemption value as of the closing of our IPO in May 2000 are as follows:

DESCRIPTION	DATE	NUMBER OF SHARES	PRICE PER SHARE	REDEMPTION VALUE
				(IN THOUSANDS)
Series A	November 1997 and July 1998	7,180,000	$ 1.00	$ 7,180
Series B	September and December 1998, May 1999	3,204,287	5.00	16,021
Series C	September, November and December 1999	1,939,681	11.81	22,908
Series D	March 2000	1,509,154	16.40	24,750
		13,833,122		$70,859

The rights, preferences and privileges of the Series A, Series B, Series C and Series D redeemable convertible preferred stock are as follows:

CONVERSION

Each share of Series A, B and C preferred stock was convertible into 7.5 shares of common stock and each share of Series D preferred stock was convertible into three shares of common stock, both adjustable for certain dilutive events. Conversion was at the option of the holder, but became automatic upon the closing of an IPO for the Series A, B and C preferred stock in which at least $10,000,000 of net proceeds shall be received by Sonus at a price of at least $8.00 per share and for the Series D preferred stock with at least $25,000,000 of net proceeds at a price of at least $19.68 per share.

REDEMPTION

If requested prior to the redemption dates specified below by holders of 66 2/3% of the then outstanding Series A, B, C and D preferred stock, Sonus was required to redeem such stock at $1.00, $5.00, $11.81 and $16.40 per share, respectively, as adjusted in the event of future dilution, plus declared but unpaid dividends as follows:

SERIES A, B AND C REDEMPTION DATE	SERIES D REDEMPTION DATE	PERCENTAGE OF THEN OUTSTANDING PREFERRED SHARES TO BE REDEEMED
November 18, 2002	March 9, 2005	33.33%
November 18, 2003	March 9, 2006	50.00%
November 18, 2004	March 9, 2007	All shares then held

DIVIDENDS

Series A, B, C and D preferred stockholders were entitled to receive any cash dividend declared on common stock equal to the amount they would be entitled to if such preferred stock had been converted into common stock. In connection with the sale of an aggregate of 211,688 shares of Series C preferred stock in November and December 1999, Sonus recorded a charge to accumulated deficit of $2.5 million. This amount represents the beneficial conversion feature of the Series C preferred stock. This amount has been accounted for as a dividend to preferred stockholders and as a result, increased Sonus' capital in excess of par value, net loss applicable to common stockholders and the related net loss per share.

LIQUIDATION PREFERENCE

In the event of liquidation of Sonus and before any distribution to common stockholders, the Series A, B, C and D preferred stockholders were entitled to share pro rata, $1.00, $5.00, $11.81 and $16.40 per share, respectively, plus all declared but unpaid dividends.

VOTING RIGHTS

Series A, B, C and D preferred stockholders were entitled to one vote per common share equivalent on all matters voted on by holders of common stock. In addition, the Series A preferred stockholders were entitled to elect 40% of the board members as long as 1,775,000 shares of such preferred stock are outstanding.

(9) STOCKHOLDERS' EQUITY (DEFICIT)

(A) AUTHORIZED CAPITAL STOCK

In May 2000, Sonus' stockholders approved an increase in the authorized shares of common stock to 300,000,000 shares and authorized and approved 5,000,000 shares of $0.01 par value undesignated preferred stock that may be issued by the Board of Directors from time to time in one or more series.

(B) STOCK SPLIT

On October 6, 2000, the Company effected a three-for-one stock split in the form of a stock dividend. All common shares, common stock options and per share amounts in the accompanying financial statements and footnotes have been retroactively adjusted to reflect the stock split.

(C) INITIAL PUBLIC OFFERING

On May 31, 2000, the Company completed its initial public offering of 17,250,000 shares of common stock, which includes the exercise of the underwriters' over allotment option of 2,250,000 shares, at $7.67 per share. The proceeds from the initial public offering were $121.6 million, after deducting the underwriters' discounts and commissions and estimated offering expenses paid by us of $10.6 million.

(D) STOCK SUBSCRIPTIONS RECEIVABLE

On November 4, 1998, Sonus entered into a stock subscription agreement for $257,000 from an officer that bears interest at 8%. The note is secured by 7,710,000 shares of Sonus' restricted common stock and is due upon the earlier of November 4, 2003 or 180 days after such shares are eligible for public sale. The interest payments on the note are unconditional and are not limited to

the aforementioned stock. As of December 31, 1999 and September 30, 2000, this note due Sonus had a remaining principal balance of $236,000.

On September 1, 1999, Sonus entered into a stock subscription agreement for $110,250 from an officer that bears interest at 8%. The full recourse note is secured by 1,687,500 shares of Sonus' restricted common stock and is due upon the earlier of September 1, 2004 or 180 days after such shares are eligible for public sale.

(E) COMMON STOCK PURCHASE RIGHT

In November 1999, Sonus signed a definitive purchase and license agreement (the Agreement) with a customer to provide certain Sonus products. Under the terms of the Agreement, the customer also had the right to purchase shares of common stock in Sonus' IPO at the IPO price. The number of shares subject to this right equals 5% of the dollar value of the customer's accumulated purchases of Sonus' products and services as of the date of the IPO divided by the IPO per share price, but in no event more than 5% of the shares offered in the IPO. The ability of the customer to exercise its right to purchase such shares was contingent upon the closing of our IPO on a national exchange. In connection with our IPO in May 2000, the customer exercised their right and purchased shares in the IPO.

(F) RESTRICTED COMMON STOCK

Sonus issued 24,615,693 and 262,500 shares of restricted common stock outside of the 1997 Stock Incentive Plan (the Plan) in the period ended December 31, 1997 and in the year ended December 31, 1999, respectively. These shares are subject to repurchase agreements which expire over a five-year period. Sonus may repurchase any remaining restricted shares of common stock held by these individuals upon termination of employment at their original purchase price ranging from $0.0001 to $0.001 per share. All shares of common stock subject to repurchase restrictions, contain the same rights and privileges as unrestricted shares of common stock and are presented as outstanding as of the date of issuance. As of December 31, 1999, 11,381,748 shares and as of September 30, 2000, 7,689,390 shares of this common stock were restricted and subject to Sonus' repurchase.

(G) 1997 STOCK INCENTIVE PLAN

The Plan, which is administered by the Board of Directors, permits Sonus to sell or award restricted common stock or to grant incentive and non-qualified stock options for the purchase of common stock to employees, directors and consultants. In March, 2000, Sonus' stockholders increased the shares authorized under the Plan from 48,750,000 to 81,000,000. On January 1 of each year, commencing with January 2001, the aggregate number of shares of common stock available for purchase under the Plan shall increase by the lesser of (i) 5% of the outstanding shares on December 31 of the preceding year or (ii) an amount determined by the Board of Directors. At September 30, 2000, 24,349,797 shares were available under the Plan for future sale of restricted common stock or grant of stock options.

Sonus issued shares of restricted common stock to employees and consultants which are subject to repurchase agreements and vest over a four or five-year period. If the employee leaves or if the services are not performed, Sonus may repurchase any restricted shares of common stock held by these individuals at their original purchase price ranging from $0.01 to $3.33 per share. All shares of common stock subject to repurchase restrictions, contain the same rights and privileges

as unrestricted shares of common stock and are presented as outstanding as of the date of issuance. As of December 31, 1999, 32,483,517 shares and as of September 30, 2000, 28,370,766 shares of the outstanding common stock issued under the Plan were restricted and subject to Sonus' repurchase.

A summary of activity under Sonus' Plan for the period from inception to September 30, 2000, is as follows:

RESTRICTED COMMON STOCK ISSUANCES

	NUMBER OF SHARES	PURCHASE PRICE	WEIGHTED AVERAGE PURCHASE PRICE
Outstanding, August 7, 1997 (inception)	--	$ --	$ --
Issued	3,095,625	.01	0.01
Outstanding, December 31, 1997	3,095,625	.01	0.01
Issued	21,858,741	.01-.07	0.02
Outstanding, December 31, 1998	24,954,366	.02	0.02
Issued	14,968,116	.10	0.10
Outstanding, December 31, 1999	39,922,482	.01-.22	0.05
Issued	3,870,672	.22-4.67	1.88
Repurchased	(772,500)	.07-.22	0.08
Outstanding, September 30, 2000	43,020,654	$ .01-4.67	$0.21
Unrestricted common stock, December 31, 1999	7,438,965	$ .01-.22	$0.02
Unrestricted common stock, September 30, 2000	14,649,888	$ .01-4.67	$0.04

COMMON STOCK OPTION GRANTS

	NUMBER OF SHARES	EXERCISE PRICE	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, August 7, 1997 (inception)	--	$ --	$ --
Granted	375,000	0.001	0.001
Outstanding, December 31, 1997	375,000	0.001	0.001
Granted	1,335,000	.01-.07	0.05
Canceled	(37,500)	0.07	0.07
Outstanding, December 31, 1998	1,672,500	.001-.07	0.04
Granted	2,090,493	.01-.22	0.13
Exercised	(710,250)	.001-.07	0.02
Outstanding, December 31, 1999	3,052,743	.01-.22	0.11
Granted	10,010,055	.67-7.67	3.71
Canceled	(143,499)	.01-3.33	1.09
Exercised	(448,050)	.07-7.67	0.31
Outstanding, September 30, 2000	12,471,249	$ .01-7.67	$2.98
Exercisable, December 31, 1999	374,379	$ .01-.16	$0.06
Exercisable, September 30, 2000	730,295	$ .01-7.67	$0.34

The following table summarizes information relating to currently outstanding and exercisable options as of December 31, 1999:

	OUTSTANDING			EXERCISABLE	
EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE(YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
$0.01	150,000	9.43	$0.01	75,000	$0.01
0.07	1,734,750	8.78	0.07	285,879	0.07
0.16	737,250	9.74	0.16	13,500	0.16
0.22	430,743	9.88	0.22	--	--
	3,052,743		$0.11	374,379	$0.06

(H) STOCK-BASED COMPENSATION

Stock-based compensation expenses includes the amortization of deferred employee compensation and other equity related expenses for non-employees.

In connection with certain employee stock option grants and the issuance of employee restricted common stock during the year ended December 31, 1999, and the nine months ended September 30, 2000, Sonus recorded deferred compensation of $20,859,000 and $41,248,000, respectively. This represents the aggregate difference between the exercise price or purchase price and the fair value of the common stock on the date of grant or sale for accounting purposes. The deferred compensation is recognized as an expense over the vesting period of the underlying stock options and restricted common stock. Sonus recorded compensation expense of $4,255,000 in the year ended December 31, 1999 and $2,097,000 and $17,958,000 for the nine months ended September 30, 1999 and 2000, respectively, related to these options and restricted common stock. Based on the grant of stock options and the sale of restricted common stock through September 30, 2000, Sonus expects to record approximately $24,900,000, $16,500,000, $9,900,000, $5,700,000 and $1,200,000 in employee compensation expense in the years ending December 31, 2000, 2001, 2002, 2003 and 2004, respectively.

Sonus granted 1,252,500 non-qualified stock options to non-employees for services rendered in the period from inception to December 31, 1999. In 1998 and 1999, Sonus sold 375,000 shares of restricted common stock and 10,000 shares of Series B preferred stock to consultants at their then current fair market value, subject to repurchase provisions, in the event consulting services are no longer provided. For the nine months ended September 30, 2000, Sonus granted 36,000 non-qualified stock options and sold 39,000 shares of restricted common stock to consultants.

Sonus has valued the stock options and the issuances of restricted common stock and Series B preferred stock to non-employees based upon the fair market value of the services rendered where Sonus believes the value of these services is more readily determinable than the value of the options or restricted stock. All other grants of options and issuances of restricted stock to non-employees are valued based upon the Black-Scholes option pricing model. As of December 31, 1999, Sonus has 405,000 stock options, 240,000 shares of restricted common stock, and 6,000 shares of restricted Series B preferred stock outstanding to non-employees. As of September 30, 2000, Sonus has 135,000 stock options and 120,000 shares of restricted common

stock outstanding to non-employees. Sonus has recorded stock-based compensation expense of $59,000, $149,000, $74,000 and $2,389,000 for the grant of options and issuances of restricted stock to non-employees for the years ended December 31, 1998 and 1999, and the nine months ended September 30, 1999 and 2000, respectively. In accordance with Emerging Issues Task Force 96-18, Sonus will record the value at the time the services are provided.

The value of the options granted to employees as calculated under SFAS No. 123 for the period from inception to December 31, 1997 and during the year ended December 31, 1998 was immaterial to the consolidated financial statements. Sonus has computed the pro forma disclosures required under SFAS No. 123 for options granted to employees for the year ended December 31, 1999, using the Black-Scholes option pricing model with an assumed risk-free interest rate of 5%, 60% volatility and an expected life ranging from 2-5 years with the assumption that no dividends will be paid. Had compensation expense for Sonus' stock option plan been determined consistent with SFAS No. 123 for the year ended December 31, 1999, the pro forma net loss and pro forma net loss per share would have been as follows:

Net loss applicable to common stockholders, in thousands--	
As reported	$(26,387)
Pro forma	(26,400)
Basic and diluted net loss per share--	
As reported	$ (1.84)
Pro forma	(1.84)

(I) 2000 EMPLOYEE STOCK PURCHASE PLAN

In March 2000, the Board of Directors approved, subject to stockholder approval, the 2000 Employee Stock Purchase Plan. A total of 3,600,000 shares of common stock have been reserved for issuance under this plan. Eligible employees may purchase common stock at a price equal to 85% of the lower of the fair market value of the common stock at the beginning or end of each offering period. Participation is limited to 20% of an employee's eligible compensation not to exceed amounts allowed by the Internal Revenue Code. On January 1 of each year, commencing with January 2001, the aggregate number of shares of common stock available for purchase under the Employee Stock Purchase Plan shall increase by the lesser of (i) 2% of the outstanding shares on December 31 of the preceding year or (ii) an amount determined by the Board of Directors.

(J) COMMON STOCK RESERVED

Common stock reserved for future issuance at September 30, 2000 consist of the following:

Stock incentive plan	36,821,046
Employee stock purchase plan	3,600,000
	40,421,046

(10) EMPLOYEE BENEFIT PLAN

In 1998, Sonus adopted a savings plan for its employees, which has been qualified under Section 401(a) of the Internal Revenue Code. Eligible employees are permitted to contribute to the 401(k) plan through payroll deductions within statutory and plan limits. Contributions from Sonus are made at the discretion of the Board of Directors. Sonus has made no contributions to the 401(k) plan to date.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF TELECOM TECHNOLOGIES, INC.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
telecom technologies, inc.:

We have audited the accompanying consolidated balance sheets of telecom technologies, inc. (a Texas corporation) as of December 31, 1998 and 1999, and the related consolidated statements of operations, redeemable common stock and stockholders' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of telecom technologies, inc. as of December 31, 1998 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Boston, Massachusetts
December 1, 2000

TELECOM TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	DECEMBER 31,		SEPTEMBER 30,
	1998	1999	2000
			(UNAUDITED)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 520	$ 533	$ 1,550
Accounts receivable, net of allowance of $100, $150 and $150 at December 31, 1998 and 1999 and September 30, 2000, respectively	3,540	5,587	1,825
Inventories	820	2,410	2,558
Deferred tax asset	1,930	1,421	1,028
Income tax receivable	--	740	780
Other current assets	116	292	849
Total current assets	6,926	10,983	8,590
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization	655	2,122	3,230
OTHER ASSETS	519	799	1,004
	$ 8,100	$13,904	$ 12,824
LIABILITIES, REDEEMABLE COMMON STOCK AND STOCKHOLDERS' DEFICIT			
CURRENT LIABILITIES:			
Note payable to bank	$ 3,000	$ 4,000	$ 5,000
Current portion of capital lease obligations	--	192	310
Accounts payable	599	2,489	1,350
Accrued expenses	1,111	1,685	3,224
Deferred revenue	1,465	2,430	4,438
Total current liabilities	6,175	10,796	14,322
DEFERRED INCOME TAXES	1,379	1,022	629
CAPITAL LEASE OBLIGATIONS, less current portion	--	673	930
COMMITMENTS (Note 6)			
REDEEMABLE COMMON STOCK, no par value:			
Issued and outstanding--7,777,780 shares of Class A voting common stock and 2,222,220 shares of Class B non-voting common stock, at redemption value (Note 7)	2,281	7,226	31,752
STOCKHOLDERS' DEFICIT:			
Class A voting common stock, no par value:			
Authorized--180,000,000 shares			
Issued and outstanding--70,000,000 shares	1	1	1
Class B non-voting common stock, no par value:			
Authorized--50,000,000 shares			
Issued and outstanding--20,000,000 shares	--	--	--
Capital in excess of par value	--	--	7,742
Accumulated deficit	(1,736)	(5,814)	(35,204)
Deferred compensation	--	--	(7,348)
Total stockholders' deficit	(1,735)	(5,813)	(34,809)
	$ 8,100	$13,904	$ 12,824

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

TELECOM TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED DECEMBER 31,		NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999	1999	2000
			(UNAUDITED)	
REVENUES:				
Product	$ 6,012	$ 9,846	$ 6,259	$14,642
Professional services	8,732	9,486	6,799	5,326
Total revenues	14,744	19,332	13,058	19,968
Cost of product and services(1)	11,083	11,637	9,562	10,324
GROSS PROFIT	3,661	7,695	3,496	9,644
OPERATING EXPENSES:				
Research and development(1)	1,389	7,486	5,589	8,523
Sales and marketing(1)	1,183	3,287	1,602	3,113
General and administrative(1)	1,344	1,960	1,088	2,289
Stock-based compensation	--	--	--	394
Total operating expenses	3,916	12,733	8,279	14,319
LOSS FROM OPERATIONS	(255)	(5,038)	(4,783)	(4,675)
Other income (expense):				
Interest expense	(188)	(132)	(52)	(328)
Interest income	25	58	44	94
Sale of product line	--	5,500	5,500	--
Other income	8	815	766	45
INCOME (LOSS) BEFORE INCOME TAXES	(410)	1,203	1,475	(4,864)
Provision (benefit) for income taxes	(145)	336	411	--
NET INCOME (LOSS)	$ (265)	$ 867	$ 1,064	$(4,864)
PER SHARE INFORMATION:				
Basic and diluted net income (loss) per share (Note 1(o))	$ (0.00)	$ 0.01	$ 0.01	$ (0.05)
Shares used in computation	100,000	100,000	100,000	100,000

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(1) Excludes non-cash stock-based compensation expense as follows:

Cost of product and services	$ 5
Research and development	23
Sales and marketing	360
General and administrative	6
	$ 394

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

TELECOM TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF REDEEMABLE COMMON STOCK AND STOCKHOLDERS' DEFICIT
(IN THOUSANDS, EXCEPT SHARE DATA)

	CLASS A AND B REDEEMABLE COMMON STOCK		COMMON STOCK					
			ORDINARY		CLASS A		CLASS B	
	SHARES	REDEMPTION VALUE	SHARES	PAR VALUE	SHARES	PAR VALUE	SHARES	PAR VALUE
BALANCE, JANUARY 1, 1998.....	2,000	$ 949	18,000	$ 1	--	$ --	--	$ --
Reorganization.....	9,998,000	--	(18,000)	(1)	70,000,000	1	20,000,000	--
Accretion of increase in value of redeemable common stock.....	--	1,332	--	--	--	--	--	--
Net loss.....	--	--	--	--	--	--	--	--
BALANCE, DECEMBER 31, 1998...	10,000,000	2,281	--	--	70,000,000	1	20,000,000	--
Accretion of increase in value of redeemable common stock.....	--	4,945	--	--	--	--	--	--
Net income.....	--	--	--	--	--	--	--	--
BALANCE, DECEMBER 31, 1999...	10,000,000	7,226	--	--	70,000,000	1	20,000,000	--
Accretion of increase in value of redeemable common stock (unaudited).....	--	24,526	--	--	--	--	--	--
Deferred compensation relating to stock option grants (unaudited).....	--	--	--	--	--	--	--	--
Amortization of deferred compensation (unaudited).....	--	--	--	--	--	--	--	--
Compensation related to stock options granted to non-employees (unaudited).....	--	--	--	--	--	--	--	--
Net loss (unaudited).....	--	--	--	--	--	--	--	--
BALANCE, SEPTEMBER 30, 2000 (UNAUDITED).....	10,000,000	$31,752	--	$ --	70,000,000	$ 1	20,000,000	$ --

	CAPITAL IN EXCESS OF PAR VALUE	ACCUMULATED DEFICIT	DEFERRED COMPENSATION	TOTAL STOCKHOLDERS' DEFICIT
BALANCE, JANUARY 1, 1998.....	$ --	$ (139)	$ --	$ (138)
Reorganization.....	--	--	--	--
Accretion of increase in value of redeemable common stock.....	--	(1,332)	--	(1,332)
Net loss.....	--	(265)	--	(265)
BALANCE, DECEMBER 31, 1998...	--	(1,736)	--	(1,735)
Accretion of increase in value of redeemable common stock.....	--	(4,945)	--	(4,945)
Net income.....	--	867	--	867
BALANCE, DECEMBER 31, 1999...	--	(5,814)	--	(5,813)
Accretion of increase in value of redeemable common stock (unaudited).....	--	(24,526)	--	(24,526)
Deferred compensation relating to stock option grants (unaudited).....	7,578	--	(7,578)	--
Amortization of deferred compensation (unaudited).....	--	--	230	230
Compensation related to stock options granted to non-employees (unaudited).....	164	--	--	164
Net loss (unaudited).....	--	(4,864)	--	(4,864)
BALANCE, SEPTEMBER 30, 2000 (UNAUDITED).....	$7,742	$(35,204)	$(7,348)	$(34,809)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

TELECOM TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999	1999	2000
			(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	$ (265)	$ 867	$ 1,064	$(4,864)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:				
Depreciation and amortization	99	324	243	520
Deferred income taxes	(2,288)	153	99	--
Compensation expense associated with the grant of stock options to non-employees	--	--	--	164
Amortization of deferred compensation	--	--	--	230
Changes in operating assets and liabilities:				
Accounts receivable	(651)	(1,368)	759	3,762
Inventories	11	(1,590)	215	(148)
Income tax receivable	1,256	(740)	(740)	(40)
Other current assets	423	(176)	(910)	(557)
Other assets	(375)	(280)	(893)	(205)
Accounts payable and accrued expenses	(142)	2,464	203	400
Deferred revenue	1,465	965	1,029	2,008
Net cash (used in) provided by operating activities	(467)	619	1,069	1,270
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property and equipment	(743)	(592)	(381)	(1,058)
Cash paid for acquisition	--	(904)	(904)	--
Net cash used in investing activities	(743)	(1,496)	(1,285)	(1,058)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net proceeds from note payable to bank	3,000	1,000	1,000	1,000
Payments on capital lease obligations	--	(110)	(68)	(195)
Payments on related party note	(1,660)	--	--	--
Net cash provided by financing activities	1,340	890	932	805
NET INCREASE IN CASH AND CASH EQUIVALENTS	130	13	715	1,017
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	390	520	520	533
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 520	$ 533	$ 1,235	$ 1,550
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Cash paid for income taxes	$ 600	$ 1,000	$ 1,000	$ 40
Cash paid for interest	$ 228	$ 147	$ 52	$ 328
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:				
Equipment obtained under capital lease obligations	$ --	$ 975	$ 922	$ 570
Software contributed in acquisition	$ --	$ 150	$ 150	$ --
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS RELATED TO ACQUISITION:				
Fair value of assets acquired, excluding cash	$ --	$ 1,054	$ 1,054	$ --
Software paid as consideration	$ --	$ (150)	$ (150)	$ --
Cash paid as consideration	$ --	$ (904)	$ (904)	$ --

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

(1) OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

telecom technologies, inc. (TTI) was incorporated on November 24, 1993 as a Texas corporation and is a provider of software products and services for network and service providers, offering end-to-end solutions for next generation, carrier-grade, multi-service networks. TTI's professional services include network design and planning, implementation, system integration, testing and support.

On November 2, 2000, TTI entered into a merger agreement with Sonus Networks, Inc. The completion of the proposed merger is subject to regulatory and stockholder approval of TTI and is expected to close in the first quarter of 2001.

The market for TTI's products and services is characterized by rapidly changing technology, evolving industry standards and new product introductions. TTI's market is intensely competitive. TTI's success will depend on its ability to enhance and market existing products and services and introduce new products, features and services to meet changing customer requirements and evolving standards. If the proposed merger is not successful, TTI will need to raise additional capital to meet its operating plans in 2001.

The accompanying consolidated financial statements reflect the application of certain significant accounting policies as described in this note and elsewhere in the accompanying consolidated financial statements and notes.

(A) PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of TTI and its wholly-owned subsidiary. All material intercompany transactions and balances have been eliminated.

(B) UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION

The consolidated financial statements for the nine months ended September 30, 1999 and 2000 and related footnote information are unaudited and have been prepared on the same basis as the audited consolidated financial statements. In the opinion of management, the interim unaudited consolidated financial statements included all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the results of these interim periods. The results for the nine months ended September 30, 2000 are not necessarily indicative of the operating results to be expected for the entire year.

(C) CASH AND CASH EQUIVALENTS

Cash equivalents are stated at cost plus accrued interest, which approximates fair market value and have original maturities of three months or less.

(D) CONCENTRATION OF CUSTOMERS AND CREDIT RISK AND LIMITED SUPPLIERS

Financial instruments that potentially subject TTI to concentrations of credit risk are cash and cash equivalents and accounts receivable. TTI has no significant off-balance-sheet concentrations such as foreign exchange contracts, options contracts or other foreign hedging arrangements. The majority of TTI's cash is maintained with a commercial bank.

TTI's customers are generally large companies in the United States operating in the telecommunications industry. Concentration of credit risk with respect to such customers is limited due to the size and financial strength of those customers who generally represent individually significant balances. TTI establishes an allowance for doubtful accounts as necessary based upon factors surrounding the credit risk of customers, historical trends, and other relevant information. TTI's receivables are generally unsecured.

Certain software licenses from third-parties used in TTI products are procured from a single source. The termination of any such license could interrupt TTI's delivery of products and thereby adversely affect TTI's revenues and operating results.

For the years ended December 31, 1998 and 1999 and the nine months ended September 30, 1999 and 2000, three, two, four and four customers, respectively, each of whom contributed more than 10% of revenue, and who accounted for an aggregate of 63%,

51%, 71% and 77% of TTI's revenues, respectively. As of December 31, 1998 and 1999 and September 30, 2000, two, two and four customers, respectively accounted for 65%, 66% and 80% of TTI's accounts receivable.

(E) INVENTORIES

Inventories consist of finished goods and are stated at the lower of cost (first-in, first-out basis) or market.

(F) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost net of accumulated depreciation and amortization. TTI records depreciation of property and equipment using the straight-line method over the estimated useful lives of the assets.

(G) REVENUE RECOGNITION

Revenue from software license agreements is recognized upon execution of the contract and shipment of the software provided that there are no uncertainties regarding acceptance, persuasive evidence of an arrangement exists, the fee is fixed or determinable and collection of the related receivable is considered probable. If uncertainties exist, TTI recognizes revenue when those uncertainties are resolved. In multiple element arrangements, TTI uses the residual method of accounting in accordance with Statements of Position 97-2 and 98-9.

Service revenue consists primarily of contract engineering and consulting services. TTI also provides consulting services to customize its software products on a contract basis. Services are provided on both a time-and-materials basis and a fixed fee basis. Revenue with respect to time-and-materials contracts is recognized as services are provided. Revenue from services on fixed fee contracts is recognized under the terms of the contract based upon when the services have been provided and accepted by the customer, if required. Provisions for losses on service contracts are recorded in the period in which they first become determinable.

Deferred revenue includes customer payments on transactions that do not meet TTI's revenue recognition criteria as of the balance sheet date.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, REVENUE RECOGNITION IN FINANCIAL STATEMENTS. TTI's revenue recognition policy complies with this pronouncement.

(H) SOFTWARE DEVELOPMENT COSTS

TTI accounts for its software development costs in accordance with Statement of Financial Accounting Standards (SFAS) No. 86, ACCOUNTING FOR THE COSTS OF COMPUTER SOFTWARE TO BE SOLD, LEASED OR OTHERWISE MARKETED. Accordingly, the costs for the development of new software and substantial enhancements to existing software are expensed as incurred until technological feasibility has been established, at which time any additional costs would be capitalized. TTI has determined that technological feasibility is established at the time a working model of the software is completed. Because TTI believes its current process for developing software is essentially completed concurrently with the establishment of technological feasibility, no costs have been capitalized to date.

(I) INCOME TAXES

TTI has computed its provision for income taxes using the liability method. Under the liability method, deferred income tax assets and liabilities are determined based on differences between financial reporting and income tax bases of assets and liabilities and are measured using the enacted tax rates and laws.

(J) STOCK-BASED COMPENSATION

TTI uses the intrinsic value based method of Accounting Principles Board Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES, to account for its employee stock-based compensation plan and uses the fair value method to account for all nonemployee stock-based compensation.

(K) COMPREHENSIVE INCOME (LOSS)

TTI applies SFAS No. 130, REPORTING COMPREHENSIVE INCOME. The comprehensive income (loss) for the years ended December 31, 1998 and 1999 and the nine months ended September 30, 1999 and 2000 does not differ from the reported income (loss).

(L) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of TTI's financial instruments, which include cash equivalents, accounts receivable, accounts payable, accrued expenses and long-term obligations, approximate their fair value.

(M) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(N) NEW PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, as amended by SFAS No. 138, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. Pursuant to SFAS No. 137, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES--DEFERRAL OF THE EFFECTIVE DATE OF SFAS NO. 133, SFAS No. 133 is effective in fiscal year 2001. SFAS No. 133 is not expected to have a material impact on TTI's financial condition or results of operations.

(O) NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of common shares and potential common stock outstanding during the period, if dilutive. Basic and diluted net income (loss) per share are the same, as any common stock to be issued upon the exercise of stock options is to be contributed by the majority stockholder and therefore is not dilutive (see Note 7).

(P) DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE

SFAS No. 131, DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION, establishes standards for reporting information regarding operating segments and establishes standards for related disclosures about products and services and geographic areas. 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, or decision making group, in making decisions regarding resource allocation and assessing performance. To date, TTI has viewed its operations and manages its business as principally one operating segment.

(2) PROPERTY AND EQUIPMENT

Property and equipment consist of the following, in thousands:

	ESTIMATED USEFUL LIFE	DECEMBER 31, 1998	DECEMBER 31, 1999	SEPTEMBER 30, 2000
Equipment and software	5 years	$ 638	$2,350	$3,978
Furniture and fixtures	7 years	34	113	113
Leasehold improvements	Life of lease	91	91	91
		763	2,554	4,182
Less--Accumulated depreciation and amortization		(108)	(432)	(952)
		$ 655	$2,122	$3,230

Included in property and equipment are $975,000 and $1,545,000 of equipment purchased under capital lease obligations at December 31, 1999 and September 30, 2000, respectively.

(3) BALANCE SHEET DATA

(A) ACCRUED EXPENSES

Accrued expenses consist of the following, in thousands:

	DECEMBER 31,		SEPTEMBER 30,
	1998	1999	2000
Employee compensation and related costs	$ 809	$1,168	$2,484
Accrued taxes	287	210	210
Other	15	307	530
	$1,111	$1,685	$3,224

(B) ALLOWANCE FOR DOUBTFUL ACCOUNTS

The following is an analysis of TTI's allowance for doubtful accounts, in thousands:

DESCRIPTION	BALANCE, BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	BALANCE, END OF PERIOD
Allowance for doubtful accounts-				
December 31, 1998	$ --	$100	$ --	$100
December 31, 1999	100	73	(23)	150
September 30, 2000	150	--	--	150

(4) NOTE PAYABLE TO BANK

TTI has a $10,000,000 demand line of credit with a bank, bearing interest at the bank's prime rate (8.5% at December 31, 1999 and 9.5% at September 30, 2000) available through December 31, 2000. The borrowings are based upon 80% of eligible accounts receivable (the Formula) and all of TTI's assets are pledged as collateral under the agreement. Borrowings in excess of the Formula, up to $4,000,000, have been personally guaranteed by certain officers of TTI and the majority shareholder. At December 31, 1998 and 1999, and September 30, 2000, TTI had outstanding borrowings of $3,000,000, $4,000,000 and $5,000,000, respectively. At September 30, 2000, TTI had available borrowings under the line of credit of $4,600,000, based upon an available amount of $600,000 under the Formula and $4,000,000 guaranteed by certain officers and the majority shareholder.

(5) INCOME TAXES

The provision (benefit) for income taxes consist of the following, in thousands:

	YEAR ENDED DECEMBER 31,	
	1998	1999
Current:		
Federal	$(1,960)	$ 144
State	(277)	39
	(2,237)	183
Deferred:		
Federal	2,087	134
State	295	19
	2,382	153
	$ (145)	$ 336

TTI's effective tax rate differs from the statutory federal income tax rate due to the following:

	YEAR ENDED DECEMBER 31,	
	1998	1999
Statutory federal rate	(34)%	34%
Research and development credit	--	(11)
Non-deductible expenses	2	2
State income taxes, net of federal tax benefit/provision	(3)	3
Effective tax rate	(35)%	28%

Deferred tax assets (liabilities) consist of the following, in thousands:

	YEAR ENDED DECEMBER 31,	
	1998	1999
Deferred tax assets (liabilities):		
Deferred revenue	$ 2,958	$2,450
Cash to accrual differences	(1,371)	(914)
Property and equipment	(7)	(34)
Non-deductible reserves	37	37
Other	--	(74)
Valuation allowance	(1,066)	(1,066)
Net deferred tax asset	$ 551	$ 399

TTI records a valuation allowance against its deferred tax assets to the extent management believes it is more likely than not that the asset will not be realized. At September 30, 2000, TTI had

net deferred tax assets of $399,000, which will be realized through the utilization of available net operating loss carrybacks.

(6) COMMITMENTS

TTI leases office space and certain equipment under various noncancelable operating and capital leases. The capital leases are due in monthly installments expiring at various dates through March 2005 and accrue interest at annual rates ranging from 5.65% to 10.26%. TTI's future minimum payment obligations as of September 30, 2000 under such leases are as follows, in thousands:

	OPERATING	CAPITAL
2000 (three months)	$1,292	$ 126
2001	1,303	504
2002	1,249	487
2003	526	450
2004	79	313
Thereafter	--	60
Total minimum lease payments	$4,449	1,940
Less amount representing interest		700
Present value of minimum payments		1,240
Less current portion		310
Long-term portion		$ 930

Rental expense for all operating leases was $596,000, $780,000, $590,000 and $1,243,000 for the years ended December 31, 1998 and 1999 and the nine months ended September 30, 1999 and 2000, respectively. Certain property and equipment has been pledged as security under TTI's lease agreement for the corporate headquarters located in Richardson, Texas.

(7) REDEEMABLE COMMON STOCK

During 1997, the majority stockholder of TTI sold 10% of the common stock of TTI to an outside investor for $4 million. Under the terms of a stockholders agreement, the investor has a redemption option that became exercisable on April 15, 2000. The redemption option allows the investor to require either the majority stockholder or TTI to purchase all or any part of the shares held by the investor at the then current fair market value as determined by an independent appraiser. The redemption option terminates in the event TTI receives an offer to purchase all of the outstanding common stock for at least $100 million which the majority stockholder elects to accept but which the investor elects not to accept.

In accordance with United States generally accepted accounting principles, the carrying value of the redeemable common stock has been increased based on changes in the fair market value of the common stock of TTI and has been shown as a liability. Accordingly, during the years ended December 31, 1998 and 1999 and the nine months ended September 30, 2000, TTI recorded a charge to accumulated deficit of $1,332,000, $4,945,000 and $24,526,000, respectively, for the increase in the value of the redeemable common stock. For purposes of these financial statements,

the estimated value of the redeemable common stock held by the investor of $31,752,000 at September 30, 2000 is based upon the value of the TTI common stock in the proposed merger discussed in Note 1 using the closing sale price of Sonus common stock on November 2, 2000, the last trading day prior to the announcement of the merger. In the event that the investor exercised his redemption option, an appraisal of the shares held by such investor would be obtained in accordance with the terms of the stockholders agreement, the outcome of which could vary significantly from the amount recorded at September 30, 2000 in the accompanying balance sheet. Upon consummation of the proposed merger, the redemption feature of this common stock will terminate.

(8) STOCKHOLDERS' EQUITY

(A) COMMON STOCK

On March 31, 1998, the Board of Directors approved an amendment to the articles of incorporation that changed the common stock structure through an exchange of all outstanding ordinary stock for Class A voting, no par and Class B non-voting, no par, common stock. Through this amendment, the 1,000 common shares outstanding were replaced with 3,888,889 Class A and 1,111,111 Class B shares.

During 1999, TTI's Board of Directors approved an increase in the number of authorized shares of common stock and two stock splits (which aggregated to a 20-for-1 split), increasing the number of issued and outstanding shares of class A common stock to 77,777,780 and increasing outstanding shares of class B common stock to 22,222,220. All share and per share information presented in the accompanying consolidated financial statements and notes thereto has been retroactively restated for the effects of the stock splits.

(B) EQUITY INCENTIVE PLAN

On April 8, 1998, the Board of Directors adopted the telecom technologies, inc. Equity Incentive Plan (the Plan). The Plan provides for a maximum of 20,000,000 options for the purchase of Class B non-voting common stock to be granted to employees and consultants with exercise prices equal to the fair market value of the stock as of the date of grant. Under the Plan, TTI may grant incentive or non-qualified stock options. The options vest ratably over a period of two to four years and expire after five years.

A summary of activity under the Plan is as follows:

	NUMBER OF SHARES	EXERCISE PRICE	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, January 1, 1998	--	$ --	$ --
Granted	2,200,000	0.80	0.80
Canceled	(320,000)	0.80	0.80
Outstanding, December 31, 1998	2,980,000	0.80	0.80
Granted	9,919,800	0.80-1.00	0.91
Canceled	(220,000)	0.80-1.00	0.80
Outstanding, December 31, 1999	12,679,800	0.80-1.00	0.89
Granted	3,191,050	1.00-1.50	1.04
Canceled	(411,905)	0.80-1.00	0.82
Exercised	(248,620)	0.80	0.80
Outstanding, September 30, 2000	15,210,325	$0.80-1.50	$0.91
Exercisable, December 31, 1999	3,296,958	$0.80-1.00	$0.86
Exercisable, September 30, 2000	3,567,750	$0.80-1.00	$0.80

The weighted average fair value of options granted during the years ended December 31, 1998 and 1999 and the nine months ended September 30, 2000 was $0.35, $0.40 and $0.44 per share, respectively. The grant date fair values were estimated using the Black-Scholes option pricing model. The weighted average remaining life of the options outstanding at December 31, 1999 and September 30, 2000 was approximately 4.4 and 4.1 years, respectively.

During 1997, the majority stockholder of TTI sold 10% of their then 100% ownership of the common stock of TTI to an outside investor. In connection with the sale, TTI, the majority stockholder and the investor agreed that the investor would not be diluted below 10% ownership of TTI from the issuance of additional equity in TTI, including stock options.

In order to prevent the exercise of options under the Plan from diluting the investor below 10% ownership, the majority stockholder has agreed to fund option exercises from her personal holdings of class B non-voting common stock. Accordingly, as stock options are exercised, the proceeds are collected by TTI and remitted to the majority stockholder, who in turn transfers the number of shares for which the option has been exercised to TTI for delivery to the option holder. TTI acts only as a facilitator for the transfer of stock from its majority stockholder to its option holders upon the exercise of options. No new equity is issued by TTI as the result of any option exercises.

Stock-based compensation expenses includes the amortization of deferred employee compensation and other equity related expenses for non-employees.

In connection with certain employee stock option grants for the nine months ended September 30, 2000, TTI recorded deferred compensation of $7,578,000. This represents the aggregate difference between the exercise price and the fair value of the common stock on the date of grant for accounting purposes. The deferred compensation will be recognized as an expense over the vesting period of the underlying stock options. TTI recorded compensation

expense of $230,000 for the nine months ended September 30, 2000, related to these options. Based on the grant of these stock options, TTI expects to record approximately $1,216,000, $3,363,000, $1,760,000, $910,000 and $329,000 in employee compensation expense for the years ending December 31, 2000, 2001, 2002, 2003 and 2004, respectively.

TTI has valued the stock options granted to non-employees based upon the Black-Scholes option pricing model. As of December 31, 1999 and September 30, 2000, TTI had 25,000 and 525,000 stock options, respectively, outstanding to non-employees. Stock-based compensation expense for the grant of options to non-employees was not material for the year ended December 31, 1999. TTI has recorded stock-based compensation expense of $164,000 for the grant of options to non-employees for the nine months ended September 30, 2000. In accordance with Emerging Issues Task Force 96-18, TTI will record the value as the services are provided.

TTI has computed the pro forma disclosures required under SFAS No. 123 for options granted to employees for the years ended December 31, 1998 and 1999, using the Black-Scholes option pricing model with an assumed risk-free interest rate of 5.0%, 60% volatility and an expected life of 3 years with the assumption that no dividends will be paid. Had compensation expense been determined consistent with SFAS No. 123, the pro forma net income (loss) and pro forma net income (loss) per share would have been as follows:

	YEAR ENDED DECEMBER 31,	
	1998	1999
Net income (loss), in thousands--		
As reported	$ (265)	$ 867
Pro forma	$ (436)	$ 372
Basic and diluted net income (loss) per share--		
As reported	$(0.00)	$0.01
Pro forma	$(0.00)	$0.00

(9) RELATED PARTY TRANSACTION

In June 1999, TTI issued a demand note receivable to its majority stockholder for $1,486,000. This note accrued interest at 9.75% annually and was repaid in full in November 1999.

(10) 401(K) PLAN

TTI sponsors a defined contribution pension plan covering substantially all employees. TTI's contributions to this plan are based on percentages of participants' wages. During the years ended December 31, 1998 and 1999 and the nine months ended September 30, 1999 and 2000, TTI made contributions totaling approximately $29,000, $210,000, $158,000 and $198,000, respectively.

(11) ACQUISITIONS AND DISPOSITIONS

(A) PURCHASE OF SEQUEL SYSTEMS

On August 31, 1999, TTI purchased substantially all of the assets of Sequel Systems, Inc. (Sequel) for cash of $889,000 and a software license valued at $150,000. Additional direct cash costs of the acquisition totaled approximately $15,000. Sequel provided professional services

related to data conversion, data migration and circuit design in connection with telecommunication systems software industry specializing in open computing technology solutions and methodology. The transaction was accounted for under the purchase method of accounting, whereby the assets and liabilities of the Sequel were recorded by TTI at their fair value at the time of acquisition. In connection with the acquisition, TTI recorded accounts receivable and property and equipment of $828,000 and $224,000, respectively. The Sequel results of operations have been included in TTI's financial statements beginning with the date of acquisition.

(B) SALE OF PRODUCT LINE

In December 1998, TTI entered into an agreement to sell the intellectual property rights and assets related to its network testing software product line for $5,500,000 plus royalties on future sales of the product line. As part of the agreement, the purchaser agreed to purchase, at fair market value, research and development and manufacturing services from TTI for a minimum of two years. TTI also has agreed to provide consulting and support services for end users on a time and materials basis.

The revenue from this transaction was recorded in 1999, as the sale was contingent upon the execution of the research and development and manufacturing agreements, which were signed on January 11, 1999. These future services are not essential to the functionality of the assets being sold and have been contracted at their fair value.

The proceeds from the sale of product line are presented in other income in the accompanying consolidated statement of operations. Employees and certain assets associated with the network testing software product line were retained by TTI for the purposes of fulfilling TTI's obligations under the research and development and contract manufacturing agreements. For the year ended December 31, 1999 and the nine months ended September 30, 2000, revenues under these agreements included in product revenues in the accompanying consolidated statements of operations totaled $7,372,000 and $5,192,000, respectively.

(12) INSURANCE SETTLEMENT

In April 1999, TTI received a settlement of approximately $620,000 under the terms of a business interruption insurance policy applicable to a prior-year claim. This amount has been included in other income in the accompanying consolidated statement of operations. Approximately $420,000 was paid to TTI during 1999, with the remaining $200,000 to be paid in two equal installments during 2000 and 2001.

AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

This Agreement and Plan of Merger and Reorganization (this "AGREEMENT"), dated as of November 2, 2000, is by and among Sonus Networks, Inc., a Delaware corporation ("BUYER"); Storm Merger Sub, Inc., a Texas corporation that is a wholly-owned subsidiary of BUYER ("MERGER SUB"); and telecom technologies, inc., a Texas corporation (the "COMPANY").

WHEREAS, the parties desire that Merger Sub be merged with and into the Company, subject to the terms and conditions set forth in this Agreement; and

WHEREAS, BUYER and certain stockholders of the Company have entered into a Voting Agreement, dated as of the date hereof (the "VOTING AGREEMENT"), pursuant to which such stockholders have agreed to vote, and have issued a contingent proxy to BUYER to vote, in favor of, or execute a written consent with respect to, the transactions contemplated hereby at any stockholder meetings called for such purpose.

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth in this Agreement, the parties hereto hereby agree as follows:

Certain terms used in this Agreement are defined in Section 17.

1. CLOSING. Subject to the other provisions of this Agreement, a closing (the "CLOSING") will be held at the offices of Bingham Dana LLP, 150 Federal Street, Boston, Massachusetts 02110, as soon as is reasonably practicable following satisfaction or waiver of the conditions set forth in Sections 11 through 13 (the date on which the Closing actually occurs shall be referred to as the "CLOSING DATE"). On the Closing Date, Merger Sub and the Company will execute the Articles of Merger (the "ARTICLES OF MERGER") substantially in the form of the attached EXHIBIT 1 and file it with the Texas Secretary of State, in order to cause the merger of Merger Sub with and into the Company (the "MERGER") to be effected in accordance with the laws of the State of Texas. The Merger will be effective under the Texas Business Corporation Act ("TBCA") upon the filing of the Articles of Merger with the Secretary of State of the State of Texas and the issuance of a certificate of merger by the Secretary of State of the State of Texas (or such later time as may be agreed by BUYER and the Company, as specified in the Articles of Merger and in accordance with the provisions of the applicable law of Texas) (the "EFFECTIVE TIME"). For all purposes, all of the document deliveries and other actions to occur at the Closing will be conclusively presumed to have occurred at the same time, immediately before the Effective Time.

2. EFFECT OF MERGER. At the Effective Time, automatically and without further action:

2.1. SURVIVING CORPORATION. Merger Sub will be merged with and into the Company and the separate existence of Merger Sub will cease. The Company will continue in existence as the surviving corporation in the Merger (the "SURVIVING CORPORATION"). The Merger shall have further effects as set forth in the TBCA. All right, title and interest to all real estate and other property owned by the Company and Merger Sub shall be allocated to and vest in the Surviving Corporation. All liabilities and obligations of the Company and Merger Sub shall be allocated to the Surviving Corporation.

2.2. ARTICLES OF INCORPORATION. At the Effective Time, the Articles of Incorporation of the Merger Sub shall be the Articles of Incorporation of the Surviving Corporation and read in their entirety as set forth on Exhibit 2.2.

2.3. BY-LAWS. At the Effective Time, the by-laws of the Merger Sub shall be the by-laws of the Surviving Corporation and read in their entirety as set forth on Exhibit 2.3.

2.4. DIRECTORS AND OFFICERS. From and after the Effective Time, the members of the Board of Directors of the Surviving Corporation will consist of the members of the Board of Directors

of Merger Sub as of immediately prior to the Effective Time, and the officers of the Surviving Corporation shall be the officers of the Company as of immediately prior to the Effective Time, each such person to hold office, subject to the applicable provisions of the Restated Articles of Incorporation and the by-laws of the Surviving Corporation, as amended and restated in each case, until the next annual meeting of directors or stockholders, as the case may be, of the Surviving Corporation and until his or her successor will be duly elected or appointed and will duly qualify.

2.5. CONVERSION OF COMPANY COMMON STOCK.

(a) COMPANY COMMON STOCK. Each share of the Company's Class A common stock, no par value (the "COMPANY CLASS A COMMON STOCK") and each share of the Company's Class B common stock, no par value (the "COMPANY CLASS B COMMON STOCK," and together with the Company Class A Common Stock, the "COMPANY COMMON STOCK"), issued and outstanding immediately prior to the Effective Time (other than any Dissenting Shares (as defined in Section 2.7) and other than any shares held directly or indirectly by BUYER or the Company or any of their respective Subsidiaries) will be converted into and become the right to receive such number of shares of BUYER Common Stock as is equal to the Exchange Ratio (as defined in Section 17.1), subject to adjustment as provided in Section 2.5(b) and to the payment of cash in lieu of the issuance of fractional shares as provided in Section 3.6.

(b) ADJUSTMENT OF EXCHANGE RATIO. In the event that, subsequent to the date of this Agreement but prior to the Effective Time, the shares of BUYER Common Stock or Company Common Stock issued and outstanding as of the date of this Agreement are increased, decreased, or changed into or exchanged for a different number or kind of shares or securities through reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar changes in BUYER's or the Company's capitalization, then an appropriate and proportionate adjustment will be made to the Exchange Ratio so that each holder of Company Common Stock immediately before the Effective Time will receive pursuant to this Section 2.5: (i) in the event of any such change with respect to Company Common Stock, that number of shares of BUYER Common Stock that such holder would have received if such change had never occurred and (ii) in the event of any such change with respect to BUYER Common Stock, that number of shares of BUYER Common Stock that such holder would have received as a result of such change if such change had occurred immediately after the Effective Time (and such holders were treated for purposes of such change as holders of BUYER Common Stock).

2.6. CANCELLATION OF TREASURY STOCK, ETC. At the Effective Time, each share of Company Common Stock held directly or indirectly by BUYER or the Company or any of their respective Subsidiaries will be canceled and will cease to exist, and no payment will be made with respect thereto.

2.7. DISSENTING SHARES. Each share of Company Common Stock that, immediately prior to the Effective Time, was held by any person who has duly exercised the appraisal rights afforded to dissenting stockholders pursuant to Sections 5.11 and 5.12 of the TBCA (such shares, collectively, "DISSENTING SHARES") will be converted into the right to receive the fair value of such shares as determined in accordance with the provisions of such sections and shall not be converted into shares of BUYER Common Stock in accordance with Section 2.5; PROVIDED, however, that the provisions of this Section 2.7 shall not supersede or in any other way affect the enforceability of any separate agreement between the Company and/or BUYER and any Company Stockholder (as defined in Section 17.1), including, but not limited to, the Voting Agreement.

2.8. CONVERSION OF MERGER SUB'S SHARES. Each share of the common stock, $0.01 par value per share, of Merger Sub that was issued and outstanding immediately before the Effective Time will be converted into and become one common share, no par value, of the Surviving Corporation.

3. PROCEDURES; ESCROWED SHARES AND EARN-OUT SHARES.

3.1. CERTIFICATES. Immediately after the Effective Time, stock certificates (each, a "CERTIFICATE," and collectively, the "CERTIFICATES") representing shares of Company Common Stock that have been converted into shares of BUYER Common Stock in the Merger will be conclusively deemed to represent such shares of BUYER Common Stock until validly exchanged pursuant to Section 3.2.

3.2. EXCHANGE OF CERTIFICATES. At the Closing, upon surrender of a Certificate to BUYER or its transfer agent, as the case may be, together with a duly executed letter of transmittal and any other documents reasonably required by BUYER, the holder of such Certificate will be entitled to receive, in exchange therefor, a certificate for the number of shares of BUYER Common Stock to which such holder is entitled (subject to the escrow arrangements referred to in Section 3.3) plus cash in lieu of fractional shares (as set forth in Section 3.6), and such Certificate will be canceled.

3.3. ESCROWED SHARES AND EARN-OUT SHARES.

(a) Notwithstanding any other provision of this Agreement, at the Closing, BUYER, the Stockholder Representatives and the Escrow Agent named therein (the "ESCROW AGENT") will execute and deliver an Escrow Agreement in the form of the attached Exhibit 3.3(a) (the "CONTINGENCY ESCROW AGREEMENT"), with such additional revisions, prior to the Closing, as BUYER and the Stockholder Representatives may mutually agree after consultation with the Escrow Agent. An aggregate of 5,400,000 of the shares of BUYER Common Stock issuable in the Merger (the "ESCROWED SHARES AND THE EARN-OUT SHARES") to each of the Company Stockholders, shall not be distributed to such Company Stockholders but shall instead be deposited with the Escrow Agent pursuant to the Contingency Escrow Agreement. The Escrowed Shares and Earn-Out Shares shall be held by the Escrow Agent pursuant to the Contingency Escrow Agreement and distributed in accordance therewith.

(b) In addition to the Contingency Escrow Agreement, at the Closing, BUYER, Anousheh Ansari, Hamid Ansari and the Escrow Agent will execute and deliver an Escrow Agreement in the form of the attached EXHIBIT 3.3(b) (the "OPTION ESCROW AGREEMENT" and, together with the Contingency Escrow Agreement, the "ESCROW AGREEMENTS"), with such additional revisions, prior to the Closing, as BUYER, Hamid Ansari and Anousheh Ansari may mutually agree after consultation with the Escrow Agent. An aggregate number of shares of BUYER Common Stock (rounded to the nearest whole number of shares) (the "OPTION ESCROWED SHARES") equal to the Funding Number shall not be distributed to Anousheh Ansari and Hamid Ansari but shall instead be deposited with the Escrow Agent pursuant to the Option Escrow Agreement. For purposes of this Agreement, the term "FUNDING NUMBER" shall mean the product obtained by multiplying (A) the maximum number of shares of BUYER Common Stock issuable upon the exercise of all BUYER Exchange Options outstanding immediately after the Effective Time (as set forth on the Capitalization Certificate (as defined in Section 13.8), and as such Roll-Over Options are adjusted pursuant to Article IV), TIMES (B) sixty-four percent (64%), rounded to the nearest share. The Option Escrowed Shares shall be held by the Escrow Agent pursuant to the Option Escrow Agreement and distributed in accordance therewith.

3.4. DISTRIBUTIONS. No dividend or other distribution payable after the Effective Time with respect to BUYER Common Stock will be paid to the holder of any unsurrendered Certificate until the holder thereof surrenders such Certificate, at which time such holder will receive all

dividends and distributions, without interest thereon, previously payable or paid but withheld from such holder pursuant hereto.

3.5. NO TRANSFERS. From and after the Effective Time, no transfers of shares of Company Common Stock will be made in the stock transfer books of the Company. If, after the Effective Time, Certificates are presented (for transfer or otherwise) to the Surviving Corporation or its transfer agent for Company Common Stock, they will be canceled and exchanged for the shares of BUYER Common Stock deliverable in respect thereof as determined in accordance with this Agreement (or returned to the presenting person, if such Certificate represents Dissenting Shares).

3.6. NO FRACTIONAL SHARES. In lieu of the issuance of fractional shares of BUYER Common Stock, cash adjustments will be paid (without interest) to the Company Stockholders in respect of any fractional share of BUYER Common Stock that would otherwise be issuable to them and the amount of such cash adjustments will be determined by multiplying each relevant holder's fractional interest by the Closing Date Price Per Share (as defined in Section 17.1). For purposes of determining whether, and in what amounts, a particular Company Stockholder would be entitled to receive cash adjustments under this Section, shares of record held by such holder and represented by two or more Certificates will be aggregated.

3.7. TERMINATION OF RIGHTS. After the Effective Time, holders of Company Common Stock will cease to be, and will have no rights as, stockholders of the Company or the Surviving Corporation, other than (i) in the case of shares other than Dissenting Shares, the rights to receive shares of BUYER Common Stock into which such shares have been converted and/or payments in lieu of fractional shares, as provided in this Agreement, and (ii) in the case of Dissenting Shares, the rights afforded to the holders thereof under Sections 5.11 and 5.12 of the TBCA and (iii) rights under this Agreement and the Escrow Agreement.

3.8. ABANDONED PROPERTY. Neither BUYER nor the Company nor any other person will be liable to any holder or former holder of shares of Company Stock for any shares, or any dividends or other distributions with respect thereto, properly delivered to a public official pursuant to applicable abandoned property, escheat, or similar laws.

3.9. LOST CERTIFICATES, ETC. In the event that any Certificate has been lost, stolen, or destroyed, then upon receipt of appropriate evidence as to such loss, theft, or destruction, and to the ownership of such Certificate by the person claiming such Certificate to be lost, stolen, or destroyed, and the receipt by BUYER or its transfer agent for BUYER Common Stock of appropriate and customary affidavit of loss or personal indemnification undertaking documentation, BUYER or such transfer agent will issue in exchange for such lost, stolen, or destroyed Certificate the shares of BUYER Common Stock and the fractional share payment, if any, deliverable in respect thereof as determined in accordance with this Agreement.

4. COMPANY COMMON STOCK OPTIONS.

(a) At the Effective Time, each unexpired and unexercised outstanding option granted or issued under stock option plans of the Company and set forth on the Capitalization Certificate (each, a "COMPANY OPTION") shall be automatically converted into an option (a "BUYER EXCHANGE OPTION") to purchase, subject to paragraph (d) below, that number of shares of BUYER Common Stock equal to the number of shares of Company Common Stock subject to the Company Option immediately prior to the Effective Time (without regard to any actual restrictions on exerciseability) multiplied by the Exchange Ratio (and rounded to the nearest share), with an exercise price per share equal to the exercise price per share that existed under the corresponding Company Option divided by the Exchange Ratio (and rounded to the nearest cent), and with other terms and conditions, subject to paragraph (d) below, that are the same as the terms and conditions of such Company Option immediately before the Effective Time. Prior to the Effective Time, the Company and

Buyer shall take all such action necessary to effectuate the foregoing provisions of this Section 4(a).

(b) In connection with the issuance of BUYER Exchange Options, BUYER shall (i) reserve for issuance the number of shares of BUYER Common Stock that will become subject to BUYER Exchange Options pursuant to this Section 4, and (ii) from and after the Effective Time, upon exercise of BUYER Exchange Options, make available for issuance all shares of BUYER Common Stock covered thereby, subject to the terms and conditions applicable thereto.

(c) BUYER agrees to use its best efforts to file with the SEC, no later than the Closing Date, a registration statement on Form S-8 or other appropriate form under the Securities Act to register the maximum number of shares of BUYER Common Stock issuable upon exercise of BUYER Exchange Options and to use its reasonable efforts to cause such registration statement to remain effective until the exercise or expiration of such options.

(d) On any exercise of a BUYER Exchange Option subsequent to the Effective Time (including but not limited to following expiration of the Escrow Agreements), BUYER shall have no obligation to transfer to the holder thereof more than sixty-four percent (64%) (the portion in excess of such percentage, the "DEFERRED OPTION SHARES") of the BUYER Common Stock for which the BUYER Exchange Option is then being exercised (with the proportion withheld rounded up to the nearest whole share), except to the extent, and only at such time, if ever, as the conditions to the release of the "First Release Shares", "Second Release Shares", and "Third Release Shares" (as defined in the Contingency Escrow Agreement) to the Company Stockholders shall have been satisfied in whole or in part (either before or after the exercise of such BUYER Exchange Option), with such Deferred Option Shares being released in part upon any partial satisfaction in the same ratio that the "First Release Shares", "Second Release Shares", and "Third Release Shares" are released from the escrow established by the Contingency Escrow Agreement. Upon satisfaction of all of such conditions in whole, any Deferred Option Shares subject to BUYER Exchange Options previously exercised shall be released and any remaining unexercised BUYER Exchange Option shall be under no such restrictions. To the extent the conditions are satisfied, the Deferred Option Shares as to previously exercised BUYER Exchange Options will be delivered and the subsequent exercise of the BUYER Exchange Options shall be under no such restrictions. Neither BUYER nor the Company shall have any liability to any holder of a BUYER Exchange Option for that part of the exercise price of the BUYER Exchange Option attributable to the Deferred Option Shares in the event or to the extent the conditions to the release of the Escrowed Shares and the Earn-Out Shares to the Company Stockholders are not satisfied and in such circumstances the Company shall still be entitled to collect that part of the exercise price on any subsequent exercises.

5. [INTENTIONALLY OMITTED.]

6. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company hereby represents and warrants to BUYER as follows, subject in each case to such exceptions as are specifically contemplated by this Agreement, the Voting Agreement or the Registration Rights Agreement or as are set forth in the attached Disclosure Schedule of the Company (the "COMPANY DISCLOSURE SCHEDULE"). Notwithstanding any other provision of this Agreement or the Company Disclosure Schedule, each exception set forth in the Company Disclosure Schedule will be deemed to qualify each representation and warranty set forth in this Agreement (i) that is specifically identified (by cross-reference or otherwise) in the Company Disclosure Schedule as being qualified by such exception, or (ii) with respect to which the relevance of such exception is reasonably apparent on the face of the disclosure of such exception set forth in the Company Disclosure Schedule.

6.1. INCORPORATION; AUTHORITY. The Company (i) is a corporation duly organized, validly existing, and in good standing under the laws of the State of Texas and (ii) has all requisite corporate power and authority in all material respects to own or lease and operate its properties and to carry on its business as now conducted. The Company has made available to BUYER complete and correct copies of its Amended and Restated Articles of Incorporation and by-laws, in each case with all amendments thereto made through the date hereof.

6.2. AUTHORIZATION AND ENFORCEABILITY. Subject to the approval of this Agreement and the Merger by the Company Stockholders and to the filing of the Articles of Merger and the requirements set forth in Section 6.3, the Company has all requisite power and full legal right and authority (including due approval of its Board of Directors) to enter into this Agreement, to perform all of its agreements and obligations hereunder, and to consummate the Merger and the other transactions contemplated hereby. This Agreement has been duly executed and delivered by the Company and constitutes a legal, valid, and binding obligation of the Company, enforceable against the Company in accordance with its terms.

6.3. GOVERNMENTAL AND OTHER THIRD-PARTY CONSENTS, NON-CONTRAVENTION, ETC. No consent, approval, or authorization or registration, designation, declaration, or filing with any governmental authority, federal or other, or any other person, is required on the part of the Company in connection with the execution, delivery, and performance of this Agreement or the consummation of the Merger and the other transactions contemplated hereby, except (i) for applicable requirements, if any, of the Exchange Act, the Securities Act, state securities or "blue sky" laws and state takeover laws, the HSR Act (each as defined in Section 17.1), and filing and recordation of appropriate merger documents as required by the TBCA and (ii) as specified in Section 6.3 of the Company Disclosure Schedule, or (iii) for such consents, approvals or authorizations of or registrations, designations, declarations or filings, the failure to make or obtain would not, individually or in the aggregate, have a Material Adverse Effect (as defined in Section 17.1) on the Company. The execution, delivery, and performance of this Agreement and the consummation of such transactions will not violate (a) any provision of the Company's Amended and Restated Articles of Incorporation or by-laws, (b) any order, judgment, injunction, award or decree of any court or state or federal governmental or regulatory body applicable to the Company, (c) any judgment, decree, order, statute, rule or regulation to which the Company is a party or by or to which it or any of its assets is bound or subject, or (d) any agreement, instrument or other obligation to which the Company is a party or by or to which it or any of its assets is bound or subject, except, in each case, to the extent that the failure to obtain any such consent, approval or authorization would not, individually or in the aggregate, have a Material Adverse Effect on the Company.

6.4. CAPITALIZATION. The authorized and outstanding capital stock and other securities of the Company as of the date hereof are as set forth in Section 6.4 of the Company Disclosure Schedule. All of such outstanding shares of capital stock of the Company are duly authorized, validly issued, fully paid, and non-assessable, and all of such outstanding shares and other securities are owned of record as set forth in Section 6.4 of the Company Disclosure Schedule, and, except as would not have, individually or in the aggregate, have a Material Adverse Effect on the Company, were issued in compliance with all applicable laws, including securities laws, and all applicable preemptive or similar rights of any person. No person has any valid right to rescind from the Company any purchase of any shares of the Company's capital stock or other securities.

There are no agreements or other obligations on the part of the Company to purchase or sell, and other than as set forth in Section 6.4 of the Company Disclosure Schedule, no convertible or exchangeable securities, options, warrants, or other rights to acquire from the Company any shares of its capital stock or other securities. Section 6.4 of the Company Disclosure Schedule sets forth the name of each person who holds any option, warrant or other right to acquire shares of the

Company's capital stock, the number and type of shares subject to such option, warrant or right, the per-share exercise price payable therefor, how many of the shares subject to such option, warrant or other right were "vested" (i.e., exercisable) as of September 30, 2000 and how many will vest or become exercisable upon consummation of the Merger, and whether or not the holder thereof is an employee of the Company.

6.5. QUALIFICATION. The Company is duly qualified and in good standing as a foreign corporation in all jurisdictions in which the character of its owned or leased properties or the nature of its activities makes such qualification necessary, except for any failures to be so qualified and in good standing as would not have, individually or in the aggregate, a Material Adverse Effect on the Company.

6.6. SUBSIDIARIES. The Company does not have any Subsidiaries (as defined in Section 17.1) or own any legal and/or beneficial interests in any person other than telecom technologies, incorporated international and telecom technologies, inc.--OSS.

6.7. FINANCIAL STATEMENTS. Included in Section 6.7 of the Company Disclosure Schedule are copies of (i) the audited balance sheets of the Company as of December 31, 1997 and 1998, and the related audited statements of operations, shareholders' equity and cash flows of the Company, for the fiscal years ended on such dates, accompanied by an audit report of Arthur Andersen LLP, (ii) the audited balance sheet of the Company as of December 31, 1999 (the "MOST RECENT AUDITED BALANCE SHEET"), and the related audited statements of operations, shareholders' equity and cash flows of the Company, for the fiscal year ended on such date, accompanied by an audit report of Ernst & Young, LLP, and (iii) the unaudited balance sheet of the Company as of September 30, 2000 (the "MOST RECENT UNAUDITED BALANCE SHEET"), and the related unaudited statements of operations, shareholders' equity and cash flows, respectively, of the Company, for the nine-month period ended on such date. Except as set forth in the notes thereto, each of such financial statements is true and correct in all material respects and has been prepared in accordance with United States generally accepted accounting principles ("GAAP") applied on a basis consistent with prior periods. Each of such balance sheets fairly presents in all material respects the financial condition of the Company as of its respective date; and each of such statements of operations, shareholders' equity and cash flows, respectively, fairly presents in all material respects the results of operations and Shareholders' equity, or cash flows, as the case may be, of the Company for the period covered thereby; in each case, subject, with respect to the unaudited financial statements referred to in clause (iii) of this Section, to the absence of footnote disclosure and to normal, recurring end-of-period adjustments which shall, in the aggregate, not be material.

6.8. ABSENCE OF CERTAIN CHANGES. Except as reflected in the Most Recent Unaudited Balance Sheet, since the Most Recent Audited Balance Sheet Date, there has not been: (i) any change in the assets, liabilities, sales, income, or business of the Company or in its relationships with suppliers, customers, or lessors, other than changes that were both in the ordinary course of business or changes that have not, individually or in the aggregate, had a Material Adverse Effect on the Company; (ii) any acquisition or disposition by the Company of any material asset or property other than in the ordinary course of business; (iii) any damage, destruction or loss, whether or not covered by insurance, except for any damage, destruction or loss that did not, individually or in the aggregate, have a Material Adverse Effect on the Company; (iv) any declaration, setting aside or payment of any dividend or any other distributions in respect of any shares of capital stock of the Company; (v) any issuance of any shares of the capital stock of the Company, or options, warrants or other rights to acquire such capital stock, or any direct or indirect redemption, purchase, or other acquisition by the Company of any such capital stock or rights to acquire capital stock, except upon the exercise of Company Stock Options set forth in Section 6.4 of the Company Disclosure Schedule or issued subsequent to the date hereof, in each case to the extent set forth on the Capitalization

Certificate; (vi) any loss of the services of any officers or key employees or consultants that have had or will have, individually or in the aggregate, a Material Adverse Effect on the Company, or any increase in the compensation, pension, or other benefits payable or to become payable by the Company to any of its officers or key employees or consultants, or any bonus payments or arrangements made to or with any of them other than in the ordinary course; (vii) any forgiveness or cancellation of any debt or claim by the Company or any waiver of any right of material value, other than compromises of accounts receivable in the ordinary course of business; (viii) any entry by the Company into any transaction with any of its Affiliates (as defined in Section 17.1), other than any entered into in the ordinary course of business in connection with the employment of such Affiliate by the Company; (ix) any incurrence or imposition of any material Lien (as defined in Section 17.1) on any of the material assets, tangible or intangible, of the Company; or (x) any discharge or satisfaction by the Company of any material Lien or payment by the Company of any obligation or liability (fixed or contingent) other than (A) current liabilities included in or reflected on the Most Recent Balance Sheet, and (B) current liabilities to persons other than Affiliates of the Company incurred since the date of the Most Recent Audited Balance Sheet in the ordinary course of business.

6.9. PROPERTIES AND ASSETS. The assets and properties of the Company are adequate and sufficient, in all material respects, to conduct the business of the Company as currently conducted in all material respects. The Company has good and marketable title to all of its material assets and properties, including without limitation all those reflected as owned in the Most Recent Unaudited Balance Sheet (except for properties or assets sold, consumed, or otherwise disposed of in the ordinary course of business since the date of the Most Recent Unaudited Balance Sheet), all free and clear of material Liens. All such properties and assets, in the aggregate, are in good condition and repair, reasonable wear-and-tear and normal maintenance excepted. Section 6.9(a) of the Company Disclosure Schedule sets forth a complete and correct list of all capital assets of the Company having a net book value in excess of $50,000.

The Company does not own any real property. The Company has not received any written notice that either the whole or any portion of any real property leased by it is to be condemned, requisitioned, or otherwise taken by any public authority or is to be the subject of any public improvements that may result in special assessments against or otherwise affect such real property. Section 6.9(b) of the Company Disclosure Schedule sets forth a complete and correct list of all leases of real property to which the Company is a party. Complete and correct copies of all such leases have been made available to BUYER. Each such lease is valid and subsisting and no event or condition exists that constitutes, or after notice or lapse of time or both could constitute, a default thereunder, except as would not, individually or in the aggregate, have a Material Adverse Effect on the Company. The leasehold interests of the Company in real property are not subject to any material Lien, and the Company is in quiet possession of the real property covered by such leases.

6.10. INTELLECTUAL PROPERTIES.

(a) Section 6.10(a) of the Company Disclosure Schedule lists all Intellectual Properties, as such term is defined in Section 17.1, (other than off-the-shelf software programs that have not been customized for its use) material to and used in or necessary to the business of the Company as now being conducted and as presently proposed by the Company to be conducted (the "COMPANY INTELLECTUAL PROPERTIES"). The Company owns, or is licensed or otherwise has the right to use all Company Intellectual Properties, free and clear of all liens, claims and encumbrances, except for such liens, claims and encumbrances as do not materially impair the Company's ability to use, exploit, license and distribute such Company Intellectual Properties. Except as pursuant to any agreement

listed in Section 6.10 of the Company Disclosure Schedule, the Company is not required to pay royalties or further consideration for the use of any Company Intellectual Properties that the Company has licensed from other Persons. The Company possesses (or has the right to obtain access pursuant to an escrow agreement) the source codes and all related programs and documentation sufficient to recreate the current and next most recent versions of any Company Intellectual Properties that the Company has licensed from other Persons.

(b) The Company's Products, including all software, are free from material defects and perform in substantial accordance with all published specifications (if any).

(c) The Company has not granted any third party any right to manufacture, reproduce, distribute or market any of the Company's Products or any adaptations, translations, or derivative works based on the Company Products or any portion thereof.

(d) The Company has not granted any third party any right to license any of the Company's Products except under valid and binding Software License Agreements.

(e) No third party has been licensed to use, or has lawful access to, any source code developed in respect of the Company's Products.

(f) No product liability or warranty claims have been communicated in writing to or threatened in writing against the Company.

(g) In any instance where the Company's rights to Company Intellectual Properties arise under a license or similar agreement (other than for off-the-shelf software programs that have not been customized for its use), this is indicated in Section 6.10(a) of the Company Disclosure Schedule. No other person has an interest in or right or license to use any of the Company Intellectual Properties owned by the Company. To the Company's knowledge, there is and has been no material unauthorized use, disclosure, infringement or misappropriation of any Company Intellectual Properties owned by the Company by any third party. To the Company's knowledge, none of the Company Intellectual Properties owned by the Company or licensed to the Company on an exclusive basis is being infringed by others, or is subject to any outstanding order, decree, judgment, or stipulation. No litigation (or other proceedings in or before any court or other governmental, adjudicatory, arbitral, or administrative body) relating to the Company Intellectual Properties owned by the Company or licensed to the Company on an exclusive basis is pending, nor to the Company's knowledge, threatened against the Company. The Company maintains reasonable security measures for the preservation of the secrecy and proprietary nature of such of its Company Intellectual Properties that constitute trade secrets or other confidential information.

(h) To the Company's knowledge, the Company has not infringed or made unlawful use of, and is not infringing or making unlawful use of, any Intellectual Properties of any other person. No litigation (or other proceedings in or before any court or other governmental, adjudicatory, arbitratory, or administrative body) charging the Company with infringement or unlawful use of any Intellectual Properties is pending, or to the Company's knowledge, threatened against the Company. In addition, to the knowledge of the Company, there are no legal restrictions or impediments that would prevent Company from incorporating those features identified in Schedule 2(a)(iii) to the Contingency Escrow Agreement into a release version of the Company's products.

(i) To the Company's knowledge, all of the Company's material information technology systems and material non-information technology embedded systems (including systems or technology currently under development) will record, store, process,

calculate and present calendar dates falling on and after (and, if applicable, during spans of time including) January 1, 2000, and will calculate any information dependent on or relating to such date in the same manner, and with the same functionality, data integrity and performance, as the information technology systems and non- information technology embedded systems record, store, process, calculate and present, calendar dates on or before December 31, 1999, or calculate any information dependent on or relating to such date.

(j) Except as would not, individually or in the aggregate, have a Material Adverse Effect on the Company, each person presently or previously employed by the Company (including independent contractors, if any) with access authorized by the Company to confidential information relating to the Company Intellectual Properties has executed a confidentiality and non-disclosure agreement pursuant to an agreement substantially in the form of agreement previously provided to BUYER or its representatives, or is otherwise legally bound to preserve the confidentiality of such information, and such confidentiality and non-disclosure agreements constitute valid and binding obligations of the Company and, to the Company's knowledge, of such person, enforceable in accordance with their respective terms. Except as would not, individually or in the aggregate, have a Material Adverse Effect on the Company, all Company Intellectual Properties that are owned by the Company were written, developed and created solely and exclusively by employees of the Company (and all rights in and to all Company Intellectual Properties are owned by the Company) without the assistance of any third party or entity or were created by or with the assistance of third parties who assigned ownership of their rights (including all intellectual property rights) in such Company Intellectual Properties to the Company by means of valid and enforceable consultant confidentiality and invention assignment agreements, copies of which have been delivered to BUYER. All Company Intellectual Properties that are licensed to the Company (other than off-the-shelf software programs that have not been customized for its use) are identified on Schedule 6.10(a) of the Company Disclosure Schedule and copies of such license agreements have been made available to BUYER.

(k) All use, disclosure or appropriation by the Company (or its employees or agents) of confidential information relating to Intellectual Properties not otherwise protected by patents, patent applications or copyright ("CONFIDENTIAL INFORMATION") owned by the Company and licensed to a third party has been pursuant to the terms of a written agreement between the Company and such third party. All use, disclosure or appropriation by the Company (or its employees or agents) of Confidential Information not owned by the Company has been made pursuant to the terms of a written agreement between the Company and the owner of such Confidential Information, or is otherwise lawful.

(l) Section 6.10(a) of the Company Disclosure Schedule contains an accurate and complete list of all patents and patent applications, trademarks (with separate listings of registered and unregistered trademarks), trade names, Internet domain names and registered copyrights in or related to the Company Products or otherwise included in the Company Intellectual Properties and all applications and registrations therefore. To the knowledge of the Company, all of Company's patents, patent rights, copyrights, trademark, trade name or Internet domain name registrations related to or in the Company Products are valid and in full force and effect in all material respects; and consummation of the transactions contemplated by this Agreement will not alter or impair any such rights.

(m) As used in this Section 6.10: "PRODUCTS" means all products, including all software, now being manufactured or sold by the Company, and those products and software currently under development by the Company.

6.11. INDEBTEDNESS. At the date hereof, the Company has no material Indebtedness (as defined in Section 17.1) outstanding, or any Indebtedness for borrowed money regardless of amount, except for trade credit incurred in the ordinary course of business not exceeding $1,000,000 in the aggregate (the "INCIDENTAL INDEBTEDNESS"). The Company is not in default with respect to any outstanding Indebtedness or any agreement, instrument, or other obligation relating thereto and, no such Indebtedness or any agreement, instrument, or other obligation relating thereto purports to limit the issuance of any securities by the Company or the operation of its businesses. Complete and correct copies of all agreements, instruments, and other obligations (including all amendments, supplements, waivers, and consents) relating to any Indebtedness of the Company other than Incidental Indebtedness have been made available to BUYER.

6.12. ABSENCE OF UNDISCLOSED LIABILITIES. Except (a) to the extent (i) reflected or reserved against in the Most Recent Audited Balance Sheet, or (ii) incurred in the ordinary course of business after the date of the Most Recent Audited Balance Sheet, and (b) to be discharged before the Closing, the Company does not have any liabilities or obligations of any nature, whether accrued, absolute, contingent, or otherwise (including without limitation liabilities, as guarantor or otherwise, in respect of obligations of others) other than performance obligations with respect to the contracts that would not be required to be reflected or reserved against in a balance sheet prepared in accordance with GAAP or referred to in the footnotes thereto, except any such liabilities and obligations that would not, individually or in the aggregate, have a Material Adverse Effect on the Company.

6.13. TAXES.

(a) ELECTIONS. All material elections with respect to Taxes (including without limitation any elections under Sections 108(b)(5), 338(g), 565, 936(a), or 936(e) of the Internal Revenue Code of 1986, as amended (the "CODE"), or Treasury Regulation (as defined in Section 17.1) Sections 1.1502-20(g) or 1.1502-32(f)(2)) affecting the Company and its Subsidiaries are described in Section 6.13(a) of the Company Disclosure Schedule.

(b) FILING OF TAX RETURNS AND PAYMENT OF TAXES. The Company and its Subsidiaries have timely filed (taking into account any extensions of time in which to file) all Tax Returns (as defined in Section 17.1) required to be filed by them, each such Tax Return has been prepared in compliance with all applicable laws and regulations, and all such Tax Returns are true, accurate and complete in all material respects. All Taxes due and payable by the Company and its Subsidiaries whether or not shown on any Tax Returns have been paid, and the Company and its Subsidiaries will not be liable for any additional Taxes in respect of any taxable period ending on or before the Closing Date in an amount that exceeds the corresponding reserve therefor, if any, reflected in the accounting records of the Company and its Subsidiaries. The Company and its Subsidiaries have made available to BUYER correct and complete copies of all Tax Returns filed by or with respect to them with respect to taxable periods ended on or after December 31, 1996.

(c) AUDIT HISTORY. With respect to each taxable period of the Company and its Subsidiaries ended on or before December 31, 1996, each such taxable period has closed and such taxable period is not subject to review by any relevant taxing authorities.

(d) DEFICIENCIES. No deficiency or proposed adjustment in respect of Taxes that has not been settled or otherwise resolved has been asserted or assessed in writing by any taxing authority against the Company or its Subsidiaries.

(e) LIENS. There are no Liens for Taxes (other than current Taxes not yet due and payable) on the assets of the Company or its Subsidiaries.

(f) EXTENSIONS TO STATUTE OF LIMITATIONS FOR ASSESSMENT OF TAXES. Neither the Company nor any of its Subsidiaries has consented to extend the time in which any Tax may be assessed or collected by any taxing authority.

(g) EXTENSIONS OF THE TIME FOR FILING TAX RETURNS. Neither the Company nor any of its Subsidiaries has requested or been granted an extension of the time for filing any Tax Return to a date on or after the Closing Date.

(h) PENDING PROCEEDINGS. There is no action, suit, taxing authority proceeding, or audit with respect to any Tax now in progress, pending, or to the Company's or any of its Subsidiaries' knowledge, threatened, against or with respect to the Company or any of its Subsidiaries.

(i) NO FAILURES TO FILE TAX RETURNS. To the Company's or any of its Subsidiaries' knowledge, no claim has ever been made by a taxing authority in a jurisdiction where the Company or any of its Subsidiaries does not pay Tax or file Tax Returns that the Company or any of its Subsidiaries is or may be subject to Taxes assessed by such jurisdiction.

(j) MEMBERSHIP IN AFFILIATED GROUPS, ETC. Neither the Company nor any of its Subsidiaries has ever been a member of any affiliated group of corporations (as defined in Section 1504(a) of the Code), other than a group of which the Company or any of its Subsidiaries is or was the common parent, or filed or been included in a combined, consolidated, or unitary Tax Return, other than with respect to a combined, consolidated or unitary group of which the Company or any of its Subsidiaries is or was the common parent.

(k) ADJUSTMENTS UNDER SECTION 481. Neither the Company nor any of its Subsidiaries will be required, as a result of a change in method of accounting for any period ending on or before the Closing Date, to include any adjustment under Section 481(c) of the Code (or any similar or corresponding provision or requirement under any Tax law) in taxable income for any period ending on or after the Closing Date.

(l) TAX SHARING, ALLOCATION, OR INDEMNITY AGREEMENTS. Neither the Company nor any of its Subsidiaries is a party to or bound by any Tax sharing or allocation agreement or has any current or potential contractual obligation to indemnify any other person with respect to Taxes.

(m) WITHHOLDING TAXES. The Company and its Subsidiaries have withheld and paid all Taxes required to have been withheld and paid by them in connection with amounts paid or owing to any employee, creditor or other person.

(n) FOREIGN PERMANENT ESTABLISHMENTS AND BRANCHES. Neither the Company nor any of its Subsidiaries has a permanent establishment in any foreign country, as defined in the relevant tax treaty between the United States of America and such foreign country, and does not otherwise operate or conduct business through any branch in any foreign country.

(o) U.S. REAL PROPERTY HOLDING CORPORATION. Neither the Company nor any of its Subsidiaries is or has been a United States real property holding corporation within the meaning of Code Section 897(c)(2), during the applicable period specified in Code Section 897(c)(1)(A)(ii).

(p) TAX-EXEMPT USE PROPERTY. None of the property owned by the Company or any of its Subsidiaries is "tax-exempt use property" within the meaning of Section 168(h) of the Code.

(q) SECURITY FOR TAX-EXEMPT OBLIGATIONS. None of the assets of the Company or any of its Subsidiaries directly or indirectly secures any indebtedness, the interest on which is tax-exempt under Section 103(a) of the Code, and neither the Company nor any of its Subsidiaries is directly or indirectly an obligor or a guarantor with respect to any such indebtedness.

(r) SECTION 341(F) CONSENT. Neither the Company nor any of its Subsidiaries has filed a consent under Code Section 341(f) concerning collapsible corporations.

(s) PARACHUTE PAYMENTS. Neither the Company nor any of its Subsidiaries has made any payments, is obligated to make any payments, or is a party to any agreement that under certain circumstances could obligate it to make any payments, that will not be deductible under Code Sections 162(m) or 280G.

(t) OTHER PERSONS. Neither the Company nor any of its Subsidiaries is presently liable for the Taxes of another person (i) under Treasury Regulation Section 1.1502-6 (or comparable provision of state, local or foreign law), (ii) as transferee or successor or (iii) by contract or indemnity or otherwise.

6.14. EMPLOYEE BENEFIT PLANS.

(a) IDENTIFICATION OF PLANS. The Company does not now maintain or contribute to, and does not have any outstanding liability to or in respect of or obligation under, any material pension, profit-sharing, deferred compensation, bonus, stock option, employment, share appreciation right, severance, group or individual health, dental, medical, life insurance, survivor benefit, or similar plan, policy, arrangement or agreement, whether formal or informal, written or oral, for the benefit of any director, officer, consultant or employee, whether active or terminated, of the Company. Each of the arrangements set forth on Section 6.14(a) of the Company Disclosure Schedule is here referred as an "EMPLOYEE BENEFIT PLAN".

(b) DELIVERY OF DOCUMENTS. The Company has heretofore delivered to BUYER true, correct and complete copies of each Employee Benefit Plan, and with respect to each such Plan true, correct and complete copies of (i) any associated trust, custodial, insurance or service agreements, (ii) any annual report, actuarial report, or disclosure materials (including specifically any summary plan descriptions) submitted to any governmental agency or distributed to participants or beneficiaries thereunder in the current or any of the three (3) preceding calendar years and (iii) the most recently received Internal Revenue Service (the "IRS") determination letters and any governmental advisory opinions, rulings, compliance statements, or closing agreements specific to such Employee Benefit Plan.

(c) COMPLIANCE WITH TERMS AND LAW. Each Employee Benefit Plan is and has heretofore been maintained and operated in all material respects in compliance with the terms of such Plan and with the requirements prescribed (whether as a matter of substantive law or as necessary to secure favorable tax treatment) by any and all statutes, governmental or court orders, or governmental rules or regulations in effect from time to time, including but not limited to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Code and applicable to such Plan. Each Employee Benefit Plan which is intended to qualify under Section 401(a) of the Code and each trust or other entity intended to qualify as a "voluntary employee benefit association" within the meaning of Section 501(c)(9) of the Code and associated with any Employee Benefit Plan is expressly identified as such on Section 6.14(a) of the Company Disclosure Schedule and has been determined to be so qualified by the IRS and, to the best knowledge of the

Company, nothing has occurred as to each which has resulted or is likely to result in the revocation of such determination or which requires or could require action under the compliance resolution programs of the Internal Revenue Service to preserve such qualification.

(d) ABSENCE OF CERTAIN EVENTS AND ARRANGEMENTS.

(i) There is no material pending or, to the best knowledge of the Company, threatened legal action, proceeding or investigation, other than routine claims for benefits, concerning any Employee Benefit Plan or to the best knowledge of the Company any fiduciary or service provider thereof and, to the knowledge of the Company, there is no basis for any such legal action or proceeding.

(ii) Neither the Company nor any affiliate maintains or contributes to or has heretofore maintained or contributed to any plan subject to Title IV of ERISA or Section 412 of the Code or any multi-employer plan, and no liability under Title IV of ERISA has been incurred by the Company or any affiliate.

(iii) No Employee Benefit Plan nor any party in interest with respect thereof, has engaged in a prohibited transaction which could subject the Company directly or indirectly to material liability under Section 409 or 502(i) of ERISA or Section 4975 of the Code.

(iv) No Employee Benefit Plan provides welfare benefits subsequent to termination of employment to employees or their beneficiaries except to the extent required by applicable state insurance laws or Title I, Part 6 of ERISA.

(v) The Company has not announced its intention, or committed (whether or not legally bound) to modify or terminate any Employee Benefit Plan or adopt any arrangement or program which, once established, would come within the definition of an Employee Benefit Plan.

(vi) Each Employee Benefit Plan (other than individual agreements) is terminable at the sole discretion of the sponsor thereof, subject only to such constraints as may imposed by applicable law.

(e) FUNDING OF CERTAIN PLANS. With respect to each Employee Benefit Plan for which a separate fund of assets is or is required to be maintained, full and timely payment has been made of all material amounts required of the Company, under the terms of each such Plan or applicable law, as applied through the Closing Date.

(f) EFFECT OF TRANSACTIONS. The execution of this Agreement and the consummation of the transactions contemplated herein will not, by itself or in combination in any other event (regardless of whether that other event has or will occur), result in any payment (whether of severance pay or otherwise) becoming due from or under any Employee Benefit Plan (including any employment agreement) to any current or former director, officer, consultant or employee of the Company or result in the vesting, acceleration of payment or increases in the amount of any benefit payable to or in respect of any such current or former director, officer, consultant or employee.

(g) DEFINITIONS. For purposes of this Section 6.14, "multi-employer plan", "party in interest" "current value" and "benefit liability" have the same meaning assigned such terms under Sections 3, 4043(b) or 4001(a) of ERISA, and "affiliate" means any entity which under Section 414 of the Code is treated as a single employer with the Company.

6.15. SAFETY AND ENVIRONMENTAL MATTERS.

(a) None of the plants, offices, or properties in or on which the Company carries on business nor any of the activities carried on by it are in violation of any zoning, health, or safety law or regulation, including without limitation the Occupational Safety and Health Act of 1970, as amended, except for such violations as would not have, individually or in the aggregate, a Material Adverse Effect on the Company.

(b) Except as would not, individually or in the aggregate, have a Material Adverse Effect on the Company, neither the Company nor, to the knowledge of the Company, any operator of any real property presently or formerly owned, leased, or operated by the Company is in violation or alleged violation of any judgment, decree, order, law, license, rule or regulation pertaining to environmental matters, including without limitation the Resource Conservation and Recovery Act ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), the Federal Clean Water Act, the Federal Clean Air Act, the Toxic Substances Control Act, and applicable federal, state, foreign, and local statutes, regulations, ordinances, orders, and decrees relating to health, safety, or the environment (all of the foregoing, collectively, "ENVIRONMENTAL LAWS").

(c) The Company has not received written notice from any third party, including without limitation any federal, state, foreign, or local governmental authority, that (i) the Company has been identified by the United States Environmental Protection Agency (the "EPA") as a potentially responsible party under CERCLA with respect to a site listed on the National Priorities List, 40 C.F.R. Part 300 Appendix B (1986); (ii) any hazardous waste as defined by 42 U.S.C. Section6903(5), any hazardous substance as defined by 42 U.S.C. Section9601(14), any pollutant or contaminant as defined by 42 U.S.C. Section9601(33) or any toxic substance, oil, or hazardous material or other chemical or substance regulated by any Environmental Laws (collectively, "HAZARDOUS SUBSTANCES") that the Company has generated, transported, handled, used, or disposed of has been found in violation of Environmental Laws at any site at which a federal, state, foreign, or local agency or other third party has conducted or has ordered that the Company conduct a remedial investigation, removal, or other response action pursuant to any Environmental Law; or (iii) the Company is or will be a named party to any claim, action, cause of action, complaint (contingent or otherwise), or legal or administrative proceeding arising out of any third party's incurrence of costs, expenses, losses, or damages of any kind whatsoever in connection with the release of Hazardous Substances.

(d) Except as would not have, and will not have, individually or in the aggregate, a Material Adverse Effect on the Company, (i) no portion of any real property presently or formerly owned, leased, or operated by the Company has been used by the Company, or to the Company's knowledge, by any other person, for the handling, usage, manufacturing, processing, storage, or disposal of Hazardous Substances except in accordance with applicable Environmental Laws; and no underground tank or other underground storage receptacle for Hazardous Substances is located on any real property presently owned, leased, or operated by the Company, or to the Company's knowledge, any real property formerly owned, leased, or operated by it; (ii) in the course of the activities conducted by the Company and to the Company's knowledge, those of any other operators of any real property presently or formerly owned, leased, or operated by the Company, no Hazardous Substances have been generated, stored, or used on such properties except in accordance with applicable Environmental Laws; (iii) to the Company's knowledge, there have been no releases (i.e. any past or present releasing, spilling,

leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, disposing, or dumping) or threatened releases of Hazardous Substances on, upon, into, or from any real property presently or formerly owned, leased, or operated by the Company; (iv) to the Company's knowledge, there have been no releases on, upon, from, or into any real property in the vicinity of any real property presently or formerly owned, leased, or operated by the Company that, through soil or groundwater contamination, may have come to be located on, any of the real property presently or formerly owned, leased, or operated by the Company; and (v) any Hazardous Substances that have been generated by the Company, or to the Company's knowledge, any other person, on any real property presently or formerly owned, leased, or operated by the Company, have been transported offsite only by carriers having an identification number issued by the EPA and treated or disposed of only by treatment or disposal facilities maintaining valid permits as required under applicable Environmental Laws, which transporters and facilities, to the Company's knowledge, have been and are operating in compliance with such permits and applicable Environmental Laws.

(e) Except as would not, individually or in the aggregate, have a Material Adverse Effect on the Company, no real property presently owned, leased, or operated by the Company, and to the Company's knowledge, no real property formerly owned, leased, or operated by the Company, is or will be subject to any environmental cleanup responsibility law or regulation or environmental restrictive transfer law or regulation by reason of the Merger or the other transactions contemplated hereby.

6.16. LABOR RELATIONS. The Company is and has been in compliance in all material respects with all material federal and state laws respecting employment and employment practices, terms and conditions of employment, wages and hours, nondiscrimination in employment, and unfair labor practices. There is no charge or proceeding pending, or to the Company's knowledge, threatened, against the Company alleging unlawful discrimination in employment practices or unfair labor practice before any court or agency, including without limitation the National Labor Relations Board. There is no labor strike, work slow-down, or work stoppage pending or to the Company's knowledge threatened against or involving the Company. No one has petitioned within the last four years or, to the Company's knowledge, is now petitioning for union representation of any of the employees of the Company. None of the employees of the Company is covered by any collective bargaining agreement, and no collective bargaining agreement is currently being negotiated by the Company. The Company has not experienced any labor strike, work slowdown, work stoppage or other material labor difficulty during the last four years.

6.17. LITIGATION. No litigation, arbitration, action, suit, proceeding, or to the Company's knowledge investigation (whether conducted by any judicial or regulatory body, arbitrator, or other person) is pending or, to the Company's knowledge, threatened, against the Company, nor is there any basis therefor known to the Company.

6.18. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES. As of the date hereof, the accounts receivable and other receivables recorded in the records and books of account of the Company as due to the Company, represent all material receivables that have arisen from bona fide transactions in the ordinary course of the Company's business, and the extensions of credit reflected by such receivables have been extended, or will be extended, in the manner consistent with past trade and credit practices of the Company. Said receivables, less the amount of any reserve therefore, have been recorded in the records and books of account of the Company in accordance with GAAP, and, to the Company's knowledge, shall be collectible in the ordinary course of business. As of the date hereof, none of such accounts receivable or other credits is or will at the Closing Date, be subject to any valid counterclaim or set off, except to the extent of any such provision for reserve.

6.19. ACCOUNTS PAYABLE. As of the date hereof, the accounts payable recorded in the records and books of account of the Company, represent all of the payables that have arisen from bona fide transactions in the ordinary course of the Company's business, and the payment of such payables have been made in the manner consistent with past trade and credit practices of the Company. Said payables, have been recorded in the records and books of account of the Company in accordance with GAAP, consistent with past business practices.

6.20. CONTRACTS. Section 6.20 of the Company Disclosure Schedule sets forth a complete and accurate list of all material contracts to which the Company is a party or by or to which it or any of its assets or properties is bound or subject. As used in this Agreement, the word "CONTRACT" includes every agreement of any kind, written or oral, that is legally enforceable by or against or otherwise binding on the Company, and specifically includes without limitation: (a) agreements with any current or former officer, director, employee, consultant, or stockholder, or any partnership, corporation, joint venture, or any other entity in which any such person has an interest and the Company has knowledge of such person's interest; (b) agreements with any labor union or association representing any employee; (c) agreements for the provision of services by or to the Company; (d) bonds or other security agreements provided by any party in connection with the business of the Company; (e) agreements for the purchase or other acquisition or the sale or other disposition of assets or properties, in each case other than in the ordinary course of business, or for the grant to any person of any preferential rights to purchase any of such assets or properties; (f) joint venture agreements relating to the assets, properties, or business of the Company or by or to which it or any of its assets or properties is bound or subject; (g) agreements under which the Company agrees to indemnify any party, to share tax liability of any party, or to refrain from competing with any party; (h) agreements with regard to Indebtedness; or (i) any other contract or other agreement, whether or not made in the ordinary course of business. All of the contracts listed in Section 6.20 of the Company Disclosure Schedule are in full force and effect except as would not, individually or in the aggregate, have a Material Adverse Effect on the Company, and (A) the Company, is not in material default under or breach of any of them, and (B) to the Company's knowledge, no other party thereto, is in material default under or breach of any of them, nor to the Company's knowledge, does any event or condition exist that after notice or lapse of time or both could constitute a material default thereunder or breach thereof on the part of the Company, or to the Company's knowledge, any other party thereto. Except as would not, individually or in the aggregate, have a Material Adverse Effect on the Company, no approval or consent of any person that has not already been obtained and listed in Section 6.20 of the Company Disclosure Schedule is needed in order that the contracts listed in Section 6.20 of the Company Disclosure Schedule continue in full force and effect following the consummation of the Merger and the other transactions contemplated hereby, and no such contract includes any provision, the effect of which may be to terminate (or give rise to a right of termination under) such contract, to enlarge or accelerate any obligations of the Company thereunder, or to give additional rights to any other person, upon consummation of the Merger or the other transactions contemplated hereby. The Company has made available to BUYER true, correct, and complete copies of all such material contracts, including all amendments, modifications, and supplements thereto.

6.21. POTENTIAL CONFLICTS OF INTEREST. No officer, director, or stockholder of the Company (other than the non-employee directors of the Company and their Affiliates) (a) to the knowledge of the Company owns, directly or indirectly, any interest (excepting not more than 1% stock holdings for investment purposes in securities of publicly held and traded companies) in, or is an officer, director, employee, or consultant of, any person that is a material competitor, lessor, lessee, or supplier of the Company; (b) owns, directly or indirectly, in whole or in part, any tangible or intangible property that the Company is using or the use of which is necessary

for the business of the Company; or (c) to the Company's knowledge, has any cause of action or other claim whatsoever against, or owes any amount to, the Company, except for claims in the ordinary course of business, such as for accrued vacation pay, accrued benefits under Employee Benefit Plans, and similar matters and agreements. To the Company's knowledge, no customer or prospective customer of the Company holds any beneficial interest in any securities issued by the Company. No officer, director, employee or stockholder of the Company has been party to any transaction with the Company, other than those relating to employment in the ordinary course of business that have not been, individually or in the agreement, material.

6.22. INSURANCE. Section 6.22 of the Company Disclosure Schedule lists the policies of theft, fire, liability, workmen's compensation, life, property and casualty, and other insurance owned or held by the Company, and describes for each such policy the annual premiums due thereunder, the deductibles, if any, the coverage amounts and the expiration dates thereof. Such policies of insurance are maintained with financially sound and reputable insurance companies, funds, or underwriters, and are of the kinds, cover such risks, and are in such amounts and with such deductibles and exclusions, as are consistent with prudent business practice. All such policies are in full force and effect; are sufficient for compliance in all material respects by the Company with all requirements of law and of all agreements to which the Company is a party; are, in all material respects, valid, outstanding, and enforceable policies and provide that they will remain in full force and effect through the respective dates set forth in the Company Disclosure Schedule; and will not in any way be affected by, or terminate or lapse by reason of, the transactions contemplated by this Agreement.

6.23. SUPPLIERS AND CUSTOMERS. The relationships of the Company with its suppliers and customers (as a whole) are good commercial working relationships, and no supplier or customer of material importance to the Company or material number of Company customers has canceled or otherwise terminated, or threatened in writing to cancel or terminate, its relationship with the Company or has during the last such twelve months decreased materially, or threatened to decrease or limit materially, its services, supplies, or materials to the Company or its usage or purchase of the services or products of the Company, except for normal cyclical changes related to customers' businesses and industry developments. The Company has no knowledge, and no knowledge of any specific factual circumstances that would cause the Company reasonably to believe, that any such supplier or a material number of customers intends to cancel or otherwise substantially modify its relationship with the Company or to decrease materially or limit its services, supplies, or materials to the Company, or its usage or purchase of the Company's services or products, and the consummation of the transactions contemplated hereby will not, to the Company's knowledge, adversely affect the relationship of the Company with any such supplier or customers. To the Company's knowledge, as of the date hereof, the consummation of the transactions contemplated by this Agreement will not give rise to rights to elect to terminate by the issuer of, any material pending purchase order, including, but not limited to, the purchase order described on Schedule 2(a)(i) of the Contingency Escrow Agreement.

6.24. EMPLOYMENT OF OFFICERS, EMPLOYEES. Section 6.24 of the Company Disclosure Schedule lists, as of the date hereof, the name, positions, date of hire, current annual salary and other compensation (including but not limited to wages, salary, commissions, normal bonus, deferred compensation, and other extra compensation) payable by the Company to each exempt non-hourly employee of the Company, including the date and amount of the last raise received by such employee. No employee of the Company has notified the Company of his or her intention to terminate employment with the Company.

6.25. MINUTE BOOKS. The minute books of the Company made available to BUYER for inspection accurately record therein all material actions taken by its Board of Directors, all committees thereof, and its stockholders.

6.26. BROKERS; FEES. Except for Goldman, Sachs & Co., no finder, broker, agent, or other intermediary has acted for or on behalf of the Company in connection with the negotiation, preparation, execution, or delivery of this Agreement or the consummation of the Merger or the other transactions contemplated hereby. The aggregate liability of the Company and the Surviving Corporation with respect to professional, advisory and other fees that are or will become due and payable, or have been paid, upon consummation of the Merger (including the fees and expenses of Goldman, Sachs & Co. and Wachtell, Lipton, Rosen and Katz) will not exceed the amount set forth in Section 6.26 of the Company Disclosure Schedule.

6.27. COMPLIANCE WITH OTHER AGREEMENTS, LAWS, ETC. The Company has complied with, and is in compliance with, (i) all laws, statutes, governmental regulations and all judicial or administrative tribunal orders, judgments, writs, injunctions, decrees or similar commands applicable to its business, and (ii) its Restated Articles of Incorporation and by-laws, respectively, each as amended to date; in the case of the preceding clause (i), except for such instances of noncompliances that would not, individually and in the aggregate, have a Material Adverse Effect on the Company. The Company has not been charged with, or to the Company's knowledge, been under investigation with respect to, any violation of any provision of any federal, state, or local law or administrative regulation. The Company has and maintains and Section 6.27 of the Company Disclosure Schedule sets forth a complete and correct list of, all such material licenses, permits, and other authorizations of governmental authorities as are necessary or desirable for the conduct of its businesses or in connection with the ownership or use of its properties, all of which are in full force and effect, true and complete copies of all of which have previously been made available to BUYER, and, except as would not, individually or in the aggregate, have a Material Adverse Effect on the Company, no such licenses, permits and other authorizations will be affected by the consummation of the Merger and the other transactions contemplated hereby.

6.28. REGISTRATION RIGHTS. No person has any right to cause the Company to effect the registration under the Securities Act of any shares of Company Common Stock or any other securities of the Company.

6.29. REORGANIZATION. The Company is not aware of any fact or circumstance that could reasonably be expected to prevent the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code.

6.30. INFORMATION SUPPLIED. None of the information supplied or to be supplied by the Company specifically for inclusion or incorporation by reference in the Registration Statement on Form S-4 to be filed in connection with this Agreement (such Form or any other appropriate form if Form S-4 is not available, the "FORM S-4") will, at the time the Form S-4 is filed with the SEC, at any time it is amended or supplemented or at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

6.31. RETENTION PLAN APPROVAL. Holders of more than 75% of the voting power of all outstanding Company Common Stock (not including for purposes of such calculation any "disqualified individual", as required by Proposed Treasury Regulation 1.280G-1, Q&A-7) have approved the awards to be granted under the Retention Plan.

7. REPRESENTATIONS AND WARRANTIES OF BUYER AND MERGER SUB. BUYER and Merger Sub, jointly and severally, hereby represent and warrant to the Company as follows, subject in each case to such exceptions as are specifically contemplated by this Agreement, the Voting Agreement or the Registration Rights Agreement or as are set forth in the attached Disclosure Schedule of BUYER and Merger Sub (the "BUYER AND MERGER SUB DISCLOSURE SCHEDULE"). Notwithstanding any other provision of this Agreement or the BUYER and Merger Sub Disclosure Schedule, each exception set forth in the BUYER and Merger Sub Disclosure Schedule will be deemed to qualify each representation and warranty set forth in this Agreement (i) that is specifically identified (by cross-reference or otherwise) in the BUYER and Merger Sub Disclosure Schedule as being qualified by such exception, or (ii) with respect to which the relevance of such exception is reasonably apparent on the face of the disclosure of such exception set forth in the BUYER and Merger Sub Disclosure Schedule.

7.1. INCORPORATION; AUTHORITY. Each of BUYER and Merger Sub (i) is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware and (ii) has all requisite corporate power and authority in all material respects to own or lease and operate its properties and to carry on its business as now conducted. BUYER has made available to the Company complete and correct copies of the Certificate of Incorporation and by-laws of BUYER and the Certificate of Incorporation and by-laws of the Merger Sub, in each case with all amendments thereto made through the date hereof.

7.2. AUTHORIZATION AND ENFORCEABILITY. Each of BUYER and Merger Sub has all requisite power and full legal right and authority (including due approval of its Board of Directors and, if necessary, its stockholders, respectively) to enter into this Agreement, to perform all of its agreements and obligations hereunder, and to consummate the Merger and the other transactions contemplated hereby. This Agreement has been duly executed and delivered by each of BUYER and Merger Sub and constitutes a legal, valid, and binding obligation of each of them, enforceable against each of them in accordance with its terms.

7.3. GOVERNMENTAL AND OTHER THIRD-PARTY CONSENTS, NON-CONTRAVENTION, ETC. No consent, approval, or authorization or registration, designation, declaration, or filing with any governmental authority, federal or other, or any other person, is required on the part of BUYER or Merger Sub in connection with this Agreement, the Merger, or any of the other transactions contemplated hereby, except (i) for applicable requirements, if any, of the Exchange Act, the Securities Act, state securities or "blue sky" laws and state takeover laws, the HSR Act, the Nasdaq National Market and filing and recordation of appropriate merger documents as required by the TBCA and the Delaware General Corporation Law (the "DGCL"), or (ii) for such consents, approvals or authorizations of or registrations, designations, declarations or filings, the failure to make or obtain would not, individually or in the aggregate, have a Material Adverse Effect on BUYER or Merger Sub. The execution, delivery, and performance of this Agreement and the consummation of such transactions will not violate (a) any provision of BUYER's or Merger Sub's Certificate of Incorporation or by-laws, (b) any order, judgment, injunction, award or decree of any court or state or federal governmental or regulatory body applicable to BUYER or Merger Sub, or (c) any judgment, decree, order, statute, rule, regulation, agreement, instrument, or other obligation to which BUYER or Merger Sub is a party or by or to which either of them or any of their respective assets is bound or subject, except, in each case, to the extent that the failure to obtain any such consent, approval or authorization would not, individually or in the aggregate, have a Material Adverse Effect on BUYER or Merger Sub.

7.4. MERGER SUB. Merger Sub has been organized for the specific purpose of engaging in the Merger and the other transactions contemplated hereby and has not incurred any material liabilities, conducted any material business, or entered into any material contracts or

commitments, in each case except such as are in furtherance of or incidental to such transactions. The capitalization of Merger Sub consists of 100 shares of common stock, all of which shares are owned directly by BUYER.

7.5. BUYER'S SEC STATEMENTS, REPORTS AND DOCUMENTS. Since May 24, 2000, BUYER has timely filed with the SEC all forms, reports, registration statements, and documents required to be filed by it under the Securities Act or Exchange Act. BUYER has made available to the Company true and complete copies of (i) the prospectus dated May 24, 2000 filed by BUYER with the SEC on May 25, 2000, (ii) its Quarterly Report on Form 10-Q for its fiscal quarter ended September 30, 2000 (the "SEPTEMBER 2000 10-Q"), and (iii) all other forms, reports (including without limitation annual reports pursuant to Exchange Act Rule 14a-3), registration statements, and documents filed by BUYER with the SEC since May 24, 2000 (collectively, all of the foregoing documents, "BUYER'S SEC REPORTS"). As of their respective dates, BUYER's SEC Reports complied in all material respects with all applicable requirements of the Securities Act and the Exchange Act and the rules and regulations promulgated thereunder, and did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. None of BUYER's SEC Reports is required to be amended or supplemented as of the date hereof. The financial statements of BUYER included in BUYER's SEC Reports were prepared in conformity with GAAP applied on a consistent basis (except as otherwise stated in the financial statements or, in the case of audited statements, the related report of BUYER's independent certified public accountants) and present fairly, in all material respects, the consolidated financial position, results of operations, changes in stockholders' equity, and cash flows, as applicable, of BUYER and its consolidated Subsidiaries as of the dates and for the periods indicated; subject, in the case of unaudited interim consolidated financial statements included in the September 2000 10-Q, to condensation, the absence of footnote disclosure, and normal, recurring end-of-period adjustments, none of which will be material.

7.6. CAPITALIZATION. The authorized capital stock of BUYER as of the date hereof consists of 300,000,000 shares of BUYER Common Stock, $0.001 par value per share with one vote per share on all matters on which shareholders are entitled to vote under the DGCL ("BUYER COMMON STOCK") and 5,000,000 shares of BUYER Preferred Stock, $0.01 par value per share. No shares of such Preferred Stock are issued and outstanding. All of the outstanding shares of BUYER Common Stock, except as would not, individually or in the aggregate, have a Material Adverse Effect on BUYER, were issued in compliance with all applicable laws, including securities laws and all applicable preemptive and similar rights of any person. No person has the right to rescind any purchase of any shares of BUYER's capital stock or other securities.

As of October 18, 2000 (i) 183,308,070 shares of BUYER Common Stock were issued and outstanding, all of which were duly authorized, validly issued, fully paid and non-assessable, and (ii) outstanding options to buy BUYER Common Stock granted pursuant to BUYER's Amended and Restated 1997 Stock Incentive Plan, and BUYER's 2000 Employee Stock Purchase Plan (collectively, the "BUYER STOCK PLANS") are, in the aggregate, not greater than 17,750,000. Since that date, no shares of BUYER Common Stock have been issued except upon the exercise of options granted under the BUYER Stock Plans.

Except (i) as set forth in BUYER's SEC Reports filed prior to the date hereof, and (ii) for stock options issued pursuant to the BUYER's Stock Plans, there are no agreements or other obligations on the part of BUYER to purchase or sell, no convertible or exchangeable securities, options, warrants or other rights to acquire from BUYER any shares of its capital stock or other securities.

7.7. LITIGATION. Except as set forth on BUYER's SEC Reports, no litigation, arbitration, action, suit, proceeding, or, to BUYER's knowledge, investigation (whether conducted by any judicial or regulatory body, arbitrator, or other person) is pending or, to BUYER's knowledge, threatened, against BUYER or any of its Subsidiaries, nor is there is any valid basis therefor known to BUYER.

7.8. ABSENCE OF UNDISCLOSED LIABILITIES. Except to the extent (a) reflected or reserved against in the balance sheet set forth in September 2000 10-Q, or (b) incurred with persons other than any Affiliate of BUYER in the ordinary course of business after the filing date of the September 2000 10-Q, BUYER does not have any liabilities or obligations of any nature (including obligations or liabilities relating to any violation of law), whether accrued, absolute, contingent or otherwise (including, without limitation, liabilities, as guarantor or otherwise, in respect of obligations of others) other than performance obligations with respect to the contracts that would not be required to be reflected or reserved against in a balance sheet prepared in accordance with GAAP or referred to in the footnotes thereto, except such liabilities and obligations that would not, individually or in the aggregate, have a Material Adverse Effect on BUYER.

7.9. REGISTRATION RIGHTS. No person has any right to cause BUYER to effect the registration under the Securities Act of any shares of Company Common Stock or any other securities of the Company.

7.10. REORGANIZATION. BUYER is not aware of any fact or circumstance that could reasonably be expected to prevent the Merger from qualifying as a reorganization under Section 368(a) of the Code.

7.11. CONTRACTS. The BUYER's SEC Reports include as exhibits thereto all material contracts within the meaning of Item 601(10) of Regulation S-K under the Securities Act (the "BUYER MATERIAL CONTRACTS") to which BUYER or Merger Sub is a party or by or to which they or any of their assets or properties are bound or subject. The BUYER Material Contracts are in full force and effect, and (A) BUYER or Merger Sub, as the case may be, is not in material default under or breach of any of them, and (B) to BUYER's knowledge, no other party thereto, is in material default under or breach of any of them, nor to BUYER's knowledge, does any event or condition exist that after notice or lapse of time or both could constitute a default thereunder or breach thereof on the part of BUYER or Merger Sub, or to BUYER's knowledge, any other party thereto. No approval or consent of any person is needed in order that the BUYER Material Contracts continue in full force and effect following the consummation of the Merger and the other transactions contemplated hereby, and no such contract includes any provision, the effect of which may be to terminate (or give rise to a right of termination under) such contract, to enlarge or accelerate any obligations of BUYER or Merger Sub thereunder, or to give additional rights to any other person, upon consummation of the Merger or the other transactions contemplated hereby. BUYER has made available to the Company true, correct, and complete copies of all such BUYER Material Contracts, including all amendments, modifications, and supplements thereto.

7.12. COMPLIANCE WITH OTHER AGREEMENTS, LAWS, ETC. BUYER and Merger Sub have complied with, and are in compliance with, (i) all laws, statutes, governmental regulations and all judicial or administrative tribunal orders, judgments, writs, injunctions, decrees or similar commands applicable to their respective businesses, and (ii) their Restated Articles of Incorporation and by-laws, respectively, each as amended to date; in the case of the preceding clause (i), except for such instances of noncompliances that, both individually and in the aggregate, would not have a Material Adverse Effect on BUYER. BUYER has not been charged with, or to its knowledge, been under investigation with respect to, any violation of any

provision of any federal, state, or local law or administrative regulation. BUYER has and maintains all such material licenses, permits, and other authorizations of governmental authorities as are necessary or desirable for the conduct of its businesses or in connection with the ownership or use of its properties, all of which are in full force and effect, and, except as would not, individually or in the aggregate, have a Material Adverse Effect on BUYER, no such licenses, permits and other authorizations will be affected by the consummation of the Merger and the other transactions contemplated hereby.

7.13. SAFETY AND ENVIRONMENTAL MATTERS.

(a) None of the plants, offices, or properties in or on which BUYER carries on business nor any of the activities carried on by it are in violation of any zoning, health, or safety law or regulation, including without limitation the Occupational Safety and Health Act of 1970, as amended, except for such violations that would not, individually or in the aggregate, have a Material Adverse Effect on BUYER.

(b) Except as would not, individually or in the aggregate, have a Material Adverse Effect on BUYER, neither BUYER nor, to the knowledge of BUYER, any operator of any real property presently or formerly owned, leased, or operated by BUYER, is in violation or alleged violation of any Environmental Laws.

(c) BUYER has not received written notice from any third party, including without limitation any federal, state, foreign, or local governmental authority, that (i) BUYER has been identified by the EPA as a potentially responsible party under CERCLA with respect to a site listed on the National Priorities List, 40 C.F.R. Part 300 Appendix B (1986); (ii) any Hazardous Substances that BUYER has generated, transported, handled, used, or disposed of has been found in violation of Environmental Laws at any site at which a federal, state, foreign, or local agency or other third party has conducted or has ordered that BUYER conduct a remedial investigation, removal, or other response action pursuant to any Environmental Law; or (iii) BUYER is or will be a named party to any claim, action, cause of action, complaint (contingent or otherwise), or legal or administrative proceeding arising out of any third party's incurrence of costs, expenses, losses, or damages of any kind whatsoever in connection with the release of Hazardous Substances.

(d) Except as would not, individually or in the aggregate, have a Material Adverse Effect on BUYER, (i) no portion of any real property presently or formerly owned, leased, or operated by BUYER has been used by BUYER, or to BUYER's knowledge, by any other person, for the handling, usage, manufacturing, processing, storage, or disposal of Hazardous Substances except in accordance with applicable Environmental Laws; and no underground tank or other underground storage receptacle for Hazardous Substances is located on any real property presently owned, leased, or operated by BUYER, or to BUYER's knowledge, any real property formerly owned, leased, or operated by it; (ii) in the course of the activities conducted by BUYER and to BUYER's knowledge, those of any other operators of any real property presently or formerly owned, leased, or operated by BUYER, no Hazardous Substances have been generated, stored, or used on such properties except in accordance with applicable Environmental Laws; (iii) to BUYER's knowledge, there have been no releases (i.e. any past or present releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, disposing, or dumping) or threatened releases of Hazardous Substances on, upon, into, or from any real property presently or formerly owned, leased, or operated by BUYER; (iv) to BUYER's knowledge, there have been no releases on, upon, from, or into any real property in the vicinity of any real property presently or formerly owned, leased, or operated by BUYER that, through soil or groundwater contamination, may have come to be located on, any of

the real property presently or formerly owned, leased, or operated by BUYER; and (v) any Hazardous Substances that have been generated by BUYER, or to BUYER's knowledge, any other person, on any real property presently or formerly owned, leased, or operated by BUYER, have been transported offsite only by carriers having an identification number issued by the EPA and treated or disposed of only by treatment or disposal facilities maintaining valid permits as required under applicable Environmental Laws, which transporters and facilities, to BUYER's knowledge, have been and are operating in compliance with such permits and applicable Environmental Laws.

(e) Except as would not, individually or in the aggregate, have a Material Adverse Effect on BUYER, no real property presently owned, leased, or operated by BUYER, and to BUYER's knowledge, no real property formerly owned, leased, or operated by BUYER, is or will be subject to any environmental cleanup responsibility law or regulation or environmental restrictive transfer law or regulation by reason of the Merger or the other transactions contemplated hereby.

7.14. INFORMATION SUPPLIED. The Form S-4 (i) will not, at the time the Form S-4 is filed with the SEC, at any time it is amended or supplemented or at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading, and (ii) will comply as to form in all material respects with the requirements of the Securities Act and the rules and regulations promulgated thereunder, except that no representation or warranty is made by BUYER or Merger Sub with respect to statements made or incorporated by reference in either the Form S-4 based on information supplied by the Company specifically for inclusion or incorporation by reference therein.

7.15. INTELLECTUAL PROPERTIES.

(a) BUYER owns, or is licensed or otherwise has the right to use all Intellectual Properties (other than off-the-shelf software programs that have not been customized for its use) material to and used in or necessary to the business of BUYER as now being conducted and as presently proposed by BUYER to be conducted (the "BUYER INTELLECTUAL PROPERTIES"), free and clear of all liens, claims and encumbrances, except for such liens, claims and encumbrances as do not materially impair BUYER's ability to use, exploit, license and distribute such BUYER Intellectual Properties. BUYER possesses (or has the right to obtain access pursuant to an escrow agreement) the source codes and all related programs and documentation sufficient to recreate the current and next most recent versions of any BUYER Intellectual Properties that BUYER has licensed from other Persons.

(b) BUYER's Products, including all software, are free from material defects and perform in substantial accordance with all published specifications (if any).

(c) BUYER has not granted any third party any right to license any of BUYER's Products except under valid and binding Software License Agreements.

(d) No third party has been licensed to use, or has lawful access to, any source code developed in respect of BUYER's Products, except escrow agreements entered into in the ordinary course of business.

(e) No product liability or warranty claims have been communicated in writing to or threatened in writing against BUYER, other than those encountered from time to time in the ordinary course of business.

(f) To BUYER's knowledge, there is and has been no material unauthorized use, disclosure, infringement or misappropriation of any BUYER Intellectual Properties owned by BUYER by any third party. To BUYER's knowledge, none of BUYER Intellectual Properties owned by BUYER or licensed to BUYER on an exclusive basis is being infringed by others, or is subject to any outstanding order, decree, judgment, or stipulation. No litigation (or other proceedings in or before any court or other governmental, adjudicatory, arbitral, or administrative body) relating to BUYER Intellectual Properties owned by BUYER or licensed to BUYER on an exclusive basis is pending, nor to BUYER's knowledge, threatened against BUYER. BUYER maintains reasonable security measures for the preservation of the secrecy and proprietary nature of such of its BUYER Intellectual Properties that constitute trade secrets or other confidential information.

(g) To BUYER's knowledge, BUYER has not infringed or made unlawful use of, and is not infringing or making unlawful use of, any Intellectual Properties of any other person. No litigation (or other proceedings in or before any court or other governmental, adjudicatory, arbitratory, or administrative body) charging BUYER with infringement or unlawful use of any Intellectual Properties is pending, or to BUYER's knowledge, threatened against BUYER.

(h) To BUYER's knowledge, all of BUYER's material information technology systems and material non-information technology embedded systems (including systems or technology currently under development) will record, store, process, calculate and present calendar dates falling on and after (and, if applicable, during spans of time including) January 1, 2000, and will calculate any information dependent on or relating to such date in the same manner, and with the same functionality, data integrity and performance, as the information technology systems and non- information technology embedded systems record, store, process, calculate and present, calendar dates on or before December 31, 1999, or calculate any information dependent on or relating to such date.

(i) Except as would not, individually or in the aggregate, have a Material Adverse Effect on BUYER, each person presently or previously employed by BUYER (including independent contractors, if any) with access authorized by BUYER to confidential information relating to BUYER Intellectual Properties has executed a confidentiality and non-disclosure agreement pursuant to an agreement substantially in the form of agreement previously provided to the Company or its representatives, or is otherwise legally bound to preserve the confidentiality of such information, and such confidentiality and non-disclosure agreements constitute valid and binding obligations of BUYER and, to BUYER's knowledge, of such person, enforceable in accordance with their respective terms. Except as would not, individually or in the aggregate, have a Material Adverse Effect on BUYER, all BUYER Intellectual Properties that are owned by BUYER were written, developed and created solely and exclusively by employees of BUYER (and all rights in and to all BUYER Intellectual Properties are owned by BUYER) without the assistance of any third party or entity OR were created by or with the assistance of third parties who assigned ownership of their rights (including all intellectual property rights) in such BUYER Intellectual Properties to BUYER by means of valid and enforceable consultant confidentiality and invention assignment agreements.

(j) All use, disclosure or appropriation by BUYER (or its employees or agents) of Confidential Information owned by BUYER and licensed to a third party has been pursuant to the terms of a written agreement between BUYER and such third party. All use, disclosure or appropriation by BUYER (or its employees or agents) of Confidential Information not owned by BUYER has been made pursuant to the terms of a written

agreement between BUYER and the owner of such Confidential Information, or is otherwise lawful.

(k) To the knowledge of BUYER, all of Company's patents, patent rights, copyrights, trademarks, trade names or Internet domain name registrations related to or in BUYER Products are valid and in full force and effect in all material respects; and consummation of the transactions contemplated by this Agreement will not alter or impair any such rights.

(l) As used in this Section 7.15: "PRODUCTS" means all products, including all software, now being manufactured or sold by BUYER, and those products and software currently under development by BUYER and which are material to the business of BUYER.

7.16. TAXES.

(a) ELECTIONS. All material elections with respect to Taxes (including without limitation any elections under Sections 108(b)(5), 338(g), 565, 936(a), or 936(e) of the Code, or Treasury Regulation (as defined in Section 17.1) Sections 1.1502-20(g) or 1.1502-32(f)(2)) affecting BUYER and its Subsidiaries are described in Section 7.16(a) of BUYER and Merger Sub Disclosure.

(b) FILING OF TAX RETURNS AND PAYMENT OF TAXES. BUYER and its Subsidiaries have timely filed (taking into account any extensions of time in which to file) all Tax Returns (as defined in Section 17.1) required to be filed by them, each such Tax Return has been prepared in compliance with all applicable laws and regulations, and all such Tax Returns are true, accurate and complete in all material respects. All Taxes due and payable by BUYER and its Subsidiaries whether or not shown on any Tax Returns have been paid, and BUYER and its Subsidiaries will not be liable for any additional Taxes in respect of any taxable period ending on or before the Closing Date in an amount that exceeds the corresponding reserve therefor, if any, reflected in the accounting records of BUYER and its Subsidiaries. The BUYER and its Subsidiaries have made available to the Company correct and complete copies of all Tax Returns filed by or with respect to them with respect to taxable periods ended on or after December 31, 1997.

(c) AUDIT HISTORY. With respect to each taxable period of BUYER and its Subsidiaries ended on or before December 31, 1997, each such taxable period has closed and such taxable period is not subject to review by any relevant taxing authorities.

(d) DEFICIENCIES. No deficiency or proposed adjustment in respect of Taxes that has not been settled or otherwise resolved has been asserted or assessed in writing by any taxing authority against BUYER or its Subsidiaries.

(e) LIENS. There are no Liens for Taxes (other than current Taxes not yet due and payable) on the assets of BUYER or its Subsidiaries.

(f) EXTENSIONS TO STATUTE OF LIMITATIONS FOR ASSESSMENT OF TAXES. Neither BUYER nor any of its Subsidiaries has consented to extend the time in which any Tax may be assessed or collected by any taxing authority.

(g) EXTENSIONS OF THE TIME FOR FILING TAX RETURNS. Neither BUYER nor any of its Subsidiaries has requested or been granted an extension of the time for filing any Tax Return to a date on or after the Closing Date.

(h) PENDING PROCEEDINGS. There is no action, suit, taxing authority proceeding, or audit with respect to any Tax now in progress, pending, or to BUYER's or any of its Subsidiaries' knowledge, threatened, against or with respect to BUYER or any of its Subsidiaries.

(i) NO FAILURES TO FILE TAX RETURNS. To BUYER's or any of its Subsidiaries' knowledge, no claim has ever been made by a taxing authority in a jurisdiction where BUYER or any of its Subsidiaries does not pay Tax or file Tax Returns that BUYER or any of its Subsidiaries is or may be subject to Taxes assessed by such jurisdiction.

(j) MEMBERSHIP IN AFFILIATED GROUPS, ETC. Neither BUYER nor any of its Subsidiaries has ever been a member of any affiliated group of corporations (as defined in Section 1504(a) of the Code), other than a group of which BUYER or any of its Subsidiaries is or was the common parent, or filed or been included in a combined, consolidated, or unitary Tax Return, other than with respect to a combined, consolidated or unitary group of which BUYER or any of its Subsidiaries is or was the common parent.

(k) ADJUSTMENTS UNDER SECTION 481. Neither BUYER nor any of its Subsidiaries will be required, as a result of a change in method of accounting for any period ending on or before the Closing Date, to include any adjustment under Section 481(c) of the Code (or any similar or corresponding provision or requirement under any Tax law) in taxable income for any period ending on or after the Closing Date.

(l) TAX SHARING, ALLOCATION, OR INDEMNITY AGREEMENTS. Neither the Company nor any of its Subsidiaries is a party to or bound by any Tax sharing or allocation agreement or has any current or potential contractual obligation to indemnify any other person with respect to Taxes.

(m) WITHHOLDING TAXES. BUYER and its Subsidiaries have withheld and paid all Taxes required to have been withheld and paid by them in connection with amounts paid or owing to any employee, creditor or other person.

(n) FOREIGN PERMANENT ESTABLISHMENTS AND BRANCHES. Neither BUYER nor any of its Subsidiaries has a permanent establishment in any foreign country, as defined in the relevant tax treaty between the United States of America and such foreign country, and does not otherwise operate or conduct business through any branch in any foreign country.

(o) U.S. REAL PROPERTY HOLDING CORPORATION. Neither BUYER nor any of its Subsidiaries is or has been a United States real property holding corporation within the meaning of Code Section 897(c)(2), during the applicable period specified in Code Section 897(c)(1)(A)(ii).

(p) TAX-EXEMPT USE PROPERTY. None of the property owned by BUYER or any of its Subsidiaries is "tax-exempt use property" within the meaning of Section 168(h) of the Code.

(q) SECURITY FOR TAX-EXEMPT OBLIGATIONS. None of the assets of BUYER or any of its Subsidiaries directly or indirectly secures any indebtedness, the interest on which is tax-exempt under Section 103(a) of the Code, and neither BUYER nor any of its Subsidiaries is directly or indirectly an obligor or a guarantor with respect to any such indebtedness.

(r) SECTION 341(F) CONSENT. Neither BUYER nor any of its Subsidiaries has filed a consent under Code Section 341(f) concerning collapsible corporations.

(s) PARACHUTE PAYMENTS. Neither BUYER nor any of its Subsidiaries has made any payments, is obligated to make any payments, or is a party to any agreement that under certain circumstances could obligate it to make any payments, that will not be deductible under Code Sections 162(m) or 280G.

(t) OTHER PERSONS. Neither BUYER nor any of its Subsidiaries is presently liable for the Taxes of another person (i) under Treasury Regulation Section 1.1502-6 (or comparable provision of state, local or foreign law), (ii) as transferee or successor or (iii) by contract or indemnity or otherwise.

7.17. SUPPLIERS AND CUSTOMERS. The relationships of BUYER with its suppliers and customers (as a whole) are good commercial working relationships, and no supplier or customer of material importance to BUYER or material number of BUYER's customers has canceled or otherwise terminated, or threatened in writing to cancel or terminate, its relationship with BUYER or has during the last such twelve months decreased materially, or threatened to decrease or limit materially, its services, supplies, or materials to BUYER or its usage or purchase of the services or products of BUYER, except for normal cyclical changes related to customers' businesses and industry developments. BUYER has no knowledge, and no knowledge of any specific factual circumstances that would cause BUYER reasonably to believe, that any such supplier or a material number of customers intends to cancel or otherwise substantially modify its relationship with BUYER or to decrease materially or limit its services, supplies, or materials to BUYER, or its usage or purchase of BUYER's services or products, and the consummation of the transactions contemplated hereby will not, to BUYER's knowledge, adversely affect the relationship of BUYER with any such supplier or customers.

7.18. BROKERS. Except for Robertson Stephens, Inc., no finder, broker, agent, or other intermediary has acted for or on behalf of BUYER or Merger Sub in connection with the negotiation, preparation, execution, or delivery of this Agreement or the consummation of the Merger or the other transactions contemplated hereby.

8. MUTUAL COVENANTS.

8.1. SATISFACTION OF CONDITIONS. Each of the parties will use its reasonable best efforts to cause the satisfaction as promptly as practicable of the conditions contained in Sections 11 through 13 of this Agreement that impose obligations on it or require action on its part or the part of any of its stockholders or Affiliates.

8.2. FURTHER ASSURANCES. Subject to the terms and conditions set forth in this Agreement, from time to time both before and after the Effective Time, each of the parties will use its reasonable best efforts, as promptly as is practicable to take or cause to be taken all actions, and to do or cause to be done all other things, as are necessary, proper, or advisable to consummate and make effective the Merger and the other transactions contemplated hereby. In the event the Secretary of State of the State of Texas raises any technical objection to the terms of this Agreement as part of the Articles of Merger, the parties hereto agree to restate and amend this Agreement to eliminate such objection so long as such amendment does not adversely affect any party hereto.

8.3. HSR ACT. Each of the parties will:

(a) as promptly as is practicable, but in any event within five (5) business days following the execution of this Agreement, make its required filings under the HSR Act (as defined in Section 17.1);

(b) as promptly as is practicable after receiving any governmental request under the HSR Act for additional information, documents, or other materials, use its reasonable best efforts to comply with such request;

(c) cooperate with the other in connection with resolving any governmental inquiry or investigation relating to their respective HSR Act filings, the Merger, or any related inquiry or investigation;

(d) promptly inform the other of any communication with, and any proposed understanding, agreement, or undertaking with any governmental entity relating to their respective HSR Act filings, the Merger, or any related inquiry or investigation;

(e) to the extent reasonably practicable, give the other reasonable advance notice of, and the opportunity to participate in (directly or through its representatives), any meeting or conference with any governmental entity relating to their respective HSR Act filings, the Merger, or any related inquiry or investigation;

(f) use its reasonable best efforts to take, or cause to be taken, all appropriate action, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the Merger and the transactions contemplated hereby, including, without limitation, using its reasonable best efforts to obtain all permits, consents, approvals, authorizations, qualifications and orders of governmental authorities as are necessary for the consummation of the Merger and the other transactions contemplated hereby and to fulfill the conditions set forth in Sections 11 through 13; PROVIDED that neither BUYER nor the Company will be required by this Section 8.3(f) to take any action that would have a Material Adverse Effect on the Company or BUYER, including entering into any consent decree, hold separate orders or other arrangements that would have a Material Adverse Effect on the Company or BUYER. In case, at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement, the proper officers and directors of each party to this Agreement shall use their reasonable best efforts to take all such action; and

(g) cooperate and use its reasonable best efforts to vigorously contest and resist any action, including administrative or judicial action, and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order (whether temporary, preliminary or permanent) that is in effect and that restricts, prevents or prohibits consummation of the Merger and the other transactions contemplated hereby, including, without limitation, by vigorously pursuing all available avenues of administrative and judicial appeal.

8.4. REORGANIZATION TREATMENT. None of the parties shall take any action which could reasonably be expected to prevent the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code.

8.5. PUBLIC ANNOUNCEMENTS. BUYER and the Company shall consult with each other before issuing any press release or otherwise making any public statements with respect to this Agreement or the Merger and related transactions and shall not issue any such press release or make any such public statement prior to such consultation, except that BUYER may make such public statements or announcements that may be required by applicable law or the rules of the Nasdaq Stock Market ("NASDAQ") or the National Association of Securities Dealers, Inc. The parties have agreed on the text of a joint press release by which BUYER and the Company will announce the execution of this Agreement.

8.6. REGULATORY MATTERS. BUYER shall promptly prepare and file with the SEC the Form S-4. BUYER shall use its reasonable best efforts to have the Form S-4 declared effective under the Securities Act as promptly as practicable after such filing, and the Company shall thereafter mail or deliver the prospectus included in the Form S-4 to its stockholders. BUYER shall use its reasonable best efforts to obtain all necessary state securities law or "blue sky" permits and approvals required to carry out the transactions contemplated by this Agreement, and the Company shall furnish all information concerning the Company and the holders of Company Capital Stock as may be reasonably requested in connection with any such action. Notwithstanding the foregoing, in no event shall BUYER be required to file the Form S-4, or cause it to become effective, unless and until it has been provided with all financial statements

of the Company required to be included therein, in form and substance satisfactory to BUYER together with all consents to the use thereof required to complete the filing and effectiveness of the Form S-4. BUYER agrees to keep the Company informed as to the status of the Form S-4 and to advise the Company, promptly after BUYER receives notice, of the time when the Form S-4 has become effective or any supplement or amendment has been filed, of the issuance of any stop order or any request by the SEC for amendment of the Form S-4 or comments thereon and responses thereto or requests by the SEC for additional information. BUYER shall provide the Company with reasonable opportunity to review and comment on the Form S-4, and any amendment thereto, before filing such document with the SEC, PROVIDED, that the ultimate editorial control over the Form S-4 shall remain with BUYER.

8.7. NASDAQ QUOTATION. BUYER shall use its reasonable best efforts to cause the shares of BUYER Common Stock to be issued in the Merger (including the shares held in Escrow) to be authorized for quotation on Nasdaq, subject to official notice of issuance, prior to the Effective Time.

9. CONDUCT OF THE COMPANY'S BUSINESS PENDING THE CLOSING. The Company covenants and agrees that, from and after the date of this Agreement and until the Closing, except as otherwise specifically consented to or approved by BUYER in writing, which consent shall not be unreasonably withheld or delayed, or as set forth in Section 9 of the Company Disclosure Schedule:

9.1. FULL ACCESS. The Company will afford to BUYER and its authorized representatives, upon reasonable notice, all access during normal business hours to all properties, books, records, contracts, and documents of the Company as BUYER may reasonably request and a complete opportunity to make such investigations as they will reasonably desire to make of the Company, and the Company will furnish or cause to be furnished to BUYER and its authorized representatives all such information with respect to the affairs and businesses of the Company as BUYER may reasonably request, except to the extent that such access and opportunity cannot be provided and such information can be furnished without unreasonably interfering with the business of the Company. All information obtained by BUYER pursuant to this Section 9.1 shall be kept confidential in accordance with the confidentiality agreement, dated August 23, 2000 (the "CONFIDENTIALITY AGREEMENT"), between BUYER and the Company. No investigation pursuant to this Section 9.1 shall affect any representation or warranty in this Agreement of any party hereto or any condition to the obligations of the parties hereto.

9.2. CARRY ON IN REGULAR COURSE. The Company will maintain its owned and leased properties in good operating condition and repair, will make all necessary renewals, additions, and replacements thereto, will carry on its businesses diligently and substantially in the same manner as heretofore conducted, and will not make or institute any material new, unusual, or novel methods of manufacture, purchase, sale, lease, management, accounting, or operation, except to the extent to comply with outstanding contractual obligations otherwise disclosed in this Agreement or as permitted by this Agreement. Except as set forth in Section 9.2 of the Company Disclosure Schedule, the Company will not incur material additional Indebtedness.

9.3. NO DIVIDENDS, ISSUANCES, REPURCHASES, ETC. The Company will not declare, set aside, or pay any dividends (whether in cash, shares of stock, other property, or otherwise) on, or make any other distribution in respect of, any shares of its capital stock or other securities, or issue, purchase, redeem, or otherwise acquire for value any shares of its capital stock or other securities, except that (i) the Company may issue shares of the Company Common Stock upon exercise of Company Options or Company Warrants in accordance with the respective terms thereof, and (ii) the Company may issue additional options to purchase up to an aggregate of 1,000,000 shares of Company Common Stock under the Company Option Plan to existing non-executive officer employees and new employees.

9.4. NO COMPENSATION CHANGES. Other than as required by applicable law, as set forth in Section 9.4 of the Company Disclosure Schedule or as required by this Agreement, the Company will not increase the compensation payable or to become payable to any of its officers or directors or (except for increases made in the usual and ordinary course of business and consistent with past practices) any of its key employees or agents, or increase any bonus, insurance, pension, or other benefit plan, payment, or arrangement made to, for, or with any such officers, directors, key employees or agents, nor, except in the ordinary course, will it effect any general or uniform increase in the compensation payable or to become payable to its employees, including without limitation any increase in the benefits under any bonus or pension plan or other contract or commitment.

9.5. CONTRACTS AND COMMITMENTS. The Company will not enter into any contract or commitment, or engage in any other transaction, with any of its Affiliates, other than in the usual and ordinary course of business and consistent with its normal past business practices.

9.6. PURCHASE AND SALE OF CAPITAL ASSETS. The Company will not purchase, lease as lessee, license as licensee, or otherwise acquire any interest in, or sell, lease as lessor, license as licensee, or otherwise dispose of any interest in, any capital asset(s) (i) other than in the ordinary course of business, and having a market value in excess of $50,000 in any instance, or in excess of $250,000 in the aggregate, or (ii) other than to the extent necessary in order to comply with outstanding contractual obligations under agreements specified in Section 6.21 of the Company Disclosure Schedule, or under similar agreement entered into subsequent to the date hereof in compliance with this Agreement. The Company shall not engage in any sale-leaseback transactions with an aggregate value in excess of $1,000,000.

9.7. NO INVESTMENTS. The Company will not establish any Subsidiary or make or commit to make any investment in any Subsidiary or other person.

9.8. INSURANCE. The Company will maintain in all material respects the insurance policies described in Section 6.23 of the Company Disclosure Schedule or, in the event of expiration of any such policies prior to the Closing Date, use its best efforts to replace such expired policies with policies with similar (and no less favorable) terms (including coverage amounts, deductibles and exclusions) with financially sound and reputable insurance companies, funds or underwriters.

9.9. PRESERVATION OF ORGANIZATION. The Company will use its reasonable best efforts to preserve its business organization intact, to keep available for the benefit of the Surviving Corporation its present officers and key employees and consultants, and to preserve for the benefit of the Surviving Corporation its present business relationships with its material suppliers and customers and others having business relationships with it.

9.10. NO DEFAULT. The Company will not take or omit to take any action, or permit any action or omission to act, within the Company's reasonable control, that would cause a default under or a material breach of any of its contracts, commitments, or obligations which default or breach would, individually or in the aggregate with all other such defaults or breaches, have a Material Adverse Effect on the Company.

9.11. ADVICE OF CHANGE. The Company will promptly advise BUYER in writing of the occurrence or existence of any events or circumstances that would reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on the Company.

9.12. NO SHOP. From the date hereof until May 31, 2001, the Company will not and will use its best efforts to cause its officers, directors, employees, investment bankers, attorneys, consultants and other agents or representatives to not, negotiate for, solicit, discuss (other than to decline a soliciting party's offer to enter into such a discussion), negotiate, or enter into any

agreement or understanding, whether or not binding, with respect to the issuance, sale, or transfer of any of the capital stock (other than pursuant to the Company Option Plan or with respect to other securities existing as of the date hereof) or the assets of the Company (other than sales of inventory or other assets in the ordinary course of business) or any merger or other business combination of the Company, to or with any person other than BUYER and Merger Sub. Notwithstanding the foregoing, nothing in this Section 9.12 shall be deemed to prohibit the Company's officers, directors, employees, investment bankers, attorneys, consultants and other agents or representatives from relaying the contents, or informing themselves as to the terms of, an unsolicited offer to the Company Stockholders to the extent such persons reasonably determine, upon advice of counsel, such action is required by their fiduciary duty under applicable law.

9.13. STOCKHOLDERS MEETING. As soon as practicable after the effective date of the Form S-4, the Company shall call a special meeting of the Company Stockholders to consider and vote upon the approval of this Agreement and the Merger and the other transactions contemplated hereby. Subject to the fiduciary duties of the Company's Board of Directors under applicable law the Company shall recommend to its stockholders the approval of this Agreement and the Merger and the other transactions contemplated hereby and shall use its reasonable best efforts to solicit and obtain the requisite vote of approval. Nothing in this Section 9.13 shall be deemed to amend or modify the obligations of any party under any separate agreement between the Company and/or BUYER, including but not limited to the Voting Agreement.

9.14. CONSENT OF THIRD PARTIES. The Company shall employ its reasonable best efforts to secure, before the Closing, the consent, in form and substance reasonably satisfactory to BUYER, to the consummations of the transactions contemplated by the Agreement by each party to any contract, commitment or obligation of the Company, in each case under which such consent is required, and BUYER shall cooperate with the Company in securing such consents as reasonably required.

9.15. DISCLOSURE SUPPLEMENTS. From time to time before the Closing, and in any event immediately before the Closing, the Company will promptly advise BUYER in writing of any matter hereafter arising or becoming known to any of them that, if existing, occurring, or known at or before the date of this Agreement, would have been required to be set forth or described in the Company Disclosure Schedule, or that is necessary to correct any information in the Company Disclosure Schedule that is or has become inaccurate.

9.16. 401(K) PLAN. BUYER and the Company, if requested by BUYER, shall cooperate, including by causing their respective boards of directors to take appropriate actions, in order to provide for an orderly transition with respect to the Company's 401(k) plan to another plan maintained by or on behalf of BUYER or its affiliates including, if required, to initiate termination.

9.17. VESTING. The Company, if reasonably requested by BUYER, shall take all necessary action to cause all convertible or exchangeable securities, options, warrants, or other rights to acquire from the Company any shares of its capital stock or other securities held by non-employees to become fully vested and exercisable immediately prior to Closing.

9.18. DASH. The Company shall issue options to purchase Company Common Stock under the Company's Amended and Restated 1998 Equity Incentive Plan (the "COMPANY OPTION PLAN") to all employees of the Company who have received notice that they would receive contingent grants under the Company Option Plan in connection with the Company's "DASH" and "DASH-like" programs and related programs instituted under the Company Option Plan, but only to the extent that the contingencies relating to such grants have been

satisfied prior to the Effective Time in any manner that would lead to the issuance of some or all of such options in accordance with such notice.

10. BUYER'S AND MERGER SUB'S COVENANTS. BUYER and Merger Sub covenant and agree that, except as otherwise specifically consented to or approved by the Company in writing, such consent or approval not to be unreasonably withheld or delayed:

10.1. FULL ACCESS. BUYER will afford the Company and its authorized representatives, upon reasonable notice, full access during normal business hours to all properties, books, records, contracts and documents of BUYER and a full opportunity to make such investigations as they will desire to make of BUYER, and BUYER will furnish or cause to be furnished to the Company and its authorized representatives all such information with respect to the affairs and businesses of BUYER as the Company reasonably requests, except to the extent that such access and opportunity cannot be provided and such information can be furnished without unreasonably interfering with the business of BUYER. All information obtained by the Company pursuant to this Section 10.1 shall be kept confidential in accordance with the Confidentiality Agreement. No investigation pursuant to this Section 10.1 shall affect any representation or warranty in this Agreement of any party hereto or any condition to the obligations of the parties hereto.

10.2. COMPLIANCE WITH LAWS. BUYER and each of its Subsidiaries will duly comply in all material respects with all applicable laws, regulations, and orders.

10.3. ADVICE OF CHANGE. BUYER will promptly advise the Company in writing of the occurrence or existence of any events or circumstances that would reasonably be expected to have a Material Adverse Effect on BUYER.

10.4. CONSENT OF THIRD PARTIES. BUYER shall employ its reasonable best efforts to secure, before the Closing, the consent, in form and substance reasonably satisfactory to the Company and the Company's counsel, to the consummation of the transactions contemplated by the Agreement, by each party to any material contract, commitment or obligation of BUYER, in each case under which the failure of which to obtain such consent would have a Material Adverse Effect on BUYER.

10.5. EXEMPTION FROM LIABILITY UNDER SECTION 16. The Board of Directors of BUYER, or a committee of non-employee directors thereof (as such term is defined for purposes of Rule 16b-3(d) under the Exchange Act) shall, reasonably promptly after the date hereof, and in any event prior to the Effective Time, adopt a resolution providing that the receipt by those officers and directors of the Company who may be subject to the reporting requirements of Section 16(a) of the Exchange Act following the Effective Time (the "COMPANY INSIDERS") of BUYER Common Stock in the Merger or the exercise of BUYER Exchange Options, in each case pursuant to the transactions contemplated hereby, are intended to be exempt transactions under Rule 16(b)-3.

10.6. DISCLOSURE SUPPLEMENTS. From time to time before the Closing, and in any event immediately before the Closing, BUYER will promptly advise the Company in writing of any matter hereinafter arising or becoming known to BUYER that, if occurring, or known to BUYER at or before the date of this Agreement, would have been required to be set forth or described in the BUYER and Merger Sub Disclosure Schedule, or that is necessary to correct any information in the BUYER and Merger Sub Disclosure Schedule that is or has become inaccurate.

10.7. DIRECTOR AND OFFICERS INSURANCE.

(a) For six years after the Effective Time, BUYER shall, or shall cause the Surviving Corporation to, indemnify and hold harmless each present and former officer and director of the Company in respect of acts and omissions occurring at or prior to the Effective Time to the fullest extent permitted by applicable law, PROVIDED that any such indemnification shall be subject to any limitation imposed from time to time under applicable law. In furtherance thereof, BUYER shall cause the Articles of Incorporation and By-laws of the Surviving Corporation to contain provisions indemnifying and exculpating officers and directors to the maximum extent permitted by law, which provisions shall not be amended, repealed or otherwise modified for a period of six years from the Effective Time in any manner that would adversely effect the rights thereunder of any individuals who, immediately prior to the Effective Time, were officers, directors and/or employees of the Company.

(b) BUYER shall cause to be maintained in effect for a period of six years from the Effective Time the current policies of directors' and officers' liability insurance maintained by the Company (provided that BUYER may substitute therefor policies of at least the same coverage containing terms and conditions which are not materially less advantageous) with respect to matters or events occurring prior to the Effective Time; PROVIDED, HOWEVER, that in no event shall BUYER be required to expend more than an amount per year equal to 150% of current annual premiums paid by the Company to maintain or procure insurance coverage pursuant to the terms hereof; and, PROVIDED, FURTHER, that if the annual premiums of such insurance coverage exceed such amount, the Surviving Corporation shall be obligated to obtain a policy with the greatest coverage available for a cost not exceeding such amount.

(c) BUYER shall, or shall cause the Surviving Corporation to, to the fullest extent permitted by applicable law, advance reasonably incurred fees and expenses (including reasonable attorneys' fees) incurred in connection with any indemnification provided for pursuant to Section 10.7(a), PROVIDED the person to whom such expenses are advanced provides a customary undertaking complying with applicable law to repay such advances if it is ultimately determined that such person is not entitled to indemnification).

(d) Nothing in this Agreement is intended to, shall be construed to or shall release, waive, or impair any rights to directors' and officers' insurance claims under any policy that is or has been in existence with respect to the Company or any of its officers, directors or employees, it being understood that the indemnification provided for in this Section 10.7 is not prior to or in substitution for any such claim under such policies.

10.8. MANAGEMENT COVENANTS.

(a) Management of Operations. From and after the Effective Time, and until the earlier of (i) full release of the Escrowed and Earn-Out Shares to the Company Stockholders or to BUYER (other than any Indemnity Shares or Second Indemnity Shares, as such terms are defined in the Contingency Escrow Agreement) pursuant to the terms of the Contingency Escrow Agreement, or (ii) December 31, 2002 (such period, the "EARN-OUT PERIOD"), the Surviving Corporation shall be operated as an operating division of BUYER. During the Earn-Out Period and until the termination of her employment with the Surviving Corporation, Anousheh Ansari or Hamid Ansari as her successor, if appointed as such pursuant to paragraph (e) below (the "MANAGER"), shall have discretion to manage the day-to-day business affairs and operations of the Surviving Corporation, reporting directly only to the Chief Executive Officer of BUYER (the "CEO"), PROVIDED that such business affairs and operations are managed in the ordinary course and in a manner consistent with

the past practices of the Company, and general guidelines mutually established by the Manager and the CEO (such discretion subject to such limitations being referred to herein as the "GENERAL MANAGEMENT AUTHORITY"). Without limiting the generality of the foregoing, the General Management Authority shall include the discretion and authority to:

(1) make personnel decisions for the Surviving Corporation other than with respect to the Manager, including with respect to hiring, promotion, dismissal and compensation and benefits of the Surviving Corporation's senior executives and other employees within guidelines mutually established by BUYER and the Manager for Surviving Corporation (which such guidelines shall take into account the market conditions in Richardson, Texas), subject to the terms of those certain employment agreements, of even date herewith, by and between BUYER and each of those persons set forth in Section 10.8 of the BUYER and Merger Sub Disclosure Schedule (the "EMPLOYMENT AGREEMENTS");

(2) determine appropriate, commercially reasonable pricing structures and sales and marketing strategies with respect to the Surviving Corporation's products;

(3) negotiate and enter into commercially reasonable agreements with customers, suppliers and other vendors (including with respect to the selection of development tools and embedded third party software and hardware) on behalf of the Surviving Corporation;

(4) determine the location within the Richardson, Texas area of the principal executive offices and principal place of business of the Surviving Corporation;

(5) determine the architecture, design and other technical aspects specifications of the Surviving Corporation's products, as well to determine the development schedules and priorities thereof;

(6) enter into partnerships and teaming arrangements with third-party vendors, including third parties that compete with BUYER (including those set forth in Section 10.8(a)(6) of the BUYER and Merger Sub Disclosure Schedule), in order to provide integrated solutions to customers if necessary to accomplish the Surviving Corporation's business objectives, PROVIDED, that the Manager shall be required to secure the prior written consent of the CEO before entering any such partnerships or teaming arrangements, except in the case of (i) those partnerships and teaming arrangements set forth in Section 10.8(a)(6) of the Company Disclosure Schedule; (ii) teaming arrangements and partnerships entered into with respect to customers that had made a hardware decision before commencement of the Surviving Corporation's sales process, and not selected BUYER's products; or (iii) teaming arrangements and partnerships entered into with respect to a customer where the Surviving Corporation has used its reasonable best efforts to cause the customer to select BUYER's products and such customer has selected another hardware provider;

(7) continue and expand the Surviving Corporation's interoperability laboratory efforts; and

(8) determine appropriate staffing levels to support the Surviving Corporation's product development calendar and sales and marketing efforts.

(b) RESERVATION. Notwithstanding anything to the contrary herein, the General Management Authority shall not include, and the Manager shall not have, without the prior written consent of the CEO, any discretion to:

(1) adopt or change any accounting procedures or methods of the Surviving Corporation, including with respect to establishment of internal controls, procedures and reporting systems;

(2) dispose of any material asset of the Surviving Corporation, whether tangible or intangible, other than dispositions in the ordinary course in connection with the fulfillment of customer orders and service contracts or otherwise in the ordinary course;

(3) acquire, whether through purchase or lease, any assets in excess of $500,000, whether tangible or intangible, except in connection with fulfillment of customer orders or contracts in the ordinary course or ordinary course purchases of equipment in connection with research and development;

(4) acquire (whether by means of a merger, consolidation, or acquisition of stock or assets) any interest in any other person (except for any securities issued to the Surviving Corporation in connection with payment for any products or services sold or provided by the Surviving Corporation);

(5) incur any indebtedness for borrowed money, or assume, guarantee, pledge or endorse, or otherwise as an accommodation become responsible for, the obligations of any other person, except for the receipt of trade credit in the ordinary course of business, consistent with past practices;

(6) establish any policies that conflict with, or fail to adopt, BUYER's corporate-wide policies with respect to BUYER's position as a public company (e.g., policies regarding conflicts of interest, stock trading, political contributions, etc.); and

(7) make any personnel decisions, inconsistent with (a) the employment agreements of those employees of the Surviving Corporation set forth on Section 10.8 of the BUYER and Merger Sub Disclosure Schedule attached hereto, including terminating the employment of any such employees for any reason or no reason, or (b) paragraph (a)(1) or (a)(8) above.

In addition, in no event shall the Manager take any action in contradiction of any material written policies of BUYER of which the Manager has been informed, or any material unwritten policies of which the Manager is aware, without first consulting with the CEO on such action.

(c) BUYER'S OBLIGATIONS. During the Earn-Out Period, BUYER agrees (1) to fund those operations of the Surviving Corporation relating to the Company's Intelligent IP softswitch software product, and as necessary to complete the Company's existing contractual obligations, as referenced in Section 6.20 of the Company Disclosure Schedule, to deliver other products and services, in each case in accordance with reasonable budgets reflective of past practice and anticipated growth, and to discuss in good faith any modifications to such budgets as may be appropriate, and (2) to provide reasonable cooperation with the Surviving Corporation in the areas of technical assistance, contract negotiations, identification of appropriate third-party vendors, and customer sales and marketing efforts. Notwithstanding anything to the contrary in paragraph (a), nothing set forth in the grant of the General Management Authority shall require BUYER to provide any

funding, support or cooperation in addition to or in excess of that required pursuant to this paragraph (c).

(d) LIMITATION ON CERTAIN RESTRUCTURING BY BUYER. During the Earn-Out Period, without the written consent of the Manager (or if there is no Manager, the Stockholder Representatives), BUYER shall not cause other existing operating units, or acquired businesses, of BUYER to be included in the Surviving Corporation, or cause operating units of the Surviving Corporation to be moved to BUYER or another subsidiary of BUYER.

(e) SUCCESSION. Anousheh Ansari shall be the initial Manager. In the event that Anousheh Ansari ceases to serve in her position as Vice President and General Manager of BUYER as a result of her death or disability, BUYER shall offer the such position to Hamid Ansari and if Hamid Ansari accepts, thereafter Hamid Ansari shall be the Manager and the provisions of this Section 10.8 shall apply with respect to Hamid Ansari as such. If Hamid Ansari declines or is unable to serve as Manager for the remainder of the Earn-Out Period, BUYER shall be released from its obligations under this Section 10.8, other than those arising under paragraphs (c) and (d), which shall remain in effect for the Earn-Out Period.

(f) BREACH BY BUYER.

(1) If at any time, BUYER shall have materially breached (an "ALLEGED BREACH") the covenants set forth in this Section 10.8 (the "MANAGEMENT COVENANTS"), the Manager may deliver to the attention of the CEO a Notice of Alleged Breach, such notice to be given in accordance with Section 18.5 of this Agreement. For purposes of this Agreement, a "NOTICE OF ALLEGED BREACH" means a written notice that sets forth in reasonable detail the facts and circumstances upon which the allegation of a breach of the Management Covenants are based.

(2) After receipt of a Notice of Alleged Breach, BUYER shall cure as promptly as possible, but in no event more than thirty (30) days after receipt of the Notice of Alleged Breach, the Alleged Breach (such period, the "CURE PERIOD"). If after such Cure Period, the Alleged Breach has not been cured, the Stockholder Representatives shall be entitled to make a claim for release to the Company Stockholders of all of the then Escrowed Shares and Earn-Out Shares under the Contingency Escrow Agreement (other than any Indemnity Shares or Second Indemnity Shares, as defined therein) according to the procedures set forth therein.

10.9. EMPLOYEE BENEFIT MATTERS. BUYER agrees to honor, or cause the Surviving Corporation to honor, the Employee Benefit Plans pursuant to their terms, subject to the ability to amend or terminate such Plans if permitted to do so pursuant to their terms. BUYER agrees that from the Effective Time through the end of the Earn-Out Period it shall, or shall cause the Surviving Corporation to, provide to employees of the Surviving Corporation and its Subsidiaries employee benefit plan benefits substantially comparable in the aggregate to the benefits of the Employee Benefit Plans as in effect for such employees as of the date hereof. Also, BUYER shall and shall cause the Surviving Corporation to:

(1) recognize the service with the Company prior to the Effective Time of the Company's employees as of the Effective Time for purposes of eligibility, vesting and level of benefits (but not benefit accrual, with respect to defined benefit plans) under each Employee Benefit Plan (or any plan adopted in substitution for such Employee Benefit Plan) to the extent such service was recognized under such Employee Benefit Plan prior to the Effective Time,

(2) use their reasonable best efforts to cause the Company's employees as of the Effective Time to be given credit for (i) otherwise qualifying expenses incurred by such employees prior to the Effective Time but during the plan year of any BUYER group health plan in which the Effective Time occurs against any deductible or co-payment requirements of such group health plan and (ii) elimination periods requirements if and to the extent satisfied by such employees under an analogous Company Employee Benefit Plan, and

(3) use their reasonable best efforts to limit application of any pre-existing condition exclusion which would otherwise be applicable to an employee on or after the Effective Time under a BUYER group health plan to the same extent, if any, applicable under the analogous Company Employee Benefit Plan.

BUYER shall not be in violation of this Section to the extent its compliance with the foregoing obligations is frustrated by reason of any of the Manager's actions pursuant to the management covenants of Section 10.8.

10.10. RETENTION PLAN. Immediately prior to the Effective Time, BUYER shall adopt the Retention Plan (as defined in Section 12.7 and make the scheduled Awards thereunder).

11. MUTUAL CONDITIONS TO THE PARTIES' OBLIGATIONS. The parties' obligations to consummate the Merger are subject to the satisfaction (or waiver by the Company or BUYER, each in its sole discretion) of each of the conditions set forth in this Section on or before the Closing Date. If the Merger is consummated, such conditions will conclusively be deemed to have been satisfied or waived.

11.1. NO INJUNCTIONS OR RESTRAINTS. No temporary restraining order, preliminary or permanent injunction, or other order issued by any court of competent jurisdiction, or other legal restraint or prohibition preventing the consummation of the Merger, will be in effect, and no petition or request by any governmental authority or agency for any such injunction or other order will be pending.

11.2. APPROVAL BY STOCKHOLDERS. The Company Stockholders shall have authorized and approved this Agreement, the Merger and the transactions contemplated hereby as required by the TBCA.

11.3. GOVERNMENTAL CONSENTS. All consents, approvals, orders or clearances of any governmental authority (including any approvals or clearances under the HSR Act), the granting of which is required for the consummation of the transactions contemplated by this Agreement, shall have been obtained, and all waiting periods specified under applicable law, the expiration of which is necessary for such consummation, shall have passed, except for such consents, approvals, orders or clearances (other than under the HSR Act), and the expiration of such waiting periods (other than under the HSR Act), as would not have individually or in the aggregate, a Material Adverse Effect on BUYER or the Company.

11.4. NASDAQ LISTING. The shares of BUYER Common Stock into which shares of Company Common Stock will be converted in the Merger will have been authorized for listing, subject to official notice of issuance, on Nasdaq or such other exchange or automated quotation system on which the BUYER Common Stock is then listed or quoted.

11.5. FORM S-4. The Form S-4 shall have become effective under the Securities Act and no stop order suspending the effectiveness of the Form S-4 shall have been issued and no proceedings for that purpose shall have been initiated or threatened by the SEC.

12. CONDITIONS TO THE COMPANY'S OBLIGATIONS. The obligations of the Company to consummate the Merger are subject to the satisfaction (or waiver by the Company, in its sole

discretion) of each of the conditions set forth in this Section on or before the Closing Date. If the Merger is consummated, such conditions will conclusively be deemed to have been satisfied or waived.

12.1. REPRESENTATIONS AND WARRANTIES. Each of the representations and warranties made by BUYER and/or Merger Sub in or pursuant to this Agreement or in any statement, certificate, or other document delivered to the Company in connection with this Agreement, the Merger, or any of the other transactions contemplated hereby will have been true and correct in all material respects (or in the case of matters qualified either by materiality or Material Adverse Effect, in all respects) when made and (after taking into account any supplement to or amendment of this Agreement or any such statement, certificate or other document required to correct any information therein that is or has become inaccurate) will be true and correct in all material respects at and as of the Closing, except that representations and warranties that speak as of a specified date shall be so true and correct as of such date.

12.2. COMPLIANCE WITH AGREEMENT. BUYER and Merger Sub will have performed and complied in all material respects with all of their respective obligations under this Agreement to be performed or complied with by them before or at the Closing, including without limitation the execution and delivery of all documents to be executed and delivered by any of them in connection with this Agreement and/or the consummation of the Merger and the other transactions contemplated hereby.

12.3. CLOSING CERTIFICATE. An executive officer of each of BUYER and Merger Sub will have executed and delivered to the Company, at and as of the Closing, certificates (without qualification as to knowledge or materiality) certifying that the conditions referred to in Sections 12.1 and 12.2 have been satisfied.

12.4. NO MATERIAL CHANGE. Since the date hereof, there shall not have occurred any Material Adverse Effect on BUYER; PROVIDED HOWEVER, for the purposes of this Section 12.4, a Material Adverse Effect on BUYER shall not be deemed to have resulted solely from a decrease in the trading price of BUYER Common Stock as reported on Nasdaq or such other exchange or automated quotation system on which the BUYER Common Stock is then listed or quoted.

12.5. REGISTRATION RIGHTS AGREEMENT. BUYER shall have entered into a Registration Rights Agreement in the form attached as Exhibit 12.5 (the "REGISTRATION RIGHTS AGREEMENT").

12.6. TAX OPINION. The Company shall have received an opinion of Wachtell, Lipton, Rosen & Katz, special counsel to the Company, dated the Closing Date, substantially to the effect that (i) the Merger will qualify as a reorganization within the meaning of Section 368(a) of the Code and (ii) no gain or loss will be recognized by stockholders of the Company who exchange all of their Company Common Stock solely for BUYER Common Stock pursuant to the Merger, except with respect to cash, if any, received in lieu of a fractional share interest in BUYER Common Stock. In rendering its opinion, such counsel shall be entitled to require and rely upon reasonable and customary representations contained in certificates of the officers of the Company, BUYER and Merger Sub.

12.7. RETENTION PLAN. BUYER shall have (i) adopted the 2000 Retention Plan attached as EXHIBIT 12.7 hereto (the "RETENTION PLAN") and (ii) issued Award Agreements thereunder to the employees listed on Section 12.7 of the BUYER and Merger Sub Disclosure Schedule.

12.8. ESCROW AGREEMENTS. The BUYER shall have entered into the Escrow Agreements.

13. CONDITIONS TO BUYER'S AND MERGER SUB'S OBLIGATIONS. The obligations of each of BUYER and Merger Sub, respectively, to consummate the Merger are subject to the satisfaction (or waiver by BUYER, in its sole discretion) of each of the conditions set forth in this Section on or before the

Closing Date. If the Merger is consummated, such conditions will conclusively be deemed to have been satisfied or waived.

13.1. REPRESENTATIONS AND WARRANTIES. Each of the representations and warranties made by the Company in or pursuant to this Agreement or in any statement, certificate, or other document delivered to BUYER in connection with this Agreement, the Merger, or any of the other transactions contemplated hereby will have been true and correct in all material respects (or in the case of matters qualified as to materiality or Material Adverse Effect, in all respects) when made and (after taking into account any supplement to or amendment of this Agreement or any such statement, certificate or other document required to correct any information therein that is or has become inaccurate) will be true and correct in all material respects at and as of the Closing, except that representations and warranties that speak as of a specified date shall be so true and correct as of such date.

13.2. COMPLIANCE WITH AGREEMENT. The Company will have performed and complied in all material respects with all of their respective obligations under this Agreement to be performed or complied with by them before or at the Closing, including without limitation the execution and delivery of all documents to be executed and delivered by any of them in connection with this Agreement and/or the consummation of the Merger and the other transactions contemplated hereby.

13.3. CLOSING CERTIFICATE. An executive officer of the Company will have executed and delivered to BUYER, at and as of the Closing, a certificate (without qualification as to knowledge or materiality) certifying that the conditions referred to in Sections 13.1 and 13.2 have been satisfied.

13.4. NO MATERIAL ADVERSE CHANGE. Since the date hereof, there shall not have been a Material Adverse Effect on the Company.

13.5. REGISTRATION RIGHTS AGREEMENT. All parties thereto other than BUYER shall have entered into the Registration Rights Agreement.

13.6. DISSENTING STOCKHOLDERS. Holders of no more than 0.25% of the issued and outstanding Company Common Stock as of the Effective Time shall have elected to, or continue to have contingent rights to, exercise dissenters rights under the TBCA as to such shares.

13.7. ESCROW AGREEMENTS. All parties thereto other than BUYER shall have entered into the Escrow Agreements.

13.8. CAPITALIZATION CERTIFICATE. The principal executive officer and the principal financial officer of the Company will have executed and delivered to BUYER, at and as of the Closing Date, a certificate setting forth the information required to be included in Section 6.4 of the Company Disclosure Schedule (such certificate, the "CAPITALIZATION CERTIFICATE"). The Capitalization Certificate shall be deemed to be a representation and warranty of the Company hereunder.

14. INDEMNIFICATION.

14.1. INDEMNIFICATION BY BUYER. From and after the Effective Time, subject to the limitations set forth in Section 14.5 hereof, BUYER will indemnify, defend, and hold harmless each of the Company Stockholders and each of their respective directors, officers, employees, representatives, and other Affiliates, from and against any and all Damages (as defined in Section 17.1) related to or arising, directly or indirectly, out of or in connection with any breach by BUYER and/or Merger Sub of any representation, warranty, covenant, agreement, obligation, or undertaking made by BUYER and/or Merger Sub in this Agreement (including any schedule

or exhibit hereto), or any other agreement, instrument, certificate, or other document delivered by or on behalf of BUYER and/or Merger Sub in connection with this Agreement, the Merger, or any of the other transactions contemplated hereby. The Stockholder Representatives shall have the ability to enforce these provisions solely on behalf of the Company Stockholders.

14.2. INDEMNIFICATION BY THE COMPANY. From and after the Effective Time, subject to the limitations set forth in Section 14.5 hereof, the Company, will indemnify, defend and hold harmless BUYER, and each of their respective directors, officers, employees, representatives and other Affiliates, from and against any and all Damages related to or arising, directly or indirectly, out of or in connection with any breach by the Company of any representation, warranty, covenant, agreement, obligation or undertaking made by the Company in this Agreement (including any schedule or exhibit hereto), or any other agreement, instrument, certificate or other document delivered by or on behalf of the Company at or prior to the Closing to effect the transactions contemplated by this Agreement. Without limiting any other rights of BUYER, BUYER shall be entitled to enforce this provision solely pursuant to the terms of the Contingency Escrow Agreement.

14.3. CLAIMS.

(a) In the event that any party hereto (the "INDEMNIFIED PARTY") desires to make a claim against another party hereto (the "INDEMNIFYING PARTY", which term includes all indemnifying parties if more than one) in connection with any third-party litigation, arbitration, action, suit, proceeding, claim or demand at any time instituted against or made upon it for which it may seek indemnification hereunder (a "THIRD-PARTY CLAIM"), the Indemnified Party will promptly notify the Indemnifying Party of such Third-Party Claim and of its claims of indemnification with respect thereto; PROVIDED, that failure to promptly give such notice will not relieve the Indemnifying Party of its indemnification obligations under this Section except to the extent, if any, that the Indemnifying Party has actually been prejudiced thereby.

(b) The Indemnifying Party will have the right to assume the defense of the Third-Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party by written notice to the Indemnified Party within twenty days after the Indemnifying Party has received notice of the Third-Party Claim; PROVIDED, HOWEVER, that the Indemnifying Party must conduct the defense of the Third-Party Claim actively and diligently thereafter in order to preserve its rights in this regard; and, PROVIDED, FURTHER, that the Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third-Party Claim but the Indemnified Party shall not control the defense thereof.

(c) The Indemnifying Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third-Party Claim without the prior consent of the Indemnified Party (which will not be unreasonably withheld or delayed) unless the judgment or proposed settlement (i) includes an unconditional release of all liability of each Indemnified Party with respect to such Third-Party Claim and (ii) involves only the payment of money damages by the Indemnifying Party which are paid in a timely manner and does not impose an injunction or other equitable relief upon the Indemnified Party or require the Indemnified Party to pay any money damages. So long as the Indemnifying Party has assumed and is conducting the defense of the Third-Party Claim in accordance with Section 14.3(b) above, the Indemnified Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third-Party Claim without the prior written consent of the Indemnifying Party (which will not be unreasonably withheld or delayed).

(d) In the event the Indemnifying Party fails to assume the defense of the Third-Party Claim in accordance with Section 14.3(b) above, (i) the Indemnified Party may defend against, and consent to the entry of any judgment or enter in any settlement with respect to, the Third-Party Claim in any manner it reasonably may deem appropriate, PROVIDED such settlement involves only money damages and does not impose an injunction or other equitable relief on the Indemnifying Party or has been consented to by such Indemnifying Party (which will not be unreasonably withheld or delayed) and (ii) the Indemnifying Party will remain responsible for any Damages the Indemnified Party may suffer as a result of such Third-Party Claim to the extent provided in this Article 14.

14.4. PAYMENT OF CLAIMS. In the event of any bona fide claim for indemnification hereunder, the Indemnified Party will advise the Indemnifying Party that is required to provide indemnification therefor in writing with reasonable specificity of the amount and circumstances surrounding such claim. With respect to liquidated claims, if within thirty (30) days the Indemnifying Party has not contested such claim in writing, the Indemnifying Party will pay and/or the Escrow Agent shall pay, as applicable, the full amount thereof, subject to the limitations set forth in Section 14.5, within ten (10) days after the expiration of such period.

14.5. LIMITATIONS OF LIABILITY.

(a) BASKET. No Indemnifying Party will be required to indemnify an Indemnified Party hereunder until such time as the aggregate amount of Damages for which (i) BUYER and the Surviving Corporation, and their respective directors, officers, employees, representatives, and other Affiliates, on the one hand, or (ii) the Company Stockholders and their respective directors, officers, employees, representatives, and other Affiliates, as the case may be, on the other, are otherwise entitled to indemnification pursuant to this Agreement exceeds $1,000,000.

(b) MAXIMUM LIABILITY. The maximum liability of BUYER and the Surviving Corporation, on the one hand, and the Company, on the other hand, under this Article XIV with respect to breaches of the representations and warranties made by such parties (other than with regard to those made under Section 6.13 the remedies for breach are as set forth in Section 2(g) of the Contingency Escrow Agreement) shall not exceed the then-value of the Indemnity Shares (as defined in the Contingency Escrow Agreement).

(c) SURVIVAL. All representations and warranties in this Agreement shall survive the Closing and any investigation at any time made by or on behalf of an Indemnified Party and shall expire, and no Indemnifying Party will be liable for any Damages hereunder unless a written claim for indemnification is given by the Indemnified Party to the Indemnifying Party with respect thereto prior to the first anniversary of the Effective Time (the "CUT-OFF DATE"). Notwithstanding the foregoing, (i) liability for Damages resulting from a breach of the representations and warranties contained in Section 6.13 shall continue (and claims therefor may be made) until the expiration of all applicable statute of limitations relating to any Taxes owed as a result of such breach, and (ii) liability for Damages resulting from a breach of the representations and warranties contained in Section 6.10 and that portion of the Capitalization Certificate setting forth the number of outstanding shares of Company Common Stock and other securities of the Company shall continue (and claims therefor may be made) until December 31, 2002.

(d) ADDITIONAL LIMITATIONS ON LIABILITY. The provisions of this Section shall not be applicable in the event that the Merger is not consummated, PROVIDED, that in the event that this Agreement is terminated due to a breach hereof by a party hereto of its respective representations, warranties or covenants, the non-breaching party shall be entitled to seek to recover its actual damages in connection with such breach (but not special,

consequential or punitive damages, other than in the case of fraud), and nothing in this Section shall otherwise limit such remedies, if any.

(e) EXCLUSIVE REMEDIES.

(i) If the Merger is consummated, the provisions of this Article XIV will be the sole and exclusive basis for the assertion of claims against, and/or the imposition of liability on, any party hereto in connection with this Agreement and/or the transactions contemplated hereby, whether based in contract, tort, statute or otherwise.

(ii) If the Merger is consummated, the Company Stockholders' sole and exclusive remedy in the event of a breach of any of the covenants of BUYER set forth in Section 10.8 after the Effective Time shall be that set forth in the Escrow Agreement.

15. STOCKHOLDER REPRESENTATIVES.

(a) APPOINTMENT OF STOCKHOLDERS' REPRESENTATIVE. The Company and, by virtue of their approval of this Agreement, the Company Stockholders, hereby constitute and appoint, effective from and after the date hereof Anousheh Ansari and John C. Phelan, as their respective agents and attorneys-in-fact (together, the "STOCKHOLDER REPRESENTATIVES") to act as Stockholder Representatives under this Agreement and the Contingency Escrow Agreement in accordance with the terms of this Section 15. In the event of the resignation, death or incapacity of either of the Stockholder Representatives, a successor Stockholder Representative shall thereafter be appointed by an instrument in writing signed by such successor Stockholder Representative and by the remaining Stockholder Representative, and such appointment shall become effective as to any such successor Stockholder Representative when a copy of such instrument shall have been delivered to BUYER and the Escrow Agent.

(b) AUTHORITY. The Stockholder Representatives are, and each of them acting alone is, hereby fully authorized to:

(i) receive all notices or other documents given or to be given to the Company by BUYER under this Agreement;

(ii) receive and accept service of legal process in connection with any Claim or other proceeding against the Company or the Company Stockholders arising under this Agreement in respect of the Escrowed Shares and Earn-Out Shares;

(iii) undertake, compromise, defend and settle any such suit or proceeding;

(iv) execute and deliver all agreements, certificates and documents required or deemed appropriate by the Stockholder Representatives in connection with any of the transactions contemplated by this Agreement (including, without limitation, one or more blank stock powers relating to the transfer of any Escrowed Shares and Earn-Out Shares);

(v) engage special counsel, accountants and other advisors and incur such other expenses on behalf of the Company Stockholders in connection with any matter arising under this Agreement as the Stockholder Representative deems appropriate;

(vi) retain and liquidate any Escrowed Shares and Earn-Out Shares to which the Company Stockholders are entitled and apply the proceeds thereof to the payment of (or reimbursement of the Stockholder Representatives for) expenses and liabilities for which the Stockholder Representatives may incur pursuant to this Section 15; and

(vii) take such other action as such Stockholder Representatives may deem appropriate, including, without limitation:

(A) agreeing to any modification or amendment of the Contingency Escrow Agreement and executing and delivering an agreement of such modification or amendment;

(B) taking any actions required or permitted under the Contingency Escrow Agreement to protect or enforce the rights of the Company Stockholders thereunder to the Escrowed Shares and Earn-Out Shares; and

(C) all such other matters as the Stockholder Representatives may deem necessary or appropriate to carry out the intents and purposes of this Agreement and the Contingency Escrow Agreement.

(c) EXTENT AND SURVIVAL OF AUTHORITY. The appointment of the Stockholder Representatives is an agency coupled with an interest and is irrevocable and any action taken by a Stockholder Representative pursuant to the authority granted in this Section 15 shall be effective and absolutely binding on the Company Stockholders notwithstanding any contrary action of or direction from the Company Stockholders, except for actions or omissions of the Stockholder Representatives constituting willful misconduct or gross negligence.

(d) REIMBURSEMENT OF EXPENSES; INDEMNITY. The Stockholder Representatives shall receive no compensation for services as Stockholder Representatives, but shall receive reimbursement from, and be indemnified and held harmless by, the Company Stockholders, for any and all expenses, charges, claims and liabilities, including, but not limited to, reasonable attorneys' fees, incurred by the Stockholder Representatives in the performance or discharge of his or her duties pursuant to this Section 15. Unless the Company Stockholders pay all such expenses, charges and liabilities upon demand by the Stockholder Representatives, the Stockholder Representatives shall have no obligation to incur such expenses, charges or liabilities, or to continue to perform any duties hereunder.

16. TERMINATION.

(a) This Agreement may be terminated at any time before the Effective Time:

(i) by mutual agreement of BUYER and the Company;

(ii) by BUYER, in the event of a material breach by the Company of any representation, warranty or agreement contained herein which has not been cured or is not curable within fifteen (15) days after notice thereof to the breaching party; or

(iii) by the Company, in the event of a material breach by BUYER of any representation, warranty or agreement contained herein which has not been cured or is not curable within fifteen (15) days after notice thereof to the breaching party.

(b) If (i) any temporary restraining order, preliminary or permanent injunction, or other order issued by any court of competent jurisdiction, or other binding legal restraint or prohibition preventing the consummation of the Merger is in effect and is final and non-appealable at any time in effect for a period of more than 20 consecutive days, or (ii) the Closing does not occur on or before May 31, 2001 then either BUYER or the Company may terminate this Agreement by delivering written notice to the other at any time after the close of business on date such termination right arises hereunder, PROVIDED in the case of a termination under clause (ii) above, that such failure to close is not the

result of a breach of this Agreement by the terminating party (including, in the case of any such termination by BUYER, any breach by Merger Sub).

17. DEFINITIONS.

17.1. CERTAIN DEFINED TERMS. As used in this Agreement, the following terms have the following respective meanings:

"Affiliate" shall mean, with respect to any person or entity, any person or entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such person or entity.

"Closing Date Price Per Share" means the closing sale price (in thousandths) of BUYER Common Stock on Nasdaq for the trading day prior to the Closing Date.

"Closing Price Per Share" means the average closing sale price (in thousandths) of BUYER Common Stock on Nasdaq for the five (5) trading days up to and including the day that is one trading days prior to the date for which such Closing Price Per Share is determined.

"Company Stockholder" means any holder of the Company Common Stock as of the Closing Date.

"Damages" means all damages, losses, claims, demands, actions, causes of action, suits, litigations, arbitrations, liabilities, costs, and expenses, including court costs and the reasonable fees and expenses of legal counsel.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC thereunder, as in effect as of the relevant time of reference.

"Exchange Ratio" means the fraction, rounded to the nearest ten-thousandth, derived by dividing (i) 15,000,000; by (ii) the number of shares of Company Common Stock issued and outstanding as of the Effective Time.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder.

"Indebtedness," as applied to any person, means (a) all indebtedness of such person for borrowed money, whether current or funded, or secured or unsecured, (b) all indebtedness of such person for the deferred purchase price of property or services represented by a note or other security, (c) all indebtedness of such person created or arising under any conditional sale or other title retention agreement (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of specific property), (d) all indebtedness of such person secured by a purchase money mortgage or other Lien to secure all or part of the purchase price of property subject to such mortgage or other Lien, (e) all obligations of such person under leases that have been or must be, in accordance with generally accepted accounting principles, recorded as capital leases in respect of which such person is liable as lessee, (f) any liability of such person in respect of banker's acceptances or letters of credit, and (g) all indebtedness referred to in clauses (a), (b), (c), (d), (e), or (f) above that is directly or indirectly guaranteed by such person or which such person has agreed (contingently or otherwise) to purchase or otherwise acquire or in respect of which such person has otherwise assured a creditor against loss.

"Intellectual Properties" means intellectual property or proprietary rights of any description including without limitation (i) rights in any patent, patent application, copyright, industrial design, URL, domain name, trademark, service mark, logo, trade dress or trade name, (ii) related registrations and applications for registration, (iii) trade secrets, moral rights or publicity rights (iv) inventions, discoveries, improvements, modification, know-how, technique, methodology, writing,

work of authorship, design or data that is necessary or useful to design, manufacture, assemble, service, maintain, install, operate, use or test the Product(s) and develop enhanced or new products, whether or not patented, patentable, copyrightable or reduced to practice, including but not limited to any inventions, discoveries, improvements, modification, know-how, technique, methodology, writing, work of authorship, design or data embodied or disclosed in any: (1) computer source codes (human readable format) and object codes (machine readable format); (2) specifications; (3) manufacturing, assembly, test, installation, service and inspection instructions and procedures; (4) engineering, programming, service and maintenance notes and logs; (5) technical, operating and service and maintenance manuals and data; (6) hardware reference manuals; and (7) user documentation, help files or training materials, and (v) goodwill related to any of the foregoing.

"knowledge," when used to qualify a representation or warranty in this Agreement, has the following meaning: Where a representation or warranty is made to the Company's knowledge, or with a similar qualification, the Company will be deemed to have knowledge of any matter with respect to which any executive officer or director of the Company has actual knowledge or would have knowledge after conducting a reasonable investigation. Where a representation is made to BUYER's or Merger Sub's knowledge or with a similar qualification, BUYER and the Merger Sub will be deemed to have knowledge of any matter with respect to which any executive officer or director of BUYER or Merger Sub, has actual knowledge or would have knowledge after conducting a reasonable investigation.

"Liens" means any and all liens, claims, mortgages, security interests, charges, encumbrances, and restrictions on transfer of any kind, except, in the case of references to securities, those arising under applicable securities laws solely by reason of the fact that such securities were issued pursuant to exemptions from registration under such securities laws.

"Material Adverse Effect" means, when used with respect to BUYER or the Company, as the case may be, any event, change or effect that is materially adverse to the business, financial condition or results of operations of BUYER or the Company, as the case may be; PROVIDED, that such term shall not include any event, change or effect arising out of (i) the announcement or consummation of the Merger and the transactions contemplated thereby, or (ii) changes generally affecting the United States economy or the high-technology industry in which the Company and BUYER participate.

"person" (regardless of whether capitalized) means any natural person, entity, or association, including without limitation any corporation, partnership, limited liability company, government (or agency or subdivision thereof), trust, joint venture, or proprietorship.

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC thereunder, as in effect as of the relevant time of reference.

"Subsidiary" or "Subsidiaries" means, with respect to any person, any corporation a majority (by number of votes) of the outstanding shares of any class or classes of which will at the time be owned by such person or by a Subsidiary of such person, if the holders of the shares of such class or classes (a) are ordinarily, in the absence of contingencies, entitled to vote for the election of a majority of the directors (or persons performing similar functions) of the issuer thereof, even though the right to so vote has been suspended by the happening of such a contingency, or (b) are at the time entitled, as such holders, to vote for the election of a majority of the directors (or persons performing similar functions) of the issuer thereof, whether or not the right so to vote exists by reason of the happening of a contingency.

"Tax" or "Taxes" means any federal, state, local, or foreign income, gross receipts, franchise, estimated, alternative minimum, add-on minimum, sales, use, transfer, registration, value added, excise, natural resources, severance, stamp, occupation, premium, windfall profit, environmental, customs, duties, real property, personal property, capital stock, intangibles, social security, unemployment, disability, payroll, license, employee, or other tax or levy, of any kind whatsoever, including any interest, penalties, or additions to tax in respect of the foregoing.

"Tax Return" means any return, declaration, report, claim for refund, information return, or other document (including any related or supporting estimates, elections, schedules, statements, or information) filed or required to be filed in connection with the determination, assessment, or collection of any Tax or the administration of any laws, regulations, or administrative requirements relating to any Tax.

"Treasury Regulation" means the Income Tax Regulations, including Temporary Regulations, promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

17.2. TERMS DEFINED ELSEWHERE. The following terms are defined herein in the sections identified below:

TERM	SECTION
Agreement	Preamble
Alleged Breach	10.8(f)(1)
Articles of Merger	1
BUYER	Preamble
BUYER and Merger Sub Disclosure Schedule	7
BUYER Common Stock	7.6
BUYER Exchange Option	4(a)
BUYER Material Contracts	7.11
BUYER's SEC Reports	7.5
BUYER Stock Plans	7.6
Capitalization Certificate	13.8
CEO	10.8
CERCLA	6.15(b)
Certificate	3.1
Closing	1
Closing Date	1
Code	6.13(a)
Company	Preamble
Company Class A Common Stock	2.5(a)
Company Class B Common Stock	2.5(a)
Company Common Stock	2.5(a)
Company Disclosure Schedule	6
Company Insiders	10.5
Company Intellectual Properties	6.10(a)
Company Option	4(a)
Company Option Plan	9.18
Confidentiality Agreement	9.1
Confidential Information	6.10(k)
Contingency Escrow Agreement	3.3(a)
Contract	6.20
Cure Period	10.8(f)(2)
Cut-off Date	14.5(c)
DGCL	7.3
Deferred Option Shares	4(d)
Dissenting Shares	2.7
Earn-Out Period	10.8
Effective Time	1
Employee Benefit Plan	6.14(a)

TERM	SECTION
Employment Agreements	10.8(a)(1)
Environmental Laws	6.15(b)
EPA	6.15(c)
ERISA	6.14(c)
Escrow Agent	3.3(a)
Escrow Agreements	3.3(b)
Escrowed Shares and the Earn-Out Shares	3.3(a)
Form S-4	6.30
Funding Number	3.3(b)
GAAP	6.7
General Management Authority	10.8(a)
Hazardous Substances	6.15(c)
Incidental Indebtedness	6.11
Indemnified Party	14.3(a)
Indemnifying Party	14.3(a)
IRS	6.14(b)
June 2000 10-Q	7.5
Management Covenants	10.8(f)(1)
Manager	10.8(a)
Merger	1
Merger Sub	Preamble
Most Recent Audited Balance Sheet	6.7
Most Recent Unaudited Balance Sheet	6.7
Nasdaq	8.5
Notice of Alleged Breach	10.8(f)(1)
Option Escrow Agreement	3.3(b)
Option Escrowed Shares	3.3(b)
Products	6.10(m)&7.15(l)
RCRA	6.15(b)
Registration Rights Agreement	12.5
Retention Plan	12.7
SARA	6.15(b)
September 2000 10-Q	7.5
Stockholder Representatives	15(a)
Surviving Corporation	2.1

18. GENERAL.

18.1. COOPERATION. Each of the parties will cooperate with the others and use its reasonable best efforts to prepare all necessary documentation, to effect all necessary filings, and to obtain all necessary permits, consents, approvals, and authorizations of all governmental bodies and other third parties necessary to consummate the transactions contemplated by this Agreement.

18.2. SURVIVAL OF PROVISIONS. The respective representations and warranties of the Company and of BUYER and Merger Sub shall survive for such periods as set forth in Section 14.5 hereof. Those covenants that contemplate or may involve actions to be taken or obligations in effect after the Effective Time shall survive in accordance with their terms.

18.3. EXPENSES. Each of the parties will be responsible for and will pay his or its own expenses in connection with the negotiation and preparation of this Agreement and the consummation of the Merger and the other transactions contemplated hereby

18.4. BENEFITS OF AGREEMENT; NO ASSIGNMENTS; NO THIRD-PARTY BENEFICIARIES.

(a) This Agreement will bind and inure to the benefit of the parties hereto and their respective heirs, successors, and permitted assigns.

(b) No party will assign any rights or delegate any obligations hereunder without the consent of the other parties, and any attempt to do so will be void.

(c) Except for the obligations assumed by BUYER pursuant to Section 10.7, which may be enforced by the third-party beneficiaries named therein, nothing in this Agreement is intended to or will confer any rights or remedies on any person other than the parties hereto and their respective heirs, successors, and permitted assigns.

18.5. NOTICES. All notices, requests, payments, instructions, or other documents to be given hereunder will be in writing or by written telecommunication, and will be deemed to have been duly given if (i) delivered personally (effective upon delivery), (ii) mailed by registered or certified mail, return receipt requested, postage prepaid (effective five business days after dispatch), (iii) sent by a reputable, established courier service that guarantees next business day delivery (effective the next business day), or (iv) sent by telecopier followed within 24 hours by confirmation by one of the foregoing methods (effective upon receipt of the telecopy in complete, readable form), addressed as follows (or to such other address as the recipient party may have furnished to the sending party for the purpose pursuant to this Section):

(a) If to BUYER, Merger Sub, and/or (after the Effective Time), the Company to:

Sonus Networks, Inc.
5 Carlisle Road
Westford, MA 01886
Attention: President
General Counsel
Telecopier No.: (978) 392-8182

with a copy sent at the same time and by the same means to:
David L. Engel, Esq. and
Johan V. Brigham, Esq.
Bingham Dana LLP
150 Federal Street
Boston, Massachusetts 02110
Telecopier No. (617) 951-8736

(b) If to the Company, to the Stockholder Representative at:

Anousheh Ansari
telecom technologies, inc.
1701 North Collins Blvd., Suite 3000
Richardson, Texas 75080
Telecopier No. (972) 680-6329

with a copy sent at the same time and by the same means to:
Andrew J. Nussbaum, Esq.
Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Telecopier No. (212) 403-2000

18.7. COUNTERPARTS. This Agreement may be executed by the parties in separate counterparts, each of which when so executed and delivered will be an original, but all of which together will constitute one and the same agreement. In pleading or proving this Agreement, it will not be necessary to produce or account for more than one such counterpart.

18.8. CAPTIONS. The captions of sections or subsections of this Agreement are for reference only and will not affect the interpretation or construction of this Agreement.

18.9. EQUITABLE RELIEF. Each of the parties hereby acknowledges that any breach by him or it of his or its obligations under this Agreement would cause substantial and irreparable damage to the parties, and that money damages would be an inadequate remedy therefor, and accordingly, acknowledges and agrees that each other party will be entitled to an injunction, specific performance, and/or other equitable relief to prevent the breach of such obligations.

18.10. CONSTRUCTION. The language used in this Agreement is the language chosen by the parties to express their mutual intent, and no rule of strict construction will be applied against any party.

18.11. WAIVERS. No waiver of any breach or default hereunder will be valid unless in a writing signed by the waiving party. No failure or other delay by any party exercising any right, power, or privilege hereunder will be or operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power, or privilege.

18.12. ENTIRE AGREEMENT. This Agreement, together with the exhibits and schedules hereto and the other agreements, instruments, certificates, and other documents referred to herein as having been or to be executed and delivered in connection with the transactions contemplated hereby, contains the entire understanding and agreement among the parties, and supersedes any prior understandings or agreements among them, or between or among any of them, with respect to the subject matter hereof. Notwithstanding the foregoing, the provisions of the Confidentiality Agreement will survive the execution and delivery of this Agreement and the consummation of the Merger.

18.13. GOVERNING LAW. Except to the extent the TBCA applies, this Agreement will be governed by and interpreted and construed in accordance with the internal laws of the State of Delaware, as applied to contracts under seal made, and entirely to be performed, within the State of Delaware, and without reference to principles of conflicts or choice of laws.

[The rest of this page is intentionally left blank.]

Executed and delivered under seal as of the date first above written.

SONUS:

SONUS NETWORKS, INC.

By: /s/ HASSAN AHMED

Name:
Title:

MERGER SUB:

STORM MERGER SUB, INC.

By: /s/ HASSAN AHMED

Name:
Title:

COMPANY:

telecom technologies, inc.

By: /s/ ANOUSHEH ANSARI

Name: Anousheh Ansari
Title: CEO, Chairman

VOTING AGREEMENT

VOTING AGREEMENT (this "AGREEMENT"), dated as of November 2, 2000, among Sonus Networks, Inc., a Delaware corporation ("BUYER"), the individuals named on Attachment A hereto (collectively, the "STOCKHOLDERS"), beneficially owning certain shares of Class A common stock, no par value (the "COMMON SHARES"), of telecom technologies, inc., a Texas corporation (the "COMPANY"), and the Company. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Agreement and Plan of Merger and Reorganization (the "MERGER AGREEMENT"), dated as of November 2, 2000, by and among the Company, Buyer and Storm Merger Sub, Inc., a Texas corporation ("MERGER SUB").

W I T N E S S E T H:

WHEREAS, the Company, Buyer and Merger Sub intend to enter into the Merger Agreement providing for the Merger, on the terms and subject to the conditions set forth in the Merger Agreement;

WHEREAS, as of the date hereof, each Stockholder beneficially owns the number of Voting Shares set forth opposite such Stockholder's name on ATTACHMENT Ahereto (the "OWNED SHARES");

WHEREAS, the Stockholders desire to express their support for the Merger and the transactions contemplated by the Merger Agreement; and

WHEREAS, as a condition to its willingness to enter into and perform its obligations under the Merger Agreement, Buyer has requested that each Stockholder agree, and each Stockholder has agreed, to vote, or execute a written consent in respect of, all the Owned Shares, together with any Common Shares acquired after the date of this Agreement, whether upon the exercise of options, conversion of convertible securities or otherwise, and any other voting securities of the Company (whether acquired heretofore or hereafter) that are beneficially owned by such Stockholder or over which such Stockholder has, directly or indirectly, the right to vote (collectively, the "VOTING SHARES"), in favor of the Merger and any other matters submitted to the holders of Common Shares in furtherance of the Merger.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration given to each party hereto, the receipt of which is hereby acknowledged, the parties agree as follows:

1. AGREEMENT TO VOTE AND IRREVOCABLE PROXY.

1.1. AGREEMENT TO VOTE. Each Stockholder hereby agrees that, during the time this Agreement is in effect, at any meeting of the Stockholders of the Company, however called, or any adjournment thereof, or by written consent, such Stockholder shall be present (in person or by proxy) and vote (or cause to be voted), or execute a written consent in respect of, all of its Voting Shares (a) in favor of approval of the Merger Agreement and any other matter that is required to facilitate the transactions contemplated by the Merger Agreement, and (b) against any action or agreement that would result in a breach in any material respect of any covenant, representation or warranty or any other obligation or agreement of the Company under the Merger Agreement or that would otherwise prevent or materially delay the consummation of the Merger or of the other transactions contemplated by the Merger Agreement.

1.2. IRREVOCABLE PROXY.

(a) Each of the Stockholders other than MSD Portfolio, L.P.--Investments, Black Marlin Investments, LLC and Vermeer Investments, LLC (the "MSD STOCKHOLDERS") hereby appoints Peter S. Hemme, until termination of this Agreement, as such Stockholder's

attorney and proxy with full power of substitution, to vote, and otherwise act (by written consent or otherwise) with respect to the Voting Common Shares of such Stockholder, on the matters and in the manner specified in Section 1.1 hereof.

(b) In the event any of the MSD Stockholders shall fail to comply with the provisions of Section 1.1 hereof, each such MSD Stockholder agrees that such failure shall result, without any further action by such MSD Stockholder, in the irrevocable appointment of Peter S. Hemme, until termination of this Agreement, as such MSD Stockholder's attorney and proxy with full power of substitution, to vote, and otherwise act (by written consent or otherwise) with respect to the Voting Common Shares of such MSD Stockholder, on the matters and in the manner specified in Section 1.1 hereof.

(c) THE PROXIES AND POWER OF ATTORNEY GRANTED PURSUANT TO THE ABOVE PARAGRAPHS ARE IRREVOCABLE AND COUPLED WITH AN INTEREST. Each Stockholder hereby revokes all other proxies and powers of attorney on the matters specified in Section 1.1 or to the extent inconsistent with the matters set forth in Section 1.1 with respect to the Shares which such Stockholder may have heretofore appointed or granted, and no subsequent proxy or power of attorney shall be given or written consent executed (and if given or executed, shall not be effective) by such Stockholder with respect thereto. All authority herein conferred or agreed to be conferred shall survive the death or incapacity of each Stockholder and any obligation of a Stockholder under this Agreement shall be binding upon the heirs, personal representatives and successors of such Stockholder.

2. TERMINATION.

2.1. TERMINATION OF THIS AGREEMENT. This Agreement shall terminate on the earlier of (a) the consummation of the Merger, or (b) the termination of the Merger Agreement in accordance with its terms.

2.2. EFFECT OF TERMINATION. In the event of termination of this Agreement pursuant to Section 2.1, this Agreement shall become void and of no effect with no liability on the part of any party hereto; PROVIDED, HOWEVER, no such termination shall relieve any party hereto from any liability for any breach of this Agreement occurring prior to such termination.

3. REPRESENTATIONS AND WARRANTIES OF STOCKHOLDERS. Each Stockholder hereby represents and warrants to Buyer, solely as to such Stockholder, as follows, PROVIDED, that the MSD Stockholders shall not be deemed to make any of the representations and warranties set forth in paragraph 3.6 below other than that contained in the first sentence thereof:

3.1. DUE ORGANIZATION. Each such Stockholder that is not an individual has been duly organized, is validly existing and is in good standing, as applicable, under the laws of the jurisdiction of its organization.

3.2. POWER; DUE AUTHORIZATION; BINDING AGREEMENT. Such Stockholder has full legal capacity, power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby by any such Stockholder that is a trust have been duly and validly authorized by all necessary action on the part of such Stockholder's trustees, and no other proceedings on the part of such Stockholder are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by such Stockholder and constitutes a valid and binding agreement of such Stockholder, enforceable against such Stockholder in accordance with its terms, except that enforceability may be subject to the effect of any applicable bankruptcy, reorganization,

insolvency, moratorium or other similar laws affecting or relating to the enforcement of creditors rights generally and to general principles of equity.

3.3. OWNERSHIP OF SHARES. On the date hereof, the Owned Shares set forth opposite such Stockholder's name on ATTACHMENT A hereto are owned of record or beneficially by such Stockholder and constitute all of the Voting Shares owned of record or beneficially by such Stockholder, free and clear of any claims, liens, encumbrances and security interests, except pursuant to the Company Stockholder Agreements (as defined below) and for such claims, liens and encumbrances as are specified on ATTACHMENT B hereto. As of the date hereof each Stockholder has, and as of the date of the Stockholder meeting (or action by written consent) in connection with the Merger Agreement and the transactions contemplated thereby, such Stockholder will have (except as otherwise permitted by this Agreement or pursuant to the matters referred to in the preceding sentence), sole voting power and sole dispositive power with respect to all of the Owned Shares of such Stockholder.

3.4. NO CONFLICTS. The execution and delivery of this Agreement by each such Stockholder does not, and the performance of the terms of this Agreement by each such Stockholder will not, (a) require such Stockholder to obtain the consent or approval of, or make any filing with or notification to, any governmental or regulatory authority, domestic or foreign, (b) in the case of a Stockholder that is a trust, conflict with or violate the Declaration of Trust or other trust agreement of such Stockholder, (c) require the consent or approval of any other person pursuant to any material agreement, obligation or instrument binding on such Stockholder or its properties and assets, (d) conflict with or violate any organizational document or law, rule, regulation, order, judgment or decree applicable to such Stockholder or by which any property or asset of such Stockholder is bound or (e) violate any other agreement to which such Stockholder is a party including, without limitation, any voting agreement, stockholders agreement, irrevocable proxy or voting trust, except for any consent, approval, filing or notification which has been obtained as of the date hereof or the failure of which to obtain, make or give would not, or any conflict or violation which would not, prevent, delay or materially adversely affect the consummation of the transactions contemplated by this Agreement or the Merger Agreement.

3.5. ACKNOWLEDGMENT. Each Stockholder understands and acknowledges that Buyer is entering into the Merger Agreement in reliance upon such Stockholder's execution and delivery of this Agreement with Buyer.

3.6. INVESTMENT REPRESENTATIONS. The Stockholder is an "Accredited Investor" as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended, and was not organized for the purpose of acquiring any shares of the common stock, $0.01 par value per share, of the Buyer ("BUYER COMMON STOCK") in the Merger. The Stockholder has such knowledge and experience in financial and business matters that the Stockholder is capable of evaluating the merits and risks of the investment in Buyer Common Stock that the Stockholder is making by reason of the Merger and the other transactions contemplated by the Merger Agreement. The Stockholder's financial condition is such that the Stockholder is able to bear all economic risks of investment in Buyer Common Stock, including a complete loss of the Stockholder's investment. Buyer has provided the Stockholder with adequate access to financial and other information concerning Buyer (including, without limitation, Buyer's SEC Reports, as defined in the Merger Agreement) and Stockholder has had the opportunity to ask questions of and receive answers from Buyer concerning the Merger and the other transactions contemplated by the Merger Agreement and to obtain from Buyer additional information regarding an investment in Buyer.

4. REPRESENTATIONS AND WARRANTIES OF BUYER. Buyer hereby represents and warrants to each Stockholder as follows: Buyer is a corporation duly organized, validly existing and in good standing

under the laws of the state of Delaware. Buyer has full corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation by Buyer of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of Buyer, and no other proceedings on the part of Buyer are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Buyer and constitutes a valid and binding agreement of Buyer, except that enforceability may be subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting or relating to the enforcement of creditors rights generally and to general principles of equity.

5. CERTAIN COVENANTS OF STOCKHOLDERS. Each Stockholder hereby covenants and agrees (solely as to such Stockholder) as follows:

5.1. RESTRICTION ON TRANSFER, PROXIES AND NON-INTERFERENCE.

(a) Except as set forth in Section 5.1(b), each Stockholder hereby agrees, while this Agreement is in effect, and except as contemplated hereby, not to (i) sell, transfer, pledge, encumber, assign or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to the sale, transfer, pledge, encumbrance, assignment or other disposition of, or limitation on the voting rights of, any of the Voting Shares, (ii) grant any proxies or powers of attorney other than that which may arise pursuant to Section 1.2, deposit any Voting Shares into a voting trust or enter into a voting agreement with respect to any Voting Shares, (iii) take any action that would cause any representation or warranty of such Stockholder contained herein to become untrue or incorrect or have the effect of preventing or disabling such Stockholder from performing its obligations under this Agreement or (iv) commit or agree to take any of the foregoing actions. Any transfer of Voting Shares not permitted hereby shall be null and void. Each Stockholder agrees that any such prohibited transfer may and should be enjoined. If any involuntary transfer of any of the Voting Shares shall occur (including, but not limited to, a sale by a Stockholder's trustee in bankruptcy, or a sale to a purchaser at any creditor's or court sale), the transferee (which term, as used herein, shall include any and all transferees and subsequent transferees of the initial transferee) shall take and hold such Voting Shares subject to all of the restrictions, liabilities and rights under this Agreement, which shall continue in full force and effect.

(b) This Agreement shall not restrict any Stockholder from (i) using Voting Shares as collateral or a pledge for borrowings from a financial institution, provided such financial institution agrees in writing with the Buyer to be bound by all of the terms hereof; or (ii) transferring Voting Shares to other entities controlled by such Stockholder, or in connection with tax, estate or financial planning, provided any such transferee agrees in writing with the Buyer to be bound by all of the terms of this Agreement.

5.2. ADDITIONAL SHARES. Each Stockholder hereby agrees, while this Agreement is in effect, to promptly notify Buyer of the number of any new Voting Shares acquired by such Stockholder, if any, after the date hereof. Any such shares shall be subject to the terms of this Agreement.

5.3. NO LIMITATIONS ON ACTIONS. No Stockholder executing this Agreement who is or becomes during the term hereof a director or officer of the Company makes (or shall be deemed to have made) any agreement or understanding herein in such person's capacity as such director or officer, and the parties hereto acknowledge that any such Stockholder has fiduciary and other obligations to the Company in that capacity. Without limiting the generality

of the foregoing, each Stockholder signs this Agreement solely in such person's capacity as the record and/or beneficial owner, as applicable, of such Stockholder's Owned Shares, and nothing herein shall limit or affect any actions taken by such Stockholder in such person's capacity as an officer or director of the Company or the Company's rights in connection with the Merger Agreement.

6. FURTHER ASSURANCES. From time to time, at Buyer's request and without further consideration, each Stockholder shall execute and deliver such additional documents and take all such further action as may be necessary or desirable to consummate and make effective the transactions contemplated by Section 1 and Section 2 of this Agreement.

7. STOP TRANSFER ORDER. In furtherance of this Agreement, and concurrently herewith, each Stockholder shall and hereby does authorize the Company or the Company's counsel to notify the Company's transfer agent that there is a stop transfer order with respect to all of such Stockholder's Voting Shares.

8. MISCELLANEOUS.

8.1. NON-SURVIVAL. The representations and warranties made herein shall not survive the termination of this Agreement, which shall occur upon termination of the Merger Agreement.

8.2. ENTIRE AGREEMENT; ASSIGNMENT; LIMITED THIRD PARTY BENEFICIARIES.

(a) This Agreement (i) constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, (ii) shall not be assigned by operation of law or otherwise, except as set forth in paragraph 8.2(b) below, and (iii) shall be binding upon and inure solely to the benefit of each party hereto, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, except that Buyer shall be entitled to enforce Section 1.1 hereof against each of the Stockholders as an intended third-party beneficiary of their obligations thereunder.

(b) The Company hereby assigns its rights and remedies for the enforcement of Section 1.1 of this Agreement against each of the Stockholders to Buyer.

8.3. AMENDMENTS. This Agreement may not be modified, amended, altered or supplemented, except upon the execution and delivery of a written agreement executed by each of the parties hereto.

8.4. NOTICES. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly received if so given) by hand delivery, by facsimile transmission or by mail (registered or certified mail, postage prepaid, return receipt requested) or by any courier service, such as Federal Express, providing proof of delivery. All communications hereunder shall be delivered to the respective parties at the following addresses:

If to a Stockholder, to such Stockholder's address set forth on the signature pages hereto, with a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Attention: Andrew J. Nussbaum, Esq.
Facsimile: (212) 403-2000

If to Buyer:

Sonus Networks, Inc.
5 Carlisle Road
Westford, Massachusetts 01886
Attention: General Counsel
Facsimile: (978) 392-9118

with a copy to:

Bingham Dana LLP
150 Federal Street
Boston, Massachusetts 02110-1726
Attention: David L. Engel, Esq. and Johan V. Brigham, Esq.
Facsimile: (617) 951-8771

or to such other address as the person to whom notice is given may have previously furnished to the others in writing in the manner set forth above.

8.5. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

8.6. REMEDIES. Each Stockholder recognizes and acknowledges that a breach by it of any covenants or agreements contained in this Agreement will cause Buyer to sustain irreparable injury and damages, for which money damages would not provide an adequate remedy, and therefore each Stockholder agrees that in the event of any such breach Buyer shall be entitled to the remedy of specific performance of such covenants and agreements and injunctive and other equitable relief. Notwithstanding any provision of this Agreement to the contrary, or any principle of law or of equity, Buyer agrees that its sole remedy for breach of this Agreement shall be specific performance by each Stockholder of the terms of this Agreement, and that in no case shall Buyer be entitled to monetary or other damages in connection with this Agreement, whether liquidated, special, consequential or punitive or in any other form whatsoever. As a condition to each Stockholder's willingness to enter into this Agreement, Buyer hereby, on its behalf and on that of its affiliates, irrevocably and unconditionally waives any such claim for damages that it may have, whether in law or in equity, in any jurisdiction and forum whatsoever.

8.7. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same Agreement.

8.8. DESCRIPTIVE HEADINGS. The descriptive headings used herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

8.9. SEVERABILITY. Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

8.10. OBLIGATIONS SEVERAL. The obligations of the Stockholders under this Agreement are several and not joint.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SONUS NETWORKS, INC.

By: /s/ HASSAN AHMED

Name:
Title:

TELECOM TECHNOLOGIES, INC.
1701 N. Collins Blvd.
Suite 3000
Richardson, TX 75080

By: /s/ ANOUSHEH ANSARI

Name: Anousheh Ansari
Title: Chairman & CEO

/s/ ANOUSHEH ANSARI

ANOUSHEH ANSARI c/o
telecom technologies, inc.
1701 N. Collins Blvd.
Suite 3000
Richardson, Texas 75080

/s/ HAMID ANSARI

HAMID ANSARI c/o
telecom technologies, inc.
1701 N. Collins Blvd.
Suite 3000
Richardson, Texas 75080

ANSARI ENTERPRISES, LLC
c/o Anousheh Ansari
1701 N. Collins Blvd.
Suite 3000
Richardson, Texas 75080

By: /s/ ANOUSHEH ANSARI

Name:
Title:

ANSARI AA INVESTMENTS, LTD.
c/o Anousheh Ansari
1701 N. Collins Blvd.
Suite 3000
Richardson, Texas 75080

By: /s/ ANOUSHEH ANSARI

Name:
Title:

ANSARI AR INVESTMENTS, LTD.
c/o Anousheh Ansari
1701 N. Collins Blvd.
Suite 3000
Richardson, Texas 75080

By: /s/ ANOUSHEH ANSARI

Name:
Title:

ANSARI JA INVESTMENTS, LTD.
c/o Anousheh Ansari
1701 N. Collins Blvd.
Suite 3000
Richardson, Texas 75080

By: /s/ ANOUSHEH ANSARI

Name:
Title:

MSD PORTFOLIO, L.P.--INVESTMENTS
780 Third Avenue
43rd Floor
New York, New York 10017

By: /s/ JOHN PHELAN

Name:
Title:

BLACK MARLIN INVESTMENTS, LLC
780 Third Avenue
43rd Floor
New York, New York 10017

By: /s/ JOHN PHELAN

Name:
Title:

VERMEER INVESTMENTS, LLC
780 Third Avenue
43rd Floor
New York, New York 10017

By: /s/ JOHN PHELAN

Name:
Title:

SECTIONS 5.11 AND 5.12 OF THE
TEXAS BUSINESS CORPORATION ACT

5.11 RIGHTS OF DISSENTING SHAREHOLDERS IN THE EVENT OF CERTAIN CORPORATE ACTIONS.--A. Any shareholder of a domestic corporation shall have the right to dissent from any of the following corporate actions:

(1) Any plan of merger to which the corporation is a party if shareholder approval is required by Article 5.03 or 5.16 of this Act and the shareholder holds shares of a class or series that was entitled to vote thereon as a class or otherwise;

(2) Any sale, lease, exchange or other disposition (not including any pledge, mortgage, deed of trust or trust indenture unless otherwise provided in the articles of incorporation) of all, or substantially all, the property and assets, with or without good will, of a corporation IF special authorization of the shareholders is required by this Act and the shareholders hold shares of a class or series that was entitled to vote thereon as a class or otherwise;

(3) Any plan of exchange pursuant to Article 5.02 of this Act in which the shares of the corporation of the class or series held by the shareholder are to be acquired.

B. Notwithstanding the provisions of Section A of this Article, a shareholder shall not have the right to dissent from any plan of merger in which there is a single surviving or new domestic or foreign corporation, or from any plan of exchange, if:

(1) the shares held by the shareholder are part of a class OR SERIES, shares of which are on the record date fixed to determine the shareholders entitled to vote on the plan of merger or plan of exchange:

(a) listed on a national securities exchange;

(b) listed on the Nasdaq Stock Market (or successor quotation system) or designated as a national market security on an interdealer quotation system by the National Association of Securities Dealers, In., or successor entity; or

(c) held of record by not less than 2,000 holders;

(2) the shareholder is not required by the terms of the plan of merger or plan of exchange to accept for the shareholder's shares any consideration that is different than then consideration (other than cash in lieu of fractional shares that the shareholder would otherwise be entitled to receive) to be provided to any other holder of shares of the same class or series of shares held by such shareholder; and

(3) the shareholder is not required by the terms of the plan of merger or the plan of exchange to accept for the shareholder's shares any consideration other than:

(a) shares of a domestic or foreign corporation that, immediately after the effective time of the merger or exchange, will be part of a class or series, shares of which are:

(i) listed, or authorized for listing upon official notice of issuance, on a national securities exchange;

(ii) approved for quotation as a national market security on an interdealer quotation system by the National Association of Securities Dealers, Inc., or successor entity; or

(iii) held of record by not less than 2,000 holders;

(b) cash in lieu of fractional shares otherwise entitled to be received; or

(c) any combination of the securities and cash distributed in Subdivisions (a) and (b) of this subsection. (Last amended by Ch. 375, L.'97, eff. 9-1-97.)

5.12 PROCEDURE FOR DISSENT BY SHAREHOLDERS AS TO SAID CORPORATE ACTION.--A. Any shareholder of any domestic corporation who has the right to dissent from any of the corporate actions referred to in Article 5.11 of this Act may exercise that right to dissent only by complying with the following procedures:

(1)(a) With respect to proposed corporate action that is submitted to a vote of shareholders at a meeting, the shareholder shall file with the corporation, prior to the meeting, a written objection to the action, setting out that the shareholder's right to dissent will be exercised if the action is effective and giving the shareholder's address, to which notice thereof shall be delivered or mailed in that event. If the action is effected and the shareholder shall not have voted in favor of the action, the corporation, in the case of action other than a merger, or the surviving or new corporation (foreign or domestic) or other entity that is liable to discharge the shareholder's right of dissent, in the case of a merger, shall, within ten (10) days after the action is effected, deliver or mail to the shareholder written notice that the action has been effected, and the shareholder may, within ten (10) days from the delivery or mailing of the notice, make written demand on the existing, surviving, or new corporation (foreign or domestic) or other entity, as the case may be, for payment of the fair value of the shareholder's shares. The fair value of the shares shall be the value thereof as of the day immediately preceding the meeting, excluding any appreciation or depreciation in anticipation of the proposed action. The demand shall state the number and class of the shares owned by the shareholder and the fair value of the shares as estimated by the shareholder. Any shareholder failing to make demand within the ten (10) day period shall be bound by the action.

(b) With respect to proposed corporate action that is approved pursuant to Section A of Article 9.10 of this Act, the corporation, in the case of action other than a merger, and the surviving or new corporation (foreign or domestic) or other entity that is liable to discharge the shareholder's right of dissent, in the case of a merger, shall, within ten (10) days after the date the action if effected, mail to each shareholder of record as of the effective date of the action notice of the fact and date of the action and that the shareholder may exercise the shareholder's right to dissent from the action. The notice shall be accompanied by a copy of this Article and any articles or documents filed by the corporation with the Secretary of State to effect the action. If the shareholder shall not have consented to the taking of the action, the shareholder may, within twenty (20) days after the mailing of the notice, make written demand on the existing, surviving, or new corporation (foreign or domestic) or other entity, as the case may be, for payment of the fair value of the shareholder's shares. The fair value of the shares shall be the value thereof as of the date the written consent authorizing the action was delivered to the corporation pursuant to Section A of Article 9.10 of this Act, excluding any appreciation or depreciation in anticipation of the ACTION. The demand shall state the number and class of shares owned by the dissenting shareholder and the fair value of the shares as estimated by the shareholder. Any shareholder failing to make demand within the twenty (20) day period shall be bound by the action.

(2) Within twenty (20) days after receipt by the existing, surviving, or new corporation (foreign or domestic) or other entity, as the case may be, of a demand for payment made by a dissenting shareholder in accordance with Subsection (1) of this Section, the corporation (foreign or domestic) or other entity shall deliver or mail to the shareholder a written notice that shall either set out that the corporation (foreign or domestic) or other entity accepts the amount

claimed in the demand and agrees to pay that amount within ninety (90) days after the date on which the action was effected, and, in the case of shares represented by certificates, upon the surrender of the certificates duly endorsed, or shall contain an estimate by the corporation (foreign or domestic) or other entity of the fair value of the shares, together with an offer to pay the amount of that estimate within ninety (90) days after the date on which the action was effected, upon receipt of notice within sixty (60) days after that date from the shareholder that the shareholder agrees to accept that amount AND, IN THE CASE OF SHARES REPRESENTED BY CERTIFICATES, upon the surrender of the certificates duly endorsed.

(3) If, within sixty (60) days after the date on which the corporate action was effected, the value of the shares is agreed upon between the shareholder and the existing, surviving, or new corporation (foreign or domestic) or other entity, as the case may be, payment for the shares shall be made within ninety (90) days after the date on which the action was effected and, in the case of shares represented by certificates, upon surrender of the certificates duly endorsed. Upon payment of the agreed value, the shareholder shall ceased to have any interest in the shares or in the corporation.

B. If, within the period of sixty (60) days after the date on which the corporate action was effected, the shareholder and the existing, surviving, or new corporation (foreign or domestic) or other entity, as the case may be, do not so agree, then the shareholder or the corporation (foreign or domestic) or other entity may, within sixty (60) days after the expiration of the sixty (60) day period, file a petition in any court of competent jurisdiction in the county in which the principal office of the domestic corporation is located, asking for a finding and determination of the fair value of the shareholder's shares. Upon the filing of any such petition by the shareholder, service of a copy thereof shall be made upon the existing, surviving, or new corporation (foreign or domestic) or other entity, which shall, within ten (10) days after service, file in the office of the clerk of the court in which the petition was filed a list containing the names and addresses of all shareholders of the domestic corporation who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the corporation (foreign or domestic) or other entity. If the petition shall be filed by the existing, surviving, or new corporation (foreign or domestic) or other entity, the petition shall be accompanied by such a list. The clerk of the court shall give notice of the time and place fixed for the hearing of the petition by registered mail to the corporation (foreign or domestic) or other entity and to the shareholders named on the list at the addresses therein stated. The forms of the notices by mail shall be approved by the court. All shareholders thus notified and the existing, surviving, or new corporation (foreign or domestic) or other entity shall thereafter be bound by the final judgment of the court.

C. After the hearing of the petition, the court shall determine the shareholders who have complied with the provisions of this Article and have become entitled to the valuation of and payment for their shares, and shall appoint one or more qualified appraisers to determine that value. The appraisers shall have power to examine any of the books and records of the corporation the shares of which they are charged with the duty of valuing, and they shall make a determination of the fair value of the shares upon such investigation as to them may seem proper. The appraisers shall also afford a reasonable opportunity to the parties interested to submit to them pertinent evidence as to the value of the shares. The appraisers shall also have such power and authority as may be conferred on Masters in Chancery by the Rules of Civil Procedure or by the order of their appointment.

D. The appraisers shall determine the fair value of the shares of the shareholders adjudged by the court to be entitled to payment for their shares and shall file their report of that value in the office of the clerk of the court. Notice of the filing of the report shall be

given by the clerk to the parties in interest. The report shall be subject to exceptions to be heard before the court both upon the law and the facts. The court shall by its judgment determine the fair value of the shares of the shareholders entitled to payment for their shares and shall direct the payment of that value by the existing, surviving, or new corporation (foreign or domestic) or other entity, together with interest thereon, beginning 91 days after the date on which the applicable corporate action from which the shareholder elected to dissent was effected to the date of such judgment, to the shareholders entitled to payment. The judgment shall be payable to the holders of uncertificated shares immediately but to the holders of shares represented by certificates only upon, and simultaneously with, the surrender to the existing, surviving, or new corporation (foreign or domestic) or other entity, as the case may be, of duly endorsed certificates for those shares. Upon payment of the judgment, the dissenting shareholders shall cease to have any interest in those shares or in the corporation. The court shall allow the appraisers a reasonable fee as court costs, and all court costs, shall be allotted between the parties in the manner that the court determines to be fair and equitable.

E. Shares acquired by the existing, surviving, or new corporation (foreign or domestic) or other entity, as the case may be, pursuant to the payment of the agreed value of the shares or pursuant to payment of the judgment entered for the value of the shares, as in this Article provided, shall, in the case of a merger, be treated as provided in the plan of merger and, in all other cases, may be held and disposed of by the corporation as in the case of other treasury shares.

F. The provisions of this Article shall not apply to a merger if, on the date of the filing of the articles of merger, the surviving corporation is the owner of all the outstanding shares of the other corporations, domestic or foreign that are parties to the merger.

G. In the absence of fraud in the transaction, the remedy provided by this Article to a shareholder objecting to any corporate action referred to in Article 5.11 of this Act is the exclusive remedy for the recovery of the value of his shares or money damages to the shareholder with respect to the action. If the existing, surviving, or new corporation (foreign or domestic) or other entity, as the case may be, complies with the requirements of this Article, any shareholder who fails to comply with the requirements of this Article shall not be entitled to bring suit for the recovery of the value of his shares or money damages to the shareholder with respect to the action. (Last amended by Ch. 215, L. "93, eff. 9-1-93.)

PART II

INFORMATION NOT REQUIRED IN PROXY STATEMENT/PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES

Section 145 of the Delaware General Corporation law empowers a Delaware corporation to indemnify its officers and directors and certain other persons to the extent under the circumstances set forth therein.

The form of the Fourth Amended and Restated Certificate of Incorporation of the Registrant and the Amended and Restated By-laws of the Registrant, copies of the forms of which are filed as Exhibits 3.1 and 3.2, provide for indemnification of officers and directors of the Registrant and certain other persons against liabilities and expenses incurred by any of them in certain stated proceedings and under certain stated conditions.

The above discussion of the Registrant's Fourth Amended and Restated Certificate of Incorporation, Amended and Restated By-Laws and Section 145 of the Delaware General Corporation Law is not intended to be exhaustive and is qualified in its entirety by the forms of such Fourth Amended and Restated Certificate of Incorporation, Amended and Restated By-Laws and statute.

The Registrant will agree to indemnity the Underwriters and their controlling persons, and the Underwriters will agree to indemnify the Registrant and its controlling persons, including directors and executive officers of the Registrant, against certain liabilities, including liabilities under the Securities Act. Reference is made to the form of the Underwriting Agreement that will be filed as part of the Exhibits hereto.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

The following is a list of exhibits filed as a part of this registration statement:

EXHIBIT NUMBER	DESCRIPTION
2.1***	Agreement and Plan of Merger and Reorganization, dated as of November 2, 2000, by and among Sonus Networks, Inc., Storm Merger Sub, Inc. and telecom technologies, inc.
3.1**	Fourth Amended and Restated Certificate of Incorporation of Sonus Networks, Inc.
3.2**	Amended and Restated By-Laws of Sonus Networks, Inc.
4.1**	Form of Stock Certificate representing shares of Sonus Networks, Inc. Common Stock.
5.1*	Opinion of Bingham Dana LLP as to the legality of the shares being issued (including consent).
8.1*	Opinion of Wachtell, Lipton, Rosen & Katz regarding the federal income tax consequences of the merger (including consent).
9.1***	Voting Agreement, dated as of November 2, 2000, among Sonus Networks, Inc., the Stockholder parties thereto and telecom technologies, inc.
10.1	Registration Rights Agreement, dated as of November 2, 2000, by and among Sonus Networks, Inc. and the Stockholder parties thereto.
10.2	Sonus 2000 Retention Plan.
10.3	telecom technologies, inc. 1998 Amended Equity Incentive Plan.
10.4**	Amended and Restated 1997 Stock Incentive Plan of the Registrant.
10.5**	2000 Employee Stock Purchase Plan of the Registrant.
10.6**	Lease, dated January 21, 1999, as amended, between the Registrant and Glenborough Fund V, Limited Partnership with respect to property located at 5 Carlisle Road, Westford, Massachusetts.

10.7	Sub-lease, dated October 20, 2000, between the Registrant and Unisphere Networks, Inc. with respect to property located at 5 Carlisle Road, Massachusetts.
10.8	Sub-Lease, dated October 20, 2000, between the Registrant and Unisphere Networks, Inc. with respect to property located at 235 Littleton Road, Westford, Massachusetts.
10.9	Lease, dated September 30, 2000, between the Registrant and BCIA New England Holdings LLC with respect to property located at 25 Porter Road, Littleton, Massachusetts.
10.10**	Series A Preferred Stock Purchase Agreement, dated as of November 18, 1997, by and among the Registrant and the "Purchaser" parties thereto.
10.11**	Series B Preferred Stock Purchase Agreement, dated as of September 23, 1998, by and among the Registrant and the "Purchaser" parties thereto.
10.12**	Series C Preferred Stock Purchase Agreement, dated as of September 10, 1999, by and among the Registrant and the "Purchaser" parties thereto.
10.13**	Series D Preferred Stock Purchase Agreement, dated as of March 9, 2000, by and among the Registrant and the "Purchaser" parties thereto.
10.14**	Third Amended and Restated Investor Rights Agreement, dated as of March 9, 2000, by and among the Registrant and the "Purchaser" parties thereto.
10.15**	Third Amended and Restated Right of First Refusal and Co-Sale Agreement, dated as of March 9, 2000, among the Registrant and the persons and entities listed on the signature pages thereto.
10.16**	Loan and Security Agreement, dated as of March 6, 1998, by and between the Registrant and Silicon Valley Bank.
10.17**	Modification Agreement, dated as of November 31, 1998, by and between the Registrant and Silicon Valley Bank.
10.18**	Modification Agreement, dated as of November 29, 1999, by and between the Registrant and Silicon Valley Bank.
10.19**	Agreement of Sublease, dated April 14, 2000, between the Registrant and Unisphere Solutions, Inc. with respect to property located at 25 Porter Road, Littleton, Massachusetts.
10.20**	Promissory Note, dated November 4, 1998, of Hassan M. Ahmed to the Registrant and associated Pledge Agreement.
10.21**	Promissory Note, dated September 1, 1999, of Stephen J. Nill to the Registrant and associated Pledge Agreement.
10.22	Form of telecom technologies, inc. Employment Agreement.
10.23	Form of telecom technologies, inc. Executive Employment Agreement.
21.1	Subsidiaries of the Registrant.
23.1	Consent of Arthur Andersen LLP relating to the audited financial statements of the Registrant.
23.2	Consent of Arthur Andersen relating to the audited financial statements of telecom technologies, inc.
23.4*	Consent of Bingham Dana LLP (included in Exhibit No. 5.1).
23.5*	Consent of Wachtell, Lipton, Rosen & Katz (included in Exhibit No. 8.1).
24.1	Power of Attorney (Included in Signature Page to Registration Statement).
99.1*	Form of proxy for telecom technologies, inc. shareholders.

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* To be filed by amendment.

** Incorporated by reference to the Registrant's Registration Statement on Form S-1 (file No. 333-32206).

*** Incorporated by reference to the Registrant's Current Report on Form 8-K, filed November 17, 2000.

(b) Financial Statement Schedules

Schedule II Valuation and Qualifying Accounts

All schedules have been omitted because either they are not required, are not applicable or the information is otherwise set forth in the Consolidated Financial Statements and notes thereto.

ITEM 22. UNDERTAKINGS

(1) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 20 hereof, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(2) The undersigned Registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through the use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(3) The Registrant undertakes that every prospectus: (i) that is filed pursuant to paragraph (2) immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for the purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment will be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time will be deemed to be the initial BONA FIDE offering thereof.

(4) The undersigned Registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11 or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(5) The undersigned Registrant hereby undertakes to supply by means of a post effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-4 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the Town of Westford, Commonwealth of Massachusetts, on this day of December, 2000.

SONUS NETWORKS, INC.

By: /s/ HASSAN M. AHMED

Hassan M. Ahmed
PRESIDENT AND CHIEF EXECUTIVE OFFICER

POWER OF ATTORNEY

Each person whose signature appears below hereby appoints Rubin Gruber, Hassan M. Ahmed and Stephen J. Nill, and each of them severally, acting alone and without the other, his/her true and lawful attorney-in-fact with full power of substitution or resubstitution, for such person and in such person's name, place and stead, in any and all capacities, to sign on such person's behalf, individually and in each capacity stated below, any and all amendments, including post-effective amendments to this Registration Statement, and to sign any and all additional registration statements relating to the same offering of securities of the Registration Statement that are filed pursuant to Rule 462(b) of the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
/s/ HASSAN M. AHMED - ---------- Hassan M. Ahmed	President, Chief Executive Officer and Director (Principal Executive Officer)	December , 2000
/s/ STEPHEN J. NILL - ---------- Stephen J. Nill	Chief Financial Officer, Vice President of Finance and Administration and Treasurer (Principal Financial and Accounting Officer)	December , 2000

SIGNATURE	TITLE	DATE
/s/ RUBIN GRUBER - ---------- Rubin Gruber	Chairman of the Board of Directors and Director	December , 2000
- ---------- Edward T. Anderson	Director	December , 2000
/s/ PAUL J. FERRI - ---------- Paul J. Ferri	Director	December , 2000
/s/ PAUL J. SEVERINO - ---------- Paul J. Severino	Director	December , 2000

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* To be filed by amendment.

** Incorporated by reference to the Registrant's Registration Statement on Form S-1 (file No. 333-32206).

*** Incorporated by reference to the Registrant's Current Report on Form 8-K, filed November 17, 2000.

EXHIBIT 10.1
to Agreement and Plan of
Merger and Reorganization

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "AGREEMENT"), dated as of November 2, 2000, is entered into by and among Sonus Networks, Inc., a Delaware corporation (the "COMPANY"), and the persons and entities listed on the signature pages hereto under the heading "Stockholders" (each individually, a "STOCKHOLDER", and collectively, the "STOCKHOLDERS").

BACKGROUND

WHEREAS, as of the date hereof, the Company, Storm Merger Sub, Inc., a Texas corporation and wholly-owned subsidiary of the Company ("MERGER SUB"), and telecom technologies, inc., a Texas corporation ("TARGET"), have entered into an Agreement and Plan of Merger and Reorganization (the "MERGER AGREEMENT"), pursuant to the terms of which, among other things, the Merger Sub will be merged with and into Target (the "MERGER") and the outstanding shares of Target's Class A common stock, no par value, and Class B common stock, no par value, will be converted into the right to receive shares of Common Stock (as defined below); and

WHEREAS, it is a condition precedent to the obligations of the Company and Target under the Merger Agreement that such parties execute and deliver this Registration Rights Agreement;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, and for other valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

As used in this Agreement, the following terms shall have the following respective meanings:

"COMMISSION" means the United States Securities and Exchange Commission, or any other federal agency at the time administering the Securities Act.

"COMMON STOCK" means the common stock, $0.001 par value per share, of the Company.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission issued under such Act, as they each may, from time to time, be in effect.

"ORIGINAL REGISTRATION RIGHTS AGREEMENT" shall mean the Third Amended and Restated Investor Rights Agreement, dated as of March 9, 2000, among the Company and the Purchasers and Founders named therein.

"REGISTRATION STATEMENT" means a registration statement filed by the Company with the Commission for a public offering and sale of Common Stock by the Company or holders of shares of Common Stock (other than a registration statement on Form S-8 or Form S-4, or their successors, or any other form for a similar limited purpose, or any registration statement covering only securities proposed to be issued in exchange for securities or assets of another corporation).

"REGISTRATION EXPENSES" means the expenses described in Section 4 of Article II below.

"REGISTRABLE SHARES" means (i) the Shares, and (ii) any other shares of Common Stock issued in respect of such Shares (because of stock splits, stock dividends, reclassifications, recapitalizations, or similar events); PROVIDED, HOWEVER, that shares of Common Stock that are Registrable Shares shall cease to be Registrable Shares upon any sale of such shares pursuant to a Registration Statement or Rule 144 or Rule 145 under the Securities Act.

"SECURITIES ACT" means the Securities Act of 1933, as amended, and the rules and regulations of the Commission issued under such Act, as they each may, from time to time, be in effect.

"SHARES" means the shares of Common Stock issuable to the Stockholders in the Merger.

ARTICLE II
REGISTRATION RIGHTS

1. INCIDENTAL REGISTRATIONS.

(a) Whenever the Company proposes to file a Registration Statement at any time and from time to time, whether for its own account or the account of other stockholders, it will, prior to such filing, give written notice to each Stockholder of its intention to do so and, upon the written request of any such Stockholder or Stockholders, given within ten 10 business days after the Company provides such notice (which request shall state the intended method of disposition of such Registrable Shares), the Company shall use its reasonable best efforts to cause all Registrable Shares which the Company has been requested by such Stockholder or Stockholders to register, to be registered under the Securities Act to the extent necessary to permit their sale or other disposition in accordance with the intended methods of distribution specified in the request of such Stockholder or Stockholders; PROVIDED, HOWEVER, that the Company shall have the right to postpone or withdraw any registration effected pursuant to this Section 1 without obligation to any Stockholder.

(b) In connection with any registration under this Section 1 involving an underwriting, the Company shall not be required to include any Registrable Shares in such registration unless the holders thereof accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by it. If in the opinion of the managing underwriter it is desirable because of marketing factors to limit the number of Registrable Shares to be included in the offering, then the Company shall be required to include in the registration only that number of Registrable Shares, if any, which the managing underwriter believes should be included therein; PROVIDED, HOWEVER, that no persons or entities other than the Company, the Stockholders and other persons or entities holding registration rights (including those persons holding registration rights under the Original Registration Rights Agreement) shall be permitted to include securities in the offering. If the number of Registrable Shares to be included in the offering in accordance with the foregoing is less than the total number of shares which the holders of Registrable Shares have requested to be included, then the holders of Registrable Shares who have requested registration and other holders of securities entitled to include them in such registration shall participate in the registration pro rata based upon their total ownership of shares of Common Stock (giving effect to the conversion into Common Stock of all securities convertible thereinto). If any holder would thus be entitled to include more securities than such holder requested to be registered, then the excess shall be allocated among other requesting holders pro rata in the manner described in the preceding sentence.

2. REGISTRATION PROCEDURES. If and whenever the Company is required by the provisions of this Agreement to effect the registration of any of the Registrable Shares under the Securities Act, the Company shall:

(a) file with the Commission a Registration Statement with respect to such Registrable Shares and use its best efforts to cause that Registration Statement to become effective;

(b) as expeditiously as possible prepare and file with the Commission any amendments and supplements to the Registration Statement and the prospectus included in the Registration Statement as may be necessary to keep the Registration Statement effective, in the case of a firm commitment underwritten public offering, until each underwriter has completed the distribution of all securities purchased by it and, in the case of any other offering, until the earlier of the sale of all Registrable Shares covered thereby or two years after the effective date thereof;

(c) as expeditiously as possible furnish to each selling Stockholder such reasonable numbers of copies of the prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as the selling Stockholder may reasonably request in order to facilitate the public sale or other disposition of the Registrable Shares owned by the selling Stockholder; and

(d) as expeditiously as possible use its best efforts to register or qualify the Registrable Shares covered by the Registration Statement under the securities or Blue Sky laws of such states as the selling Stockholder shall reasonably request, and do any and all other acts and things that may be necessary or desirable to enable the selling Stockholder to consummate

the public sale or other disposition in such states of the Registrable Shares owned by the selling Stockholder; PROVIDED, HOWEVER, that the Company shall not be required in connection with this paragraph (d) to qualify as a foreign corporation or execute a general consent to service of process in any jurisdiction.

If the Company has delivered preliminary or final prospectuses to the selling Stockholders and after having done so the prospectus is amended to comply with the requirements of the Securities Act, the Company shall promptly notify the selling Stockholders and, if requested, the selling Stockholder shall immediately cease making offers of Registrable Shares and return all prospectuses to the Company. The Company shall promptly provide each selling Stockholder with revised prospectuses and, following receipt of the revised prospectuses, the selling Stockholder shall be free to resume making offers of the Registrable Shares.

As set forth in the next paragraph, notwithstanding the foregoing, each selling Stockholder shall cease making offers or sales pursuant to a "shelf" Registration Statement during any period (with the total of such periods not to exceed ninety (90) days in any 12 calendar month period) in which the Company determines, by notice to each selling Stockholder, that it is in possession of material non-public information that, for valid business reasons, it wishes to keep confidential.

If, after a Registration Statement becomes effective, the Company becomes engaged in any activity which, in the good faith determination of the Company's Board of Directors, involves information that would have to be disclosed in the Registration Statement but which the Company desires to keep confidential for valid business reasons, then the Company may at its option, by notice to such Stockholders, require that the Stockholders who have included Shares in such Registration Statement cease sales of such Shares under such Registration Statement for a period of time not to exceed 90 days and with the total of such periods not to exceed ninety (90) days in any twelve (12) calendar month period. If, in connection therewith, the Company considers it appropriate for such Registration Statement to be amended, the Company shall so amend such Registration Statement as promptly as practicable and such Stockholders shall suspend any further sales of their Shares until the Company advises them that such Registration Statement has been amended (subject to the same time restrictions set forth in the preceding sentence). The time periods referred to herein during which such Registration Statement must be kept effective shall be extended for an additional number of days equal to the number of days during which the right to sell shares was suspended pursuant to this paragraph.

3. ALLOCATION OF EXPENSES. The Company will pay all Registration Expenses of all registrations under this Agreement. For purposes of this Section 4, the term "Registration Expenses" shall mean all expenses incurred by the Company in complying with Article II, Section 1, including, without limitation, all registration and filing fees, exchange listing fees, printing expenses, fees and expenses of one counsel to represent the selling Stockholder(s), state Blue Sky fees and expenses, and the expense of any special audits incident to or required by any such registration, but excluding underwriting discounts, selling commissions and the fees and expenses of selling Stockholders' own counsel.

4. INDEMNIFICATION AND CONTRIBUTION.

(a) In the event of any registration of any of the Registrable Shares under the Securities Act pursuant to this Agreement, the Company will indemnify and hold harmless the seller of such Registrable Shares, each underwriter of such Registrable Shares, and each other person, if any, who controls such seller or underwriter within the meaning of the Securities Act or the Exchange Act against any losses, claims, damages or liabilities, joint or several, to which such seller, underwriter or controlling person may become subject under the Securities Act, the Exchange Act, state securities or Blue Sky laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement under which such Registrable Shares were registered under the Securities Act, any preliminary prospectus or final prospectus contained in the Registration Statement, or any amendment or supplement to such Registration Statement, or arise out of or are based upon the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and the Company will reimburse such seller, underwriter and each such controlling person for any legal or any other expenses reasonably incurred by such seller, underwriter or controlling person in connection with investigating or defending any such loss, claim, damage, liability or action; PROVIDED, HOWEVER, that the Company will not be liable in any such case to a seller, underwriter or controlling person to the extent that any such loss, claim, damage or liability arises out of or is based upon any untrue statement or omission made in such Registration Statement, preliminary prospectus or final prospectus, or any such amendment or supplement, in reliance upon and in conformity with information furnished to the Company, in writing, by or on behalf of such seller, underwriter or controlling person specifically for use in the preparation thereof.

(b) In the event of any registration of any of the Registrable Shares under the Securities Act pursuant to this Agreement, each seller of Registrable Shares, severally and not jointly, will indemnify and hold harmless the Company, each of its directors and officers and each underwriter (if any) and each person, if any, who controls the Company or any such underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities, joint or several, to which the Company, such directors and officers, underwriter or controlling person may become subject under the Securities Act, Exchange Act, state securities or Blue Sky laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement under which such Registrable Shares were registered under the Securities Act, any preliminary prospectus or final prospectus contained in the Registration Statement, or any amendment or supplement to the Registration Statement, or arise out of or are based upon any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, if the statement or omission was made in reliance upon and in conformity with information relating to such seller furnished in writing to the Company by or on behalf of such seller specifically for use in connection with the preparation of such Registration Statement, prospectus, amendment or supplement; PROVIDED, HOWEVER, that the obligations of each such Stockholder hereunder shall be limited to an amount equal to the net proceeds to such Stockholder of Registrable Shares sold in connection with such registration.

(c) Each party entitled to indemnification under this Article II, Section 5 (the "INDEMNIFIED PARTY") shall give notice to the party required to provide indemnification (the "INDEMNIFYING PARTY") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; PROVIDED, that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not be unreasonably withheld); and, PROVIDED FURTHER, that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Article II, Section 5, unless and except to the extent that the Indemnifying Party is prejudiced by the failure of the Indemnified Party to provide timely notice. The Indemnified Party may participate in such defense at such party's expense; PROVIDED, HOWEVER, that the Indemnifying Party shall pay such expense if representation of such Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential differing interests between the Indemnified Party and any other party represented by such counsel in such proceeding. No Indemnifying Party, in the defense of any such claim or litigation shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect of such claim or litigation, and no Indemnified Party shall consent to entry of any judgment or settle such claim or litigation without the prior written consent of the Indemnifying Party.

(d) In order to provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any holder of Registrable Shares exercising rights under this Agreement, or any controlling person of any such holder, makes a claim for indemnification pursuant to this Article II, Section 5 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Article II, Section 5 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any such selling Stockholder or any such controlling person in circumstances for which indemnification is provided under this Article II, Section 5; then, in each such case, the Company and such Stockholder will contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (after contribution from others) in such proportions so that such holder is responsible for the portion represented by the percentage that the public offering price of its Registrable Shares offered by the Registration Statement bears to the public offering price of all securities offered by such Registration Statement, and the Company is responsible for the remaining portion; PROVIDED, HOWEVER, that, in any such case, (A) no such holder will be required to contribute any amount in excess of the net proceeds to it of all Registrable Shares sold by it pursuant to such Registration Statement, and (B) no person or entity guilty of fraudulent misrepresentation, within the meaning of Section 11(f) of the Securities Act, shall be entitled to contribution from any person or entity who is not guilty of such fraudulent misrepresentation.

5. INFORMATION BY STOCKHOLDER. Each Stockholder including Registrable Shares in any registration shall furnish to the Company such information regarding such Stockholder and

the distribution proposed by such Stockholder as the Company may reasonably request in writing and as shall be required in connection with any registration, qualification or compliance referred to in this Agreement.

6. "STAND-OFF" AGREEMENT. Each Stockholder, if requested by the Company and the managing underwriter of an offering of Common Stock or other securities of the Company pursuant to a Registration Statement, shall agree not to sell publicly or otherwise transfer or dispose of any Registrable Shares held by such Stockholder for a specified period of time (not to exceed 90 days) following the effective date of such Registration Statement, subject to customary exceptions and other customary terms; PROVIDED:

(a) the Company provides notice to each Stockholder no less than 7 days from the Closing and such period terminates no later than 180 days from the Closing that such limitations on transfer are being requested by the Company (the "STAND-OFF NOTICE"), which such Stand-Off Notice shall (i) include a representation by the Company that it has used its reasonable best efforts to obtain the agreement of the managing underwriter of such offering that such limitations on transfers by the Stockholders are not necessary for the completion of the offering; and (ii) be delivered to each Stockholder no more than 20 days prior to the reasonably anticipated effectiveness of such Registration Statement and which such limitations called for therein shall take effect no earlier than 10 trading days following the delivery of such Stand-Off Notice; and

(b) all executive officers, directors, and holders of shares of Common Stock who have acquired such shares directly from the Company in a transaction that was not registered under the Securities Act and hold as many or more shares of Common Stock as were originally issued to such Stockholder in the Merger (collectively with respect to such Stockholder, the "Covered Persons") of the Company have agreed to limitations on transfers with respect to their shares of Common Stock or other securities of the Company at least as extensive as those set forth called for by such Stand-Off Notice, which such agreement the Company shall certify in the Stand-Off Notice sent to each Stockholder;

and, PROVIDED, FURTHER, that (i) in the event that any Stockholder other than Anousheh Ansari or Hamid Ansari requests the inclusion of fifty percent (50%) or more of the Registrable Securities then owned by it in the offering in accordance with Section 1(a), and the Company is unable to include at least fifty percent (50%) of the Registrable Shares held by such Stockholder, any lock-up or similar agreement entered into by such Stockholder pursuant to this Section 6 shall immediately terminate; (ii) in the case of Anousheh Ansari or Hamid Ansari, the Company shall comply with its registration obligations set forth herein; and (iii) if the Company releases any Covered Person from its limitations under the agreements described in (c) above, such release shall apply the same extent to each Stockholder, and the Company shall promptly inform each Stockholder thereof.

7. LIMITATIONS ON SUBSEQUENT REGISTRATION RIGHTS. The Company shall not, without the prior written consent of Stockholders holding 66 2/3% of the Registrable Shares held by all

Stockholders, enter into any agreement (other than this Agreement), or amend any outstanding agreements with any holder or prospective holder of any securities of the Company which would allow such holder or prospective holder to include securities of the Company in any Registration Statement upon terms which are more favorable to such holder or prospective holder than the terms on which holders of Registrable Shares may include shares in such registration, PROVIDED, HOWEVER, that nothing in this Agreement shall be deemed to limit the existing rights and obligations of the Company and the Purchasers and Founders named therein under the Original Registration Rights Agreement.

8. RULE 144 REQUIREMENTS. Until such time that there shall no longer be any Registrable Securities, the Company agrees to:

(i) comply with the requirements of Rule 144(c) under the Securities Act with respect to current public information about the Company;

(ii) use its best efforts to file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements); and

(iii) furnish to any holder of Registrable Shares upon request (A) a written statement by the Company as to its compliance with the requirements of said Rule 144(c), and the reporting requirements of the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), (B) a copy of the most recent annual or quarterly report of the Company, and (C) such other reports and documents of the Company as such holder may reasonably request to avail itself of any similar rule or regulation of the Commission allowing it to sell any such securities without registration.

ARTICLE III
GENERAL

1. NO TRANSFER OF RIGHTS.

This Agreement, and the rights and obligations of the Stockholders and the Company hereunder, may not be assigned by any party hereunder.

2. SEVERABILITY. The provisions of this Agreement are severable, so that the invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other term or provision of this Agreement, which shall remain in full force and effect.

3. GOVERNING LAW. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware (without reference to the conflicts of law provisions thereof).

4. NOTICES. All notices, requests, consents, and other communications under this Agreement shall be in writing and shall be delivered by hand, sent via a reputable nationwide

overnight courier service or mailed by first class certified or registered mail, return receipt requested, postage prepaid:

If to the Company, at Sonus Networks, Inc., 5 Carlisle Ave, Westford, MA 01886, Attn: President, or at such other address or addresses as may have been furnished in writing by the Company to the Purchasers, with a copy to Bingham Dana LLP, 150 Federal Street, Boston, MA 02110, Attn: David L. Engel, Esq. and Johan V. Brigham, Esq.;

If to a Stockholder, at its address as set forth the signature pages hereto, or at such other address or addresses as may have been furnished to the Company in writing by such Stockholder, with a copy to Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, NY 10019, Attn: Andrew J. Nussbaum, Esq.; or

Notices provided in accordance with this Article III, Section 4 shall be deemed delivered upon personal delivery, one (1) business day after being sent via a reputable nationwide overnight courier service, or five (5) business days after deposit in the mail.

5. COMPLETE AGREEMENT; AMENDMENTS.

(a) This Agreement constitutes the full and complete agreement of the parties hereto with respect to the subject matter hereof.

(b) This Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) at any time by a written instrument signed by the Company and Stockholders holding at least 66 2/3% of the Registrable Shares. No waivers of or exceptions to any term, condition or provision of this Agreement, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision.

6. PRONOUNS. Whenever the content may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural, and vice versa.

7. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one Agreement binding on all the parties hereto.

8. CAPTIONS. Captions of sections have been added only for convenience and shall not be deemed to be a part of this Agreement.

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IN WITNESS WHEREOF, this Agreement has been executed as an instrument under seal as of the date first above written.

COMPANY

By: _____
President

STOCKHOLDERS:

EXHIBIT 10.2

SONUS NETWORKS, INC.

2000 RETENTION PLAN

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SONUS NETWORKS, INC.

2000 RETENTION PLAN

1. PURPOSE

This Plan is intended to encourage retention of TTI employees and to provide additional incentive for them to promote the success of the business of the Company and TTI This Plan is the "Retention Plan" contemplated by Section 12.7 of the Agreement and Plan of Merger and Reorganization by and among Sonus Networks, Inc., TTI, and Storm Merger Sub, Inc., a Texas corporation and a wholly-owned subsidiary of Sonus Networks, Inc., dated as of November 2, 2000 (the "Merger Agreement"), and shall at all times be administered and operated in accordance therewith and the terms of the Plan.

2. DEFINITIONS

As used in this Plan, the following terms shall have the following meanings:

2.1. ADMINISTRATOR means so long as the obligations of the Company under Section 10.8 of the Merger Agreement remain in effect (the "Management Period"), the "Manager" as such term is defined in the Merger Agreement (the "TTI Administrator"); PROVIDED, such term shall also include the Committee to the extent the Committee has administrative responsibilities under the Plan pursuant to Section 5; PROVIDED, further, that the Chief Executive Officer of the Company (the "Company Administrator") and the TTI Administrator shall administer the Plan jointly (not severally) under certain circumstances provided under the Plan. Following the end of the Management Period, the Company Administrator (and the Committee, if so provided under Section 5) shall administer the Plan, unless otherwise agreed to by the Company Administrator and the TTI Administrator.

2.2. AFFILIATE means a corporation or other entity controlled by, controlling or under common control with the Company.

2.3. AWARD means an award made hereunder of Common Stock vesting upon and only to the extent provided in the Vesting Conditions.

2.4. AWARD AGREEMENT means an agreement between the Company and a Participant pursuant to which an Award is made.

2.5. BOARD means the Company's Board of Directors.

2.6. CODE means the Internal Revenue Code of 1986, as amended from time to time.

2.7. COMMITTEE means the Compensation Committee of the Board, or if such Committee does not consist solely of two (2) or more "outside directors" (as defined in

Section 162(m) of the Code and applicable guidance thereunder), a subcommittee thereof satisfying such condition.

2.8. COMMON STOCK or STOCK means common stock, par value $0.001 per share, of the Company.

2.9. COMPANY means Sonus Networks, Inc., a corporation organized under the laws of the State of Delaware, and its successors.

2.10. EFFECTIVE TIME means the Effective Time (as defined in the Merger Agreement).

2.11. FAIR MARKET VALUE means the average of the closing price for shares of Common Stock on the Nasdaq Stock Market or other principal exchange or market on which or in which the Common Stock is traded for the most recent trading day prior to the date on which such determination is made.

2.12. PARTICIPANT means any holder of an outstanding Award under the Plan.

2.13. PLAN means this 2000 Retention Plan, as amended from time to time.

2.14. RETENTION SHARES means any shares of Common Stock issued pursuant to an Award and subject to the Vesting Conditions thereof.

2.15 TTI means telecom technologies, inc., a corporation organized under the laws of the State of Texas, and its successors, including the "Surviving Corporation" (as defined in the Merger Agreement).

2.16 VESTING CONDITIONS means the conditions under which a Participant will be entitled to the Stock subject to an Award, if ever, as set forth on EXHIBIT A attached to the Award.

2.17 VESTING DATE means January 1, 2003.

3. TERM OF THE PLAN

Awards will be granted under this Plan only in the period commencing on the Effective Time and ending immediately prior to the Vesting Date.

4. STOCK SUBJECT TO THE PLAN

At no time shall the number of shares of Common Stock issued pursuant to or subject to outstanding Awards granted under the Plan exceed three million (3,000,000) shares of Common Stock and at least three million (3,000,000) shares of Common Stock shall be granted initially under the Plan; SUBJECT, HOWEVER, to the adjustment provisions of Section 8 of the Plan. For purposes of applying the foregoing limitation, if any Award is forfeited, the shares of Stock subject to such forfeited Award shall again be available for Awards to be granted under the Plan. Shares of Common Stock issued pursuant to the

Plan may be either authorized but unissued shares or shares held by the Company in its treasury.

5. ADMINISTRATION

The Plan shall be administered by the TTI Administrator; PROVIDED, HOWEVER, that the Committee shall exercise the powers and responsibilities assigned the Administrator under the Plan insofar as it pertains to the grant of Awards to any "covered employee" (as defined in Section 162(m) of the Code and applicable guidance thereunder), but only if such exercise of powers and responsibilities is necessary to preserve the deductibility of such Awards under Section 162(m) of the Code. Subject to the provisions of the Plan, the TTI Administrator shall have complete authority, in its discretion, to make or to select the manner of making all determinations with respect to each Award to be granted by the Company under the Plan including the employee to receive the Award, PROVIDED, that the reallocation or regrant of Common Stock subject to forfeited Awards shall be as determined by the TTI Administrator and proposed by the TTI Administrator to the Company Administrator for and subject to its consent, which consent shall not be unreasonably withheld, and PROVIDED FURTHER, that the Company Administrator may withhold consent with respect to the regrant of any Awards or Retention Shares originally issued to Anousheh Ansari and Hamid Ansari for any reason or no reason, in its sole discretion. In making such determinations, the Administrator may take into account the nature of the services rendered by the employees, their present and potential contributions to the success of the Company and its subsidiaries, and such other factors as the Administrator in its discretion shall deem relevant. Subject to the provisions of the Plan and Award Agreements, the Administrator shall also have complete authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective Awards (which need not be identical), and to make all other determinations necessary or advisable for the administration of the Plan. The Administrator's determinations made in good faith on matters referred to in this Plan shall be final, binding and conclusive on the Company and on all persons having or claiming any interest under this Plan or an Award made pursuant to hereto. Unless otherwise approved by the Company Administrator, the TTI Administrator shall not have authority to change the Vesting Conditions of any Award or make any other amendments to any Award or the Plan that have material adverse accounting consequences on the Company, which would otherwise not have occurred in the absence of such change or amendment. Notwithstanding the other provisions of this Section 5, the Company Administrator shall at all times have the authority and discretion to waive and/or accelerate the satisfaction of any Vesting Conditions applicable to any Award.

6. AUTHORIZATION AND ELIGIBILITY

6.1. GENERAL. The Administrator may grant from time to time and at any time prior to the termination of the Plan one or more Awards, either alone or in combination with any other Awards, to any employee of TTI. Each grant of an Award shall be subject to all applicable terms and conditions of the Plan, and such other terms and conditions, not inconsistent with the terms of the Plan, as the Administrator may prescribe, and shall

be evidenced by an Award Agreement or other document delivered to the Participant and in such form as the Administrator may specify.

6.2. SPECIFIC GRANTS. As of the Effective Time, the TTI Administrator shall grant the Awards described on EXHIBIT A attached hereto.

6.3. GRANT OF SHARES OF STOCK SUBJECT TO FORFEITED AWARDS. If any Award is forfeited prior to the Vesting Date, such forfeited Award shall be granted to other Participants or employees of TTI, as determined by the TTI Administrator, subject to the consent of the Company Administrator, as described in Section 5 above; PROVIDED, that in no event shall the Company or TTI have an obligation hereunder to reallocate or regrant any Retention Shares that are forfeited by Anousheh Ansari or Hamid Ansari.

7. EXPIRATION OF AWARDS

Each Award shall be forfeited, to the extent the Vesting Conditions applicable thereto have not theretofore been satisfied, immediately following the Vesting Date or, if earlier, on termination of the Participant's employment if so provided in the applicable Award Agreement. Neither the Company nor TTI shall have any liability or obligation in respect of forfeited Awards.

8. ADJUSTMENT PROVISIONS

8.1. ADJUSTMENT FOR CORPORATE ACTIONS. All of the share numbers set forth in the Plan reflect the capital structure of the Company as of November 2, 2000. If subsequent to November 2, 2000, the outstanding shares of Common Stock (or any other securities covered by the Plan by reason of the prior application of this Section) are increased, decreased, or exchanged for a different number or kind of shares or other securities, or if additional shares or new or different shares or other securities are distributed with respect to shares of Common Stock or other securities, through merger, consolidation, sale of all or substantially all the property of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other distribution with respect to such shares of Common Stock, or other securities, an appropriate, equitable and proportionate adjustment will be made, to preserve the value of outstanding Awards, in (i) the maximum numbers and kinds of shares provided in Section 4 and (ii) the numbers and kinds of shares or other securities subject to Awards.

8.2. RELATED MATTERS. Any adjustment in Awards made pursuant to this Section 8 shall be determined and made, if at all, by the Administrator and shall include any correlative modification of terms which the Administrator may deem necessary or appropriate so as to ensure the rights of the Participants in their respective Awards are not diminished nor enlarged as a result of the adjustment and corporate action. No fraction of a share shall be deliverable upon settlement of an Award, but in the event any adjustment hereunder of the number of shares covered by an Award shall cause such number to include a fraction of a share, such number of shares shall be adjusted to the nearest smaller whole number of shares, with fractional shares to be paid in cash based on the Fair Market Value of a share of Common Stock on the date of payment.

9. SETTLEMENT OF AWARDS

9.1. DELIVERY OF STOCK. Upon satisfaction of the Vesting Conditions applicable to an Award, the Company shall deliver to the Participant holding such Award a certificate representing the shares of Common Stock described therein. The Company shall file, as of the Effective Time, a registration statement on a Form S-8 (or other appropriate form) under the Securities Act (as defined in the Merger Agreement) to register the shares of Common Stock issuable under the Plan, and shall cause such registration statement to remain effective until the delivery of all shares under the Plan.

9.2. VIOLATION OF LAW. Notwithstanding any other provision of the Plan, if, at any time, in the reasonable opinion of the Company, the issuance of shares of Common Stock covered by an Award may constitute a violation of law, then the Company may delay such issuance and the delivery of a certificate for such shares until (i) approval shall have been obtained from such governmental agencies, other than the Securities and Exchange Commission, as may be required under any applicable law, rule, or regulation and (ii) in the case where such issuance would constitute a violation of a law administered by or a regulation of the Securities and Exchange Commission, one of the following conditions shall have been satisfied:

(a) the shares are at the time of the issue of such shares effectively registered under the Securities Act of 1933, as amended; or

(b) the Company shall have determined, on such basis as it deems appropriate (including an opinion of counsel in form and substance satisfactory to the Company) that the sale, transfer, assignment, pledge, encumbrance or other disposition of such shares or such beneficial interest, as the case may be, does not require registration under the Securities Act of 1933, as amended or any applicable State securities laws.

The Company shall use its reasonable best efforts to bring about the occurrence of said events.

9.3. TAX WITHHOLDING. Whenever shares of Stock are issued or to be issued pursuant to Awards granted under the Plan, or the Vesting Conditions with respect to such Retention Shares are satisfied in whole or in part, the Company shall have the right to require the recipient to remit to the Company an amount sufficient to satisfy federal, state, local or other withholding tax requirements if, when, and to the extent required by law (whether so required to secure for the Company an otherwise available tax deduction or otherwise) prior to the delivery of any certificate or certificates for such shares. The obligations of the Company under the Plan shall be conditional on satisfaction of all such withholding obligations and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the recipient of an Award. In the sole discretion of the Company Administrator, the Participant may be permitted to satisfy any such withholding by surrendering shares of Common Stock otherwise receivable under the Plan, based on the Fair Market Value of a share of Common Stock on the date on which the withholding is made, PROVIDED the

amount so withheld does not exceed the minimum withholding allowed and satisfies any other conditions necessary to avoid material adverse accounting consequences to the Company, which would otherwise not have occurred in the absence of such withholding.

If Participants are not permitted to satisfy withholding obligations by the surrender of shares otherwise receivable under the Plan, the Company shall provide that payment of the withholding taxes may in full or in part be made by delivering a notice to the Company, together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale proceeds necessary to pay the amount of any federal, state, local or foreign withholding taxes. To facilitate the foregoing, the Company shall enter into agreements for coordinated procedures with one or more brokerage firms.

9.4. RIGHTS PENDING ISSUANCE. Subject to Section 11 of the Plan, the Participant shall have, with respect to the shares of Common Stock underlying an Award, the rights of a stockholder of the Company holding the class or series of Common Stock that is the subject of the Award, including, if applicable, the right to vote the shares and the right to receive any cash dividends, provided that cash dividends on the class or series of Common Stock that is the subject of the Award shall be automatically deferred and held by the Company on behalf of the Participant subject to the vesting of the underlying Award and shall be payable in cash upon, but only upon, the vesting of the underlying Award.

9.5. AWARDS AND CERTIFICATES. Awards shall be evidenced in such manner as the Company Administrator may deem appropriate, including book-entry registration or issuance of one or more stock certificates. Any certificate issued in respect of Retention Shares prior to the satisfaction of the Vesting Conditions with respect to such Retention Shares shall be registered in the name of such Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

> "The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Sonus Networks, Inc. 2000 Retention Plan and the applicable Award Agreement thereunder. Copies of such Plan and Agreement are on file at the offices of Sonus Networks, Inc. "

The Company Administrator may require that the certificates evidencing the Retention Shares be held in custody by the Company until the restrictions thereon shall have lapsed and that, as a condition of any Award of Retention Shares, the Participant shall have delivered a stock power, endorsed in blank, relating to the Common Stock covered by such Award.

10. UNFUNDED STATUS OF PLAN

The Plan is intended to constitute an "unfunded" plan for incentive compensation, and the Plan is not intended to constitute a plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended. With respect to any payments not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Stock or payments with respect to Awards hereunder, provided, however, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

11. NON-TRANSFERABILITY OF AWARDS

Awards shall not be transferable, and no Award or interest therein may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. During the Participant's life, all of a Participant's rights in any Award may be exercised only by the Participant or the Participant's legal representative. Common Stock with respect to which the Vesting Conditions are satisfied shall not be subject to the transfer restrictions set forth in this Section.

12. RESERVATION OF STOCK

The Company shall at all times during the term of the Plan and any outstanding Award granted hereunder reserve or otherwise keep available such number of shares of Stock as will be sufficient to satisfy the requirements of the Plan (if then in effect) and the Awards and shall pay all fees and expenses necessarily incurred by the Company in connection therewith.

13. NO SPECIAL EMPLOYMENT OR OTHER RIGHTS

Nothing contained in the Plan or in any Award shall confer upon any recipient of an Award any right with respect to the continuation of his or her employment or other association with the Company or TTI or interfere in any way with the right of the Company or TTI subject to the terms of any separate employment or consulting agreement or provision of law or corporate charter, certificate or articles, or by-laws, to the contrary, at any time to terminate such employment or consulting agreement or to increase or decrease, or otherwise adjust, the other terms and conditions of the recipient's employment or other association with the Company or TTI.

14. NONEXCLUSIVITY OF THE PLAN

The adoption of the Plan by the Board shall not be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including without limitation, the granting of stock options and restricted stock other than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

15. TERMINATION AND AMENDMENT OF THE PLAN

The Board may at any time terminate the Plan or make such modifications of the Plan as it shall deem advisable, subject to the prior written consent of the TTI Administrator. No amendment of the Plan may adversely affect the terms of any Award outstanding on the date of such amendment. The Board may not terminate the Plan if such termination shall adversely affect outstanding Awards or shall result in there being less than 3,000,000 shares of Common Stock (subject to adjustment as provided in Section 8 of the Plan) being subject to Awards under the Plan. Subject to the terms of Section 5 of the Plan, the Administrator may amend the terms of any Award theretofore granted, prospectively or retroactively, PROVIDED that the Award as amended is consistent with the terms of the Plan, but no such amendment shall adversely affect the rights of the recipient of such Award without his or her consent.

16. GOVERNING LAW

The Plan and all Awards and actions taken thereunder shall be governed, interpreted and enforced in accordance with the laws of the State of Delaware, without regard to the conflict of laws principles thereof.

telecom technologies, inc.

AMENDED AND RESTATED
1998 EQUITY INCENTIVE PLAN

(EFFECTIVE AS OF AUGUST 20, 1999)

ARTICLE ONE

GENERAL PROVISIONS

I. PURPOSE OF THE PLAN

A. This Amended and Restated 1998 Equity Incentive Plan is intended to promote the interests of TELECOM TECHNOLOGIES, INC., a Texas corporation (the "Corporation"), by providing eligible persons with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Corporation as an incentive for them to remain in the service of the Corporation.

B. Capitalized terms herein shall have the meanings assigned to such terms in the attached Appendix.

II. STRUCTURE OF THE PLAN

A. The Plan will consist of three separate incentive programs based upon the Corporation's Common Stock:

1. the Discretionary Option Grant Program under which eligible persons may, at the discretion of the Plan Administrator, be granted options to purchase shares of Common Stock,

2. the Stock Issuance Program under which eligible persons may, at the discretion of the Plan Administrator, be issued shares of Common Stock directly, either through the immediate purchase of such shares or as a bonus for services rendered the Corporation (or any Parent or Subsidiary), and

3. the Stock Appreciation Right Program under which eligible persons may, at the discretion of the Plan Administrator, be issued rights to receive in cash an amount equal to the appreciation in the value of a given number of shares of the Common Stock between two periods of time or a given number of shares of the Common Stock that are the subject of grants under the Discretionary Option Grant Program or the Stock Issuance Program.

B. The provisions of Articles One and Five shall apply to all of the Equity Programs and shall accordingly govern the interests of all persons receiving benefits under the Plan.

III. ADMINISTRATION OF THE PLAN

A. Prior to the Section 12(g) Registration Date, the Plan shall be administered by the Board.

B. Beginning with the Section 12(g) Registration Date, the Board shall have the authority to administer the Discretionary Option Grant, the Stock Appreciation Rights and Stock Issuance Programs with respect to Section 16 Insiders but may delegate such authority in whole or in part to the Primary Committee. Administration of the Plan with respect to all other persons eligible to participate may, at the Board's discretion, be vested in the Primary Committee or a Secondary Committee, or the Board may retain the power to administer the Plan with respect to all such persons.

C. Members of the Primary Committee or any Secondary Committee shall serve for such period of time as the Board may determine and may be removed by the Board at any time. The Board may also at any time terminate the functions of any Secondary Committee and reassume all powers and authority previously delegated to such committee.

D. Each Plan Administrator shall, within the scope of its administrative functions under the Plan, have full power and authority to establish such rules and regulations as it may deem appropriate for proper administration of the Plan and to make such determinations under, and issue such interpretations of, the provisions of such Plan and any outstanding options or stock issuances thereunder as it may deem necessary or advisable. Decisions of the Plan Administrator within the scope of its administrative functions under the Plan shall be final and binding on all parties who have an interest in the Plan or any option or stock issuance thereunder.

E. Service on the Primary Committee or the Secondary Committee shall constitute service as a Board member, and members of each such committee shall accordingly be entitled to full indemnification and reimbursement as Board members for their service on such committee. No member of the Primary Committee or the Secondary Committee shall be liable for any act or omission made in good faith with respect to the Plan or any option grants or stock issuances under the Plan.

F. Prior to the Section 12(g) Registration Date, the Board, in connection with the grant of any Non-Statutory Option hereunder shall be entitled in its discretion, to modify any provision hereof with respect to such grant only, and provide that as to inconsistencies between such Option and this Plan, that the written provisions of the agreement memorializing such Option shall control.

IV. ELIGIBILITY

A. The persons eligible to participate in the Discretionary Option Grant and Stock Issuance Programs shall be as follows:

1. Employees,

2. non-employee members of the Board or the board of directors of any Parent or Subsidiary, and

3. consultants and other independent advisors who provide services to the Corporation (or any Parent or Subsidiary).

B. Each Plan Administrator shall, within the scope of its administrative jurisdiction under the Plan, have full authority (subject to the provisions of the Plan) to determine, (i) with respect to the option grants under

the Discretionary Option Grant Program, which eligible persons are to receive option grants, the time or times when such option grants are to be made, the number of shares to be covered by each such grant, the status of the granted option as either an Incentive Option or a Non-Statutory Option, the time or times at which each option is to become exercisable, the vesting schedule (if any) applicable to the option shares and the maximum term for which the option is to remain outstanding, (ii) with respect to stock issuances under the Stock Issuance Program, which eligible persons are to receive stock issuances, the time or times when such issuances are to be made, the number of shares to be issued to each Participant, the vesting schedule (if any) applicable to the issued shares and the consideration to be paid for such shares and (iii) with regard to the grant of rights under the Stock Appreciation Right Program, which eligible persons are to receive grants, the time or times when such grants are to be made, the number of shares or the number of shares subject to options to be covered by each such grant, the applicable time periods during which such rights shall vest and be exercisable (which need not necessarily be coterminous with vesting and exercise rights applicable to any underlying options or the vesting schedules applicable to any stock grants).

C. The Plan Administrator shall have the absolute discretion either to make grants under the Discretionary Option Grant or Stock Appreciation Right Programs or to effect stock issuances in accordance with the Stock Issuance Program.

V. STOCK SUBJECT TO THE PLAN

A. The stock issuable under the Amended Plan shall be shares of authorized but unissued Common Stock or Common stock acquired by the Corporation following issuance thereof. The maximum number of shares of Common Stock which may be issued over the term of the Plan shall not exceed 20,000,000 shares, as adjusted pursuant to Subsection V.D. below.

B. No person may be granted options, separately exercisable stock appreciation rights or direct stock issuances under the Plan aggregating more than 7,500,000 shares of Common Stock per calendar year beginning with the calendar year in which the Section 12(g) Registration Date occurs.

C. Shares of Common Stock subject to outstanding options shall be available for subsequent issuance under the Plan to the extent (i) the options expire or terminate for any reason prior to exercise in full or (ii) the options are canceled in accordance with the cancellation-regrant provisions of Article Two. Unvested shares issued under the Stock Issuance Program and subsequently repurchased by the Corporation at the original issue price paid per share pursuant to the Corporation's repurchase rights under the Plan shall be added back to the number of shares of Common Stock reserved for issuance under the Plan and shall accordingly be available for reissuance through one or more subsequent option grants or direct stock issuances under the Plan. However, should the exercise price of an option under the Plan be paid with shares of Common Stock or should shares of Common Stock otherwise issuable under the Plan be withheld by the corporation in satisfaction of the withholding taxes incurred in connection with the exercise of an option or the vesting of a stock issuance under the Plan, then the number of shares of Common Stock available for issuance under the Plan shall be reduced by the gross number of shares for which the option is exercised or which vest under the stock issuance, and not by the net number of shares of Common Stock issued to the holder of such option or stock issuance.

D. Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, appropriate adjustments shall be made to (i) the maximum number and/or class of securities issuable under the Plan, (ii) the number and/or class of securities for which any one person may be granted options, separately exercisable stock appreciation rights and direct stock issuances per calendar year, (iii) the number and/or class of

securities and the exercise price per share in effect under each outstanding option or stock appreciation right in order to prevent the dilution or enlargement of benefits thereunder. The adjustments determined by the Plan Administrator shall be final, binding and conclusive.

VI. RIGHT OF FIRST REFUSAL, LIMITATION ON TRANSFERS.

A. If with respect to any Optionee, at any time prior to the first to occur of the Section 12(g) Registration Date or the fifth anniversary of the termination of the Optionee's Service with the Corporation, the Optionee (the "Selling Shareholder") receives a bona fide offer from a third party (the "Proposed Transferee") to purchase all or any part of the shares of Common Stock received pursuant to this Plan (or any other equity securities of the Corporation into which such shares of Common Stock have been converted) for a purchase price that has been reached through arms-length negotiation and the Selling Shareholder wishes to accept such offer (the "Third Party Offer"), the Selling Shareholder shall, as a condition precedent to his or her right to sell such shares of the Common Stock to the Proposed Transferee, comply with the following procedure:

1. By written notice (the "Notice"), the Selling Shareholder shall inform the Corporation of the Third Party Offer. The Notice must contain the name of the Proposed Transferee, the number of shares of the Common Stock, or other securities, proposed to be transferred (the "Offered Shares"), the price per share, the proposed closing date (which shall in no event be sooner than fifty days from the date of the Notice), all other terms and conditions of the Third Party Offer and shall further contain an offer to sell some or all of the Offered Shares to the Corporation or its assign pursuant to the terms and provisions of this Section VI and on the same terms and conditions contained in the Third Party Offer.

2. The Corporation, at its option, exercisable within twenty days of the receipt of the Notice by a Selling Shareholder, to purchase all or any part of the Offered Shares. In addition, the Corporation shall be entitled to assign its right to purchase the Offered Shares to one or more third parties.

3. If the Corporation shall elect to purchase some or all of the Offered Shares, it shall deliver notice of the exercise of its option to the Selling Shareholder not later than the expiration of the twentieth day following receipt of the Notice. In addition, if the Corporation shall assign some or all of its right to purchase the Offered Shares to a third party, it shall deliver notice of such assignment, together with notice of the number of the Offered Shares to be purchased by such third party not later than the twentieth day following receipt of the Notice. Following delivery of the Corporation (or the third party) notice of the exercise of the option granted herein to purchase the Offered Shares, the Corporation shall set a closing date, which shall be not later than twenty days following the delivery of the Corporation's (or the third party's) notice of intent to purchase Offered Shares.

4. To the extent that the Corporation and its assigns shall elect to purchase less than all of the Offered Shares, the Selling Shareholder shall thereafter be entitled to sell those of the Offered Shares not being so purchased, upon the terms and conditions set forth in the Notice. Any modification of such terms and conditions shall require additional compliance with the provisions of this Section VI.

B. The purchase price for any Offered Shares purchased by the Corporation or its assigns shall be identical to the terms contained in the Third Party Offer; provided, however, to the extent that any of the consideration described in the Third Party Offer shall consist of property other than cash, the Board of Directors of the Corporation shall determine, in good faith, the cash value thereof and the Corporation and the purchasing

third party, if they shall so elect, shall be entitled to pay such fair value in cash, in lieu of delivering the property described in the Third Party Offer. To the extent that any Third Party Offer shall contemplate the delivery of a promissory note, such promissory note shall be given no value unless it shall be secured by a letter of credit from a national banking association or a financial institution having not less than $1 billion in assets.

C. No transfer of any interest in any Common Stock received pursuant to this Plan shall relieve the Transferor of its obligations under Sections VII.G, H and I of Article Two or Section XIV.D of Article Four hereof, and any transferee shall be bound to perform in the place and stead of its Transferor and may be required by the Corporation to agree to assume such obligations as a condition of transfer.

D. Notwithstanding any of the provisions hereof or of any agreement representing any option granted under the Plan, until the Section 12(g) Registration Date, no transfer or attempted transfer of any record or beneficial interest in any of the Common Stock (or any security to which the Common Stock shall be converted) shall be effected to any person who is engaged in Competition (as defined in Section VII.I of Article Two of this Plan) without the express written consent of the Corporation, which may be withheld for any reason or no reason. Any transfer in violation of the preceding sentence shall be null and void ab initio.

ARTICLE TWO

DISCRETIONARY OPTION GRANT PROGRAM

VII. OPTION TERMS.

Each option shall be evidenced by one or more documents in the form approved by the Plan Administrator; provided, however, that each such document shall comply with the terms specified below. Each document evidencing an Incentive Option shall, in addition, be subject to the provisions of this Plan, including Section VIII below, applicable to such options.

A. EXERCISE PRICE.

1. The exercise price per share shall be fixed by the Plan Administrator and may be equal to, greater than or less than the Fair Market Value per share of Common Stock on the option grant date.

2. The exercise price shall become immediately due upon exercise of the option and shall, subject to the provisions of Section XVIII of Article Five and the documents evidencing the option, be payable in cash or check made payable to the Corporation. Should the Common Stock be registered under Section 12(g) of the 1934 Act at the time the option is exercised, then the exercise price may also be paid as follows:

(a) in shares of Common Stock held for the requisite period necessary to avoid a charge to the Corporation's earnings for financial reporting purposes and valued at Fair Market Value on the Exercise Date, or

(b) to the extent the option is exercised for vested shares, through a special sale and remittance procedure pursuant to which the Optionee shall concurrently provide irrevocable instructions (A) to a Corporation-designated brokerage firm to effect the immediate sale of the purchased shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased shares plus all applicable Federal, state and local income and employment taxes required to be withheld by the Corporation by reason of such exercise and (B) to the

Corporation to deliver the certificates for the purchased shares directly to such brokerage firm in order to complete the sale.

Except to the extent such sale and remittance procedure is utilized, payment of the exercise price for the purchased shares must be made on the Exercise Date.

B. EXERCISE AND TERM OF OPTIONS. Each option shall be exercisable at such time or times, during such period and for such number of shares as shall be determined by the Plan Administrator and set forth in the documents evidencing the option grant. Options may, in the discretion of the Plan Administrator, be fully and immediately vested upon issuance or may vest in one or more installments over the Participant's period of Service or upon the attainment of specific performance objectives. However, no option shall have a term in excess of ten (10) years measured from the option grant date.

C. EFFECT OF TERMINATION OF SERVICE. The following provisions shall govern the exercise of any options held by the Optionee at the time of cessation of Service or death:

1. All outstanding and vested options to an Optionee shall immediately terminate at the beginning of the thirty first (31st) day following the voluntary termination of Optionee's Service.

2. Should the Optionee's Service terminate by reason of death or Permanent Disability, then the Optionee or his or her personal representative or the persons to whom the option is transferred pursuant to will or the laws of inheritance, as the case may be, shall have a period of twelve (12) months following the date of such cessation of Service.

3. If the Optionee's Service shall end as a result of an Involuntary Termination, the Optionee shall have a period of one (1) month following the date of such cessation of Service during which to exercise each outstanding and vested option held by such Optionee.

4. Under no circumstances, however, shall any option be exercisable after the specified expiration of the option term.

(a) During the applicable post-Service exercise period, the option may not be exercised in the aggregate for more than the number of vested shares for which the option is exercisable on the date of the Optionee's cessation of Service. Upon the expiration of the applicable exercise period or (if earlier) upon the expiration of the option term, the option shall terminate and cease to be outstanding for any vested shares for which the option has not been exercised. However, the option shall, immediately upon the Optionee's cessation of Service, terminate and cease to be outstanding with respect to any and all option shares for which the option is not otherwise at the time exercisable or in which the Optionee is not otherwise at that time vested.

(b) Should the Optionee's Service be terminated for Misconduct, then all outstanding options held by the Optionee shall terminate immediately and cease to remain outstanding.

(c) In the event that Optionee's Service shall terminate following a Corporate Transaction or Change in Control, the provisions of Section VIII of this Article Two shall govern the period for which outstanding options are to remain exercisable following the Optionee's cessation of Service and shall supersede any provisions to the contrary in this paragraph.

5. The Plan Administrator shall have the discretion, exercisable either at the time an option is granted or at any time while the option remains outstanding, to:

(a) extend the period of time for which the option is to remain exercisable following the Optionee's cessation of Service or death from the limited period otherwise in effect for that option to such greater period of time as the Plan Administrator shall deem appropriate, but in no event beyond the expiration of the option term, and/or

(b) permit the option to be exercised, during the applicable post-Service exercise period, not only with respect to the number of vested shares of Common Stock for which such option is exercisable at the time of the Optionee's cessation of Service but also with respect to one or more additional installments in which the Optionee would have vested under the option had the Optionee continued in Service.

D. LIMITED TRANSFERABILITY OF OPTIONS. During the lifetime of the Optionee, Incentive Options shall be exercisable only by the Optionee and shall not be assignable or transferable other than by will or by the laws of descent and distribution following the Optionee's death. However, subject to Section VI.D. of Article One, a Non-Statutory Option may, in connection with the Optionee's estate plan, be assigned in whole or in part during the Optionee's lifetime to one or more members of the Optionee's immediate family or to a trust established exclusively for one or more such family members. The assigned portion may only be exercised by the person or persons who acquire a proprietary interest in the option pursuant to the assignment. The terms applicable to the assigned portion shall be the same as those in effect for the option immediately prior to such assignment and shall be set forth in such documents issued to the assignee as the Plan Administrator may deem appropriate.

E. STOCKHOLDER RIGHTS. The holder of an option shall have no stockholder rights with respect to the shares subject to the option until such person shall have exercised the option, paid the exercise price and become a holder of record of the purchased shares.

F. UNVESTED SHARES. The Plan Administrator shall have the discretion to grant options which are exercisable for unvested shares of Common Stock and enter into any agreement relating to any Non-Statutory Option permitting the exercise thereof with respect to unvested shares. Except to the extent otherwise specifically set forth by the Plan Administrator in writing, should the Optionee cease Service while holding such unvested shares, the Corporation shall have the right to repurchase, at the exercise price paid per share, any or all of those unvested shares. The terms upon which such repurchase right shall be exercisable (including the period and procedure for exercise and the appropriate vesting schedule for the purchased shares) shall be established by the Plan Administrator and set forth in the document evidencing such repurchase right.

G. FIRST REFUSAL RIGHTS. Until the Section 12(g) Registration Date, the Corporation shall have the right of first refusal with respect to any proposed sale, assignment, transfer or other disposition by the Optionee (or any successor in interest) of any shares of Common Stock, or any interest therein, issued upon the exercise of any Options. The right of first refusal contemplated in this Subsection G shall be exercisable in accordance with the terms established in Section VI of Article One above.

H. MARKET STAND-OFF. In connection with any underwritten public offering by the Corporation of its equity securities pursuant to an effective registration statement filed under the Securities Act of 1933, including the Corporation's initial public offering, the Optionee may not sell, make any short sale of, loan, hypothecate, pledge, grant any option for the purchase of, or otherwise dispose or transfer for value or otherwise agree to engage in any of the foregoing transactions with respect to, any shares of Common Stock

acquired upon exercise of an option granted under the Plan without the prior written consent of the Corporation or its underwriters. Such restriction (the "Market Stand-Off") shall be in effect for such period of time from and after the effective date of the final prospectus for the offering as may be requested by the Corporation or such underwriters. The Optionee shall be required to execute such agreements as the Corporation or the underwriters request in connection with the Market Stand-Off.

I. COMPETITION. If, at any time while the Optionee remains in Service or after the Optionee's termination of Service while the option remains outstanding, the Optionee provides services to or for the benefit of a competitor of the Corporation (or any Parent or Subsidiary), whether as an employee, officer, director, independent contractor, consultant, agent or otherwise, such services being of a nature that can reasonably be expected to involve the skills and experience used or developed by the Optionee while in the Corporation's Service or obtains a direct or indirect financial interest, whether as a lender, stockholder, partner, adviser or consultant in any such competitor, (collectively, engaging in "Competition") then the Optionee's rights under any options outstanding under the Plan shall be forfeited and terminated, subject to a determination to the contrary by the Plan Administrator. In addition, in the event that the Optionee shall engage in Competition with the Corporation at any time prior to the first to occur of the Section 12(g) Registration Date or the fifth anniversary of the termination of Optionee's Service, the Optionee shall, not less than five days following request therefor from the Corporation, assign, transfer and convey to the Corporation, free and clear of all liens, claims or other encumbrances, all shares of the Common Stock (or any securities into which such Common Stock shall have been converted) acquired by the Optionee pursuant to options or grants under the Plan for an aggregate consideration equal to the aggregate consideration paid by the Optionee for such shares. Any consideration paid by the Corporation for shares purchased from the Optionee pursuant to this Section VII.I shall be purchased for cash not later than the tenth day following the delivery of notice by the Corporation to the Optionee. The Optionee hereby appoints the Corporation its lawful attorney-in-fact to execute and deliver such documentation as shall be necessary or convenient in the sole opinion of the Corporation to the accomplishment of the foregoing provisions of this Subsection I, which appointment shall be deemed coupled with an interest and irrevocable, to the extent that the Optionee shall fail to respond to notice from the Corporation by delivering all certificates representing shares acquired from the Corporation pursuant to this Plan.

J. INCENTIVE OPTIONS. The terms specified below shall be applicable to all Incentive Options. Except as modified by the provisions of this Section VII.J, all the provisions of the Plan shall be applicable to Incentive Options. Options which are specifically designated as Non-Statutory Options shall not be subject to the terms of this Section VII.J.

1. Incentive Options may only be granted to Employees.

2. The exercise price per share shall not be less than one hundred percent (100%) of the Fair Market Value per share of Common Stock on the option grant date.

3. (a) The aggregate Fair Market Value of the shares of Common Stock (determined as of the respective date or dates of grant) for which one or more options granted to any Employee under the Plan (or any other option plan of the Corporation or any Parent or Subsidiary) may for the first time become exercisable as Incentive Options during any one (1) calendar year shall not exceed the sum of One Hundred Thousand Dollars ($100,000).

(b) To the extent the Employee holds two (2) or more such options which become exercisable for the first time in the same calendar year, the foregoing limitation on the exercisability of such options as Incentive Options shall be applied on the basis of the order in which such options are granted.

4. If any Employee to whom an Incentive Option is granted is a 10% Stockholder, then the option term shall not exceed five (5) years measured from the option grant date and the exercise price per share of the option shall be equal to at least one hundred ten percent (110%) of the Fair Market Value per share of Common Stock on the option grant date.

VIII. CORPORATE TRANSACTION/CHANGE IN CONTROL

A. In the event of any Corporate Transaction, each outstanding option shall automatically accelerate so that each such option shall, immediately prior to the effective date of the Corporate Transaction, become fully exercisable for all of the shares of Common Stock at the time subject to such option and may be exercised for any or all of those shares as fully-vested shares of Common Stock. However, an outstanding option shall NOT so accelerate if and to the extent: (i) such option is, in connection with the Corporate Transaction, either to be assumed by the successor corporation (or parent thereof) or to be replaced with a comparable option to purchase shares of the capital stock of the successor corporation (or parent thereof), (ii) such option is to be replaced with a cash incentive program of the successor corporation which preserves the spread existing on the unvested option shares at the time of the Corporate Transaction and provides for subsequent payout in accordance with the same vesting schedule applicable to such option or (iii) the acceleration of such option is subject to other limitations imposed by the Plan Administrator at the time of the option grant. The determination of option comparability under clause (i) above shall be made by the Plan Administrator, and its determination shall be final, binding and conclusive.

B. All outstanding repurchase rights shall also terminate automatically, and the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Corporate Transaction, except to the extent: (i) those repurchase rights are to be assigned to the successor corporation (or parent thereof) in connection with such Corporate Transaction or (ii) such accelerated vesting is precluded by other limitations imposed by the Plan Administrator at the time the repurchase right is issued.

C. Immediately following the consummation of the Corporate Transaction, all outstanding options shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof).

D. If an outstanding option is assumed by the successor corporation (or parent thereof) in connection with a Corporate Transaction, and the Corporation's repurchase rights with respect to the unvested option shares are assigned to such successor corporation (or parent thereof), and at the time of or within twelve (12) months following such Corporate Transaction either (i) the Optionee is offered a Lesser Position in replacement of the position held by him or her immediately prior to the Corporate Transaction or (ii) the Optionee's Service terminates by reason of an Involuntary Termination, then, effective as of the date on which such Lesser Position is offered to the Optionee or the effective date of such Involuntary Termination, respectively, the option shall automatically accelerate in part so that, in addition to the number of vested shares of Common Stock for which the option is exercisable at such time, the option shall become exercisable with respect to the next annual installment of option shares for which the option is scheduled to become exercisable in accordance with the exercise schedule established for the option (and the Corporation's repurchase rights shall automatically lapse with respect to such option shares). Following such acceleration, to the extent the Optionee continues in Service,

the exercise schedule for the option shall be adjusted so that the option shall become exercisable, with respect to each subsequent annual installment of option shares under the original exercise schedule, on each subsequent anniversary of the effective date of such option acceleration. In the event that both the offer of a Lesser Position and a subsequent Involuntary Termination of an Optionee's Service occur within twelve (12) months following a Corporate Transaction, then acceleration of the option shares shall occur only in connection with the offer of such Lesser Position and no additional acceleration shall occur in connection with such subsequent Involuntary Termination. Following an Involuntary Termination that occurs within twelve (12) months following a Corporate Transaction, the option shall remain exercisable for any or all of the vested option shares until the earlier of (i) the expiration of the option term or (ii) the expiration of the one (1)-year period measured from the effective date of the Involuntary Termination.

E. Each option which is assumed in connection with a Corporate Transaction shall be appropriately adjusted, immediately after such Corporate Transaction, to apply to the number and class of securities which would have been issuable to the Optionee in consummation of such Corporate Transaction had the option been exercised immediately prior to such Corporate Transaction. Appropriate adjustments shall also be made to (i) the number and class of securities available for issuance under the Plan following the consummation of such Corporate Transaction, (ii) the exercise price payable per share under each outstanding option, provided the aggregate exercise price payable for such securities shall remain the same and (iii) the maximum number of securities and/or class of securities for which any one person may be granted stock options, separately exercisable stock appreciation rights and direct stock issuances under the Plan.

F. Notwithstanding Sections VIII.A., VIII.B. and VIII.D of this Article Two, the Plan Administrator shall have the discretion, exercisable either at the time the option is granted or at any time while the option remains outstanding, to provide for the automatic acceleration of one or more outstanding options (and the automatic termination of one or more outstanding repurchase rights with the immediate vesting of the shares of Common Stock subject to those rights) upon the occurrence of a Corporate Transaction, whether or not those options are to be assumed or replaced (or those repurchase rights are to be assigned) in the Corporate Transaction. The Plan Administrator shall also have the discretion to grant options which do not accelerate whether or not such options are assumed (and to provide for repurchase rights that do not terminate whether or not such rights are assigned) in connection with a Corporate Transaction.

G. The Plan Administrator shall also have the discretion, exercisable at the time the option is granted or at any time while the option remains outstanding, to provide for the automatic acceleration, of any options which are assumed or replaced in a Corporate Transaction and do not otherwise accelerate at that time (and the termination of any of the Corporation's outstanding repurchase rights which do not otherwise terminate at the time of the Corporate Transaction) in the event that within twelve (12) months following the effective date of such Corporate Transaction either (i) the Optionee should be offered a Lesser Position in replacement of the position held by him or her immediately prior to the Corporate Transaction or (ii) the Optionee's Service should subsequently terminate by reason of an Involuntary Termination. Following an Involuntary Termination that occurs within twelve (12) months following a Corporate Transaction, any options accelerated under this Section VIII.G shall remain exercisable for the vested option shares until the earlier of (i) the expiration of the option term or (ii) the expiration of the one (1) year period measured from the effective date of the Involuntary Termination.

H. The Plan Administrator shall have the discretion, exercisable either at the time the option is granted or at any time while the option remains outstanding, to (i) provide for the automatic acceleration of one or more outstanding options (and the automatic termination of one or more outstanding repurchase rights with

the immediate vesting of the shares of Common Stock subject to those rights) upon the occurrence of a Change in Control or (ii) condition any such option acceleration (and the termination of any outstanding repurchase rights) upon the occurrence of either of the following events within a specified period (not to exceed twelve (12) months) following the effective date of such Change in Control: (a) the offer to the Optionee of a Lesser Position in replacement of the position held by him or her immediately prior to the Change in Control or (b) the Involuntary Termination of the Optionee's Service. Any options accelerated in connection with a Change in Control shall remain fully exercisable until the expiration or sooner termination of the option term; provided, however, that following an Involuntary Termination that occurs within twelve (12) months following a Change in Control, any options accelerated under this Section VIII.H shall remain exercisable for the vested option shares until the earlier of (i) the expiration of the option term or (ii) the expiration of the one (1)-year period measured from the effective date of the Involuntary Termination.

I. The portion of any Incentive Option accelerated in connection with a Corporate Transaction or Change in Control shall remain exercisable as an Incentive Option only to the extent the applicable One Hundred Thousand Dollar ($100,000) limitation is not exceeded. To the extent such dollar limitation is exceeded, the accelerated portion of such option shall be exercisable as a Non-Statutory Option under the Federal tax laws.

J. The grant of options under the Option Grant Program shall in no way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

IX. CANCELLATION AND REGRANT OF OPTIONS.

The Plan Administrator shall have the authority to effect, at any time and from time to time, with the consent of the affected option holders, the cancellation of any or all outstanding options under the Plan and to grant in substitution therefor new options covering the same or different number of shares of Common Stock but with an exercise price per share based on the Fair Market Value per share of Common Stock on the new option grant date.

ARTICLE THREE

STOCK APPRECIATION RIGHT PROGRAM

X. STOCK APPRECIATION RIGHT TERMS.

The Plan Administrator shall be entitled, from time to time, to issue stock appreciation rights in tandem with options granted under the Discretionary Option Grant Program or as independent rights. In addition, the Plan Administrator may cause stock appreciation rights to be limited in the fashion contemplated in Section XI below. Stock appreciation rights shall be evidenced by one or more documents in the form approved by the Plan Administrator; provided, however, that each such document shall comply with the terms specified below.

A. The following terms shall govern the grant and exercise of stock appreciation rights granted in tandem with options:

1. One or more Optionees may be granted the right, exercisable upon such terms as the Plan Administrator may establish, to elect between the exercise of the underlying Option for shares of Common Stock and the surrender of that option in exchange for a distribution from the Corporation in an amount equal to the

excess of (a) the Fair Market Value (on the option surrender date) of the number of shares in which the Optionee is at the time vested under the surrendered option (or surrendered portion thereof) over (b) the aggregate exercise price payable for such shares.

2. No such option surrender shall be effective unless it is approved by the Plan Administrator. If the surrender is so approved, then the distribution to which the Optionee shall be entitled may be made in shares of Common Stock valued at Fair Market Value on the option surrender date, in cash, or partly in shares and partly in cash, as the Plan Administrator shall in its sole discretion deem appropriate.

3. If the surrender of an option is rejected by the Plan Administrator, then the Optionee shall retain whatever rights the Optionee had under the surrendered option (or surrendered portion thereof) on the option surrender date and may exercise such rights at any time prior to the later of (a) five (5) business days after the receipt of the rejection notice or (b) the last day on which the option is otherwise exercisable in accordance with the terms of the documents evidencing such option, but in no event may such rights be exercised more than ten (10) years after the option grant date.

B. The following terms shall govern the grant and exercise of limited stock appreciation rights:

1. One or more Section 16 Insiders may be granted limited stock appreciation rights with respect to their outstanding options.

2. Upon the occurrence of a Hostile Take-Over, each such individual holding one or more options with such a limited stock appreciation right shall have the unconditional right (exercisable for a thirty (30) day period following such Hostile Take-Over) to surrender each such option to the Corporation, to the extent the option is at the time exercisable for vested shares of Common Stock. In return for the surrendered option, the Optionee shall receive a cash distribution from the Corporation in an amount equal to the excess of (a) the Take-Over Price of the shares of Common Stock which are at the time vested under each surrendered option (or surrendered portion thereof) over (b) the aggregate exercise price payable for such shares. Such cash distribution shall be paid within five (5) days following the option surrender date.

3. The Plan Administrator shall pre-approve, at the time the limited right is granted, the subsequent exercise of that right in accordance with the terms of the grant and the provisions of this Section X.B. No additional approval of the Plan Administrator or the Board shall be required at the time of the actual option surrender and cash distribution.

4. The balance of the option (if any) shall continue in full force and effect in accordance with the documents evidencing such option.

XI. INDEPENDENT STOCK APPRECIATION RIGHTS.

Each stock appreciation right which is not granted in tandem with an option existing under this Plan shall comply with the terms specified below.

A. EXERCISE PRICE.

1. The exercise price per share to which an Independent Appreciation Right shall be fixed by the Plan Administrator and may be equal to, greater than or less than the Fair Market Value per share of the Common Stock on the grant date to which such stock appreciation rights relate.

2. The exercise price shall become immediately due upon exercise of the stock appreciation right and shall be payable in cash or check made payable to the Corporation. Notwithstanding the foregoing, at the option of the Corporation, the Corporation may settle stock appreciation rights, upon the exercise thereof, in cash by delivering to the holder an amount equal to the excess of the value of the underlying Common Stock to which such stock appreciation rights relate over the exercise price, less all applicable Federal, state and local income and employment taxes required to be withheld by the Corporation by reason of such exercise.

B. EXERCISE AND TERM OF STOCK APPRECIATION RIGHTS. Each stock appreciation right shall be exercisable at such time or times, and during such period with respect to such number of shares as shall be determined by the Plan Administrator and set forth in the documents evidencing such grant. However, no such grant shall have a term in excess of ten (10) years measured from the date of grant.

C. VESTING PROVISIONS. Independent Appreciation Rights issued under the Stock Appreciation Right Program may, in the discretion of the Plan Administrator, be fully and immediately vested upon issuance or may vest in one or more installments over the Participant's period of service or upon the attainment of specified performance objectives. Notwithstanding the foregoing, no stock appreciation right shall have a term in excess of ten (10) years measured from the date of grant.

D. EFFECT OF TERMINATION OF SERVICE.

1. The following provisions shall govern the exercise of any Independent Appreciation Right held by an Optionee at the time of cessation of Service or death:

(a) Should the Optionee cease to remain in Service for any reason other than Permanent Disability or Misconduct, then the Optionee shall have a period of three (3) months following the date of such cessation of Service during which to exercise each outstanding Independent Appreciation Right held by such Optionee.

(b) Should the Optionee's Service terminate by reason of Permanent Disability, then the Optionee shall have a period of twelve (12) months following the date of such cessation of Service during which to exercise each outstanding Independent Appreciation Right held by such Optionee.

(c) If the Optionee dies while holding an outstanding Independent Appreciation Right, then the personal representative of his or her estate or the person or persons to whom the stock appreciation right is transferred pursuant to the Optionee's will or the laws of inheritance shall have a twelve (12)-month period following the date of the Optionee's death to exercise such Independent Appreciation Right.

(d) Under no circumstances, however, shall any such Independent Appreciation Right be exercisable after the specified expiration of the Independent Appreciation Right term.

(e) During the applicable post-Service exercise period, the Independent Appreciation Right may not be exercised in the aggregate for more than, with respect to more shares of underlying Common Stock, than the vested number of such shares on the date of the Optionee's cessation of Service. Upon the expiration of the applicable exercise period or (if earlier) upon the expiration of the Independent Appreciation Right term, the Independent Appreciation Right shall terminate and cease to be outstanding for any vested shares for which the Independent Appreciation Right has not been exercised. However, the Independent Appreciation Right shall, immediately upon the Optionee's cessation of Service, terminate and cease to be outstanding with

respect to any and all underlying shares of Common Stock for which the Independent Appreciation Right is not otherwise at the time exercisable or in which the Optionee is not otherwise at that time vested.

2. Should the Optionee's Service be terminated for Misconduct, then all outstanding Independent Appreciation Rights held by the Optionee shall terminate immediately and cease to remain outstanding.

3. In the event that Optionee's Service shall terminate following Corporate Transaction or Change in Control, the provisions of Section XII of this Article III shall govern the period for which outstanding Independent Appreciation Rights are to remain exercisable following the Optionee's cessation of Service and shall supersede any provisions to the contrary in this paragraph.

4. The Plan Administrator shall have the discretion, exercisable either at the time a stock appreciation right is granted or at any time while the Independent Appreciation Right remains outstanding, to:

(a) extend the period of time for which the Independent Appreciation Right is to remain exercisable following the Optionee's cessation of Service or death from the limited period otherwise in effect for that Independent Appreciation Right to such greater period of time as the Plan Administrator shall deem appropriate, but in no event beyond the expiration of the stock appreciation right term, and/or

(b) permit the Independent Appreciation Right to be exercised, during the applicable post-Service exercise period, not only with respect to the number of underlying shares of Common Stock for which such stock appreciation right is vested and exercisable at the time of the Optionee's cessation of Service but also with respect to one or more additional installments in which the Optionee would have vested under the Independent Appreciation Right had the Optionee continued in Service.

E. LIMITED TRANSFERABILITY OF INDEPENDENT APPRECIATION RIGHTS. During the lifetime of the Optionee, Independent Appreciation Rights shall be exercisable only by the Optionee and shall not be assignable or transferable other than by will or by the laws of descent and distribution following the Optionee's death. However, Independent Appreciation Rights may, in connection with the Optionee's estate plan, be assigned in whole or in part during the Optionee's lifetime to one or more members of the Optionee's immediate family or to a trust established exclusively for one or more such family members. The assigned portion may only be exercised by the person or persons who acquire a proprietary interest in the Independent Appreciation Rights pursuant to the assignment. The terms applicable to the assigned portion shall be the same as those in effect for the Independent Appreciation Rights immediately prior to such assignment and shall be set forth in such documents issued to the assignee as the Plan Administrator may deem appropriate.

XII. CORPORATE TRANSACTION/CHANGE IN CONTROL

A. In the event of any Corporate Transaction, each outstanding stock appreciation right shall automatically accelerate so that each such stock appreciation right shall, immediately prior to the effective date of the Corporate Transaction, become fully exercisable for all of the shares of Common Stock at the time subject to such stock appreciation right and may be exercised for any or all of those shares as fully-vested shares of Common Stock. However, an outstanding stock appreciation right shall NOT so accelerate if and to the extent: (i) such stock appreciation right is, in connection with the Corporate Transaction, either to be assumed by the successor corporation (or parent thereof) or to be replaced with a comparable stock appreciation right to purchase shares of the capital stock of the successor corporation (or parent thereof), (ii) such stock appreciation right is to be replaced with a cash incentive program of the successor corporation which preserves the spread

existing on the unvested stock appreciation right shares at the time of the Corporate Transaction and provides for subsequent payout in accordance with the same vesting schedule applicable to such stock appreciation right or (iii) the acceleration of such stock appreciation right is subject to other limitations imposed by the Plan Administrator at the time of the stock appreciation right grant. The determination of stock appreciation right comparability under clause (i) above shall be made by the Plan Administrator, and its determination shall be final, binding and conclusive.

B. Immediately following the consummation of the Corporate Transaction, all outstanding stock appreciation rights shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof).

C. If an outstanding stock appreciation right is assumed by the successor corporation (or parent thereof) in connection with a Corporate Transaction, and at the time of or within twelve (12) months following such Corporate Transaction either (i) the Optionee is offered a Lesser Position in replacement of the position held by him or her immediately prior to the Corporate Transaction or (ii) the Optionee's Service terminates by reason of an Involuntary Termination, then, effective as of the date on which such Lesser Position is offered to the Optionee or the effective date of such Involuntary Termination, respectively, the stock appreciation right shall automatically accelerate in part so that, in addition to the number of vested shares of Common Stock for which the stock appreciation right is exercisable at such time, the stock appreciation right shall become exercisable with respect to the next annual installment of stock appreciation right shares for which the stock appreciation right is scheduled to become exercisable in accordance with the exercise schedule established for the stock appreciation right. Following such acceleration, to the extent the Optionee continues in Service, the exercise schedule for the stock appreciation right shall be adjusted so that the stock appreciation right shall become exercisable, with respect to each subsequent annual installment of stock appreciation right shares under the original exercise schedule, on each subsequent anniversary of the effective date of such stock appreciation right acceleration. In the event that both the offer of a Lesser Position and a subsequent Involuntary Termination of an Optionee's Service occur within twelve (12) months following a Corporate Transaction, then acceleration of the stock appreciation right shares shall occur only in connection with the offer of such Lesser Position and no additional acceleration shall occur in connection with such subsequent Involuntary Termination. Following an Involuntary Termination that occurs within twelve (12) months following a Corporate Transaction, the stock appreciation right shall remain exercisable for any or all of the vested portion thereof until the earlier of (i) the expiration of the stock appreciation right term or (ii) the expiration of the one (1) year period measured from the effective date of the Involuntary Termination.

D. Each stock appreciation right which is assumed in connection with a Corporate Transaction shall be appropriately adjusted, immediately after such Corporate Transaction, to apply (when determining the value of the securities to which it relates) to the number and class of securities which would have been issuable to the Optionee in consummation of such Corporate Transaction had the stock appreciation right been an Option and been exercised immediately prior to such Corporate Transaction. Appropriate adjustments shall also be made to (i) the number and class of securities available for issuance under the Plan following the consummation of such Corporate Transaction, (ii) the exercise price payable per share under each outstanding stock appreciation right, provided the aggregate exercise price payable for such securities shall remain the same and (iii) the maximum number of securities and/or class of securities for which any one person may be granted stock options, separately exercisable stock appreciation rights and direct stock issuances under the Plan.

E. Notwithstanding Sections XI.A., XI.B. and XI.D of this Article Three, the Plan Administrator shall have the discretion, exercisable either at the time the stock appreciation right is granted or at any time while

the stock appreciation right remains outstanding, to provide for the automatic acceleration of all or any portion of such outstanding stock appreciation rights upon the occurrence of a Corporate Transaction, whether or not those stock appreciation rights are to be assumed or replaced in the Corporate Transaction. The Plan Administrator shall also have the discretion to grant stock appreciation rights which do not accelerate whether or not such stock appreciation rights are assumed in connection with a Corporate Transaction.

F. The Plan Administrator shall also have the discretion, exercisable at the time any stock appreciation right is granted or at any time while that stock appreciation right remains outstanding, to provide for the automatic acceleration, of all or any part of any stock appreciation rights which are assumed or replaced in a Corporate Transaction and do not otherwise accelerate at that time in the event that within twelve (12) months following the effective date of such Corporate Transaction either (i) the Optionee should be offered a Lesser Position in replacement of the position held by him or her immediately prior to the Corporate Transaction or (ii) the Optionee's Service should subsequently terminate by reason of an Involuntary Termination. Following an Involuntary Termination that occurs within twelve (12) months following a Corporate Transaction, any stock appreciation rights which are accelerated under this Section XII.F shall remain exercisable for the vested portion thereof until the earlier of (i) the expiration of the option term or (ii) the expiration of the one (1)-year period measured from the effective date of the Involuntary Termination.

G. The Plan Administrator shall have the discretion, exercisable either at the time the stock appreciation right is granted or at any time while the stock appreciation right remains outstanding, to (i) provide for the automatic acceleration of one or more outstanding stock appreciation rights upon the occurrence of a Change in Control or (ii) condition any such stock appreciation right acceleration upon the occurrence of either of the following events within a specified period (not to exceed twelve (12) months) following the effective date of such Change in Control: (a) the offer to the Optionee of a Lesser Position in replacement of the position held by him or her immediately prior to the Change in Control or (b) the Involuntary Termination of the Optionee's Service. Any stock appreciation rights which are accelerated in connection with a Change in Control shall remain fully exercisable until the expiration or sooner termination of the stock appreciation right term; provided, however, that following an Involuntary Termination that occurs within twelve (12) months following a Change in Control, any stock appreciation rights accelerated under this Section XII.G shall remain exercisable for the vested stock appreciation right shares until the earlier of (i) the expiration of the stock appreciation right term or (ii) the expiration of the one (1) year period measured from the effective date of the Involuntary Termination.

H. The grant of stock appreciation rights under this Plan shall in no way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

XIII. CANCELLATION OF STOCK APPRECIATION RIGHTS

The Plan Administrator shall have the authority to effect, at any time and from time to time, with the consent of the affected holders, the cancellation of any or all outstanding stock appreciation rights under the Plan.

ARTICLE FOUR

STOCK ISSUANCE PROGRAM

XIV. STOCK ISSUANCE TERMS

Shares of Common Stock may be issued under the Stock Issuance Program through direct and immediate issuances without any intervening option grants. Each such stock issuance shall be evidenced by a Stock Issuance Agreement which complies with the terms specified below.

A. PURCHASE PRICE.

1. The purchase price per share shall be fixed by the Plan Administrator and may be less than, equal to or greater than the Fair Market Value per share of Common Stock on the issue date.

2. Subject to the provisions of Section XVIII of Article Five, shares of Common Stock may be issued under the Stock Issuance Program for any of the following items of consideration which the Plan Administrator may deem appropriate in each individual instance:

(a) cash or check made payable to the Corporation, or

(b) past services rendered to the Corporation (or any Parent or Subsidiary).

B. VESTING PROVISIONS.

1. Shares of Common Stock issued under the Stock Issuance Program may, in the discretion of the Plan Administrator, be fully and immediately vested upon issuance or may vest in one or more installments over the Participant's period of Service or upon attainment of specified performance objectives.

2. Any new, substituted or additional securities or other property (including money paid other than as a regular cash dividend) which the Participant may have the right to receive with respect to the Participant's unvested shares of Common Stock by reason of any stock dividend, stock split, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration shall be issued subject to (i) the same vesting requirements applicable to the Participant's unvested shares of Common Stock and (ii) such escrow arrangements as the Plan Administrator shall deem appropriate.

3. The Participant shall have full stockholder rights with respect to any shares of Common Stock issued to the Participant under the Stock Issuance Program, whether or not the Participant's interest in those shares is vested. Accordingly, the Participant shall have the right to vote such shares and to receive any regular cash dividends paid on such shares.

4. Should the Participant cease to remain in Service while holding one or more unvested shares of Common Stock issued under the Stock Issuance Program or should the performance objectives not be attained with respect to one or more such unvested shares of Common Stock, then those shares shall be immediately surrendered to the Corporation for cancellation, and the Participant shall have no further stockholder rights with respect to those shares. To the extent the surrendered shares were previously issued to the Participant for consideration paid in cash or cash equivalent (including the Participant's purchase-money indebtedness), the Corporation shall repay to the Participant the cash consideration paid for the surrendered shares and shall cancel the unpaid principal balance of any outstanding purchase-money note of the Participant attributable to such surrendered shares.

5. The Plan Administrator may in its discretion waive the surrender and cancellation of one or more unvested shares of Common Stock (or other assets attributable thereto) which would otherwise occur upon the non-completion of the vesting schedule applicable to such shares. Such waiver shall result in the

immediate vesting of the Participant's interest in the shares of Common Stock as to which the waiver applies. Such waiver may be effected at any time, whether before or after the Participant's cessation of Service or the attainment or non-attainment of the applicable performance objectives.

C. FIRST REFUSAL RIGHTS. Until the Section 12(g) Registration Date, the Corporation shall have the right of first refusal with respect to any proposed sale, assignment, transfer or other disposition by the Participant (or any successor in interest) of any shares of Common Stock issued under the Stock Issuance Program. The right of first refusal contemplated in this Subsection C shall be exercisable in accordance with the terms established in Section VI of Article One above.

D. COMPETITION. If, at any time while the Participant remains in Service or after Participant's termination of Service while the option remains outstanding, the Participant provides services to or for the benefit of a competitor of the Corporation (or any Parent or Subsidiary), whether as an employee, officer, director, independent contractor, consultant, agent or otherwise, such services being of a nature that can reasonably be expected to involve skills and experience used or developed by the Participant while in the Corporation's service or obtains a direct or indirect financial interest, whether as a lender, stockholder, partner, advisor or consultant in any competitor (collectively, engaging in "Competition") then the Participant shall, upon five days written notice from the Corporation, assign, transfer and convey to the Corporation, free and clear of all liens, claims or encumbrances, all shares of Common Stock (and any securities into which such shares have been converted) issued to Participant under the Stock Issuance Program and all of Participant's rights therein shall be forfeited and terminated, subject to a determination to the contrary by the Plan Administrator. The Participant hereby appoints the Corporation as its lawful attorney-in-fact to execute and deliver such certificates and other instruments and to take such actions as shall be necessary or convenient to the accomplishment of the foregoing, such appointment to be coupled with an interest and irrevocable, to the extent that the Participant shall not respond to a notice from the Corporation under this Section XIV.D.

XV. CORPORATE TRANSACTION/CHANGE IN CONTROL

A. All of the Corporation's outstanding repurchase rights under the Stock Issuance Program shall terminate automatically, and all the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Corporate Transaction, except to the extent (i) those repurchase rights are assigned to the successor corporation (or parent thereof) in connection with such Corporate Transaction or (ii) such accelerated vesting is precluded by other limitations imposed in the Stock Issuance Agreement.

B. Notwithstanding Section XV.A of this Article Three, the Plan Administrator shall have the discretionary authority, exercisable either at the time the unvested shares are issued or any time while the Corporation's repurchase rights remain outstanding under the Stock Issuance Program, to provide that those rights shall automatically terminate in whole or in part, and the shares of Common Stock subject to those terminated rights shall immediately vest, in the event of a Corporate Transaction, whether or not those repurchase rights are to be assigned to the successor corporation (or its parent) in connection with such Corporate Transaction. The Plan Administrator shall also have the discretion to provide for repurchase rights with terms different from those in effect under this Section XV in connection with a Corporate Transaction.

C. The Plan Administrator shall have the discretion, exercisable either at the time the unvested shares are issued or at any time while the Corporation's repurchase rights remain outstanding, to provide that any repurchase rights that are assigned in the Corporate Transaction shall automatically terminate, and the shares

of Common Stock subject to those terminated rights shall immediately vest in full, in the event that either of the following events should occur either at the time of or within a specified period (not to exceed twelve (12) months) following the effective date of the Corporate Transaction: (a) the Participant is offered a Lesser Position in replacement of the position held by him or her immediately prior to the Corporate Transaction or (b) the Participant's Service terminates by reason of an Involuntary Termination.

D. The Plan Administrator shall have the discretion, exercisable either at the time the unvested shares are issued or at any time while the Corporation's repurchase right remains outstanding, to (i) provide for the automatic termination of one or more outstanding repurchase rights and the immediate vesting of the shares of Common Stock subject to those rights upon the occurrence of a Change in Control or (ii) condition any such accelerated vesting upon the occurrence of either of the following events at the time of or within a specified period (not to exceed twelve (12) months) following the effective date of such Change in Control: (a) the Participant is offered a Lesser Position in replacement of the position held by him or her immediately prior to the Change in Control or (b) the Involuntary Termination of the Participant's Service.

XVI. SHARE ESCROW/LEGENDS.

Unvested shares may, in the Plan Administrator's discretion, be held in escrow by the Corporation until the Participant's interest in such shares vests or may be issued directly to the Participant with restrictive legends on the certificates evidencing those unvested shares.

XVII. MARKET STAND-OFF.

In connection with any underwritten public offering by the Corporation of its equity securities pursuant to an effective registration statement filed under the Securities Act of 1933, including the Corporation's initial public offering, the Participant may not sell, make any short sale of, loan, hypothecate, pledge, grant any option for the purchase of, or otherwise dispose or transfer for value or otherwise agree to engage in any of the foregoing transactions with respect to, any shares of Common Stock acquired under the Plan without the prior written consent of the Corporation or its underwriters. Such restriction (the "Market Stand-Off") shall be in effect for such period of time from and after the effective date of the final prospectus for the offering as may be requested by the Corporation or such underwriters. The Participant shall be required to execute such agreements as the Corporation or the underwriters request in connection with the Market Stand-Off.

ARTICLE FIVE

MISCELLANEOUS

XVIII. FINANCING

The Plan Administrator may permit any Optionee or Participant to pay the option exercise price under the Discretionary Option Grant Program or the purchase price of shares issued under the Stock Issuance Program by delivering a full-recourse, interest bearing promissory note payable in one or more installments. The terms of any such promissory note (including the interest rate and the terms of repayment) shall be established by the Plan Administrator in its sole discretion. In no event may the maximum credit available to the Optionee or Participant exceed the sum of (i) the aggregate option exercise price or purchase price payable for the purchased

shares (less the par value, if any, of those shares) plus (ii) any Federal, state and local income and employment tax liability incurred by the Optionee or the Participant in connection with the option exercise or share purchase.

XIX. TAX WITHHOLDING

A. The Corporation's obligation to deliver shares of Common Stock upon the exercise of options or upon the issuance or vesting of such shares under the Plan shall be subject to the satisfaction of all applicable Federal, state and local income and employment tax withholding requirements.

B. The Plan Administrator may, in its discretion, provide any or all holders of Non-Statutory Options or unvested shares of Common Stock under the Plan with the right to use shares of Common Stock in satisfaction of all or part of the Taxes incurred by such holders in connection with the exercise of their options or the vesting of their shares. Such right may be provided to any such holder in either or both of the following formats:

1. STOCK WITHHOLDING: The election to have the Corporation withhold, from the shares of Common Stock otherwise issuable upon the exercise of such Non-Statutory Option or the vesting of such shares, a portion of those shares with an aggregate Fair Market Value equal to the percentage of the Taxes (not to exceed one hundred percent (100%)) designated by the holder.

2. STOCK DELIVERY: The election to deliver to the Corporation, at the time the Non-Statutory Option is exercised or the shares vest, one or more shares of Common Stock previously acquired by such holder (other than in connection with the option exercise or share vesting triggering the Taxes) with an aggregate Fair Market Value equal to the percentage of the Taxes (not to exceed one hundred percent (100%)) designated by the holder.

XX. EFFECTIVE DATE AND TERM OF PLAN

A. This Plan shall become effective as of August 16, 1999 and amends and restates in its entirety the 1998 Equity Incentive Plan adopted by the Board of Directors of telecom technologies, inc., a Texas corporation, on April 10, 1998. In the event that none of the circumstances set forth in clauses B(ii) or (iii) below have previously occurred, the Board of Directors of the Corporation may not later than April 10, 2008, amend this Plan, effective as of such date, to extend its term for an additional period not exceeding ten years from the effective date of such extension.

B. The Plan shall terminate upon the earliest of (i) April 10, 2008, (ii) the date on which all shares available for issuance under the Plan shall have been issued as vested shares or (iii) the termination of all outstanding options in connection with a Corporate Transaction. All options and unvested stock issuances outstanding at that time under the Plan shall continue to have full force and effect in accordance with the provisions of the documents evidencing such options or issuances.

C. XXI. AMENDMENT OF THE PLAN

A. The Board shall have complete and exclusive power and authority to amend or modify the Plan in any or all respects. However, no such amendment or modification shall adversely affect the rights and obligations with respect to options or unvested stock issuances at the time outstanding under the Plan unless the

Optionee or the Participant consents to such amendment or modification. In addition, certain amendments may require stockholder approval pursuant to applicable laws and regulations.

B. Options may be granted under the Discretionary Option Grant Program and shares may be issued under the Stock Issuance Program which are in each instance in excess of the number of shares of Common Stock then available for issuance under the Plan, provided any excess shares actually issued under those programs shall be held in escrow until there is obtained stockholder approval of an amendment sufficiently increasing the number of shares of Common Stock available for issuance under the Plan. If such stockholder approval is not obtained within twelve (12) months after the date the first such excess issuances are made, then (i) any unexercised options granted on the basis of such excess shares shall terminate and cease to be outstanding and (ii) the Corporation shall promptly refund to the Optionees and the Participants the exercise or purchase price paid for any excess shares issued under the Plan and held in escrow, together with interest (at the applicable Short Term Federal Rate) for the period the shares were held in escrow, and such shares shall thereupon be automatically canceled and cease to be outstanding.

XXII. USE OF PROCEEDS

Any cash proceeds received by the Corporation from the sale of shares of Common Stock under the Plan shall be used for general corporate purposes.

XXIII. WITHHOLDING

The Corporation's obligation to deliver shares of Common Stock upon the exercise of any options or upon the vesting of any shares issued under the Plan shall be subject to the satisfaction of all applicable Federal, state and local income and employment tax withholding requirements.

XXIV. REGULATORY APPROVALS

A. The implementation of the Plan, the granting of any options under the Plan and the issuance of any shares of Common Stock (i) upon the exercise of any option or (ii) under the Stock Issuance Program shall be subject to the Corporation's procurement of all approvals and permits required by regulatory authorities having jurisdiction over the Plan, the options granted under it and the shares of Common Stock issued pursuant to it.

B. No shares of Common Stock or other assets shall be issued or delivered under the Plan unless and until there shall have been compliance with all applicable requirements of Federal and state securities laws and all applicable listing requirements of any stock exchange (or the Nasdaq National Market, if applicable) on which Common Stock is then listed for trading.

XXV. NO EMPLOYMENT OR SERVICE RIGHTS

Nothing in the Plan shall confer upon the Optionee or the Participant any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Parent or Subsidiary employing or retaining such person) or of the Optionee or the Participant, which rights are hereby expressly reserved by each, to terminate such person's Service at any time for any reason, with or without cause.

APPENDIX

The following definitions shall be in effect under the Plan:

A. 10% STOCKHOLDER shall mean the owner of stock (as determined under Code Section 424(d)) possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Corporation (or any Parent or Subsidiary).

B. 1933 ACT shall mean the Securities Act of 1933, as amended.

C. 1934 ACT shall mean the Securities Exchange Act of 1934, as amended.

D. BOARD shall mean the Corporation's Board of Directors.

E. CHANGE IN CONTROL shall mean a change in ownership or control of the Corporation effected through either of the following transactions:

1 the acquisition, directly or indirectly, by any person or related group of persons (other than the Corporation or a person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation), of beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities pursuant to a tender or exchange offer made directly to the Corporation's stockholders, or

2 a change in the composition of the Board over a period of thirty-six (36) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination.

F. CODE shall mean the Internal Revenue Code of 1986, as amended.

G. COMMITTEE shall mean a committee of one (1) or more Board members appointed by the Board to exercise one or more administrative functions under the Plan.

H. COMMON STOCK shall mean the Corporation's Class B Common Stock.

I. CORPORATE TRANSACTION shall mean either of the following stockholder-approved transactions to which the Corporation is a party:

1. a merger or consolidation in which securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction, or

2. the sale, transfer or other disposition of all or substantially all of the Corporation's assets in complete liquidation or dissolution of the Corporation.

J. CORPORATION shall mean telecom technologies, inc., a Texas corporation.

K. DISCRETIONARY OPTION GRANT PROGRAM shall mean the program described in Section II.A.1 of Article One.

L. EMPLOYEE shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

M. EQUITY PLANS shall mean the Discretionary Option Grant Program, the Stock Issuance Program and the Stock Appreciation Right Program.

N. EXERCISE DATE shall mean the date on which the Corporation shall have received written notice of the option exercise.

O. FAIR MARKET VALUE per share of Common Stock on any relevant date shall be determined in accordance with the following provisions:

1. If the Common Stock is at the time traded on the Nasdaq National Market, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question, as such price is reported by the National Association of Securities Dealers on the Nasdaq National Market. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

2. If the Common Stock is at the time listed on any Stock Exchange, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question on the Stock Exchange determined by the Plan Administrator to be the primary market for the Common Stock, as such price is officially quoted in the composite tape of transactions on such exchange. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

3. For purposes of any option grants made on the Underwriting Date, the Fair Market Value shall be deemed to be equal to the price per share at which the Common Stock is sold in the initial public offering pursuant to the Underwriting Agreement.

4. For purposes of any option grants made prior to the Underwriting Date, the Fair Market Value shall be determined by the Plan Administrator after taking into account such factors as the Plan Administrator shall deem appropriate.

P. HOSTILE TAKE-OVER shall mean the acquisition, directly or indirectly, by any person or related group of persons (other than the Corporation or a person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation) of beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities pursuant to a tender or exchange offer made directly to the Corporation's stockholders which the Board does not recommend such stockholders to accept.

Q. INCENTIVE OPTION shall mean an option which satisfies the requirements of Code Section 422.

R. INDEPENDENT APPRECIATION RIGHT shall mean a stock appreciation right issued pursuant to Section XI of Article Three.

S. INVOLUNTARY TERMINATION shall mean the termination of the Service of any individual which occurs by reason of:

1. such individual's involuntary dismissal or discharge by the Corporation for reasons other than Misconduct, or

2. such individual's voluntary resignation following the offer to such individual of a Lesser Position in replacement of the position held by him or her immediately prior to the Corporate Transaction or Change in Control.

T. LESSER POSITION for an Optionee or Participant shall mean a new position or a change in the Optionee or Participant's position which, compared with such individual's position with the Corporation immediately prior to the Corporate Transaction or Change in Control, (i) offers a lower level of compensation (including base salary, fringe benefits and target bonuses under any corporate-performance based bonus or incentive programs), or (ii) materially reduces such individual's duties or level of responsibility.

U. MISCONDUCT shall mean the commission of any act of fraud, embezzlement or dishonesty by the Optionee or Participant, any unauthorized use or disclosure by such person of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct by such person adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary) in a material manner. The foregoing definition shall not be deemed to be inclusive of all the acts or omissions which the Corporation (or any Parent or Subsidiary) may consider as grounds for the dismissal or discharge of any Optionee, Participant or other person in the Service of the Corporation (or any Parent or Subsidiary).

V. NON-STATUTORY OPTION shall mean an option not intended to satisfy the requirements of Code Section 422.

W. OPTION shall mean a Non-Statutory Option or an Incentive Option.

X. OPTIONEE shall mean any person to whom an option or stock appreciation right is granted under the Plan.

Y. PARENT shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

Z. PARTICIPANT shall mean any person who is issued shares of Common Stock under the Stock Issuance Program.

AA. PERMANENT DISABILITY or PERMANENTLY DISABLED shall mean the inability of the Optionee or the Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment expected to result in death or to be of continuous duration of twelve (12) months or more.

BB. PLAN shall mean the Corporation's Amended and Restated 1998 Equity Incentive Plan, as set forth in this document.

CC. PLAN ADMINISTRATOR shall mean the particular entity, whether the Primary Committee, the Board or the Secondary Committee, which is authorized to administer the Option Grant and Stock Issuance Programs

with respect to one or more classes of eligible persons, to the extent such entity is carrying out its administrative functions under those programs with respect to the persons under its jurisdiction.

DD. PRIMARY COMMITTEE shall mean the committee of two (2) or more non-employee Board members appointed by the Board to administer the Option Grant and Stock Issuance Programs with respect to Section 16 Insiders.

EE. SECONDARY COMMITTEE shall mean a committee of one (1) or more Board members appointed by the Board to administer the Option Grant and Stock Issuance Programs with respect to eligible persons other than Section 16 Insiders.

FF. SECTION 12(G) REGISTRATION DATE shall mean the date on which the Common Stock is first registered under Section 12(g) of the 1934 Act.

GG. SECTION 16 INSIDER shall mean an officer or director of the Corporation subject to the short-swing profit liabilities of Section 16 of the 1934 Act.

HH. SERVICE shall mean the provision of services to the Corporation (or any Parent or Subsidiary) by a person in the capacity of an Employee, a non-employee member of the board of directors or a consultant or independent advisor, except to the extent otherwise specifically provided in the documents evidencing the option grant.

II. STOCK APPRECIATION RIGHT PROGRAM shall mean the program described in Section X of Article Three.

JJ. STOCK EXCHANGE shall mean either the American Stock Exchange or the New York Stock Exchange.

KK. STOCK ISSUANCE AGREEMENT shall mean the agreement entered into by the Corporation and the Participant at the time of issuance of shares of Common Stock under the Stock Issuance Program.

LL. STOCK ISSUANCE PROGRAM shall mean the program described in Section XIV of Article Four.

MM. SUBSIDIARY shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

NN. TAKE-OVER PRICE shall mean the greater of (i) the Fair Market Value per share of Common Stock on the date the option is surrendered to the Corporation in connection with a Hostile Take-Over or (ii) the highest reported price per share of Common Stock paid by the tender offeror in effecting such Hostile Take-Over. However, if the surrendered option is an Incentive Option, the Take-Over Price shall not exceed the clause (i) price per share.

OO. TAXES shall mean the Federal, state and local income and employment tax liabilities incurred by the holder of Non-Statutory Options or unvested shares of Common Stock in connection with the exercise of those options or the vesting of those shares.

PP. UNDERWRITING AGREEMENT shall mean the agreement between the Corporation and the underwriter or underwriters managing the initial public offering of the Common Stock.

QQ. UNDERWRITING DATE shall mean the date on which the Underwriting Agreement is executed and the initial public offering price of the Common Stock is established.

Exhibit 10.7

5 Carlisle Road, Westford
EXECUTION COPY

AGREEMENT OF SUBLEASE

THIS AGREEMENT OF SUBLEASE ("Sublease") is made as of the 20th day of October, 2000, by and between Unisphere Networks, Inc., a Delaware corporation ("Landlord"), having an office at One Executive Drive, Chelmsford, MA 01824 and Sonus Networks, Inc. ("Tenant"), a Delaware corporation, having an office at 5 Carlisle Road, Westford, MA 01886.

WITNESS

WHEREAS, by Lease dated as of February 17, 1999, (the "Prime Lease") by and between Glenborough Fund V, Limited Partnership ("Prime Landlord") and Redstone Communications, Inc., Prime Landlord leased to Redstone Communications, Inc. the premises (as hereinafter defined) (the "Premises") which is located within the building known by the street address 5 Carlisle Road, Westford, MA 01886 (the "Building"), which Premises are more particularly described in the Prime Lease and include 40,092 rentable square feet consisting of Suites 1E-01 and 1W-01;

WHEREAS, Unisphere Solutions, Inc. is successor in interest to Redstone Communications, Inc.;

WHEREAS, Unisphere Solutions, Inc. changed its name to Unisphere Networks, Inc. (hereinafter referred to as "Landlord").

WHEREAS, Landlord desires to sublease to Tenant and Tenant desires to sublease from Landlord the Premises, and Landlord is willing to sublease the Premises on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the parties agree as follows:

1. Subleasing of Premises. Subject to the written consent of the Prime Landlord, Landlord hereby subleases to Tenant and Tenant hereby subleases from Landlord the Premises, upon and subject to all of the terms, covenants, recitals and conditions hereinafter set forth.

2. Term

a. The term (the "Term") of this Sublease shall commence on February 1, 2001 (the "Commencement Date"), with said Term to expire at midnight on March 30, 2004 (the "Expiration Date"), unless sooner terminated as hereinafter provided.

b. Tenant acknowledges that Landlord is in the process of constructing a new building into which it intends to relocate its operations from the Premises. Notwithstanding any other provision of this Sublease to the contrary, Landlord may deliver the Premises to Tenant at any time from February 1, 2001 to June 30, 2001 upon thirty (30) days notice ("Commencement

Date Notice") to Tenant, provided that the Commencement Date shall be extended to such date and the Rent, as hereinafter defined, shall become payable on the Commencement Date.

c. Under no circumstances shall Landlord be required to vacate the Premises if its new building shall not be substantially complete, in Landlord's sole judgment. In the event that Landlord is unable to deliver the Premises to Tenant on or before June 30, 2001, then either party may terminate this Sublease in which case this Sublease shall terminate without further recourse to either party hereunder and shall be null and void with no further force or effect.

d. Tenant shall not be required to take delivery of the Premises unless and until Landlord shall deliver possession of the Premises located at 235 Littleton Road, Westford, Massachusetts.

e. Tenant shall have the right to have entry and access to the Premises commencing on the twentieth day after receipt of the Commencement Date Notice and Tenant shall not be obligated to pay any rent due hereunder but all other terms and conditions of this Sublease shall be in full force and effect upon the date of entry into the Premises by Tenant for any purposes.

3. Base Rent. During the Term, Tenant shall pay to Landlord, in lawful money of the United States which at the time shall be legal tender in payment of all debts and dues, public and private, an annual fixed rent (the "Base Rent") as follows:

Dates	Annual Rent	Monthly Rent
Commencement Date -- March 31, 2001	$641,472.00	$53,456.00
April 1, 2001 to March 31, 2002	$681,564.00	$56,797.00
April 1, 2002 to March 31, 2003	$701,610.00	$58,467.50
April 1, 2003 to March 30, 2004	$721,656.00	$60,138.00

All such monthly installments shall be paid in advance, on the first (1st) day of each month during the Term, at the office of the Landlord, or such other place as Landlord may designate, without any setoff or deduction of any kind whatsoever.

4. Additional Rent.

(a) Beginning on the Commencement Date, Tenant shall pay, as Additional Rent, one hundred percent (100%) of all additional rent payments for Tax Costs and Operating Expenses under Section 6.3 of the Prime Lease (as such terms are referred to in the Prime Lease). Rental and any other sums due hereunder not paid by the due date shall bear interest of 18% per annum. All payments shall be made to Landlord at its address set forth in Section 24 below, or at such other address or addresses as Landlord may from time to time designate by written notice to Tenant. Landlord shall furnish to Tenant any notice or schedule of payments

provided to Landlord by the Prime Landlord, and thereafter any payments of Additional Rent shall be made consistent with such notice or schedule without further demand by Landlord.

Tenant shall also pay, as Additional Rent, the cost of all utilities furnished to Tenant on the Premises, including, but not limited to, electricity, gas, oil, water and sewer. Tenant agrees to pay any and all such charges as they related to the Premises in accordance with the terms of the Prime Lease.

(b) Tenant's obligation to pay Additional Rent hereunder shall be on account of the period from and after the Commencement Date and shall survive the Expiration Date or sooner termination of the Term.

(c) All amounts payable by Tenant to Landlord pursuant to this Sublease, including, without limitation, Base Rent and Additional Rent, shall be deemed and constitute rent and, in the event of any non-payment thereof, Landlord shall have all of the rights and remedies provided herein, in the Prime Lease or in law or at equity for non-payment of rent.

(d) Tenant agrees to pay to Landlord Tenant's pro rata share of any taxes attributable to leasehold improvements, furniture or equipment within the Premises which are payable by Landlord under the Prime Lease.

5. Care, Surrender and Restoration of the Premises.

(a) Without limiting any other provision of this Sublease or the Prime Lease, Tenant shall take good care of the Premises, suffer no waste or injury thereto and shall comply with all those laws, orders and regulations applicable to the Premises, the Building and Tenant's use or manner of use thereof, which are imposed on Landlord, as tenant under the Prime Lease, in connection with the Premises and the Building, including without limitation the Rules and Regulations which are attached to the Prime Lease as Exhibit E and any rules and regulations promulgated by the Prime Landlord.

(b) At the expiration or other termination of the Term, Tenant shall surrender the Premises and all alterations and additions thereto (including any fixtures, panelling, railings and like installation installed at the Premises at any time by Tenant, by Prime Landlord or by Landlord) in good order, repair and condition, ordinary wear and tear and damage by casualty only excepted, first removing all goods and effects of Tenant and, to the extent specified by Landlord by notice to Tenant given at least thirty (30) days before such expiration or termination (but only to the extent required by Prime Landlord pursuant to the Prime Lease), all alterations and additions made by or on behalf of Tenant. Tenant shall repair any damage caused by such removal and restore the Premises and leave them clean and neat in compliance with the requirements of Section 5 of this Sublease and Section 25 of the Prime Lease. All property permitted or required to be removed by Tenant upon the Expiration Date or sooner termination of the Term remaining in the Premises shall be deemed abandoned and may, at the election of Landlord, either be retained as Landlord's property or may be removed from the Premises by Landlord, at Tenant's expense. Any such reasonable expenses shall be paid by Tenant to Landlord upon demand therefor and shall be deemed Additional Rent, collectible by Landlord in

the same manner and with the same remedies as though said sums were Base Rent reserved hereunder.

(c) Upon the Expiration Date or sooner termination of the Term, Tenant shall quit and surrender the Premises to Landlord, broom clean, in good order and condition, ordinary wear and tear and damage by fire and other casualty excepted, and Tenant shall remove all of its property. If the Expiration Date or sooner termination of the Term of this Sublease falls on a Sunday, this Sublease shall expire at noon on the preceding Saturday unless it be a legal holiday, in which case it shall expire at noon on the preceding business day. Tenant shall observe and perform the covenants herein stated and Tenant's obligations hereunder shall survive the Expiration Date or sooner termination of the Term.

6. Use. Tenant shall use and occupy the Premises for the purposes permitted under Section 2.20 of the Prime Lease, "General Office and Light Manufacturing for Telecommunications Equipment", and for no other purpose. Light Manufacturing shall be defined as light assembly of networking gear, that is, installation of components into a case/chassis, including testing.

7. Subordination to and Incorporation of Terms of Prime Lease.

(a) This Sublease is in all respects subject and subordinate to the terms and conditions of the Prime Lease and to the matters to which the Prime Lease is or shall be subordinate. Except as otherwise expressly provided in this Sublease, the terms, provisions, covenants, stipulations, conditions, rights, obligations, remedies and agreements of the Prime Lease are incorporated in this Sublease by reference and made a part hereof as if herein set forth at length, and shall, as between Landlord and Tenant (as if they were the Landlord and Tenant, respectively, under the Prime Lease and as if the Premises being sublet hereby were the Prime Lease Premises demised under the Prime Lease), constitute the terms of this Sublease, except to the extent that they do not relate to the Premises or are inapplicable to, inconsistent with, or modified or eliminated by, the terms of this Sublease. In particular, it is intended that Tenant shall not be subject to duplicate monetary obligations to Landlord and Prime Landlord. To the extent that Tenant is required by this Sublease to make monetary payments to Landlord (such as for rent, additional rent or upon default), Tenant shall not be obligated to the Prime Landlord for any such monetary obligations nor to Landlord for its monetary obligations to the Prime Landlord. Landlord and Tenant acknowledge and agree that Tenant has reviewed and is familiar with the Prime Lease and Landlord hereby represents that the copy delivered to Tenant for such purpose and attached hereto as Exhibit A is a true, correct and complete copy of such Prime Lease.

(b) In the event of a default by Landlord, as tenant under the Prime Lease, resulting in the termination, reentry or dispossession thereunder, at the option of the Prime Landlord, Prime Landlord shall take over all of the right, title and interest of Landlord under this Sublease and Tenant hereunder shall attorn to and recognize Prime Landlord as Landlord hereunder except that Prime Landlord shall not (i) be liable for any previous act or omission of Landlord under this Sublease, (ii) be subject to any offset, not expressly provided for in this Sublease, which theretofore accrued to Tenant against Landlord, or (iii) be bound by any

previous modification of this Sublease or by any previous prepayment of more than one month's rent, and shall, promptly upon Prime Landlord's request, execute and deliver all instruments necessary or appropriate to confirm such attornment and recognition. Tenant hereby waives all rights under any present or future law to elect, by reason of the termination of such Prime Lease, to terminate this Sublease or surrender possession of the Premises.

8. Tenant's Obligations. Except as otherwise specifically provided herein, during the term of this Sublease all acts to be performed and all of the terms, provisions, covenants, stipulations, conditions, rights, obligations, remedies and agreements to be observed by and inuring to the benefit of, Landlord, as tenant under the Prime Lease of the Premises and arising from and after the Commencement Date, shall be performed, and observed by, and shall inure to the benefit of, Tenant, and Tenant's obligations shall run to Landlord or the Prime Landlord as Landlord may determine to be appropriate or required by the respective interests of Landlord and Prime Landlord. Tenant shall indemnify Landlord against, and hold Landlord harmless from and against, all costs, damages, claims, liabilities, liens and expenses (including, but not limited to, reasonable attorneys' fees and disbursements, court costs and other expenses of litigation or arbitration) paid, suffered, incurred by or claimed against Landlord as a result of the nonperformance or non-observance by Tenant, Tenant's agents, contractors, employees, invitees or licensees of any such terms, provisions, covenants, stipulations, conditions, obligations and agreements contained in the Prime Lease. In furtherance of the foregoing, Tenant shall not (i) do or permit to be done anything prohibited to Landlord, as tenant under the Prime Lease, or (ii) take any action or do or permit anything which would result in any additional cost or other liability to Landlord under the Prime Lease and/or this Sublease. In the event of any inconsistency between the Prime Lease and this Sublease, such inconsistency (i) if it relates to obligations of, or restrictions on, Tenant, shall be resolved in favor of that obligation which is more onerous to Tenant or that restriction which is more restrictive of Tenant, as the case may be, or (ii) if it relates to the rights of, or benefits to be conferred upon, Tenant, shall be resolved in favor of this Sublease.

9. Landlord's Obligations. Anything contained in this Sublease or in the Prime Lease to the contrary notwithstanding, Landlord shall have no responsibility to Tenant for, and shall not be required to provide, any of the services or make any of the repairs or restorations that Prime Landlord has agreed to make or provide, or cause to be made or provided, under the Prime Lease (including, without limitation, those set forth in Sections 4 [Delivery of Possession], 10 [Services and Utilities], 11.1 [Landlord's Obligations], 12.1 [Landlord's Construction Obligations], 16 [Damage or Destruction] [relating to any duty to restore the Premises or the Building], 17 [Eminent Domain] [relating to any duty to restore the Premises or the Building], and 35 [Telecommunications] thereof), and Tenant shall rely upon, and look solely to, Prime Landlord for the provision or making thereof. If Prime Landlord shall default in the performance of any of its obligations under the Prime Lease, or if Tenant wishes to file a protest or to dispute any matter or thing, Landlord has the right to protest or dispute as tenant under the Prime Lease, then Tenant shall advise Landlord of such protest or dispute (together with all material facts and circumstances pertaining thereto) and Landlord shall make demand on Prime Landlord and shall employ all reasonable efforts to cause Prime Landlord to cure such default or resolve such dispute. Except as may result from a default of Landlord from its obligations specified in the preceding sentence, Tenant shall not make any claim against Landlord for any damage which

may arise, nor (except for any abatement provided to and actually received by Landlord) shall Tenant's obligations hereunder be impaired or abated by reason of (i) the failure of Prime Landlord to keep, observe or perform its obligations pursuant to the Prime Lease, or (ii) the acts or omissions of Prime Landlord and each of its agents, contractors, servants, employees, invitees or licensees.

10. Covenants with respect to the Prime Lease. Tenant covenants and agrees that Tenant shall not do anything that would constitute a default under the Prime Lease or omit to do anything that Tenant is obligated to do under the terms of this Sublease so as to cause there to be a default under the Prime Lease.

11. Broker. Tenant represents and warrants to Landlord that Tenant has not dealt with any broker in connection with this Sublease. Tenant shall indemnify Landlord against, and hold Landlord harmless from, any claim on, or liability to, any broker or any other party with whom Tenant shall have dealt in connection with this transaction and Sublease.

12. Indemnification.

12.1 Reciprocal Indemnification of Landlord and Tenant.

(a) Tenant shall indemnify, defend with competent and experienced counsel and hold harmless Landlord from and against any and all damages, liabilities, actions, causes of action, suits, claims, demands, losses, costs and expenses (including without limitation reasonable attorneys' fees and disbursements and court costs) to the extent arising from or in connection with the negligence or willful misconduct of Tenant, its agents, employees, representatives or contractors.

(b) Landlord shall indemnify, defend with competent and experienced counsel and hold harmless Tenant, its subsidiaries and affiliates and their respective officers, directors, shareholders and employees, from and against any and all damages, liabilities, actions, causes of action, suits, claims, demands, losses, costs and expenses (including without limitation reasonable attorneys' fees and disbursements and court costs) to the extent arising from or in connection with the negligence or willful misconduct of Landlord, its agents, employees, representatives or contractors.

(c) The party seeking indemnification under this Section (the "Indemnified party") shall provide prompt written notice of any third party claim to the party from whom indemnification is sought (the "Indemnifying Party"). The Indemnifying Party shall have the right to assume exclusive control of the defense of such claim or at the option of the Indemnifying Party, to settle the same. The Indemnified Party agrees to cooperate reasonably with the Indemnifying Party in connection with the performance of the Indemnifying Party's obligations under this Section.

(d) Notwithstanding anything to the contrary contained in this Sublease, neither party hereto shall be liable to the other for any indirect, special, consequential or incidental damages (including without limitation loss of profits, loss of use or loss of

goodwill) regardless of (i) the negligence (either sole or concurrent) of either party or (ii) whether either party has been informed of the possibility of such damages. It is expressly understood and agreed that damages payable by either party to Prime Landlord shall be deemed to constitute direct damages of such party. This subparagraph (d) shall not be applicable to Section 21 of this Sublease.

12.2 Indemnification by Tenant of Prime Landlord. Tenant agrees to defend, save harmless and indemnify Prime Landlord to the same extent as Landlord is required to do so under the provisions of the Prime Lease including, but not limited to, the provisions of Section 14 of the Prime Lease.

12.3 Survival. The provisions of this Section shall survive the expiration or earlier termination of this Sublease.

13. Quiet Enjoyment. Subject to the terms and conditions hereof and as long as Tenant pays all of the Base Rent and Additional Rent due hereunder and otherwise performs and observes all of the obligations, terms and conditions contained herein and in the Prime Lease as herein incorporated, Tenant shall peaceably and quietly have, hold and enjoy the Premises.

14. Termination of Prime Lease. If for any reason the term of the Prime Lease is terminated prior to the Expiration Date of this Sublease, this Sublease shall thereupon terminate, and Landlord shall not be liable to Tenant by reason thereof unless such termination is due solely to an event of default on behalf of Landlord. Notwithstanding the foregoing, if the termination of the Prime Lease does not result in the termination of this Sublease by reason of Tenant's attornment to, and recognition of, Prime Landlord as landlord hereunder in accordance with the provisions of Section 7(b) hereof, Landlord shall not be liable to Tenant hereunder for damages or otherwise, and Landlord's obligation to Tenant shall be limited to returning to Tenant a portion of any rent paid in advance by Tenant, if any, prorated as of the date of such termination.

15. Modification of Prime Lease. For the purposes hereof, the terms of the Prime Lease are subject to the following modifications:

(a) In all provisions of the Prime Lease requiring the approval or consent of Prime Landlord, Tenant shall be required to obtain the approval or consent of both Prime Landlord and Landlord. In all provisions of the Prime Lease requiring that notice be given to Prime Landlord, Tenant shall be required to give notice to both the Prime Landlord and Landlord.

(b) The following provisions of the Prime Lease do not apply to Tenant and are hereby deleted in respect of this Sublease: Sections 2.4 (Commencement Date), 2.6 (Expiration Date), 2.8 (Addresses), 2.9 (Listing and Leasing Agents), 3.4 (Exhibit D -- Work Letter and Drawings), 4 (Delivery of Possession), 8 (Security Deposit), 12.1 (Landlord's Construction Obligations), 12.2 (Tenant's Construction Obligations), 18 (Assignment and Subletting) (as between Landlord and Tenant only), 37 (Tenant Improvements), 38 (Assignment and Subletting) (as between Landlord and Tenant only), 39 (Estoppel Certificates), and 40 (Damage and Destruction).

16. Consents. Landlord's refusal to consent to or approve any matter or thing, whenever Landlord's consent or approval is required under this Sublease or under the Prime Lease, as incorporated herein, shall be deemed reasonable if Prime Landlord has refused or failed to give its consent or approval to such matter or thing.

17. Condition of the Premises; Tenant's Changes.

(a) Tenant represents it has made a thorough examination of the Premises and it is familiar with the condition thereof. Tenant acknowledges that it enters into this Sublease without any representation or warranties by Landlord except as set forth in this Lease, or anyone acting or purporting to act on behalf of Landlord, as to the present or future conditions of the Premises or the appurtenances thereto or any improvements therein or of the Building. It is further agreed that Tenant does and will accept the Premises "as is" in their present condition and Landlord has no obligation to perform any work therein.

(b) Notwithstanding anything to the contrary contained in the Prime Lease, Tenant shall not make any changes to the Premises whatsoever, including, without limitation, structural or non-structural changes, without the prior written consent of Landlord which consent shall not be unreasonably withheld, conditioned or delayed but subject to prior consent of Prime Landlord in accordance with the Prime Lease.

18. Assignment and Subletting.

(a) Tenant, for itself, its successors and assigns, expressly covenants that it shall not assign, whether by operation of law or otherwise, mortgage or pledge or otherwise transfer or encumber this Sublease, or sublet all or any part of the Premises without obtaining the prior written consent of Landlord which consent may be given or withheld in Landlord's sole discretion. Notwithstanding the foregoing, Landlord's consent shall not be unreasonably withheld with respect to assignments or transfers to Affiliated Entities. Affiliated Entities shall mean (i) a subsidiary of Tenant, (ii) a corporation or other entity into or with which Tenant has merged or consolidated or to which substantially all of Tenant's stock or assets are transferred, or (iii) any corporation or other entity which controls, is controlled by, or is under common control with Tenant.

Notwithstanding the foregoing, provided there is no default continuing beyond any applicable notice and/or cure period, Landlord also agrees, upon the written request of Tenant, to not unreasonably withhold its consent to a sub-sublease of the Premises by Tenant, provided and on the condition that: (i) such sub-sublease including the subtenant shall be subject to Prime Landlord's prior approval, which approval shall not be unreasonably withheld as further described in the Prime Lease; (ii) such subtenant shall be of a business reputation reasonably acceptable to Landlord; (iii) such subtenant shall have a financial net worth, determined by generally acceptable accounting principles, satisfactory to Landlord (and Tenant shall supply financial information and documentation regarding such financial status to Landlord thirty (30) days prior to the execution of any new sub-sublease); (iv) the terms of such new sub-sublease shall be on the same or better terms as this Sublease (or if any term may be less favorable to

Landlord, the inclusion of such change in the new sublease shall be subject to Landlord's sole discretion); (v) the new sub-sublease shall be unconditionally guaranteed by Tenant, which form of guaranty shall be satisfactory to Landlord; (vi) Tenant shall reimburse Landlord for its reasonable out-of-pocket expenses, including reasonable attorney's fees, incurred in connection with such surrender and sub-sublease and Tenant shall be solely responsible for any leasing commissions, improvements allowances or other expenses relating to the proposed sub-sublease; (vii) Tenant shall not be in default hereunder; (viii) Tenant shall pay to Landlord 50% of all rents received in connection with such sub-sublease in excess of the rents set forth herein; and (ix) the new sub-sublease shall be in the form of this Sublease. Any obligations of Tenant to reimburse Landlord hereunder shall survive the surrender of the Sublease.

(b) If Tenant requests Landlord's consent to a sublease as set forth above, Tenant, together with such request for consent, shall provide Landlord with the name of the proposed transferee and the nature of the business of the proposed transferee, the term, use, rental rate and all other material terms and conditions of the proposed transfer, including, without limitation, a copy of the proposed sub-sublease or other contractual documents and evidence satisfactory to Landlord that the proposed transferee is financially responsible.

With respect to any sub-sublease of fifty (50%) percent or more of the Premises, Landlord may have the right to recapture the Premises if Tenant proposes to assign or sublease the Premises to a third party after the one year anniversary of the Commencement Date. Landlord must exercise (or forego) its recapture rights within fifteen (15) days of its receipt of Tenant's sublease/assignment notice. In order to effectuate its recapture rights, Landlord may terminate, at its election, the sublease with respect to the entire Premises or with respect to that portion of the Premises described in the sub-sublease and Tenant shall have no further obligations (except as otherwise specifically set forth in this Sublease) with respect to that portion of the Premises which are recaptured (and there shall be a pro rata reduction in Rent and the Security Deposit based upon the rentable square footage of the recaptured portion of the Premises relative to the rentable square footage of Premises prior to recapture), except as specifically set forth herein, and Tenant shall at its expense erect, if necessary, a demising wall to separate the remainder of the Premises from that portion of the Premises which is being recaptured and to take such other steps as shall be necessary to make the portion of the Premises that is not being recaptured into a self-contained, lawfully demisable rental unit.

(c) In the event Landlord is requested to consent to an assignment of this Sublease or a subletting of the Premises, Tenant shall pay all costs and expenses in connection with such assignment or subletting, including, without limitation, any reasonable attorneys' fees of Landlord in connection with its review of the assignment or subletting documents, any cost of renovating, altering or decorating the Premises for a new occupancy (if Tenant desires to do the same) and any leasing brokerage fees payable.

(d) The listing of any name other than that of Tenant, whether on the doors of the Premises or on the Building directory, or otherwise, shall not operate to vest any right or interest in this Sublease or in the Premises or be deemed to be the written consent of Landlord mentioned in this Section, it being expressly understood that any such listing is a privilege extended by Landlord revocable at will by written notice to Tenant.

(e) If this Sublease is assigned, or if the Premises or any part thereof is sublet or occupied by anybody other than Tenant, Landlord may at any time and from time to time, collect rent and other charges from the assignees, subtenants or occupants, and apply the net amount collected to the Base Rent and other charges herein reserved, but no such assignment, sublease or collection shall be deemed a waiver of this covenant, or the acceptance of the assignee, Tenant or occupant as a Landlord, or a release of Tenant from the further performance of covenants on the part of Tenant herein contained, including without limitation, Tenant's obligation to pay the Base Rent and other charges, or a release of the Security Deposit (as hereinafter defined). The consent by Landlord to an assignment or subletting or occupancy shall not in any way be construed to relieve Tenant from obtaining the express consent in writing of Landlord to any further assignment or subletting or occupancy.

(f) Notwithstanding the immediately preceding sentences, any steps taken by Landlord or Tenant in this regard shall be subject to all terms and conditions of the Prime Lease.

(g) Landlord reserves the right to transfer and assign its interest in and to this Sublease to any entity or person who shall succeed to Landlord's interest in and to the Prime Lease.

(h) Consent by Landlord to any assignment, transfer or subletting to any party shall not be construed as a waiver or release of Tenant from the terms of any covenant or its primary responsibility under this Sublease, nor shall consent to one assignment, transfer or sublease to any person, partnership, firm or corporation be deemed to be a consent to any subsequent assignment, transfer or subletting to another person, partnership, firm or corporation; Tenant shall remain directly and primarily liable and any such sublessee or assignee agrees directly with Landlord by written instrument reasonably satisfactory to Landlord to be bound by all of the obligations of Tenant.

19. Insurance.

(a) Tenant agrees to maintain all insurance coverages specified in and in accordance with Section 15 of the Prime Lease (including without limitation commercial general liability and property damage insurance, casualty insurance and workers' compensation insurance). All such insurance shall be underwritten by a company or companies licensed to do insurance business in the Commonwealth of Massachusetts by the Department of Insurance and in good standing, and shall be written on an "occurrence basis." All such insurance policies shall name Landlord and Prime Landlord as additional insureds thereunder and, in addition, shall name as additional insureds the holders of any mortgage of the Building, or the property on which the building is located (the "Property"), of which Tenant is notified in writing, as their respective interests may appear. Tenant shall furnish Landlord receipts evidencing payment of

the premiums for such insurance (if requested by Landlord) and shall deposit with Landlord certificates for such insurance no later than the Commencement Date and at least fifteen (15) days before each insurance renewal date thereof, bearing the endorsement that the polices will not be canceled nor will coverages be reduced until after ten (10) days' prior written notice to both Landlord and Prime Landlord of such proposed action. Tenant shall pay all premiums and charges for such insurance, and if Tenant shall fail to obtain such insurance, Landlord may, but shall not be obligated to, obtain the same, in which event the amount of the premium paid shall be paid by Tenant to Landlord upon Landlord's demand therefor, shall be deemed Additional Rent and shall be collectible by Landlord in the same manner and with the same remedies as though said sums were Additional Rent reserved hereunder.

(b) Tenant acknowledges that Landlord will not carry any insurance in favor of Tenant, and that neither Prime Landlord nor Landlord will carry insurance on Tenant's furniture and/or furnishings or any fixtures or equipment, improvements or appurtenances of Tenant in or about the Premises.

20. Waiver of Subrogation.

(a) Any casualty insurance carried by the Tenant with respect to the Premises, the Building or the Property, or property therein or occurrences thereon shall include a clause or endorsement denying to the insurer rights of subrogation against the other party to the extent rights have been waived by the insured prior to occurrence of injury or loss, provided that such clause or endorsement is obtainable without payment of an additional premium. If such clause or endorsement is obtainable upon payment of an additional premium, notice thereof shall be given to the Landlord and the Landlord may request the Tenant to obtain it and shall reimburse the Tenant for the cost of such additional premium.

(b) Each party, notwithstanding any provisions of this Sublease to the contrary, hereby waives any rights of recovery against the other for injury or loss due to hazards covered by such insurance to the extent such party's policy permits such waivers of subrogation and then only with respect to sums which are collectible thereunder. Landlord shall be afforded the protection of this provision notwithstanding any right which Tenant may have to self insure.

21. End of Term. If Tenant shall remain in possession of the Premises or any part thereof after the expiration or prior termination of the Term hereof, as the same may be extended, the parties agree that no such holding over by Tenant shall operate to extend or renew this Sublease, and that any such holding over shall cause Tenant to become a month-to-month tenant and Tenant shall be obligated to pay monthly installment of Base Rent and Additional Rent in an amount equal to one hundred fifty percent (150%) times the sum of the installment of Base Rent and Additional Rent payable during the last full calendar month of the Lease Term, and such tenancy shall otherwise be subject to all the terms, conditions, covenants and agreements of this Sublease. Tenant further agrees to pay. to Landlord all direct, indirect and consequential damages, costs and expenses incurred by Landlord as a result of such holding over, including without limitation, any costs and expenses that Prime Landlord charges to Landlord on account thereof and Tenant agrees to indemnify Landlord against, and hold Landlord harmless from, any

damage, loss, claim, liability or expenses, including without limitation, reasonable attorneys' fees arising out of such holding over.

22. Default.

(a) In the event that Tenant shall default in the payment of Base Rent, Additional Rent or any other charge payable hereunder or in the delivery of any document, instrument or assurance as required hereunder or under the Prime Lease within two (2) days after written notice, or shall default in the performance or observance of any of the terms, conditions and covenants of this Sublease within twenty (20) days after written notice, or, if not curable within said twenty day period, Tenant does not commence to cure said default within said twenty day period and diligently prosecute the same to completion, Landlord, in addition to and not in limitation of any rights otherwise available to it, shall have the same rights and remedies with respect to such default as are provided to Prime Landlord under the Prime Lease with respect to defaults by Landlord as tenant thereunder, with the same force and effect as though all such provisions relating to any such default or defaults were set forth herein in their entirety, and Tenant shall have all of the obligations of the tenant under the Prime Lease with respect to such default or defaults.

(b) In the event of a default by Tenant in the performance of any of its non-monetary obligations hereunder, including those under the Prime Lease, Landlord may, at its option, and without waiving any other remedies for such default herein or at law or by incorporation by reference of the Prime Lease provided, at any time thereafter, give written notice to Tenant that if such default is not cured, or the cure not commenced, within twenty (20) days after notice, and if so commenced is not thereafter pursued diligently to completion, Landlord may cure such default for the account of Tenant, and any amount paid or incurred by Landlord in so doing shall be deemed paid or incurred for the account of Tenant and Tenant agrees promptly to reimburse Landlord therefor and save Landlord harmless therefrom; provided, however, that Landlord may cure any such default as aforesaid prior to the expiration of any waiting period if reasonably necessary to protect Landlord's interest under the Prime Lease or to prevent injury or damage to persons or property.

(c) In addition to any other event of default under this Sublease or the Prime Lease, it shall be an event of default under this Sublease, without any notice or cure period, if Tenant shall be in default under that certain Agreement of Sublease between Landlord and Tenant dated October 20, 2000 relating to space located at 235 Littleton Road, Westford, MA continuing beyond any applicable notice and/or cure period.

23. Destruction, Fire and other Casualty. If the whole or any part of the Premises or the Building shall be damaged by fire or other casualty and the Prime Lease is not terminated on account thereof by either Landlord or Prime Landlord in accordance with the terms thereof, this Sublease shall remain in full force and effect and Base Rent and Additional Rent shall not abate except to the extent Base Rent and Additional Rent for the Premises shall abate under the terms of the Prime Lease.

Notwithstanding the foregoing, if and only to the extent Prime Landlord provides Landlord an opportunity under Section 16 of the Prime Lease to terminate the Prime Lease with respect to the Premises ("Casualty Termination Option"), Landlord shall within ten (10) business days of receipt from Prime Landlord of such Casualty Termination Option notify Tenant whether Landlord has elected to terminate or not terminate the Prime Lease. If Landlord has decided not to terminate the Prime Lease under Section 16 of the Prime Lease with respect to the Premises, Tenant may decide, notwithstanding such decision, that it elects to terminate the Sublease provided (i) there is no default hereunder, and (ii) Tenant informs Landlord within ten (10) business days of receipt of such Casualty Termination Option from Landlord that it elects to terminate the Sublease in which event the Sublease shall terminate on the date set forth in Section 16 of the Prime Lease. If Tenant fails to satisfy all of the foregoing conditions, Tenant shall be deemed to have waived any rights set forth herein. All times set forth herein are of the essence.

24. Notices.

(a) Whenever, by the terms of this Sublease, notice, demand or other communication shall or may be given to either party, the same shall be in writing and addressed as follows:

If to Landlord: Unisphere Networks, Inc.
One Executive Drive
Chelmsford, MA 01824
Attn: Suzanne M. Zabitchuck
General Counsel

with a copy to:
Gadsby Hannah LLP
225 Franklin Street
Boston, MA 02110
Attn: Cynthia B. Keliher, Esq.

If to Tenant: Sonus Networks, Inc.
5 Carlisle Road
Westford, MA 01886
Attn: Stephen J. Nill, Vice President of Finance
and CFO

or to such other address or addresses as shall from time to time be designated by written notice by either party to the other as herein provided. All notices shall be sent by registered or certified mail, postage prepaid and return receipt requested, or by Federal Express or other comparable courier providing proof of delivery, and shall be deemed duly given and received (i) if mailed, on the third business day following the mailing thereof, or (ii) if sent by courier, the date of its receipt (or, if such day is not a business day, the next succeeding business day). Landlord and Tenant each promptly shall deliver to the other copies of all notices, requests, demands or other

communications which relate to the Premises or the use or occupancy thereof after receipt of the same from Prime Landlord or others.

(b) Each party hereunder shall promptly furnish the other with copies of all notices under the Prime Lease or this Sublease with respect to the Premises which such party shall receive from Prime Landlord under the Prime Lease.

25. Sublease Conditional Upon Certain Consents. Landlord and Tenant each acknowledge and agree that this Sublease is subject to Landlord's obtaining the unconditional consent of Prime Landlord in accordance with the terms of the Prime Lease, and that if such consent shall not be obtained within forty-five (45) days of the date hereof, then this Sublease shall be deemed cancelled and terminated and neither of the parties hereto shall have any liability to the other.

26. Security Deposit. (a) Tenant concurrently with the execution of this Sublease has deposited with Landlord a deposit (the "Security Deposit") in the amount of One Hundred Six Thousand Nine Hundred Twelve 00/100 Dollars ($106,912.00) to be held by Landlord without interest as security for the faithful performance and observance by Tenant of the terms, conditions and provisions of this Sublease, including without limitation the surrender of possession of the Premises to Landlord as herein provided. Landlord shall not be required to maintain the Security Deposit in a separate account. It is agreed that in the event Tenant defaults in respect of any of the terms, provisions and conditions of this Sublease, including, but not limited to, the payment of Base Rent and Additional Rent, Landlord may apply or retain the whole or any part of the Security Deposit to the extent required for the payment of any Base Rent and Additional Rent or any other sum as to which Tenant is in default or for any sum which Landlord may expend or may be required to expend by reason of Tenant's default in respect of any of the terms, covenants and conditions of this Sublease, including but not limited to, any damages or deficiency in the reletting of the Premises, whether such damages or deficiency accrue or accrues before or after summary proceedings or other reentry by Landlord. The Security Deposit is not to be used or applied by Tenant as a substitute for rent due any month, but may be so applied by Landlord at any time at Landlord's option. The use, application or retention of the Security Deposit, or any portion thereof, by Landlord shall not prevent Landlord from exercising any other right or remedy provided by this Sublease or by law and shall not operate as a limitation on any recovery to which Landlord may otherwise be entitled. If Landlord applies or retains any part of the Security Deposit, Tenant, upon written demand therefor by Landlord, shall deposit cash with Landlord in such amount so that Landlord shall have the full deposit on hand at all times during the Term. If Tenant shall fully and faithfully comply with all of the terms, provisions, covenants and conditions of this Sublease, the balance of the Security Deposit, if any, shall be returned to Tenant within thirty (30) days after the Expiration Date and after the delivery of the entire possession of the Premises to Landlord.

(b) Letter of Credit. Landlord agrees that the Security Deposit may be provided in the form of an unconditional and irrevocable letter of credit (the "Letter of Credit"), in a form and by an issuing bank approved by Tenant. The Letter of Credit shall provide that (a) Landlord can draw upon the Letter of Credit upon presenting a demand letter to the issuing bank stating that Tenant is in default under the Sublease after expiration of all applicable notice and cure

periods or Tenant has failed to provide a replacement letter of credit acceptable to Landlord as required under the Sublease, and (b) the Letter of Credit is transferable in whole and not in part by Landlord to Landlord's transferee, without Tenant's approval, should Landlord transfer or convey its interest in the Premises. The Letter of Credit shall not expire until a minimum of thirty (30) days following the expiration of the term of this Sublease. Landlord shall have the right, from time to time, without prejudice to any other remedy Landlord may have on account thereof, to draw on the Letter of Credit on account of, and to apply such drawn amounts to Landlord's damages arising from, or to cure, any default of Tenant continuing beyond any applicable notice and/or cure period. If Landlord shall so apply sums drawn on the Letter of Credit, Tenant shall immediately deliver a replacement Letter of Credit in the same face amount as the original Letter of Credit before it was drawn upon (or, if Landlord shall have drawn down only a portion of the Letter of Credit, Tenant shall deliver a replacement Letter of Credit or an amendment to the original Letter of Credit such that the aggregate balance available to be drawn down by Landlord is restored to $106,912). If the term of any Letter of Credit held by Landlord shall expire prior to the expiration date of this Sublease, and it is not extended or a new letter of credit for an extended period of time is not substituted within ten (10) days prior to the expiration date of the Letter of Credit, then Landlord may make demand for the principal amount of the Letter of Credit and hold such funds in accordance with this Section 26 until the expiration date of the term of the Sublease. At any time that Tenant is in default under the terms of this Sublease continuing beyond any applicable notice and/or cure period, Landlord may make demand for the principal amount of the Letter of Credit and hold such funds for the balance of the term of the Sublease in accordance with this Section 26. All costs and fees associated with issuing and maintaining the Letter of Credit shall be borne by Tenant.

27. Payment of the First Month's Base Rent. Tenant shall pay to Landlord the first monthly installment of the applicable Base Rent upon execution of this Sublease.

28. Signage. Any signage contemplated by the Tenant shall be subject the consent of the Prime Landlord. Landlord shall have no obligation or responsibility to remove any signage which exists at the Premises as of the Commencement Date.

29. Landlord's Representations. Landlord hereby represents and warrants that (i) the Prime Lease is in full force and effect, (ii) the Prime Lease attached hereto as Exhibit A is the complete Prime Lease and that the Prime Lease has not been amended or modified; (iii) to the best of Landlord's knowledge, there are no existing setoffs, defenses or counterclaims against the Prime Landlord with respect to the payment of rent reserved under the Prime Lease or any performance of other terms, conditions or covenants of the Prime Lease on the part of the Tenant under the Prime Lease to be performed; and (iv) there exists no defaults or breaches of Prime Landlord's or Tenant's obligations under the Prime Lease nor, to the best of Landlord's knowledge, any event which with the giving of notice or passage of time, or both, would constitute a default under the Prime Lease.

30. Miscellaneous.

(a) This Sublease may not be extended, renewed, terminated, or otherwise modified except by an instrument in writing signed by the party against whom enforcement of any such modification is sought.

(b) It is understood and agreed that all understandings and agreements heretofore had between the parties hereto are merged in this Sublease, which alone fully and completely expresses their agreement, and that the same is entered into after full investigation, neither party relying upon any statement, representation or warranty made by the other not embodied in this Sublease.

(c) The paragraph headings appearing herein are for purposes of convenience only and are not deemed to be a part of this Sublease.

(d) The provisions of this Sublease shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts without regard to principles of conflicts of laws. Landlord and Tenant agree to submit to jurisdiction in the Commonwealth of Massachusetts with respect to any dispute under or arising out of this Sublease and agree that any such dispute shall be brought either in the courts of the Commonwealth of Massachusetts or in the applicable federal district court located in Massachusetts.

(e) If any provision of this Sublease or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Sublease, or the application of such provision to persons or circumstance other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Sublease shall be valid and enforced to the fullest extent permitted by law.

(f) This Sublease may be executed in counterparts each of which shall be deemed an original and all of which together shall constitute one and the same document.

(g) This Sublease (or any notice hereof) shall not be recorded.

(h) Landlord and Tenant hereby each waive trail by jury in any action, proceeding or counterclaim brought by either against the other, on or in respect of any matter whatsoever arising out of or in any way connected with this Sublease, the relationship of Landlord and Tenant or Tenant's use or occupancy of the Premises.

(i) This Sublease includes and incorporates all Exhibits referred to hereby and attached hereto.

[SIGNATURES APPEAR ON THE NEXT PAGE]

IN WITNESS WHEREOF, this Agreement of Sublease has been duly executed as of the day and year first above written.

LANDLORD:
UNISPHERENETWORKS, INC.

By: /s/ John J. Connolly

Name: John J. Connolly

Title: V.P. Finance & CFO

TENANT:
SONUS NETWORKS, INC.

By: /s/ S. J. Nill

Name: S. J. Nill

Title: VP & CFO

EXHIBIT A
Prime Lease

Attached hereto

Exhibit 10.8

235 Littleton Road, Westford
EXECUTION COPY

AGREEMENT OF SUBLEASE

THIS AGREEMENT OF SUBLEASE ("Sublease") is made as of the 20th day of October, 2000, by and between Unisphere Networks, Inc., a Delaware corporation ("Landlord"), having an office at One Executive Drive, Chelmsford, MA 01824 and Sonus Networks, Inc. ("Tenant"), a Delaware corporation, having an office at 5 Carlisle Road, Westford, MA 01886.

WITNESS

WHEREAS, by Lease dated as of December 9, 1999, as amended by that certain Addendum to Lease dated as of June 23, 2000 (the "First Amendment") (collectively hereinafter the "Prime Lease") by and between 235 Littleton Road Associates, Inc. ("Prime Landlord") and Unisphere Solutions, Inc., Prime Landlord leased to Unisphere Solutions, Inc. the premises (as hereinafter defined) (the "Premises") which is located within the building known by the street address of 235 Littleton Road, Westford, MA 01886 (the "Building"), which Premises are more particularly described in the Prime Lease and include 8,418 rentable square feet consisting of Units 1, 3 & 5;

WHEREAS, Unisphere Solutions, Inc. changed its name to Unisphere Networks, Inc. (hereinafter referred to as "Landlord");

WHEREAS, Landlord desires to sublease to Tenant and Tenant desires to sublease from Landlord the Premises, and Landlord is willing to sublease the Premises on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the parties agree as follows:

1. Subleasing of Premises. Subject to the written consent of the Prime Landlord, Landlord hereby subleases to Tenant and Tenant hereby subleases from Landlord the Premises, upon and subject to all of the terms, covenants, recitals and conditions hereinafter set forth.

2. Term

a. The term (the "Term") of this Sublease shall commence on February 1, 2001 (the "Commencement Date"), with said Term to expire at midnight on January 13, 2003 (the "Expiration Date"), unless sooner terminated as hereinafter provided.

b. Tenant acknowledges that Landlord is in the process of constructing a new building into which it intends to relocate its operations from the Premises. Notwithstanding any other provision of this Sublease to the contrary, Landlord may deliver the Premises to Tenant at any time from February 1, 2001 to June 30, 2001 upon thirty (30)

days notice ("Commencement Date Notice") to Tenant, provided that the Commencement Date shall be extended to such date and the Rent, as hereinafter defined, shall become payable on the Commencement Date.

c. Under no circumstances shall Landlord be required to vacate the Premises if its new building shall not be substantially complete, in Landlord's sole judgment. In the event that Landlord is unable to deliver the Premises to Tenant on or before June 30, 2001, then either party may terminate this Sublease in which case this Sublease shall terminate without further recourse to either party hereunder and shall be null and void with no further force or effect. Tenant shall have no right to terminate this Sublease (in the event of Landlord's failure to deliver the Premises on or before June 30, 2001) unless Tenant terminates that certain Agreement of Sublease by and between Landlord and Tenant dated of even date herewith relating to space lease at 5 Carlisle Road, Westford.

d. Tenant shall not be required to take delivery of the Premises unless and until Landlord shall deliver possession of the Premises located at 5 Carlisle Road, Westford, Massachusetts.

e. Tenant shall have the right to have entry and access to the Premises commencing on the twentieth day after receipt of the Commencement Date Notice and Tenant shall not be obligated to pay any rent due hereunder but all other terms and conditions of this Sublease shall be in full force and effect upon the date of entry into the Premises by Tenant for any purposes.

3. Base Rent. During the Term, Tenant shall pay to Landlord, in lawful money of the United States which at the time shall be legal tender in payment of all debts and dues, public and private, an annual fixed rent (the "Base Rent") of $145,210.88 in monthly installments of $12,100.88. All such monthly installments shall be paid in advance, on the first (1st) day of each month during the Term, at the office of the Landlord, or such other place as Landlord may designate, without any setoff or deduction of any kind whatsoever.

4. Additional Rent.

(a) Beginning on the Commencement Date, Tenant shall pay, as Additional Rent one hundred percent (100%) of all additional rent payments for real estate taxes under Section 6 of the Prime Lease (as such terms are referred to in the Prime Lease) and one hundred percent (100%) of all payments for the use of the dumpster under Section 22 of the Prime Lease. Rental and any other sums due hereunder not paid by the due date shall bear interest of 18% per annum. All payments shall be made to Landlord at its address set forth in Section 24 below, or at such other address or addresses as Landlord may from time to time designate by written notice to Tenant.

Tenant shall also pay, as Additional Rent, the cost of all utilities furnished to Tenant on the Premises, including, but not limited to, electricity, gas, oil, water and sewer.

Tenant agrees to pay any and all such charges for the Premises to Landlord in the event any such utilities are not separately metered to Tenant (to the extent Landlord is assessed such charges by Prime Landlord) or directly to the utility company if such utilities are separately metered.

(b) Tenant's obligation to pay Additional Rent hereunder shall be on account of the period from and after the Commencement Date and shall survive the Expiration Date or sooner termination of the Term.

(c) All amounts payable by Tenant to Landlord pursuant to this Sublease, including, without limitation, Base Rent and Additional Rent, shall be deemed and constitute rent and, in the event of any non-payment thereof, Landlord shall have all of the rights and remedies provided herein, in the Prime Lease or in law or at equity for non-payment of rent.

(d) Tenant agrees to pay to Landlord Tenant's pro rata share of any taxes attributable to leasehold improvements, furniture or equipment within the Premises which are payable by Landlord under the Prime Lease.

5. Care, Surrender and Restoration of the Premises.

(a) Without limiting any other provision of this Sublease or the Prime Lease, Tenant shall take good care of the Premises, suffer no waste or injury thereto and shall comply with all those laws, orders and regulations applicable to the Premises, the Building and Tenant's use or manner of use thereof, which are imposed on Landlord, as tenant under the Prime Lease, in connection with the Premises and the Building, including without limitation any rules and regulations promulgated by the Prime Landlord.

(b) At the expiration or other termination of the Term, Tenant shall surrender the Premises and all alterations and additions thereto (including any fixtures, panelling, railings and like installation installed at the Premises at any time by Tenant, by Prime Landlord or by Landlord) in good order, repair and condition, ordinary wear and tear and damage by casualty only excepted, first removing all goods and effects of Tenant and, to the extent specified by Landlord by notice to Tenant given at least thirty (30) days before such expiration or termination (but only to the extent required by Prime Landlord pursuant to the terms of the Prime Lease), all alterations and additions made by or on behalf of Tenant. Tenant shall repair any damage caused by such removal and restore the Premises and leave them clean and neat in compliance with the requirements of Section 5 of this Sublease and Sections 12 and 21 of the Prime Lease. All property permitted or required to be removed by Tenant upon the Expiration Date or sooner termination of the Term remaining in the Premises shall be deemed abandoned and may, at the election of Landlord, either be retained as Landlord's property or may be removed from the Premises by Landlord, at Tenant's expense. Any such reasonable expenses shall be paid by Tenant to Landlord upon demand therefor and shall be deemed Additional Rent, collectible by Landlord in the same manner and with the same remedies as though said sums were Base Rent reserved hereunder.

(c) Upon the Expiration Date or sooner termination of the Term, Tenant shall quit and surrender the Premises to Landlord, broom clean, in good order and condition, ordinary wear and tear and damage by fire and other casualty excepted, and Tenant shall remove all of its property. If the Expiration Date or sooner termination of the Term of this Sublease falls on a Sunday, this Sublease shall expire at noon on the preceding Saturday unless it be a legal holiday, in which case it shall expire at noon on the preceding business day. Tenant shall observe and perform the covenants herein stated and Tenant's obligations hereunder shall survive the Expiration Date or sooner termination of the Term.

6. Use. Tenant shall use and occupy the Premises for the purposes permitted under Section 8 of the Prime Lease, "Office Space", and for no other purpose.

7. Subordination to and Incorporation of Terms of Prime Lease.

(a) This Sublease is in all respects subject and subordinate to the terms and conditions of the Prime Lease and to the matters to which the Prime Lease is or shall be subordinate. Except as otherwise expressly provided in this Sublease, the terms, provisions, covenants, stipulations, conditions, rights, obligations, remedies and agreements of the Prime Lease are incorporated in this Sublease by reference and made a part hereof as if herein set forth at length, and shall, as between Landlord and Tenant (as if they were the Landlord and Tenant, respectively, under the Prime Lease and as if the Premises being sublet hereby were the Prime Lease Premises demised under the Prime Lease), constitute the terms of this Sublease, except to the extent that they do not relate to the Premises or are inapplicable to, inconsistent with, or modified or eliminated by, the terms of this Sublease. In particular, it is intended that Tenant shall not be subject to duplicate monetary obligations to Landlord and Prime Landlord. To the extent that Tenant is required by this Sublease to make monetary payments to Landlord (such as for rent, additional rent or upon default), Tenant shall not be obligated to the Prime Landlord for any such monetary obligations nor to Landlord for its monetary obligations to the Prime Landlord. Landlord and Tenant acknowledge and agree that Tenant has reviewed and is familiar with the Prime Lease and Landlord hereby represents that the copy delivered to Tenant for such purpose and attached hereto as Exhibit A is a true, correct and complete copy of such Prime Lease.

(b) In the event of a default by Landlord, as tenant under the Prime Lease, resulting in the termination, reentry or dispossession thereunder, Prime Landlord shall take over all of the right, title and interest of Landlord under this Sublease and Tenant hereunder shall, at the option of the Prime Landlord, attorn to and recognize Prime Landlord as Landlord hereunder except that Prime Landlord shall not (i) be liable for any previous act or omission of Landlord under this Sublease, (ii) be subject to any offset, not expressly provided for in this Sublease, which theretofore accrued to Tenant against Landlord, or (iii) be bound by any previous modification of this Sublease or by any previous prepayment of more than one month's rent, and shall, promptly upon Prime Landlord's request, execute and deliver all instruments necessary or appropriate to confirm such attornment and recognition. Tenant hereby waives all rights under any present or future law to elect, by reason of the termination of such Prime Lease, to terminate this Sublease or surrender possession of the Premises.

8. Tenant's Obligations. Except as otherwise specifically provided herein, during the term of this Sublease all acts to be performed and all of the terms, provisions, covenants, stipulations, conditions, rights, obligations, remedies and agreements to be observed by and inuring to the benefit of, Landlord, as tenant under the Prime Lease of the Premises and arising from and after the Commencement Date, shall be performed, and observed by, and shall inure to the benefit of, Tenant, and Tenant's obligations shall run to Landlord or the Prime Landlord as Landlord may determine to be appropriate or required by the respective interests of Landlord and Prime Landlord. Tenant shall indemnify Landlord against, and hold Landlord harmless from and against, all costs, damages, claims, liabilities, liens and expenses (including, but not limited to, reasonable attorneys' fees and disbursements, court costs and other expenses of litigation or arbitration) paid, suffered, incurred by or claimed against Landlord as a result of the nonperformance or nonobservance by Tenant, Tenant's agents, contractors, employees, invitees or licensees of any such terms, provisions, covenants, stipulations, conditions, obligations and agreements contained in the Prime Lease. In furtherance of the foregoing, Tenant shall not (i) do or permit to be done anything prohibited to Landlord, as tenant under the Prime Lease, or (ii) take any action or do or permit anything which would result in any additional cost or other liability to Landlord under the Prime Lease and/or this Sublease. In the event of any inconsistency between the Prime Lease and this Sublease, such inconsistency (i) if it relates to obligations of, or restrictions on, Tenant, shall be resolved in favor of that obligation which is more onerous to Tenant or that restriction which is more restrictive of Tenant, as the case may be, or (ii) if it relates to the rights of, or benefits to be conferred upon, Tenant, shall be resolved in favor of this Sublease.

9. Landlord's Obligations. Anything contained in this Sublease or in the Prime Lease to the contrary notwithstanding, Landlord shall have no responsibility to Tenant for, and shall not be required to provide, any of the services or make any of the repairs or restorations that Prime Landlord has agreed to make or provide, or cause to be made or provided, under the Prime Lease (including, without limitation, those set forth in Sections 11(B) [Lessor's Obligations], and Section 16 [Indemnification and Liability] thereof), and Tenant shall rely upon, and look solely to, Prime Landlord for the provision or making thereof. If Prime Landlord shall default in the performance of any of its obligations under the Prime Lease, or if Tenant wishes to file a protest or to dispute any matter or thing, Landlord has the right to protest or dispute as tenant under the Prime Lease, then Tenant shall advise Landlord of such protest or dispute (together with all material facts and circumstances pertaining thereto) and Landlord shall make demand on Prime Landlord and shall employ all reasonable efforts to cause Prime Landlord to cure such default or resolve such dispute. Except as may result from a default of Landlord from its obligations specified in the preceding sentence, Tenant shall not make any claim against Landlord for any damage which may arise, nor shall Tenant's obligations hereunder be impaired or abated (except for any abatement provided to and actually received by Landlord) by reason of (i) the failure of Prime Landlord to keep, observe or perform its obligations pursuant to the Prime Lease, or (ii) the acts or omissions of Prime Landlord and each of its agents, contractors, servants, employees, invitees or licensees.

10. Covenants with respect to the Prime Lease. Tenant covenants and agrees that Tenant shall not do anything that would constitute a default under the Prime Lease or omit to do anything that Tenant is obligated to do under the terms of this Sublease so as to cause there to be a default under the Prime Lease.

11. Broker. Tenant represents and warrants to Landlord that Tenant has not dealt with any broker in connection with this Sublease. Tenant shall indemnify Landlord against, and hold Landlord harmless from, any claim on, or liability to, any broker or any other party with whom Tenant shall have dealt in connection with this transaction and Sublease.

12. Indemnification.

12.1 Reciprocal Indemnification of Landlord and Tenant.

(a) Tenant shall indemnify, defend with competent and experienced counsel and hold harmless Landlord from and against any and all damages, liabilities, actions, causes of action, suits, claims, demands, losses, costs and expenses (including without limitation reasonable attorneys' fees and disbursements and court costs) to the extent arising from or in connection with the negligence or willful misconduct of Tenant, its agents, employees, representatives or contractors.

(b) Landlord shall indemnify, defend with competent and experienced counsel and hold harmless Tenant, its subsidiaries and affiliates and their respective officers, directors, shareholders and employees, from and against any and all damages, liabilities, actions, causes of action, suits, claims, demands, losses, costs and expenses (including without limitation reasonable attorneys' fees and disbursements and court costs) to the extent arising from or in connection with the negligence or willful misconduct of Landlord, its agents, employees, representatives or contractors.

(c) The party seeking indemnification under this Section (the "Indemnified party") shall provide prompt written notice of any third party claim to the party from whom indemnification is sought (the "Indemnifying Party"). The Indemnifying Party shall have the right to assume exclusive control of the defense of such claim or at the option of the Indemnifying Party, to settle the same. The Indemnified Party agrees to cooperate reasonably with the Indemnifying Party in connection with the performance of the Indemnifying Party's obligations under this Section.

(d) Notwithstanding anything to the contrary contained in this Sublease, neither party hereto shall be liable to the other for any indirect, special, consequential or incidental damages (including without limitation loss of profits, loss of use or loss of goodwill) regardless of (i) the negligence (either sole or concurrent) of either party' or (ii) whether either party has been informed of the possibility of such damages. It is expressly understood and agreed that damages payable by either party to Prime Landlord shall be deemed to constitute direct damages of such party. This subparagraph (d) shall not be applicable to Section 21 of this Sublease.

12.2 Indemnification by Tenant of Prime Landlord. Tenant agrees to defend, save harmless and indemnify Prime Landlord to the same extent as Landlord is required to do so under the provisions of the Prime Lease including, but not limited to, Section 16 of the Prime Lease.

12.3 Survival. The provisions of this Section shall survive the expiration or earlier termination of this Sublease.

13. Quiet Enjoyment. Subject to the terms and conditions hereof and as long as Tenant pays all of the Base Rent and Additional Rent due hereunder and otherwise performs and observes all of the obligations, terms and conditions contained herein and in the Prime Lease as herein incorporated, Tenant shall peaceably and quietly have, hold and enjoy the Premises.

14. Termination of Prime Lease. If for any reason the term of the Prime Lease is terminated prior to the Expiration Date of this Sublease, this Sublease shall thereupon terminate, and Landlord shall not be liable to Tenant by reason thereof unless such termination is due solely to an event of default on behalf of Landlord. Notwithstanding the foregoing, if the termination of the Prime Lease does not result in the termination of this Sublease by reason of Tenant's attornment to, and recognition of, Prime Landlord as landlord hereunder in accordance with the provisions of Section 7(b) hereof, Landlord shall not be liable to Tenant hereunder for damages or otherwise, and Landlord's obligation to Tenant shall be limited to returning to Tenant a portion of any rent paid in advance by Tenant, if any, prorated as of the date of such termination.

15. Modification of Prime Lease. For the purposes hereof, the terms of the Prime Lease are subject to the following modifications:

(a) In all provisions of the Prime Lease requiring the approval or consent of Prime Landlord, Tenant shall be required to obtain the approval or consent of both Prime Landlord and Landlord. In all provisions of the Prime Lease requiring that notice be given to Prime Landlord, Tenant shall be required to give notice to both the Prime Landlord and Landlord.

(b) The following provisions of the Prime Lease do not apply to Tenant and are hereby deleted in respect of this Sublease: Sections 3 (Term), 13 (Assignments -- Subleasing) (as between Landlord and Tenant only), 18 (Fire, Casualty -- Eminent Domain) (but only with respect to any right to terminate the Prime Lease) and 22 (Other Provisions).

16. Consents. Landlord's refusal to consent to or approve any matter or thing, whenever Landlord's consent or approval is required under this Sublease or under the Prime Lease, as incorporated herein, shall be deemed reasonable if Prime Landlord has refused or failed to give its consent or approval to such matter or thing.

17. Condition of the Premises; Tenant's Changes.

(a) Tenant represents it has made a thorough examination of the Premises and it is familiar with the condition thereof. Tenant acknowledges that it enters into this Sublease without any representation or warranties by Landlord except as set forth in this Lease, or anyone acting or purporting to act on behalf of Landlord, as to the present or future conditions of the Premises or the appurtenances thereto or any improvements therein or of the Building. It is further agreed that Tenant does and will accept the Premises "as is" in their present condition and Landlord has no obligation to perform any work therein.

(b) Notwithstanding anything to the contrary contained in the Prime Lease, Tenant shall not make any changes to the Premises whatsoever, including, without limitation, structural or non-structural changes, without the prior written consent of Landlord which consent shall not be unreasonably withheld, conditioned or delayed but subject to prior consent of Prime Landlord in accordance with the Prime Lease. All structural and/or non-structural changes shall be subject to the Construction Specifications attached hereto as Exhibit B.

18. Assignment and Subletting.

(a) Tenant, for itself, its successors and assigns, expressly covenants that it shall not assign, whether by operation of law or otherwise, mortgage or pledge or otherwise transfer or encumber this Sublease, or sublet all or any part of the Premises without obtaining the prior written consent of Landlord which consent may be given or withheld in Landlord's sole discretion. Notwithstanding the foregoing, Landlord's consent shall not be unreasonably withheld with respect to assignments or transfers to Affiliated Entities. Affiliated Entities shall mean (i) a subsidiary of Tenant, (ii) a corporation or other entity into or with which Tenant has merged or consolidated or to which substantially all of Tenant's stock or assets are transferred, or (iii) any corporation or other entity which controls, is controlled by, or is under common control with Tenant.

Notwithstanding the foregoing, provided there is no default continuing beyond any applicable notice and/or cure period, Landlord also agrees, upon the written request of Tenant, to not unreasonably withhold its consent to a sub-sublease of the Premises by Tenant, provided and on the condition that: (i) such sub-sublease including the subtenant shall be subject to Prime Landlord's prior approval, which approval shall be governed by the terms of the Prime Lease; (ii) such subtenant shall be of a business reputation reasonably acceptable to Landlord; (iii) such subtenant shall have a financial net worth, determined by generally acceptable accounting principles, satisfactory to Landlord (and Tenant shall supply financial information and documentation regarding such financial status to Landlord thirty (30) days prior to the execution of any new sub-sublease); (iv) the terms of such new sub-sublease shall be on the same or better terms as this Sublease (or if any term may be less favorable to Landlord, the inclusion of such change in the new sub-sublease shall be subject to Landlord's sole discretion); (v) the new sub-sublease shall be unconditionally guaranteed by Tenant, which form of guaranty shall be satisfactory to Landlord; (vi) Tenant shall reimburse Landlord for its reasonable out-of-pocket expenses, including reasonable

attorney's fees, incurred in connection with such surrender and sub-sublease and Tenant shall be solely responsible for any leasing commissions, improvements allowances or other expenses relating to the proposed sub-sublease; (vii) Tenant shall not be in default hereunder; (viii) Tenant shall pay to Landlord 50% of all rents received in connection with such sub-sublease in excess of the rents set forth herein; and (ix) the new sub-sublease shall be in the form of this Sublease. Any obligations of Tenant to reimburse Landlord hereunder shall survive the surrender of the Sublease.

(b) If Tenant requests Landlord's consent to a sublease as set forth above, Tenant, together with such request for consent, shall provide Landlord with the name of the proposed transferee and the nature of the business of the proposed transferee, the term, use, rental rate and all other material terms and conditions of the proposed transfer, including, without limitation, a copy of the proposed sub-sublease or other contractual documents and evidence satisfactory to Landlord that the proposed transferee is financially responsible.

With respect to any sub-sublease of fifty (50%) percent or more of the Premises, Landlord may have the right to recapture the Premises if Tenant proposes to sub-sublease the Premises to a third party after the one year anniversary of the Commencement Date. Landlord must exercise (or forego) its recapture rights within fifteen (15) days of its receipt of Tenant's sublease/assignment notice. In order to effectuate its recapture rights, Landlord may terminate, at its election, the sublease with respect to the entire Premises or with respect to that portion of the Premises described in the sub-sublease and Tenant shall have no further obligations (except as otherwise specifically set forth in this Sublease) with respect to that portion of the Premises which are recaptured (and there shall be a pro rata reduction in Rent and the Security Deposit based upon the rentable square footage of the recaptured portion of the Premises relative to the rentable square footage of Premises prior to recapture), except as specifically set forth herein, and Tenant shall at its expense erect, if necessary, a demising wall to separate the remainder of the Premises from that portion of the Premises which is being recaptured and to take such other steps as shall be necessary to make the portion of the Premises that is not being recaptured into a self-contained, lawfully demisable rental unit.

(c) In the event Landlord is requested to consent to an assignment of this Sublease or a subletting of the Premises, Tenant shall pay all costs and expenses in connection with such assignment or subletting, including, without limitation, any reasonable attorneys' fees of Landlord in connection with its review of the assignment or subletting documents, any cost of renovating, altering or decorating the Premises for a new occupancy (if Tenant desires to do the same) and any leasing brokerage fees payable.

(d) The listing of any name other than that of Tenant, whether on the doors of the Premises or on the Building directory, or otherwise, shall not operate to vest any right or interest in this Sublease or in the Premises or be deemed to be the written consent of Landlord mentioned in this Section, it being expressly understood that any such listing is a privilege extended by Landlord revocable at will by written notice to Tenant.

(e) If this Sublease is assigned, or if the Premises or any part thereof is sublet or occupied by anybody other than Tenant, Landlord may at any time and from time to time, collect rent and other charges from the assignees, subtenants or occupants, and apply the net amount collected to the Base Rent and other charges herein reserved, but no such assignment, sublease or collection shall be deemed a waiver of this covenant, or the acceptance of the assignee, Tenant or occupant as a Landlord, or a release of Tenant from the further performance of covenants on the part of Tenant herein contained, including without limitation, Tenant's obligation to pay the Base Rent and other charges, or a release of the Security Deposit (as hereinafter defined). The consent by Landlord to an assignment or subletting or occupancy shall not in any way be construed to relieve Tenant from obtaining the express consent in writing of Landlord to any further assignment or subletting or occupancy.

(f) Notwithstanding the immediately preceding sentences, any steps taken by Landlord or Tenant in this regard shall be subject to all terms and conditions of the Prime Lease.

(g) Landlord reserves the right to transfer and assign its interest in and to this Sublease to any entity or person who shall succeed to Landlord's interest in and to the Prime Lease.

(h) Consent by Landlord to any assignment, transfer or subletting to any party shall not be construed as a waiver or release of Tenant from the terms of any covenant or its primary responsibility under this Sublease, nor shall consent to one assignment, transfer or sublease to any person, partnership, firm or corporation be deemed to be a consent to any subsequent assignment, transfer or subletting to another person, partnership, firm or corporation; Tenant shall remain directly and primarily liable and any such sublessee or assignee agrees directly with Landlord by written instrument reasonably satisfactory to Landlord to be bound by all of the obligations of Tenant.

19. Insurance.

(a) Tenant agrees to maintain all insurance coverages specified in and in accordance with Section 17 of the Prime Lease (including without limitation commercial general liability and property damage insurance, casualty insurance and, in addition, statutory workers' compensation insurance). All such insurance shall be underwritten by a company or companies licensed to do insurance business in the Commonwealth of Massachusetts by the Department of Insurance and in good standing, and shall be written on an "occurrence basis." All such insurance policies shall name Landlord and Prime Landlord as additional insureds thereunder and, in addition, shall name as additional insureds the holders of any mortgage of the Building, or the property on which the building is located (the "Property"), of which Tenant is notified in writing, as their respective interests may appear. Tenant shall furnish Landlord receipts evidencing payment of the premiums for such insurance (if requested by Landlord) and shall deposit with Landlord certificates for such insurance no later than the Rent Commencement Date and at least fifteen (15) days before each insurance renewal date thereof, bearing the endorsement that the polices will not

be canceled nor will coverages be reduced until after ten (10) days' prior written notice to both Landlord and Prime Landlord of such proposed action. Tenant shall pay all premiums and charges for such insurance, and if Tenant shall fail to obtain such insurance, Landlord may, but shall not be obligated to, obtain the same, in which event the amount of the premium paid shall be paid by Tenant to Landlord upon Landlord's demand therefor, shall be deemed Additional Rent and shall be collectible by Landlord in the same manner and with the same remedies as though said sums were Additional Rent reserved hereunder.

(b) Tenant acknowledges that Landlord will not carry any insurance in favor of Tenant, and that neither Prime Landlord nor Landlord will carry insurance on Tenant's furniture and/or furnishings or any fixtures or equipment, improvements or appurtenances of Tenant in or about the Premises.

20. Waiver of Subrogation.

(a) Any casualty insurance carried by the Tenant with respect to the Premises, the Building or the Property, or property therein or occurrences thereon shall include a clause or endorsement denying to the insurer rights of subrogation against the other party to the extent rights have been waived by the insured prior to occurrence of injury or loss, provided that such clause or endorsement is obtainable without payment of an additional premium. If such clause or endorsement is obtainable upon payment of an additional premium, notice thereof shall be given to the Landlord and the Landlord may request the Tenant to obtain it and shall reimburse the Tenant for the cost of such additional premium.

(b) Each party, notwithstanding any provisions of this Sublease to the contrary, hereby waives any rights of recovery against the other for injury or loss due to hazards covered by such insurance to the extent such party's policy permits such waivers of subrogation and then only with respect to sums which are collectible thereunder. Landlord shall be afforded the protection of this provision notwithstanding any right which Tenant may have to self insure.

21. End of Term. If Tenant shall remain in possession of the Premises or any part thereof after the expiration or prior termination of the Term hereof, as the same may be extended, the parties agree that no such holding over by Tenant shall operate to extend or renew this Sublease, and that any such holding over shall cause Tenant to become a month-to-month tenant and Tenant shall be obligated to pay monthly installment of Base Rent and Additional Rent in an amount equal to one hundred fifty percent (150%) times the sum of the installment of Base Rent and Additional Rent payable during the last full calendar month of the Lease Term, and such tenancy shall otherwise be subject to all the terms, conditions, covenants and agreements of this Sublease. Tenant further agrees to pay to Landlord all direct, indirect and consequential damages, costs and expenses incurred by Landlord as a result of such holding over, including without limitation, any costs and expenses that Prime Landlord charges to Landlord on account thereof and Tenant agrees to indemnify Landlord against, and hold Landlord harmless from, any damage, loss, claim,

liability or expenses, including without limitation, reasonable attorneys' fees arising out of such holding over.

22. Default.

(a) In the event that Tenant shall default in the payment of Base Rent, Additional Rent or any other charge payable hereunder within five (5) days after written notice, or shall default in the performance or observance of any of the terms, conditions and covenants of this Sublease within twenty (20) days after written notice, or, if not curable within said twenty-day period, Tenant does not commence to cure said default within said twenty-day period and diligently prosecute the same to completion, and provided that there exists no event of default under the Prime Lease, Landlord, in addition to and not in limitation of any rights otherwise available to it, shall have the same rights and remedies with respect to such default as are provided to Prime Landlord under the Prime Lease with respect to defaults by Landlord as tenant thereunder, with the same force and effect as though all such provisions relating to any such default or defaults were set forth herein in their entirety, and Tenant shall have all of the obligations of the tenant under the Prime Lease with respect to such default or defaults.

Notwithstanding anything to the contrary as contained herein the parties acknowledge that there is not a grace period under the Prime Lease for non-monetary default, and accordingly, should Prime Landlord notify Landlord of a default with respect to non-monetary matters, the twenty (20) day period set forth above shall automatically be revoked.

(b) In the event of a default by Tenant in the performance of any of its non-monetary obligations hereunder, including those under the Prime Lease, Landlord may, at its option, and without waiving any other remedies for such default herein or at law or by incorporation by reference of the Prime Lease provided, at any time thereafter, give written notice to Tenant that if such default is not cured, or the cure not commenced, within twenty (20) days after notice, and if so commenced is not thereafter pursued diligently to completion, Landlord may cure such default for the account of Tenant, and any amount paid or incurred by Landlord in so doing shall be deemed paid or incurred for the account of Tenant and Tenant agrees promptly to reimburse Landlord therefor and save Landlord harmless therefrom; provided, however, that Landlord may cure any such default as aforesaid prior to the expiration of any waiting period if reasonably necessary to protect Landlord's interest under the Prime Lease or to prevent injury or damage to persons or property.

(c) In addition to any other event of default under this Sublease or the Prime Lease, it shall be an event of default under this Sublease, without any notice or cure period, if Tenant shall be in default under that certain Agreement of Sublease between Landlord and Tenant dated October 20, 2000 relating to space located at 5 Carlisle Road, Westford, MA continuing beyond any applicable notice and/or cure period.

23. Destruction, Fire and other Casualty. If the whole or any part of the Premises or the Building shall be damaged by fire or other casualty and the Prime Lease is not terminated on account thereof by either Landlord or Prime Landlord in accordance with the terms thereof this Sublease shall remain in full force and effect and Base Rent and Additional Rent, shall not abate except to the extent Base Rent and Additional Rent for the Premises shall abate under the terms of the Prime Lease.

Notwithstanding the foregoing, if and only to the extent Landlord has an opportunity under Section 18 of the Prime Lease to terminate the Prime Lease with respect to the Premises ("Casualty Termination Option"), Landlord shall within ten (10) days of such Casualty Termination Option notify Tenant whether Landlord has elected to terminate or not terminate the Prime Lease. If Landlord has decided not to terminate the Prime Lease under Section 18 of the Prime Lease with respect to the Premises, Tenant may decide, notwithstanding such decision, that it elects to terminate the Sublease provided (i) there is no default hereunder, and (ii) Tenant informs Landlord within five (5) business days of receipt of such Casualty Termination Option from Landlord that it elects to terminate the Sublease which event the Sublease shall terminate in accordance with Section 18 of the Prime Lease. If Tenant fails to satisfy all of the foregoing conditions, Tenant shall be deemed to have waived any rights set forth herein. All times set forth herein are of the essence.

24. Notices.

(a) Whenever, by the terms of this Sublease, notice, demand or other communication shall or may be given to either party, the same shall be in writing and addressed as follows:

If to Landlord: Unisphere Networks, Inc.
One Executive Drive
Chelmsford, MA 01824
Attn: Suzanne M. Zabitchuck
General Counsel

with a copy to:
Gadsby Hannah LLP
225 Franklin Street
Boston, MA 02110
Attn: Cynthia B. Keliher, Esq.

If to Tenant: Sonus Networks, Inc.
5 Carlisle Road
Westford, MA 01886
Attn: Stephen J. Nill, Vice President of
Finance and CFO

or to such other address or addresses as shall from time to time be designated by written notice by either party to the other as herein provided. All notices shall be sent by registered

or certified mail, postage prepaid and return receipt requested, or by Federal Express or other comparable courier providing proof of delivery, and shall be deemed duly given and received (i) if mailed, on the third business day following the mailing thereof, or (ii) if sent by courier, the date of its receipt (or, if such day is not a business day, the next succeeding business day). Landlord and Tenant each promptly shall deliver to the other copies of all notices, requests, demands or other communications which relate to the Premises or the use or occupancy thereof after receipt of the same from Prime Landlord or others.

(b) Each party hereunder shall promptly furnish the other with copies of all notices under the Prime Lease or this Sublease with respect to the Premises which such party shall receive from Prime Landlord under the Prime Lease.

25. Sublease Conditional Upon Certain Consents. Landlord and Tenant each acknowledge and agree that this Sublease is subject to Landlord's obtaining the unconditional consent of Prime Landlord in accordance with the terms of the Prime Lease, and that if such consent shall not be obtained within forty-five (45) days of the date hereof, then this Sublease shall be deemed cancelled and terminated and neither of the parties hereto shall have any liability to the other.

26. Security Deposit. Tenant concurrently with the execution of this Sublease has deposited with Landlord a deposit (the "Security Deposit") in the amount of Twelve Thousand One Hundred 88/100 Dollars ($12,100.88) to be held by Landlord without interest as security for the faithful performance and observance by Tenant of the terms, conditions and provisions of this Sublease, including without limitation the surrender of possession of the Premises to Landlord as herein provided. Landlord shall not be required to maintain the Security Deposit in a separate account. It is agreed that in the event Tenant defaults in respect of any of the terms, provisions and conditions of this Sublease, including, but not limited to, the payment of Base Rent and Additional Rent, Landlord may apply or retain the whole or any part of the Security Deposit to the extent required for the payment of any Base Rent and Additional Rent or any other sum as to which Tenant is in default or for any sum which Landlord may expend or may be required to expend by reason of Tenant's default in respect of any of the terms, covenants and conditions of this Sublease, including but not limited to, any damages or deficiency in the reletting of the Premises, whether such damages or deficiency accrue or accrues before or after summary proceedings or other reentry by Landlord. The Security Deposit is not to be used or applied by Tenant as a substitute for rent due any month, but may be so applied by Landlord at any time at Landlord's option. The use, application or retention of the Security Deposit, or any portion thereof, by Landlord shall not prevent Landlord from exercising any other right or remedy provided by this Sublease or by law and shall not operate as a limitation on any recovery to which Landlord may otherwise be entitled. If Landlord applies or retains any part of the Security Deposit, Tenant, upon written demand therefor by Landlord, shall deposit cash with Landlord in such amount so that Landlord shall have the full deposit on hand at all times during the Term. If Tenant shall fully and faithfully comply with all of the terms, provisions, covenants and conditions of this Sublease, the balance of the Security Deposit, if any, shall be returned to Tenant within thirty (30) days after the Expiration Date and after the delivery of the entire possession of the Premises to Landlord.

27. Payment of the First Month's Base Rent. Tenant shall pay to Landlord the first monthly installment of the applicable Base Rent upon execution of this Sublease.

28. Signage. Any signage contemplated by the Tenant shall be subject the consent of the Prime Landlord. Landlord shall have no obligation or responsibility to remove any signage which exists at the Premises as of the Commencement Date.

29. Landlord's Representations. Landlord hereby represents and warrants that (i) the Prime Lease is in full force and effect, (ii) the Prime Lease attached hereto as Exhibit A is the complete Prime Lease and that, except for the Addendum to Lease dated June 23, 2000, the Prime Lease has not been amended or modified; (iii) to the best of Landlord's knowledge, there are no existing setoffs, defenses or counterclaims against the Prime Landlord with respect to the payment of rent reserved under the Prime Lease or any performance of other terms, conditions or covenants of the Prime Lease on the part of the Tenant under the Prime Lease to be performed; and (iv) there exists no defaults or breaches of Prime Landlord's or Tenant's obligations under the Prime Lease nor, to the best of Landlord's knowledge, any event which with the giving of notice or passage of time, or both, would constitute a default under the Prime Lease.

30. Miscellaneous.

(a) This Sublease may not be extended, renewed, terminated, or otherwise modified except by an instrument in writing signed by the party against whom enforcement of any such modification is sought.

(b) It is understood and agreed that all understandings and agreements heretofore had between the parties hereto are merged in this Sublease, which alone fully and completely expresses their agreement, and that the same is entered into after full investigation, neither party relying upon any statement, representation or warranty made by the other not embodied in this Sublease.

(c) The paragraph headings appearing herein are for purposes of convenience only and are not deemed to be a part of this Sublease.

(d) The provisions of this Sublease shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts without regard to principles of conflicts of laws. Landlord and Tenant agree to submit to jurisdiction in the Commonwealth of Massachusetts with respect to any dispute under or arising out of this Sublease and agree that any such dispute shall be brought either in the courts of the Commonwealth of Massachusetts or in the applicable federal district court located in Massachusetts.

(e) If any provision of this Sublease or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Sublease, or the application of such provision to persons or circumstance other than those as

to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Sublease shall be valid and enforced to the fullest extent permitted by law.

(f) This Sublease may be executed in counterparts each of which shall be deemed an original and all of which together shall constitute one and the same document.

(g) This Sublease (or any notice hereof) shall not be recorded.

(h) Landlord and Tenant hereby each waive trail by jury in any action, proceeding or counterclaim brought by either against the other, on or in respect of any matter whatsoever arising out of or in any way connected with this Sublease, the relationship of Landlord and Tenant or Tenant's use or occupancy of the Premises.

(i) This Sublease includes and incorporates all Exhibits referred to hereby and attached hereto.

[SIGNATURES APPEAR ON THE NEXT PAGE]

IN WITNESS WHEREOF, this Agreement of Sublease has been duly executed as of the day and year first above written.

LANDLORD:
UNISPHERE NETWORKS, INC.

By: /s/ John J. Connolly
Name: John J. Connolly
Title: V.P. Finance & CFO.

TENANT:
SONUS NETWORKS, INC.

By: /s/ S. J. Nill
Name: S. J. Nill
Title: VP & CFO

EXHIBIT A
Prime Lease

Attached hereto

EXHIBIT B
TENANT IMPROVEMENTS AGREEMENT

This Tenant Improvements Agreement (the "Agreement") is attached to and made a part of the Sublease. The capitalized terms used in this Agreement that are defined in the Sublease shall have the same meanings as provided in the Sublease.

1. General

This Agreement sets forth the terms and conditions governing Tenant's construction of improvements to be installed in the Premises (the "Tenant Improvements").

2. Intentionally Omitted.

3. Design and Schedule.

3.1 Tenant Plans for Tenant Improvements.

(a) Space Plan: The "Space Plan" as used herein shall mean a plan containing, among other things, a partition layout, door location and, if appropriate, some furniture located in key spaces within the Premises.

(b) Construction Drawings and Specifications: The "Construction Drawings and Specifications" as used herein shall mean the construction working drawings, the mechanical, electrical and other technical specifications, and the finishing details, including wall finishes and colors and technical and mechanical equipment installation, if any, all of which details the installation of the Tenant Improvements in the Premises. The Construction Drawings shall be signed by Tenant's Representative:

(i) be compatible with the Building shell, and with the design, construction and equipment of the Building;

(ii) comply with all applicable laws, codes and ordinances including the Americans With Disabilities Act, and the rules and regulations of all governmental authorities having jurisdiction;

(iii) comply with all applicable insurance regulations and the requirements of the Board of Underwriters for a fire resistant Class A building; and

(iv) include locations of all Tenant Improvements including complete dimensions.

3.2 Approvals by Landlord. The Space Plan and all Construction Drawings and Specifications for the Tenant Improvements shall be subject to Landlord's prior written approval, which shall not be unreasonably withheld or delayed, except that Landlord shall have complete discretion with regard to granting or withholding approval of Construction Drawings and Specifications to the extent they impact the Building's structure or systems, affect future marketability of the Building or would be visible from the common facilities or exterior of the Building. Any changes, additions or modifications that Tenant desires to make to the Tenant Plans shall also be subject to Landlord's prior written approval, which shall not be unreasonably withheld or delayed except as provided above for Building structure, system or appearance impact.

4. Construction of Tenant Improvements. Following Landlord's and Landlord's final approval of the Tenant Plans and Tenant obtaining permits, Tenant shall commence and diligently proceed with the construction of the Tenant Improvements. Landlord and Tenant acknowledge that Tenant shall hire a contractor mutually acceptable to Prime Landlord, Landlord and Tenant (in their reasonable discretion) to complete the Tenant Improvements. The Tenant Improvements shall be conducted with due diligence, in a good and workmanlike manner befitting a first class office building, and in accordance with the Tenant Plans and all applicable laws, codes, ordinances and rules and regulations of all governmental authorities having jurisdiction.

Tenant hereby agrees to indemnify Landlord and Landlord and hold Landlord and Landlord harmless from any and all claims for personal or bodily injury and property damage that may arise from the performance of the Tenant Improvements, whether resulting from the negligence or willful misconduct of its general contractors, subcontractors or otherwise. Tenant and its contractors and subcontractors shall execute such additional documents as Landlord deems reasonably appropriate to evidence said indemnity.

Notwithstanding the foregoing, Tenant shall not commence the Tenant Improvements until the following is provided:

(a) Insurance. Prior to construction, Tenant shall provide Landlord with an original certificate of All-Risk Builder's Risk Insurance (the "Builder's Risk Insurance Policy"), subject to Landlord's reasonable approval, in the minimum amount of the replacement cost of the Tenant Improvements issued by a company or companies acceptable to Landlord and authorized to do business in the Commonwealth of Massachusetts, covering the Premises (including the Premises), with premiums prepaid, and which names the Landlord as an additional insured. Said policy shall insure the Tenant Improvements and all materials and supplies for the Tenant Improvements

stored on the Premises (or at any other sites and including the Premises) against loss or damage by fire and the risks and hazards insured against by the standard form of extended coverage, and against vandalism and malicious mischief, and such other risks and hazards as Landlord may reasonably request. Said insurance coverage shall be for 100% of replacement cost, including architectural fees. The Builder's Risk Insurance Policy shall contain a provision that the insurance company waive the rights of recovery or subrogation against Landlord, its agents, servants, invitees, employees, co-tenants, co-venturers, affiliate companies, and their insurers.

(b) Governmental Permits. Building permits and other appropriate permits and licenses from the appropriate agency or office of any governmental or regulatory body having jurisdiction over the Premises and which are required for the construction of the Tenant Improvements.

(c) Additional Insurance. Additional insurance in the form of and meeting the requirements as Landlord and Prime Landlord may determine in their reasonable discretion provided it is commercially reasonable under the circumstances..

5. Change Orders. If Tenant requests any change or addition to or subtraction from the Tenant Improvements ("Change Order") after Tenant's and Landlord's approval of the final and complete Construction Drawings and Specifications for the Tenant Improvements, Landlord shall respond to Tenant's request for consent as soon as possible, but in no event later than five (5) working days after being made. Any changes, additions or modifications that Tenant desires to make to the Tenant Plans shall not be unreasonably withheld, except that Landlord shall have complete discretion with regard to granting or withholding approval for Building structure, system or appearance as provided in Section 3.2 above.

6. Cooperation With Other Tenants. Tenant shall promptly remove from the common facilities any of Tenant's vehicles, equipment, materials, supplies or other property deposited in the common facilities during the construction of the Tenant Improvements. Further, Tenant shall at no time disrupt or allow disruption to any existing Landlord's parking vehicles and pedestrian access, nor allow disruptions of mechanical, electrical, telephone and plumbing services. In addition, Tenant shall not interrupt the normal business operation of any other tenant at the Building or on the Lot.

7. Inspection by Landlord. Landlord shall have the right to inspect the Tenant Improvements at all reasonable times. Landlord's failure to inspect the Tenant Improvements shall in no event constitute a waiver of any of Landlord's rights hereunder nor shall Landlord's inspection of the Tenant Improvements constitute the Landlord's approval of same.

8. Removal of Specialized Tenant Improvements. Portions of the Tenant Improvements, if any, as reasonably determined by Landlord to be specialized improvements shall, at the election of Landlord, either be removed by Tenant at its expense before the expiration of the Term or shall remain in the Premises and be surrendered therewith at the expiration date or earlier termination of this Sublease as the property of Landlord without disturbance, molestation or injury. If Landlord requires the removal of all or part of said specialized Tenant Improvements, Landlord shall so notify Tenant at the time that Landlord renders its approval to the Space Plan and Construction Drawings pursuant to Section 3.2 above, and Tenant, at the expiration or earlier termination of the Sublease, at its expense, shall repair any damage to the Premises or the Building caused by such removal and restore the Premises to its condition prior to the installation of such specialized Tenant Improvements. If Tenant fails to remove said specialized Tenant Improvements that Tenant is required to remove hereunder, then Landlord may (but shall not be obligated to) remove the same and the cost of such removal, repair and restoration, together with any and all damages which Landlord may suffer and sustain by reason of the failure of Tenant to remove the same, shall be charged to Tenant and paid upon demand.

9. Completion of Tenant Improvements. Tenant shall notify Landlord in writing when the Tenant Improvements have been substantially completed. Landlord shall thereupon have the opportunity to inspect the Premises in order to determine if the Premises has been substantially completed in accordance with the Tenant Plans. If the Tenant Improvements has not been substantially completed in accordance with the Tenant Plans, Landlord shall immediately following inspection, provide Tenant with written notification of the items deemed incorrect or incomplete. Tenant shall forthwith proceed to correct the incorrect or incomplete items. Notwithstanding anything to the contrary, the Tenant Improvements shall not be considered suitable for review by Landlord until all designated or required governmental inspections, permits and certifications necessary for the Tenant Improvements, including, but not limited to a temporary or final certificate of occupancy, have been made, given and/or posted.

10. Consent of Landlord. Tenant shall be solely responsible for obtaining the consent of Prime Landlord to the construction of the Tenant Improvements pursuant to the terms and conditions of the Prime Lease prior to any construction therein and immediately upon receipt shall deliver a copy of such consent to Landlord.

Exhibit 10.9

LEASE

BETWEEN

SONUS NETWORKS, INC., AS TENANT

AND

BCIA NEW ENGLAND HOLDINGS LLC, AS LANDLORD

25 PORTER ROAD, LITTLETON, MASSACHUSETTS

The submission of an unsigned copy of this document to Tenant for Tenant's consideration does not constitute an offer to lease the Premises or an option to or for the Premises. This document shall become effective and binding only upon the execution and delivery of this Lease by both Landlord and Tenant.

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LEASE

THIS LEASE is dated as of September 30, 2000 between the Landlord and the Tenant named below, and is of space in the Building described below.

ARTICLE 1
BASIC DATA: DEFINITIONS

1.1 Basic Data. Each reference in this Lease to any of the following terms shall be construed to incorporate the data for that term set forth in this Section:

Landlord: BCIA New England Holdings LLC, a Delaware limited liability company

Landlord's Address: c/o Boston Capital Institutional Advisors LLC, One Boston Place, Boston, MA 02108

Tenant: Sonus Networks, Inc.

Tenant's Address: 5 Carlisle Road, Westford, MA 01886

Guarantor: Not Applicable

Property: The land parcel(s) located in Littleton, Massachusetts, together with the Building and other improvements thereon, known as and numbered 25 Porter Road, Littleton, MA.

Building: The building commonly known and numbered as 25 Porter Road, Littleton, MA.

Building Rentable Area: Agreed to be 66,805 rentable square feet.

Premises: The portion of the Building shown on the location plan attached hereto as Exhibit A.

Premises Rentable Area: Agreed to be 33,194 rentable square feet.

Basic Rent: The Basic Rent is as follows:

Rental Period	Annual Basic Rent (per annum)	Monthly Payment
Commencement Date through and including May 31, 2003	$506,490.50 (10,613 ft @ $19.00 and 22,581 ft @ $13.50 per annum)	$42,207.54
June 1, 2003 through May 31, 2004	$630,686.00 (33,194 ft @ $19.00 per annum)	$52,557.17

Tenant's Proportionate Share: Forty-nine and sixty-nine one hundredths (49.69%) percent (which is based on the ratio of (a) Premises Rentable Area to (b) Building Rentable Area).

Security Deposit: $50,000.00 to be held and disposed of as provided in Section 14.8.

Commencement Date: October 1, 2000

Term: Commencing on the Commencement Date and expiring at the close of the day on May 31, 2004. The Term shall include any extension thereof that is expressly provided for by this Lease and that is effected strictly in accordance with this Lease; if no extension of the Term is expressly provided for by this Lease, no right to extend the Term shall be implied by this provision.

Initial General Liability Insurance: $2,000,000.00 per occurrence/$3,000,000.00 aggregate (combined single limit) for property damage, bodily injury or death.

Permitted Uses: Executive and general offices, light assembly.

Tenant's Share of Parking Spaces: The number of parking spaces equal to 4.0 spaces for every 1,000 square foot of Premises Rentable Area.

1.2 Definitions. When used in Lease, the capitalized terms set forth below shall bear the meanings set forth below.

Adequate Assurance: As defined in Section 14.1.

Adequate Assurance of Future Performance: As defined in Section 14.1.

Additional Rent: All charges and sums payable by Tenant as set forth in this Lease, other than and in addition to Basic Rent.

Agent: BCIA Property Management LLC, or such other person or entity from time to time designated by Landlord.

Alterations: As defined in Section 5.2.

Bankruptcy Code: As defined in Section 14.1.

Basic Rent: As defined in Section 1.1.

Broker: Trammell Crow Company

Building: As defined in Section 1.1.

Building Rentable Area: As defined in Section 1.1.

Business Day: All days except Saturdays, Sundays, and other days when national banks in the Commonwealth of Massachusetts are not open for business.

Default of Tenant: As defined in Section 14.1.

Environmental Condition: Any disposal, release or threat of release of Hazardous Materials on, from or about the Building or the Property or storage of Hazardous Materials on, from or about the Building or the Property.

Environmental Laws: Any federal, state and/or local statute, ordinance, bylaw, code, rule and/or regulation now or hereafter enacted, pertaining to any aspect of the environment or human health, including, without limitation, Chapter 21C, Chapter 21D, and Chapter 21E of the General Laws of Massachusetts and the regulations promulgated by the Massachusetts Department of Environmental Protection, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601 et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901 et seq., the Toxic Substances Control Act, 15 U.S.C. Section 2061 et seq., the Federal Clean Water Act, 33 U.S.C. Section 1251, and the Federal Clean Air Act, 42 U.S.C. Section 7401 et seq.

Essential Services: As defined in Section 7.6.

Event of Bankruptcy: As defined in Section 14.1.

Force Majeure: Collectively and individually, strikes or other labor trouble, fire or other casualty, acts of God, governmental preemption of priorities or other controls in connection with a national or other public emergency or shortages of fuel, supplies or labor resulting therefrom, or any other cause, whether similar or dissimilar, beyond the reasonable control of the party required to perform an obligation.

Guarantor: As defined in Section 1.1.

Holder: As defined in Section 13.1.

Hazardous Materials: Shall mean each and every element, compound, chemical mixture, contaminant, pollutant, material, waste or other substance which is defined, determined or identified as hazardous or toxic under any Environmental Law, including, without limitation, any "oil," "hazardous material," "hazardous waste," "hazardous substance" or "chemical substance or mixture", as the foregoing terms (in quotations) are defined in any Environmental Laws.

Initial General Liability Insurance: As defined in Section 1.1.

Land: The land that constitutes a portion of the Property.

Landlord: As defined in Section 1.1.

Mortgage: As defined in Section 13.1.

Operating Expenses: As defined in Section 9.1.

Operating Year: As defined in Section 9.1.

Permitted Uses: As defined in Section 1.1.

Premises Rentable Area: As defined in Section 1.1.

Property: As defined in Section 1.1.

Recapture Date: As defined in Section 6.4.

Rules and Regulations: As defined in Section 2.2.

Security Deposit: As defined in Section 1.1.

Service Interruption: As defined in Section 7.6.

Successor: As defined in Section 13.1.

Taxes: As defined in Section 8.1.

Tax Year: As defined in Section 8.1.

Tenant: As defined in Section 1.1.

Tenant's Address: As defined in Section 1.1.

Tenant's Proportionate Share: As defined in Section 1.1.

Tenant's Removable Property: As defined in Section 5.2.

Term: As defined in Section 1.1.

Tenant's Share of Parking Spaces: As defined is Section 1.1.

1.3 Enumeration of Exhibits. The following Exhibits are a part of this Lease, are incorporated herein by reference attached hereto, and are to be treated as a part of this Lease for all purposes. Undertakings contained in such Exhibits are agreements on the part of Landlord and Tenant, as the case may be, to perform the obligations stated therein.

Exhibit A - Location Plan of the Premises
Exhibit B - Intentionally Omitted
Exhibit C - Commencement Date Letter
Exhibit D - Operating Expenses
Exhibit E - Rules and Regulations
Exhibit F - Approved Sublease
Exhibit G - Consent to Sublease

ARTICLE 2
PREMISES AND APPURTENANT RIGHTS

2.1 Lease of Premises. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Premises for the Term and upon the terms and conditions hereinafter set forth.

2.2 Appurtenant Rights and Reservations.

(a) Tenant shall have, as appurtenant to the Premises, the non-exclusive right to use, and permit its invitees to use in common with Landlord and others, (i) public or common lobbies, hallways, stairways, elevators and common walkways necessary for access to the Building and the Premises, and if the portion of the Premises on any floor includes less than the entire floor, the common toilets, corridors and elevator lobby of such floor; and (ii) the access roads, driveways, parking areas, loading areas, pedestrian sidewalks, landscaped areas, trash enclosures, recreation areas and other areas or facilities, if any, which are located in or on the Property and designated by Landlord from time to time for the non-exclusive use of tenants and other occupants of the Building (the "Common Facilities"); but such rights shall always be subject to reasonable rules and regulations from time to time established by Landlord pursuant to Section 15.7 (the "Rules and Regulations") and to the right of Landlord to designate and change from time to time areas and facilities so to be used.

(b) Excepted and excluded from the Premises and the Common Facilities are the ceiling, floor, perimeter walls and exterior windows (except the inner surface of each thereof), and any space in the Premises used for shafts, stacks, pipes, conduits, fan rooms, ducts, electric or other utilities, sinks or other Building facilities, but the entry doors (and related glass and finish work) to the Premises are a part thereof. Landlord shall have the right to place in the Premises (but in such manner as to reduce to a minimum interference with Tenant's use of the Premises) interior storm windows, sun control devices, utility lines, equipment, stacks, pipes, conduits, ducts and the like. In the event that Tenant shall install any hung ceilings or walls in the Premises, Tenant shall install and maintain, as Landlord may require, proper access panels therein to afford access to any facilities above the ceiling or within or behind the walls. Tenant shall be entitled to install any such ceilings or walls only in compliance with the other terms and conditions of this Lease.

(c) Tenant shall also have the right (subject to the Rules and Regulations) to use, on a non-exclusive, unreserved basis, Tenant's Share of Parking Spaces.

(d) Landlord shall cause Tenant's name to be listed on the building directory in the Building lobby.

ARTICLE 3
BASIC RENT

3.1 Payment.

(a) Tenant agrees to pay the Basic Rent and Additional Rent to Landlord, or as directed by Landlord, commencing on the Commencement Date, without offset, abatement (except as provided in Section 11.1), deduction or demand. Basic Rent shall be payable in equal monthly installments, in advance, on the first day of each and every calendar month during the Term of this Lease, to Landlord at Landlord's Address or at such other place as Landlord shall from time to time designate by notice, in lawful money of the United States. In the event that any installment of Basic Rent or any regularly scheduled payment of Additional Rent is not paid when due on any two occasions during any twelve calendar month period, then, beginning with the third such occasion within such 12 calendar month period and at any time thereafter during the Term of this Lease when a payment of Basic Rent and/or Additional Rent is not paid when due, Tenant shall pay, in addition to any charges under Section 14.4, at Landlord's request an administrative fee equal to 5% of the overdue payment. Landlord and Tenant agree that all amounts due from Tenant under or in respect of this Lease, whether labeled Basic Rent, Additional Rent or otherwise, shall be considered as rental reserved under this Lease for all purposes, including without limitation regulations promulgated pursuant to the Bankruptcy Code, and including further without limitation Section 502(b) thereof.

(b) Basic Rent for any partial month shall be pro-rated on a daily basis, and if the first day on which Tenant must pay Basic Rent shall be other than the first day of a calendar month, the first payment which Tenant shall make to Landlord shall be equal to a proportionate part of the monthly installment of Basic Rent for the partial month from the first day on which Tenant must pay Basic Rent to the last day of the month in which such day occurs, plus the installment of Basic Rent for the succeeding calendar month.

ARTICLE 4
COMMENCEMENT AND CONDITION

4.1 Commencement Date. The "Commencement Date" shall be October 1, 2000.

Promptly upon the occurrence of the Commencement Date, Landlord and Tenant shall execute a letter substantially in the form attached hereto as Exhibit C, but the failure by either party to execute such a letter shall have no effect on the Commencement Date, as hereinabove determined.

4.2 Preparation of the Premises: As Is Condition.

Tenant is presently in occupancy of the Premises as a Sublessee of a third party and the Premises are hereby demised to Tenant in their present "as is, where is" condition with all faults and without representation or warranty by Landlord of any kind, name or nature. In no event shall Landlord be required to make or pay for any work, alterations or improvements in connection with Tenant's use and occupancy of the Premises.

ARTICLE 5
USE OF PREMISES

5.1 Permitted Use.

(a) Tenant agrees that the Premises shall be used and occupied by Tenant only for Permitted Uses and for no other use without Landlord's express written consent.

(b) Tenant agrees to conform to the following provisions during the Term of this Lease:

(i) Tenant shall cause all freight to be delivered to or removed from the Building and the Premises in accordance with the Rules and Regulations established by Landlord therefor;

(ii) Tenant will not place on the exterior of the Premises (including both interior and exterior surfaces of doors and interior surfaces of windows) or on any part of the Building outside the Premises, any sign, symbol, advertisement or the like visible to public view outside of the Premises. Landlord will not withhold consent for signs or lettering on the entry doors to the Premises provided such signs conform to sign standards for the building adopted by Landlord in its sole discretion and Tenant has submitted to Landlord a plan or sketch in reasonable detail (showing, without limitation, size, color, location, materials and method of affixation) of the sign to be placed on such entry doors. Landlord agrees, however, to maintain a tenant directory in the lobby of the Building (and, in the case of multi-tenant floors, in that floor's elevator lobby) in which will be placed Tenant's name and the location of the Premises in the Building;

(iii) Tenant shall not perform any act or carry on any practice which may injure the Premises, or any other part of the Building, or cause any offensive odors or loud noise or constitute a nuisance or a menace to any other tenant or tenants or other persons in the Building;

(iv) Tenant shall, in its use of the Premises, comply with the requirements of all applicable governmental laws, rules and regulations, including, without limitation, the Americans With Disabilities Act of 1990 and the regulations of the

Massachusetts Architectural Access Board (nothing contained in this clause (iv) shall be deemed or construed to limit or modify Landlord's obligations pursuant to Section 7.1 hereof); and

(v) Tenant shall not abandon the Premises.

5.2 Installations and Alterations by Tenant.

(a) Tenant shall make no alterations, additions (including, for the purposes hereof, wall-to-wall carpeting), or improvements (collectively, "Alterations") in or to the Premises (including any Alterations, other than Landlord's Work, necessary for Tenant's initial occupancy of the Premises) without Landlord' s prior written consent, which consent shall not be unreasonably withheld or delayed with respect to non-structural Alterations that do not affect or involve the Building' s electrical, plumbing or mechanical systems or any other Building systems. Any Alterations shall be in accordance with the Rules and Regulations in effect with respect thereto and with plans and specifications meeting the requirements set forth in the Rules and Regulations and approved in advance by Landlord. All work shall be (i) be performed in a good and workmanlike manner and in compliance with all applicable laws, ordinances and regulations; (ii) be made at Tenant's sole cost and expense; (iii) become part of the Premises and the property of Landlord unless Landlord shall require their removal as provided in this Lease; and (iv) be coordinated with any work being performed by Landlord in such a manner as not to damage the Building or interfere with the construction or operation of the Building. At Landlord's request, Tenant shall, before its work is started, secure assurances satisfactory to Landlord in its reasonable discretion protecting Landlord against claims arising out of the furnishing of labor and materials for the Alterations.

If any Alterations shall involve the removal of fixtures, equipment or other property in the Premises which are not Tenant' s Removable Property, such fixtures, equipment or property shall be promptly replaced by Tenant at its expense with new fixtures, equipment or property of like utility and of at least equal quality.

(b) All articles of personal property and all business fixtures, machinery and equipment and furniture owned or installed by Tenant solely at its expense in the Premises ("Tenant's Removable Property") shall remain the property of Tenant and may be removed by Tenant at any time prior to the expiration or earlier termination of the Term, provided that Tenant, at its expense, shall repair any damage to the Building caused by such removal.

(c) Notice is hereby given that Landlord shall not be liable for any labor or materials furnished or to be furnished to Tenant upon credit, and that no mechanic's or other lien for any such labor or materials shall attach to or affect the reversion or other estate or interest of Landlord in and to the Premises, the Building or the Property. To the maximum extent permitted by law, before such time as any contractor commences to perform work on behalf of Tenant, such contractor (and any subcontractors) shall furnish a written statement acknowledging the provisions set forth in the prior clause. Tenant agrees to pay promptly when due the entire cost of any work done on behalf of Tenant, its agents, employees or independent contractors, and not to cause or permit any liens for labor or materials performed or furnished in connection therewith to attach to all or any part of the Property and immediately to discharge any such liens which may so attach. If, notwithstanding the foregoing, any lien is filed against all or any part of the Property for work claimed to have been done for, or materials claimed to have been furnished to, Tenant or its agents, employees or independent contractors, Tenant, at its sole cost and expense, shall cause such lien to be dissolved promptly after receipt of notice that such lien has been filed, by the payment thereof or by the filing of a bond sufficient to accomplish the foregoing. If Tenant shall fail to discharge any such lien, Landlord may, at its option, discharge such lien and treat the cost thereof (including reasonable attorneys fees incurred in connection therewith) as Additional Rent payable upon demand, it being expressly agreed that such discharge by Landlord

shall not be deemed to waive or release the default of Tenant in not discharging such lien. Tenant shall indemnify and hold Landlord harmless from and against any and all expenses, liens, claims, liabilities and damages based on or arising, directly or indirectly, by reason of the making of any alterations, additions or improvements by or on behalf of Tenant to the Premises under this Section, which obligation shall survive the expiration or termination of this Lease.

(d) In the course of any work being performed by Tenant (including, without limitation, the "field installation" of any Tenant's Removable Property), Tenant agrees to use labor compatible with that being employed by Landlord for work in the Building or on the Property or other buildings owned by Landlord or its affiliates (which term, for purposes hereof, shall include, without limitation, entities which control or are under common control with or are controlled by Landlord or, if Landlord is a partnership or limited liability company, by any partner or member of Landlord) and not to employ or permit the use of any labor or otherwise take any action which might result in a labor dispute involving personnel providing services in the Building or on the Property pursuant to arrangements made by Landlord.

5.3 Extra Hazardous Use. Tenant covenants and agrees that Tenant will not do or permit anything to be done in or upon the Premises, or bring in anything or keep anything therein, which shall increase the rate of property or liability insurance on the Premises or the Property above the standard rate applicable to Premises being occupied for the Permitted Uses. If the premium or rates payable with respect to any policy or policies of insurance purchased by Landlord or Agent with respect to the Property increases as a result of any act or activity on or use of the Premises during the Term or payment by the insurer of any claim arising from any act or neglect of Tenant, its employees, agents, contractors or invitees, Tenant shall pay such increase, from time to time, within fifteen (15) days after demand therefor by Landlord, as Additional Rent.

5.4 Hazardous Materials.

(a) Tenant may use chemicals such as adhesives, lubricants, ink, solvents and cleaning fluids of the kind and in amounts and in the manner customarily found and used in business offices in order to conduct its business at the Premises and to maintain and operate the business machines located in the Premises. Tenant shall not use, store, handle, treat, transport, release or dispose of any other Hazardous Materials on or about the Premises or the Property without Landlord's prior written consent, which Landlord may withhold or condition in Landlord's sole discretion.

(b) Any handling, treatment, transportation, storage, disposal or use of Hazardous Materials by Tenant in or about the Premises or the Property and Tenant's use of the Premises shall comply with all applicable Environmental Laws.

(c Tenant shall indemnify, defend upon demand with counsel reasonably acceptable to Landlord, and hold Landlord harmless from and against, any liabilities, losses claims, damages, interest, penalties, fines, attorneys' fees, experts' fees, court costs, remediation costs, and other expenses which result from the use, storage, handling, treatment, transportation, release, threat of release or disposal of Hazardous Materials in or about the Premises or the Property by Tenant or Tenant's agents, employees, contractors or invitees.

(d) Tenant shall give written notice to Landlord as soon as reasonably practicable of (i) any communication received by Tenant from any governmental authority concerning Hazardous Materials which relates to the Premises or the Property, and (ii) any Environmental Condition of which Tenant is aware.

ARTICLE 6
ASSIGNMENT AND SUBLETTING

6.1 Prohibition.

(a) Except as otherwise expressly provided in this Lease, Tenant covenants and agrees that neither this Lease nor the term and estate hereby granted, nor any interest herein or therein, will be assigned, mortgaged, pledged, encumbered or otherwise transferred, whether voluntarily, involuntarily, by operation of law or otherwise, and that neither the Premises nor any part thereof will be encumbered in any manner by reason of any act or omission on the part of Tenant, or used or occupied or permitted to be used or occupied, by anyone other than Tenant, or for any use or purpose other than a Permitted Use, or be sublet (which term, without limitation, shall include granting of concessions, licenses and the like) in whole or in part, or be offered or advertised for assignment or subletting by Tenant or any person acting on behalf of Tenant without Landlord's prior written consent, which consent shall not be unreasonably withheld or delayed subject to Landlord's rights pursuant to Section 6.4 hereof and all other applicable provisions of this Article 6. Without limiting the foregoing, any agreement pursuant to which: (x) Tenant is relieved from the obligation to pay, or a third party agrees to pay on Tenant's behalf, all or any portion of the Basic Rent or Additional Rent under this Lease; and/or (y) a third party undertakes or is granted by or on behalf of Tenant the right to assign or attempt to assign this Lease or sublet or attempt to sublet all or any portion of the Premises, shall for all purposes hereof be deemed to be an assignment of this Lease and subject to the provisions of this Article 6. The provisions of this paragraph (a) shall apply to a transfer (by one or more transfers) of a controlling portion of or interest in the stock or partnership or membership interests or other evidences of equity interests of Tenant as if such transfer were an assignment of this Lease; provided that if equity interests in Tenant at any time are or become traded on a public stock exchange, the transfer of equity interests in Tenant on a public stock exchange shall not be deemed an assignment within the meaning of this Article.

(b) The provisions of paragraph (a) shall not apply to either (x) transactions with an entity into or with which Tenant is merged or consolidated, or to which all or substantially all of Tenant's assets are transferred, or (y) transactions with any entity which controls or is controlled by Tenant or is under common control with Tenant; provided that in any such event:

(i) the successor to Tenant has a net worth, computed in accordance with generally accepted accounting principles consistently applied, at least equal to the net worth of Tenant immediately prior to such merger, consolidation or transfer,

(ii) proof satisfactory to Landlord of such net worth shall have been delivered to Landlord at least ten (10) days prior to the effective date of any such transaction, and

(iii) the assignee agrees directly with Landlord, by written instrument in form satisfactory to Landlord in its reasonable discretion, to be bound by all the obligations of Tenant hereunder, including, without limitation, the covenant against further assignment and subletting.

6.2 Acceptance of Rent. If this Lease be assigned, or if the Premises or any part thereof be sublet or occupied by anyone other than Tenant, whether or not in violation of the terms and conditions of the Lease, Landlord may, at any time and from time to time, collect rent and other charges from the assignee, subtenant or occupant, and apply the net amount collected to the rent and other charges herein reserved, but no such assignment, subletting, occupancy, collection or modification of any provisions of this Lease shall be deemed a waiver of this covenant, or the acceptance of the assignee, subtenant or occupant as a tenant or a release of Tenant from the further performance of covenants on the part of Tenant to be performed

hereunder. Any consent by Landlord to a particular assignment, subletting or occupancy or other act for which Landlord's consent is required under paragraph (a) of Section 6.1 shall not in any way diminish the prohibition stated in paragraph (a) of Section 6.1 as to any further such assignment, subletting or occupancy or other act or the continuing liability of the original named Tenant. No assignment or subletting hereunder shall relieve Tenant from its obligations hereunder, and Tenant shall remain fully and primarily liable therefor. Landlord may revoke any consent by Landlord to a particular assignment, subletting or occupancy if the assignment or sublease does not provide that the assignee, subtenant or other occupant agrees to be independently bound by and upon all of the covenants, agreements, terms, provisions and conditions set forth in this Lease on the part of Tenant to be kept and performed.

6.3 Excess Payments. If Tenant assigns this Lease or sublets the Premises or any portion thereof, Tenant shall pay to Landlord as Additional Rent 50% of the amount, if any, by which (a) any and all compensation received by Tenant as a result of such assignment or subletting, exceeds (b) in the case of an assignment, the Basic Rent and Additional Rent under this Lease, and in the case of a subletting, the portion of the Basic Rent and Additional Rent allocable to the portion of the Premises subject to such subletting. Such payments shall be made on the date the corresponding payments under this Lease are due. Notwithstanding the foregoing, the provisions of this Section shall impose no obligation on Landlord to consent to an assignment of this Lease or a subletting of all or a portion of the Premises.

6.4 Landlord's Recapture Right. Notwithstanding anything herein to the contrary, in addition to withholding or granting consent with respect to any proposed assignment of this Lease or proposed sublease of all or a portion of the Premises, Landlord shall have the right (the "Recapture Right") to be exercised in writing (a "Recapture Notice") within thirty (30) days after written notice from Tenant seeking Landlord's consent to assign this Lease or sublease all or any portion of the Premises (a "Consent Request"), to terminate this Lease (in the event of a proposed assignment) or recapture that portion of the Premises to be subleased (in the event of a proposed sublease).

In any case where Landlord shall give Tenant a Recapture Notice, Tenant shall have the right, exercisable by Tenant by written notice to Landlord (a "Revocation Notice") within five (5) Business Days after Tenant's receipt of the Recapture Notice to rescind and revoke Tenant's Consent Request with respect to the applicable transaction. In the event Tenant shall give Landlord a Revocation Notice within the time and manner hereinabove set forth, time being of the essence, Tenant shall be deemed to have rescinded and revoked its Consent Request and Landlord's exercise of the Recapture Right with respect to the proposed transaction shall be deemed cancelled and Tenant shall not enter into nor effect the proposed assignment or subletting.

In the case of a proposed assignment where Landlord shall give Tenant a Recapture Notice and Tenant shall not give Landlord a Revocation Notice within the time and manner provided hereunder, time being of the essence, this Lease shall terminate as of the date (the "Recapture Date") which is the later of (a) sixty (60) days after the date of Landlord' s election, and (b) the proposed effective date of such assignment or sublease, as if such date were the last day of the Term of this Lease. If Landlord gives Tenant a Recapture Notice exercising Landlord's rights under this Section in connection with a proposed sublease and Tenant shall not give Landlord a Revocation Notice within the time and manner herein provided, time being of the essence, this Lease shall be deemed amended to eliminate the proposed sublease premises from the Premises as of the Recapture Date, and thereafter all Basic Rent and Additional Rent and, provided that no Default of Tenant shall then exist and be continuing, the amount of the Security Deposit shall each be appropriately prorated to reflect the reduction of the Premises as of the Recapture Date (or, in the case of a proposed subletting of the entire Premises, this Lease shall expire on the Recapture Date as if such date were the last date of the Term of this Lease). In the event Landlord gives Tenant a Recapture Notice exercising Landlord's Recapture Right with

respect to only a portion of the Premises, Tenant shall be responsible for all costs and expenses sustained by Landlord in connection with separately demising the space which is the subject of the Recapture Right from the then remaining balance of the Premises (including, without limitation, demising walls, means of access, utility services and HVAC separation).

6.5 Further Requirements. Tenant shall reimburse Landlord on demand, as Additional Rent, for any out-of-pocket costs (including reasonable attorneys' fees and expenses) incurred by Landlord in connection with any actual or proposed assignment or sublease or other act described in paragraph (a) of Section 6.1, whether or not consummated, including the costs of making investigations as to the acceptability of the proposed assignee or subtenant. Any sublease to which Landlord gives its consent shall not be valid or binding on Landlord unless and until Tenant and the sublessee execute a consent agreement in form and substance satisfactory to Landlord in its reasonable discretion and a fully executed counterpart of such sublease has been delivered to Landlord. Landlord may condition its consent to any partial subletting upon a condition that the portion of the space so sublet shall be in compliance with applicable statutes, building laws, ordinances and codes. In the event that Landlord consents to any sublease under the provisions of this Article, the sublease shall provide that: (i) the term of the sublease must end no later than one day before the last day of the Term of this Lease; (ii) such sublease is subject and subordinate to this Lease; (iii) Landlord may enforce the provisions of the sublease, including collection of rents; and (iv) in the event of termination of this Lease or reentry or repossession of the Premises by Landlord, Landlord may, at its sole discretion and option, take over all of the right, title and interest of Tenant, as sublessor, under such sublease, and such subtenant shall, at Landlord's option, attorn to Landlord, but nevertheless Landlord shall not (A) be liable for any previous act or omission of Tenant under such sublease; (B) be subject to any defense or offset previously accrued in favor of the subtenant against Tenant; or (C) be bound by any previous modification of such sublease made without Landlord's written consent or by any previous prepayment of more than one month's rent.

6.6 Initial Permitted Subletting Subject to the conditions and limitations hereafter set forth and all other applicable provisions of this Lease (including, without limitation, Section 6.3 hereof but excluding Section 6.4 hereof), Landlord hereby consents to Tenant subletting approximately 3,000 rentable square feet of the Premises (the "X-Rite Space") to X-Rite Corporation ("X-Rite") provided that (i) Tenant and X-Rite enter into and deliver a Sublease Agreement for the X-Rite Space in the form attached to this Lease as Exhibit F and (ii) Tenant, X-Rite and Landlord enter into a Consent to Sublease in Landlord's usual form as attached as Exhibit G to this Lease. In no event shall Tenant be relieved from any of its obligations under this Lease as the result of Landlord's consent to the subletting to X-Rite as contemplated in this Section 6.6

ARTICLE 7
RESPONSIBILITY FOR REPAIRS AND CONDITION OF PREMISES. SERVICES TO BE FURNISHED BY LANDLORD

7.1 Landlord Repairs.

(a) Except as otherwise provided in this Lease, Landlord agrees to keep in good order, condition and repair the roof, public areas, exterior walls (including exterior glass) and structure of the Building (including all plumbing, mechanical and electrical systems installed by Landlord and which serve all tenants of the Building generally, but specifically excluding any such systems or components thereof within and which serve the Premises exclusively, other than components of the Building fire suppression and/or heating, ventillation and air conditioning system, any existing independent supplemental heating, ventilation or air conditioning equipment or systems not tied to the main Building heating ventillation and air conditioning system or any such systems that are installed by or at Tenant's request or as a result of Tenant's requirements in excess of building standard design criteria), all insofar as they affect the Premises, except that

Landlord shall in no event be responsible to Tenant for the repair of glass in the Premises, the doors (or related glass and finish work) leading to the Premises, or any condition in the Premises or the Building caused by any act or neglect of Tenant, its employees, agents, invitees or contractors. Landlord shall also keep and maintain all Common Facilities in a good and clean order, condition and repair, free of snow and ice and accumulation of dirt and rubbish, and shall keep and maintain all landscaped areas on the Property in a neat and orderly condition. Landlord shall not be responsible to make any improvements or repairs to the Building other than as expressly in this Section 7.1 provided, unless expressly provided otherwise in this Lease.

In the event that a court or other governmental authority having jurisdiction over the Property shall issue a final non-appealable order or judgment requiring that alterations or modifications be made to the structure of the Building and/or to any interior or exterior common area of the Building and/or to any Building system or component of the Building (such as by way of example, the Building's fire suppression system) which serves all tenants of the Building generally (as opposed to serving the Premises exclusively) and such alterations or modifications are required in order to bring such system or component of the Building into compliance with applicable laws, codes, statutes or ordinances, Landlord shall cause such alteration or improvement to be made unless the requirement for the making of such alterations or improvements results or arises from (i) any alteration or improvement made by or on behalf of the Tenant or (ii) Tenant's particular use of the Premises for other than general office purposes or (iii) the acts or omissions of Tenant and/or Tenant's agents, servants, employees or contractors. All costs and expenses sustained by Landlord in performing any such alterations, modifications, work or repairs pursuant to this Section 7.1 shall be included in Operating Expenses.

(b) Landlord shall never be liable for any failure to make repairs which Landlord has undertaken to make under the provisions of this Section 7.1 or elsewhere in this Lease, unless Tenant has given notice to Landlord of the need to make such repairs, and Landlord has failed to commence to make such repairs within a reasonable time after receipt of such notice, or fails to proceed with reasonable diligence to complete such repairs.

7.2 Tenant Repairs.

(a) Tenant will keep the Premises and every part thereof neat and clean, and will maintain the same in good order, condition and repair, excepting only those repairs for which Landlord is responsible under the terms of this Lease, reasonable wear and tear of the Premises, and damage by fire or other casualty or as a consequence of the exercise of the power of eminent domain; and Tenant shall surrender the Premises, at the end of the Term, in such condition. Except for those matters which are the Landlord's obligations pursuant to Section 7.1(a) hereof, Tenant shall comply with all laws, codes and ordinances from time to time in effect and all directions, rules and regulations of governmental agencies having jurisdiction, and the standards recommended by the local Board of Fire Underwriters applicable to Tenant's use and occupancy of the Premises, and shall, at Tenant's expense, obtain all permits, licenses and the like required thereby. Subject to Section 10.4 regarding waiver of subrogation and except and to the extent actually covered by insurance proceeds, Tenant shall be responsible for the cost of repairs which may be made necessary by reason of damage to the Building caused by any act or neglect of Tenant, or its contractors or invitees (including any damage by fire or other casualty arising therefrom).

(b) If repairs are required to be made by Tenant pursuant to the terms hereof, and Tenant fails to make the repairs, upon not less than ten (10) days' prior written notice (except that no notice shall be required in the event of an emergency), Landlord may make or cause such repairs to be made (but shall not be required to do so), and the provisions of Section 14.4 shall be applicable to the costs thereof. Landlord shall not be responsible to Tenant for any loss or damage whatsoever that may accrue to Tenant's stock or business by reason of Landlord's making such repairs.

7.3 Floor Load - Heavy Machinery.

(a) Tenant shall not place a load upon any floor in the Premises exceeding the floor load per square foot of area which such floor was designed to carry and which is allowed by law. Landlord reserves the right to prescribe the weight and position of all business machines and mechanical equipment, including safes, which shall be placed so as to distribute the weight. Business machines and mechanical equipment shall be placed and maintained by Tenant at Tenant's expense in settings sufficient, in Landlord's judgment, to absorb and prevent vibration, noise and annoyance. Tenant shall not move any safe, heavy machinery, heavy equipment, freight, bulky matter or fixtures into or out of the Building without Landlord's prior consent, which consent may include a requirement to provide insurance, naming Landlord as an insured, in such amounts as Landlord may deem reasonable.

(b) If any such safe, machinery, equipment, freight, bulky matter or fixtures requires special handling, Tenant agrees to employ only persons holding a Master Rigger's License to do such work, and that all work in connection therewith shall comply with applicable laws and regulations. Any such moving shall be at the sole risk and hazard of Tenant, and Tenant will exonerate, indemnify and save Landlord harmless against and from any liability, loss, injury, claim or suit resulting directly or indirectly from such moving.

7.4 Utility Services.

(a) Landlord shall, on Business Days from 8:00 a.m. to 6:00 p.m. and Saturdays from 8:00 a.m. to 1:00 p.m., furnish heating and cooling as normal seasonal changes may require to provide reasonably comfortable space temperature and ventilation for occupants of the Premises under normal business operation and an electrical load not exceeding 3.0 watts per square foot of Premises Rentable Area. If Tenant shall require air conditioning, heating or ventilation outside the hours and days above specified, Landlord may furnish such service and Tenant shall pay therefor such charges as may from time to time be in effect for the Building upon demand as Additional Rent. In the event Tenant introduces into the Premises personnel or equipment which overloads the capacity of the Building system or in any other way interferes with the system's ability to perform adequately its proper functions, supplementary systems may, if and as needed, at Landlord's option, be provided by Landlord, and the cost of such supplementary systems shall be payable by Tenant to Landlord upon demand as Additional Rent.

(b) Tenant shall be responsible for the payment of all utilities used and consumed in the Premises. Tenant shall pay for all separately metered utilities used and consumed in the Premises directly to the provider thereof. Landlord shall charge Tenant, Tenant's Proportionate Share of the electricity and natural gas used in connection with the HVAC system for the Building. Electricity for lights and plugs in the Premises shall be charged back to Tenant by Landlord based on the Tenant's use and consumption thereof. From time to time, but not more than once per calendar month, Landlord shall invoice Tenant for electricity used and consumed in the Premises as measured by the applicable method described above. Tenant shall pay Landlord such amounts as Additional Rent hereunder within thirty (30) days after receipt of each such invoice. The obligation to pay for electricity used and consumed in the Premises during the last month of the Term hereof shall survive expiration of the Term.

Landlord shall purchase and install, at Tenant's expense, all lamps, tubes, bulbs, starters and ballasts. In order to assure that the foregoing requirements are not exceeded and to avert possible adverse effect on the Building's electric system, Tenant shall not, without Landlord's prior consent, connect any fixtures, appliances or equipment to the Building' s electric distribution system other than personal computers, facsimile transceivers, typewriters, pencil sharpeners, adding machines, photocopiers, word and data processors, clocks, radios, hand-held or desk top

calculators, dictaphones, desktop computers and other similar small electrical equipment normally found in business offices and not drawing more than 15 amps at 120/208 volts.

(c) From time to time during the Term of this Lease, Landlord shall have the right to have an electrical consultant selected by Landlord make a survey of Tenant' s electric usage, the result of which survey shall be conclusively binding upon Landlord and Tenant. In the event that such survey shows that Tenant has exceeded the requirements set forth in paragraph (b), in addition to any other rights Landlord may have hereunder, Tenant shall, upon demand, reimburse Landlord for the cost of such survey and the cost, as determined by such consultant, of electricity usage in excess of such requirements as Additional Rent.

7.5 Other Services.

Landlord shall also provide:

(a) Passenger elevator service from the existing passenger elevator system in common with Landlord and others entitled thereto.

(b) Warm water for lavatory purposes and cold water (at temperatures supplied by the city in which the Property is located) for drinking, lavatory and toilet purposes. If Tenant uses water for any purpose other than for ordinary lavatory and drinking purposes, Landlord may assess a reasonable charge for the additional water so used, or install a water meter and thereby measure Tenant' s water consumption for all purposes. In the latter event, Tenant shall pay the cost of the meter and the cost of installation thereof as Additional Rent upon demand and shall keep such meter and installation equipment in good working order and repair. Tenant agrees to pay for water consumed, as shown on such meter, together with the sewer charge based on such meter charges, as and when bills are rendered, and in the event Tenant fails timely to make any such payment, Landlord may pay such charges and collect the same from Tenant upon demand as Additional Rent.

(c) Cleaning and janitorial services to the Premises, provided the same are kept in order by Tenant, substantially in accordance with the cleaning standards from time to time in effect for the Building (the "Cleaning Services"). Landlord shall provide (or shall engage a cleaning company selected by Landlord to provide) such Cleaning Services and Tenant shall directly pay Landlord the actual cost to Landlord for providing or causing such Cleaning Services to be provided to Tenant as Additional Rent under this Lese from time to time within thirty (30) days after written demand therefor,.

(d) Access to the Premises at all times, subject to security precautions from time to time in effect, if any, and subject always to restrictions based on emergency conditions.

If and to the extent that Tenant desires to provide security for the Premises or for such persons or their property, Tenant shall be responsible for so doing, after having first consulted with Landlord and after obtaining Landlord's consent, which shall not be unreasonably withheld. Landlord expressly disclaims any and all responsibility and/or liability for the physical safety of Tenant's property, and for that of Tenant's employees, agents, contractors and invitees, and, without in any way limiting the operation of Article 10 hereof, Tenant, for itself and its agents, contractors, invitees and employees, hereby expressly waives any claim, action, cause of action or other right which may accrue or arise as a result of any damage or injury to the person or property of Tenant or any such agent, invitee, contractor or employee. Tenant agrees that, as between Landlord and Tenant, it is Tenant's responsibility to advise its employees, agents, contractors and invitees as to necessary and appropriate safety precautions.

7.6 Interruption of Service.

(a) Landlord reserves the right to curtail, suspend, interrupt and/or stop the supply of water, sewage, electrical current, cleaning, and other services, and to curtail, suspend, interrupt and/or stop use of entrances and/or lobbies serving access to the Building, or other portions of the Property, without thereby incurring any liability to Tenant, when necessary by reason of accident or emergency, or for repairs, alterations, replacements or improvements in the judgment of Landlord reasonably exercised desirable or necessary, or when prevented from supplying such services or use due to any act or neglect of Tenant or Tenant's agents employees, contractors or invitees or any person claiming by, through or under Tenant or by Force Majeure, including, but not limited to, strikes, lockouts, difficulty in obtaining materials, accidents, laws or orders, or inability, by exercise of reasonable diligence, to obtain electricity, water, gas, steam, coal, oil or other suitable fuel or power. Except as set forth in paragraph (b) below, no diminution or abatement of rent or other compensation, nor any direct, indirect or consequential damages shall or will be claimed by Tenant as a result of, nor shall this Lease or any of the obligations of Tenant be affected or reduced by reason of, any such interruption, curtailment, suspension or stoppage in the furnishing of the foregoing services or use, irrespective of the cause thereof. Except as set forth in paragraph (b) below, failure or omission on the part of Landlord to furnish any of the foregoing services or use as provided in this paragraph shall not be construed as an eviction of Tenant, actual or constructive, nor entitle Tenant to an abatement of rent, nor to render the Landlord liable in damages, nor release Tenant from prompt fulfillment of any of its covenants under this Lease.

(b) Notwithstanding anything contained in this Lease to the contrary, if (i) an interruption or curtailment, suspension or stoppage of an Essential Service (as said term is hereinafter defined) shall occur, except any of the same due to any act or neglect of Tenant or Tenant's agents employees, contractors or invitees or any person claiming by, through or under Tenant (any such interruption of an Essential Service being hereinafter referred to as a "Service Interruption"), and (ii) such Service Interruption occurs or continues as a result of the negligence or a wrongful conduct of the Landlord or Landlord's agents, servants, employees or contractors, and (iii) such Service Interruption continues for more than fifteen (15) Business Days after Landlord shall have received notice thereof from Tenant, and (iv) as a result of such Service Interruption, the conduct of Tenant's normal operations in the Premises are materially and adversely affected, then there shall be an abatement of one day's Basic Rent and Additional Rent on account of Operating Expenses and Taxes for each day during which such Service Interruption continues after such fifteen (15) Business Day period; provided, however, that if any part of the Premises is reasonably useable for Tenant's normal business operations or if Tenant conducts all or any part of its operations in any portion of the Premises notwithstanding such Service Interruption, then the amount of each daily abatement of Basic Rent and Additional Rent on account of Operating Expenses and Taxes shall only be proportionate to the nature and extent of the interruption of Tenant's normal operations or ability to use the Premises. The rights granted to Tenant under this paragraph (b) shall be Tenant's sole and exclusive remedy resulting from a failure of Landlord to provide services, and Landlord shall not otherwise be liable for any loss or damage suffered or sustained by Tenant resulting from any failure or cessation of services. For purposes hereof, the term "Essential Services" shall mean the following services: access to the Premises, water and sewer/septic service and electricity, but only to the extent that Landlord has an obligation to provide same to Tenant under this Lease. Any abatement of Basic Rent and Additional Rent on account of Operating Expenses and Taxes under this paragraph shall apply only with respect to Basic Rent and Additional Rent on account of Operating Expenses and Taxes allocable to the period after each of the conditions set forth in subsections (i) through (iv) hereof shall have been satisfied and only during such times as each of such conditions shall exist.

ARTICLE 8
REAL ESTATE TAXES

8.1 Payments on Account of Real Estate Taxes.

(a) "Tax Year" shall mean a twelve-month period commencing on July 1 and falling wholly or partially within the Term, and "Taxes" shall mean (i) all taxes, assessments (special or otherwise), levies, fees and all other government levies, exactions and charges of every kind and nature, general and special, ordinary and extraordinary, foreseen and unforeseen, which are, at any time prior to or during the Term, imposed or levied upon or assessed against the Property or any portion thereof, or against any Basic Rent, Additional Rent or other rent of any kind or nature payable to Landlord by anyone on account of the ownership, leasing or operation of the Property, or which arise on account of or in respect of the ownership, development, leasing, operation or use of the Property or any portion thereof; (ii) all gross receipts taxes or similar taxes imposed or levied upon, assessed against or measured by any Basic Rent, Additional Rent or other rent of any kind or nature or other sum payable to Landlord by anyone on account of the ownership, development, leasing, operation, or use of the Property or any portion thereof; (iii) all value added, use and similar taxes at any time levied, assessed or payable on account of the ownership, development, leasing, operation, or use of the Property or any portion thereof; and (iv) reasonable expenses of any proceeding for abatement of any of the foregoing items included in Taxes, provided Landlord prevails in such abatement proceeding; but the amount of special taxes or special assessments included in Taxes shall be limited to the amount of the installment (plus any interest, other than penalty interest, payable thereon) of such special tax or special assessment required to be paid during the year in respect of which such Taxes are being determined. There shall be excluded from Taxes all income, estate, succession, inheritance and transfer taxes of Landlord; provided, however, that if at any time during the Term the present system of ad valorem taxation of real property shall be changed so that a capital levy, franchise, income, profits, sales, rental, use and occupancy, or other tax or charge shall in whole or in part be substituted for, or added to, such ad valorem tax and levied against, or be payable by, Landlord with respect to the Property or any portion thereof, such tax or charge shall be included in the term "Taxes" for the purposes of this Article.

(b) Tenant shall pay to Landlord, as Additional Rent, an amount equal to (i) the Taxes for each Tax Year (or portion thereof falling within the Term), multiplied by (ii) Tenant's Proportionate Share, such amount to be apportioned for any portion of a Tax Year in which the Commencement Date falls or the Term expires.

(c) Estimated payments by Tenant on account of Taxes shall be made on the first day of each and every calendar month during the Term of this Lease, in the fashion herein provided for the payment of Basic Rent. The monthly amount so to be paid to Landlord shall be sufficient to provide Landlord by the time real estate tax payments are due with a sum equal to Tenant's required payment, as reasonably estimated by Landlord from time to time, on account of Taxes for the then current Tax Year. Promptly after receipt by Landlord of bills for such Taxes, Landlord shall advise Tenant of the amount thereof and the computation of Tenant's payment on account thereof. If estimated payments theretofore made by Tenant for the Tax Year covered by such bills exceed the required payment on account thereof for such Tax Year, Landlord shall credit the amount of overpayment against subsequent obligations of Tenant on account of Taxes (or promptly refund such overpayment if the Term of this Lease has ended and Tenant has no further obligation to Landlord); but if the required payments on account thereof for such Tax Year are greater than estimated payments theretofore made on account thereof for such Tax Year, Tenant shall pay the difference to Landlord as Additional Rent within thirty (30) days after being so advised by Landlord, and the obligation to make such payment for any period within the Term shall survive expiration of the Term.

8.2 Abatement. If Landlord shall receive any tax refund or reimbursement of Taxes or sum in lieu thereof with respect to any Tax Year all or any portion of which falls within the Term, then out of any balance remaining thereof after deducting Landlord's reasonable expenses in obtaining such refund, Landlord shall pay to Tenant, provided there does not then exist a Default of Tenant, an amount equal to such refund or reimbursement or sum in lieu thereof (exclusive of any interest, and apportioned if such refund is for a Tax Year a portion of which falls outside the Term,) multiplied by Tenant's Proportionate Share; provided, that in no event shall Tenant be entitled to receive more than the payments made by Tenant on account of Taxes for such Tax Year pursuant to paragraph (b) of Section 8.1.

ARTICLE 9
OPERATING AND UTILITY EXPENSES

9.1 Definitions. "Operating Year" shall mean each calendar year all or any part of which falls within the Term, and "Operating Expenses" shall mean the aggregate costs and expenses incurred by Landlord with respect to the operation, administration, cleaning, repair, maintenance and management of the Property, all as set forth in Exhibit D attached hereto, provided that if during any portion of the Operating Year for which Operating Expenses are being computed, less than all of the Building was occupied by tenants or Landlord was not supplying all tenants with the services being supplied under this Lease, actual Operating Expenses incurred shall be extrapolated reasonably by Landlord on an item by item basis to the estimated Operating Expenses that would have been incurred if the Building were fully occupied for such Operating Year and such services were being supplied to all tenants, and such extrapolated amount shall, for the purposes hereof, be deemed to be the Operating Expenses for such Operating Year.

9.2 Tenant's Payment of Operating Expenses.

(a) Tenant shall pay to Landlord, as Additional Rent, an amount equal to (i) Operating Expenses for each Operating Year (or portion thereof falling within the Term) multiplied by (ii) Tenant's Proportionate Share, such amount to be apportioned for any portion of an Operating Year in which the Commencement Date falls or the Term of this Lease ends.

(b) Estimated payments by Tenant on account of Operating Expenses shall be made on the first day of each and every calendar month during the Term of this Lease, in the fashion herein provided for the payment of Basic Rent. The monthly amount so to be paid to Landlord shall be sufficient to provide Landlord by the end of each Operating Year a sum equal to Tenant's required payment, as reasonably estimated by Landlord from time to time during each Operating Year, on account of Operating Expenses for such Operating Year. After the end of each Operating Year, Landlord shall submit to Tenant a reasonably detailed accounting of Operating Expenses for such Operating Year, and Landlord shall certify to the accuracy thereof. If estimated payments theretofore made for such Operating Year by Tenant exceed Tenant' s required payment on account thereof for such Operating Year according to such statement, Landlord shall credit the amount of overpayment against subsequent obligations of Tenant with respect to Operating Expenses (or promptly refund such overpayment if the Term of this Lease has ended and Tenant has no further obligation to Landlord); but if the required payments on account thereof for such Operating Year are greater than the estimated payments (if any) theretofore made on account thereof for such Operating Year, Tenant shall make payment to Landlord as Additional Rent within thirty (30) days after being so advised by Landlord, and the obligation to make such payment for any period within the Term shall survive expiration of the Term.

ARTICLE 10
INDEMNITY AND PUBLIC LIABILITY INSURANCE

10.1 Tenant's Indemnity. Except to the extent arising from the negligence or willful misconduct of Landlord or its agents or employees, Tenant agrees to indemnify and save harmless Landlord and Landlord's partners, members, shareholders, officers, directors, managers, employees, agents and contractors from and against all claims, losses, cost, damages, liability or expenses of whatever nature arising: (i) from any accident, injury or damage whatsoever to any person, or to the property of any person, occurring in or about the Premises; (ii) from any accident, injury or damage whatsoever to any person, or to property of any person, occurring outside of the Premises but on or about the Property, where such accident, damage or injury results or is claimed to have resulted from any act or omission on the part of Tenant or Tenant's agents, employees, contractors, invitees or sublessees; or (iii) the use or occupancy of the Premises or of any business conducted therein, and, in any case, occurring after the Commencement Date until the expiration of the Term of this Lease and thereafter so long as Tenant is in occupancy of any part of the Premises. This indemnity and hold harmless agreement shall include indemnity against all losses, costs, damages, expenses and liabilities incurred in or in connection with any such claim or any proceeding brought thereon, and the defense thereof, including, without limitation, reasonable attorneys' fees and costs at both the trial and appellate levels.

10.2 Tenant Insurance. Tenant agrees to maintain in full force from the date upon which Tenant first enters the Premises for any reason, throughout the Term of this Lease, and thereafter so long as Tenant is in occupancy of any part of the Premises, a policy of commercial general liability and property damage insurance (including broad form contractual liability, independent contractor's hazard and completed operations coverage) under which Tenant is named as an insured and Landlord, Agent (and such other persons as are in privity of estate with Landlord as may be set out in a notice from time to time) are named as additional insureds, and under which the insurer agrees to indemnify and hold Landlord, Agent and those in privity of estate with Landlord, harmless from and against all cost, expense and/or liability arising out of or based upon any and all claims, accidents, injuries and damages set forth in Section 10.1. Tenant may satisfy such insurance requirements by including the Premises in a so-called "blanket" and/or "umbrella" insurance policy, provided that the amount of coverage allocated to the Premises shall fulfill the requirements set forth herein. Each policy required hereunder shall be non-cancelable and non-amendable with respect to Landlord, Agent and Landlord's said designees without thirty (30) days' prior notice, shall be written on an "occurrence" basis, and shall be in at least the amounts of the Initial General Liability Insurance specified in Section 1.1 or such greater amounts as Landlord in its reasonable discretion shall from time to time request, and a duplicate original or certificates thereof satisfactory to Landlord, together with a photocopy of the entire policy, shall be delivered to Landlord.

10.3 Tenant's Risk. Tenant agrees to use and occupy the Premises and to use such other portions of the Property as Tenant is herein given the right to use at Tenant's own risk. Landlord shall not be liable to Tenant, its employees, agents, invitees or contractors for any damage, injury, loss, compensation, or claim (including, but not limited to, claims for the interruption of or loss to Tenant's business) based on, arising out of or resulting from any cause whatsoever, including, but not limited to, repairs to any portion of the Premises or the Property, any fire, robbery, theft, mysterious disappearance and/or any other crime or casualty, the actions of any other tenants of the Building or of any other person or persons, or any leakage in any part or portion of the Premises or the Building, or from water, rain or snow that may leak into, or flow from any part of the Premises or the Building, or from drains, pipes or plumbing fixtures in the Building, unless due to the negligence or willful misconduct of Landlord or Landlord's agents, contractors or employees. Any goods, property or personal effects stored or placed in or about the Premises shall be at the sole risk of Tenant, and neither Landlord nor Landlord's insurers shall in any manner be held responsible therefor. Notwithstanding the foregoing,

Landlord shall not be released from liability for any injury, loss, damages or liability to the extent arising from any negligence or willful misconduct of Landlord, its servants, employees or agents acting within the scope of their authority on or about the Premises; provided, however, that in no event shall Landlord, its servants, employees or agents have any liability to Tenant based on any loss with respect to or interruption in the operation of Tenant's business. Tenant shall carry "all-risk" property insurance on a "replacement cost" basis, insuring Tenant's Removable Property and any Alterations made by Tenant pursuant to Section 5.2, to the extent that the same have not become the property of Landlord.

10.4 Waiver of Subrogation. The parties hereto shall each procure an appropriate clause in, or endorsement on, any property insurance policy on the Premises or any personal property, fixtures or equipment located thereon or therein, pursuant to which the insurer waives subrogation or consents to a waiver of right of recovery in favor of either party, its respective agents or employees. Having obtained such clauses and/or endorsements, each party hereby agrees that it will not make any claim against or seek to recover from the other or its agents or employees for any loss or damage to its property or the property of others resulting from fire or other perils covered by such property insurance.

ARTICLE 11
FIRE, EMINENT DOMAIN, ETC.

11.1 Landlord's Right of Termination. If the Premises or the Building are substantially damaged by fire or casualty (the term "substantially damaged" meaning damage of such a character that the same cannot, in the ordinary course, reasonably be expected to be repaired within sixty (60) days from the time that repair work would commence), or if any part of the Building is taken by any exercise of the right of eminent domain, then Landlord shall have the right to terminate this Lease (even if Landlord's entire interest in the Premises may have been divested) by giving notice of Landlord's election so to do within ninety (90) days after the occurrence of such casualty or the effective date of such taking, whereupon this Lease shall terminate thirty (30) days after the date of such notice with the same force and effect as if such date were the date originally established as the expiration date hereof.

11.2 Restoration: Tenant's Right of Termination. If the Premises or the Building are damaged by fire or other casualty, and this Lease is not terminated pursuant to Section 12.1, Landlord shall thereafter use reasonable efforts to restore the Building and the Premises (excluding any Alterations made by Tenant pursuant to Section 5.2) to proper condition for Tenant's use and occupation, provided that Landlord's obligation shall be limited to the amount of insurance proceeds available therefor. If, for any reason, such restoration shall not be substantially completed within six months after the expiration of the ninety-day period referred to in Section 11.1 (which six-month period may be extended for such periods of time as Landlord is prevented from proceeding with or completing such restoration due to Force Majeure, but in no event for more than an additional three months), Tenant shall have the right to terminate this Lease by giving notice to Landlord thereof within thirty (30) days after the expiration of such period (as so extended) provided that such restoration is not completed within such period. This Lease shall cease and come to an end without further liability or obligation on the part of either party thirty (30) days after such giving of notice by Tenant unless, within such thirty-day period, Landlord substantially completes such restoration. Such right of termination shall be Tenant's sole and exclusive remedy at law or in equity for Landlord's failure so to complete such restoration, and time shall be of the essence with respect thereto.

11.3 Landlord's Insurance. Landlord agrees to maintain in full force and effect, during the Term of this Lease, property damage insurance with such deductibles and in such amounts as may from time to time be carried by reasonably prudent owners of similar buildings in the area in which the Property is located, provided that in no event shall Landlord be required

to carry other than fire and extended coverage insurance or insurance in amounts greater than 80% of the actual insurable cash value of the Building (excluding footings and foundations). Landlord may satisfy such insurance requirements by including the Property in a so-called "blanket" insurance policy, provided that the amount of coverage allocated to the Property shall fulfill the foregoing requirements.

11.4 Abatement of Rent. If the Premises or the Building are damaged by fire or other casualty, Basic Rent and Additional Rent payable by Tenant shall abate proportionately for the period during which, by reason of such damage, there is substantial interference with Tenant's use of the Premises, having regard for the extent to which Tenant may be required to discontinue Tenant' s use of all or an undamaged portion of the Premises due to such damage, but such abatement or reduction shall end if and when Landlord shall have substantially completed sufficient restoration that Tenant is reasonably able to use the Premises and the Premises are in substantially the condition in which they were prior to such damage (excluding any Alterations made by Tenant pursuant to Section 5.2). If the Premises shall be affected by any exercise of the power of eminent domain, Basic Rent and Additional Rent payable by Tenant shall be justly and equitably abated and reduced according to the nature and extent of the loss of use thereof suffered by Tenant. In no event shall Landlord have any liability for damages to Tenant for inconvenience, annoyance, or interruption of business arising from any fire or other casualty or eminent domain.

11.5 Condemnation Award. Landlord shall have and hereby reserves and excepts, and Tenant hereby grants and assigns to Landlord, all rights to recover for damages to the Property and the leasehold interest hereby created, and to compensation accrued or hereafter to accrue by reason of any taking, by exercise of the right of eminent domain, and by way of confirming the foregoing, Tenant hereby grants and assigns, and covenants with Landlord to grant and assign to Landlord, all rights to such damages or compensation, and covenants to deliver such further assignments and assurances thereof as Landlord may from time to time request, and Tenant hereby irrevocably appoints Landlord its attorney-in-fact to execute and deliver in Tenant's name all such assignments and assurances. Nothing contained herein shall be construed to prevent Tenant from prosecuting in any condemnation proceedings a claim for the value of any of Tenant's Removable Property installed in the Premises by Tenant at Tenant's expense and for relocation expenses, provided that such action shall not affect the amount of compensation otherwise recoverable by Landlord from the taking authority.

ARTICLE 12
HOLDING OVER: SURRENDER

12.1 Holding Over. Any holding over by Tenant after the expiration of the Term of this Lease shall be treated as a daily tenancy at sufferance at a equal to two (2) times the Basic Rent then in effect plus the Additional Rent herein provided (prorated on a daily basis). Tenant shall also pay to Landlord all damages, direct and/or indirect, sustained by reason of any such holding over. In all other respects, such holding over shall be on the terms and conditions set forth in this Lease as far as applicable.

12.2 Surrender of Premises. Upon the expiration or earlier termination of the Term of this Lease, Tenant shall peaceably quit and surrender to Landlord the Premises in neat and clean condition and in good order, condition and repair, together with all alterations, additions and improvements which may have been made or installed in, on or to the Premises prior to or during the Term of this Lease (except as hereinafter provided), excepting only ordinary wear and use and damage by fire or other casualty for which, under other provisions of this Lease, Tenant has no responsibility to repair or restore. Tenant shall remove all of Tenant's Removable Property and, to the extent specified by Landlord, all alterations and additions made by Tenant and all partitions wholly within the Premises unless installed initially by Landlord in preparing the

Premises for Tenant's occupancy; and shall repair any damages to the Premises or the Building caused by such removal. Any Tenant's Removable Property which shall remain in the Building or on the Premises after the expiration or termination of the Term of this Lease shall be deemed conclusively to have been abandoned, and either may be retained by Landlord as its property or may be disposed of in such manner as Landlord may see fit, at Tenant's sole cost and expense.

ARTICLE 13
RIGHTS OF MORTGAGEES: TRANSFER OF TITLE

13.1 Rights of Mortgagees. This Lease shall be subject and subordinate to the lien and terms of any mortgage, deed of trust or ground lease or similar encumbrance (collectively, a "Mortgage", and the holder thereof from time to time the "Holder") from time to time encumbering the Premises, whether executed and delivered prior to or subsequent to the date of this Lease, unless the Holder shall elect otherwise. If this Lease is subordinate to any Mortgage and the Holder or any other party shall succeed to the interest of Landlord pursuant to the Mortgage (such Holder or other party, a "Successor"), at the election of the Holder or Successor, Tenant shall attorn to the or Successor and this Lease shall continue in full force and effect between the Holder or Successor and Tenant. Tenant agrees to execute such instruments of subordination or attornment in confirmation of the foregoing agreement as the Holder or Successor reasonably may request.

Notwithstanding the foregoing to the contrary, upon the written request of Tenant, Landlord shall request that any present or future Holder enter into an agreement with Tenant in such Holder's usual and customary form of subordination, non-disturbance and attornment agreement and in form and substance reasonably satisfactory to such Holder to the effect that such Holder shall recognize this Lease and Tenant's occupancy of the Premises and agrees to not disturb Tenant's possession of the Premises in the event of a foreclosure of such Holder's mortgage. Upon Tenant's written request, Landlord shall use good faith efforts to obtain such an agreement from each Holder now or hereafter holding a mortgage on the Property but failure of any such Holder to execute and deliver such an agreement with Tenant shall not affect the validity of this Lease nor entitle the Tenant to any claim, rights or causes of action against Landlord of any kind, type or nature.

13.2 Assignment of Rents and Transfer of Title.

(a) With reference to any assignment by Landlord of Landlord's interest in this Lease, or the rents payable hereunder, conditional in nature or otherwise, which assignment is made to the holder of a mortgage on property which includes the Premises, Tenant agrees that the execution thereof by Landlord, and the acceptance thereof by the holder of such mortgage shall never be treated as an assumption by such holder of any of the obligations of Landlord hereunder unless such holder shall, by notice sent to Tenant, specifically otherwise elect and, except as aforesaid, such holder shall be treated as having assumed Landlord's obligations hereunder only upon foreclosure of such holder's mortgage and the taking of possession of the Premises.

(b In no event shall the acquisition of Landlord's interest in the Property by a purchaser which, simultaneously therewith, leases Landlord's entire interest in the Property back to the seller thereof be treated as an assumption by operation of law or otherwise, of Landlord's obligations hereunder, but Tenant shall look solely to such seller-lessee, and its successors from time to time in title, for performance of Landlord's obligations hereunder. In any such event, this Lease shall be subject and subordinate to the lease to such purchaser. For all purposes, such seller-lessee, and its successors in title, shall be the Landlord hereunder unless and until Landlord's position shall have been assumed by such purchaser-lessor.

(c Except as provided in paragraph (b)of this Section, in the event of any transfer of title to the Property by Landlord, Landlord shall thereafter be entirely freed and relieved from the performance and observance of all covenants and obligations hereunder.

13.3 Notice to Mortgagee. After receiving written notice from Landlord of any Holder of a Mortgage which includes the Premises, no notice from Tenant to Landlord alleging any default by Landlord shall be effective unless and until a copy of the same is given to such Holder (provided Tenant shall have been furnished with the name and address of such Holder by written notice from Landlord), and the curing of any of Landlord's defaults by such Holder shall be treated as performance by Landlord.

ARTICLE 14
DEFAULT: REMEDIES

14.1 Tenant's Default.

(a) If at any time subsequent to the date of this Lease any one or more of the following events (herein referred to as a "Default of Tenant") shall happen:

(i) Tenant shall fail to pay the Basic Rent or Additional Rent hereunder when due and such failure shall continue for three (3) Business Days after written notice to Tenant from Landlord; or

(ii) Tenant shall neglect or fail to perform or observe any other covenant herein contained on Tenant's part to be performed or observed and Tenant shall fail to remedy the same within thirty (30) days after written notice to Tenant specifying such neglect or failure, or if such failure is of such a nature that Tenant cannot reasonably remedy the same within such thirty (30) day period, Tenant shall fail to commence promptly (and in any event within such thirty (30) day period) to remedy the same and to prosecute such remedy to completion with diligence and continuity (and in any event, within ninety (90) days after the notice described in this subparagraph (ii)); or

(iii) Tenant's leasehold interest in the Premises shall be taken on execution or by other process of law directed against Tenant; or

(iv) Tenant shall make an assignment for the benefit of creditors or shall be adjudicated insolvent, or shall file any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future Federal, State or other statute, law or regulation for the relief of debtors (other than the Bankruptcy Code, as hereinafter defined), or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of Tenant or of all or any substantial part of its properties, or shall admit in writing its inability to pay its debts generally as they become due; or

(v) An Event of Bankruptcy (as hereinafter defined) shall occur with respect to Tenant; or

(vi) A petition shall be filed against Tenant under any law (other than the Bankruptcy Code) seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any present or future Federal, State or other statute, law or regulation and shall remain undismissed or unstayed for an aggregate of sixty (60) days (whether or not consecutive), or if any trustee, conservator, receiver or liquidator of Tenant or of all or any substantial part of its properties shall be appointed without the consent or acquiescence of Tenant and such

appointment shall remain unvacated or unstayed for an aggregate of sixty (60) days (whether or not consecutive);

(vii) If: (x) Tenant shall fail to pay the Basic Rent or Additional Rent hereunder when due or shall fail to perform or observe any other covenant herein contained on Tenant's part to be performed or observed and Tenant shall cure any such failure within the applicable grace period set forth in clauses (i) or (ii) above; or (y) a Default of Tenant of the kind set forth in clauses (i) or (ii) above shall occur and Landlord shall, in its sole discretion, permit Tenant to cure such Default of Tenant after the applicable grace period has expired; and the same or a similar failure shall occur more than twice within the next 365 days (whether or not such similar failure is cured within the applicable grace period); or

(viii) The occurrence of any of the events described in paragraphs (a)(iv)-(a)(vi) with respect to any guarantor of all or any portions of Tenant's obligations under this Lease;

then in any such case Landlord may terminate this Lease as hereinafter provided.

(b) For purposes of clause (a)(v) above, an "Event of Bankruptcy" means the filing of a voluntary petition by Tenant, or the entry of an order for relief against Tenant, under Chapter 7, 11, or 13 of the Bankruptcy Code, and the term "Bankruptcy Code" means 11 U.S.C. Section 101, et seq.. If an Event of Bankruptcy occurs, then the trustee of Tenant's bankruptcy estate or Tenant as debtor-in-possession may (subject to final approval of the court) assume this Lease, and may subsequently assign it, only if it does the following within sixty (60) days after the date of the filing of the voluntary petition, the entry of the order for relief (or such additional time as a court of competent jurisdiction may grant, for cause, upon a motion made within the original sixty-day period):

(i) file a motion to assume the Lease with the appropriate court;

(ii) satisfy all of the following conditions, which Landlord and Tenant acknowledge to be commercially reasonable:

(A) cure all Defaults of Tenant under this Lease or provide Landlord with Adequate Assurance (as defined below) that it will (x) cure all monetary Defaults of Tenant hereunder within ten (10) days from the date of the assumption; and (y) cure all nonmonetary Defaults of Tenant hereunder within thirty (30) days from the date of the assumption;

(B) compensate Landlord and any other person or entity, or provide Landlord with Adequate Assurance that within ten (10) days after the date of the assumption, it will compensate Landlord and such other person or entity, for any pecuniary loss that Landlord and such other person or entity incurred as a result of any Default of Tenant, the trustee, or the debtor-in-possession;

(C) provide Landlord with Adequate Assurance of Future Performance (as defined below) of all of Tenant's obligations under this Lease; and

(D) deliver to Landlord a written statement that the conditions herein have been satisfied.

(c) For purposes only of the foregoing paragraph (b), and in addition to any other requirements under the Bankruptcy Code, any future federal bankruptcy law and applicable case law, "Adequate Assurance" means at least meeting the following conditions, which Landlord and Tenant acknowledge to be commercially reasonable:

(i) entering an order segregating sufficient cash to pay Landlord and any other person or entity under paragraph (b) above, and

(ii) granting to Landlord a valid first lien and security interest (in form acceptable to Landlord) in all property comprising the Tenant's "property of the estate," as that term is defined in Section 541 of the Bankruptcy Code, which lien and security interest secures the trustee's or debtor-in-possession's obligation to cure the monetary and nonmonetary defaults under the Lease within the periods set forth in paragraph (b) above.

(d) For purposes only of paragraph (b) above, and in addition to any other requirements under the Bankruptcy Code, any future federal bankruptcy law and applicable case law, "Adequate Assurance of Future Performance" means at least meeting the following conditions, which Landlord and Tenant acknowledge to be commercially reasonable:

(i) the trustee or debtor-in-possession depositing with Landlord, as security for the timely payment of rent and other monetary obligations, an amount equal to the sum of two (2) months' Basic Rent plus an amount equal to two (2) months' installments on account of Operating Expenses and Taxes;

(ii) the trustee or the debtor-in-possession agreeing to pay in advance, on each day that the Basic Rent is payable, the monthly installments on account of Operating Expenses and Taxes;

(iii) the trustee or debtor-in-possession providing adequate assurance of the source of the rent and other consideration due under this Lease;

(iv) Tenant's bankruptcy estate and the trustee or debtor-in-possession providing Adequate Assurance that the bankruptcy estate (and any successor after the conclusion of the Tenant's bankruptcy proceedings) will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure Landlord that the bankruptcy estate (and any successor after the conclusion of the Tenant's bankruptcy proceedings) will have sufficient funds to fulfill Tenant's obligations hereunder.

(e) If the trustee or the debtor-in-possession assumes the Lease under paragraph (b) above and applicable bankruptcy law, it may assign its interest in this Lease only if the proposed assignee first provides Landlord with Adequate Assurance of Future Performance of all of Tenant's obligations under the Lease, and if Landlord determines, in the exercise of its reasonable business judgment, that the assignment of this Lease will not breach any other lease, or any mortgage, financing agreement, or other agreement relating to the Property by which Landlord or the Property is then bound (and Landlord shall not be required to obtain consents or waivers from any third party required under any lease, mortgage, financing agreement, or other such agreement by which Landlord is then bound).

(f) For purposes only of paragraph (e) above, and in addition to any other requirements under the Bankruptcy Code, any future federal bankruptcy law and applicable case law, "Adequate Assurance of Future Performance" means at least the satisfaction of the following conditions, which Landlord and Tenant acknowledge to be commercially reasonable:

(i) the proposed assignee submitting a current financial statement, audited by a certified public accountant, that allows a net worth and working capital in amounts determined in the reasonable business judgment of Landlord to be sufficient to assure the future performance by the assignee of Tenant's obligation under this Lease; and

(ii) if requested by Landlord in the exercise of its reasonable business judgment, the proposed assignee obtaining a guarantee (in form and substance satisfactory to Landlord) from one or more persons who satisfy Landlord's standards of creditworthiness.

14.2 Landlord's Remedies.

(a) Upon the occurrence of a Default of Tenant, Landlord may terminate this Lease by notice to Tenant, specifying a date not less than five (5) days after the giving of such notice on which this Lease shall terminate and this Lease shall come to an end on the date specified therein as fully and completely as if such date were the date herein originally fixed for the expiration of the Term of this Lease, and Tenant will then quit and surrender the Premises to Landlord, but Tenant shall remain liable as hereinafter provided..

(b) If this Lease shall have been terminated as provided in this Article, then Landlord may re-enter the Premises, either by summary proceedings, ejectment or otherwise, and remove and dispossess Tenant and all other persons and any and all property from the same, as if this Lease had not been made.

(c) If this Lease shall have been terminated as provided in this Article, Tenant shall pay the Basic Rent and Additional Rent up to the time of such termination, and thereafter Tenant, until the end of what would have been the Term of this Lease in the absence of such termination, and whether or not the Premises shall have been relet, shall be liable to Landlord for, and shall pay to Landlord, as liquidated current damages: (x) the Basic Rent and Additional Rent payable hereunder as if such termination had not occurred, less the net proceeds, if any, of any reletting of the Premises, after deducting all actual and reasonable expenses in connection with such reletting, including, without limitation, all repossession costs, brokerage commissions, legal expenses, attorneys' fees, advertising, expenses of employees, alteration costs and expenses of preparation for such reletting; and (y) if this Lease provides that Tenant was entitled to occupy the Premises for any period of time without paying Basic Rent, the amount of Basic Rent that Tenant would have paid for any such period. Tenant shall pay the portion of such current damages referred to in clause (x) above to Landlord monthly on the days which the Basic Rent would have been payable hereunder if this Lease had not been terminated, and Tenant shall pay the portion of such current damages referred to in clause (y) above to Landlord upon such termination.

(d) At any time after termination of this Lease as provided in this Article, whether or not Landlord shall have collected any such current damages, as liquidated final damages and in lieu of all such current damages beyond the date of such demand, at Landlord' s election Tenant shall pay to Landlord an amount (discounted to present value using a discount factor reasonably determined by Landlord in its sole but reasonable judgment) equal to the excess, if any, of the Basic Rent and Additional Rent which would be payable hereunder from the date of such demand assuming that, for the purposes of this paragraph, annual payments by Tenant on account of Taxes and Operating Expenses would be the same as the payments required for the immediately preceding Operating or Tax Year for what would be the then unexpired Term of this Lease if the same remained in effect, over the then fair net rental value of the Premises for the same period.

(e) In case of any Default of Tenant, re-entry, expiration and dispossession by summary proceedings or otherwise, Landlord may (i) re-let the Premises or any part or parts thereof, either in the name of Landlord or otherwise, for a term or terms which may at Landlord's option be equal to or less than or exceed the period which would otherwise have constituted the balance of the Term of this Lease and may grant concessions or free rent to the extent that Landlord considers advisable and necessary to re-let the same and (ii) make such alterations, repairs and decorations in the Premises as Landlord considers advisable and necessary for the purpose of reletting the Premises; and the making of such alterations, repairs and decorations shall not operate or be construed to release Tenant from liability hereunder as aforesaid. Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed, or in the event of Landlord obtaining possession of the Premises, by reason of the violation by Tenant of any of the covenants and conditions of this Lease.

14.3 Additional Rent. If Tenant shall fail to pay when due any sums under this Lease designated as Additional Rent, Landlord shall have the same rights and remedies as Landlord has hereunder for failure to pay Basic Rent.

14.4 Remedying Defaults. Landlord shall have the right, but shall not be required, to pay such sums or do any act which requires the expenditure of monies which may be necessary or appropriate by reason of the failure or neglect of Tenant to perform any of the provisions of this Lease, and in the event of the exercise of such right by Landlord, Tenant agrees to pay to Landlord forthwith upon demand all such sums, together with interest thereon at a rate equal to 3% over the base rate in effect from time to time at The First National Bank of Boston or its successor(but in no event less than 18% per annum), as Additional Rent. Any payment of Basic Rent and Additional Rent payable hereunder not paid when due shall, at the option of Landlord, bear interest at a rate equal to 3% over the base rate in effect from time to time at The First National Bank of Boston or its successor (but in no event less than 18% per annum) from the due date thereof and shall be payable forthwith on demand by Landlord, as Additional Rent.

14.5 Remedies Cumulative. The specified remedies to which Landlord may resort hereunder are not intended to be exclusive of any remedies or means of redress to which Landlord may at any time be entitled lawfully, and Landlord may invoke any remedy (including the remedy of specific performance) allowed at law or in equity as if specific remedies were not herein provided for.

14.6 Attorneys' Fees. Reasonable attorneys' fees and expenses incurred by or on behalf of Landlord in enforcing its rights hereunder or occasioned by any Default of Tenant shall be paid by Tenant.

14.7 Waiver.

(a) Failure on the part of Landlord or Tenant to complain of any action or non-action on the part of the other, no matter how long the same may continue, shall never be a waiver by Tenant or Landlord, respectively, of any of the other's rights hereunder. Further, no waiver at any time of any of the provisions hereof by Landlord or Tenant shall be construed as a waiver of any of the other provisions hereof, and a waiver at any time of any of the provisions hereof shall not be construed as a waiver at any subsequent time of the same provisions. The consent or approval of Landlord or Tenant to or of any action by the other requiring such consent or approval shall not be construed to waive or render unnecessary Landlord's or Tenant' s consent or approval to or of any subsequent similar act by the other.

(b) No payment by Tenant, or acceptance by Landlord, of a lesser amount than shall be due from Tenant to Landlord shall be treated otherwise than as a payment on account of the earliest installment of any payment due from Tenant under the provisions hereof.

The acceptance by Landlord of a check for a lesser amount with an endorsement or statement thereon, or upon any letter accompanying such check, that such lesser amount is payment in full, shall be given no effect, and Landlord may accept such check without prejudice to any other rights or remedies which Landlord may have against Tenant.

14.8 Security Deposit. If a security deposit is specified in Section 1.1 hereof, Tenant agrees that the same will be paid upon execution and delivery of this Lease, and that Landlord shall hold the same throughout the Term of this Lease as security for the performance by Tenant of all obligations on the part of Tenant hereunder. Landlord shall have the right from time to time, without prejudice to any other remedy Landlord may have on account thereof, to apply such deposit, or any part thereof, to Landlord' s damages arising from, or to cure, any Default of Tenant. If Landlord shall so apply any or all of such deposit, Tenant shall immediately upon demand deposit with Landlord the amount so applied to be held as security hereunder. Landlord shall return the deposit, or so much thereof as shall not have theretofore been applied in accordance with the terms of this Section, to Tenant on the expiration or earlier termination of the Term of this Lease and surrender of possession of the Premises by Tenant to Landlord at such time, provided that there is then existing no Default of Tenant (nor any circumstance which, with the passage of time or the giving of notice, or both, would constitute a Default of Tenant). While Landlord holds such deposit, Landlord shall have no obligation to pay interest on the same and shall have the right to commingle the same with Landlord's other funds. If Landlord conveys Landlord's interest under this Lease, the deposit, or any part thereof not previously applied, may be turned over by Landlord to Landlord' s grantee, and, if so turned over, Tenant agrees to look solely to such grantee for proper application of the deposit in accordance with the terms of this Section, and the return thereof in accordance herewith. The holder of a mortgage shall not be responsible to Tenant for the return or application of any such deposit, whether or not it succeeds to the position of Landlord hereunder, unless such deposit shall have been received in hand by such holder.

14.9 Landlord's Default. Landlord shall in no event be in default under this Lease unless Landlord shall neglect or fail to perform any of its obligations hereunder and shall fail to remedy the same within thirty (30) days after notice to Landlord specifying such neglect or failure, or if such failure is of such a nature that Landlord cannot reasonably remedy the same within such thirty (30) day period, Landlord shall fail to commence promptly (and in any event within such thirty (30) day period) to remedy the same and to prosecute such remedy to completion with diligence and continuity.

ARTICLE 15
MISCELLANEOUS PROVISIONS

15.1 Rights of Access. Landlord and Agent shall have the right upon reasonable advance notice to Tenant (except in the case of emergency when no advance notice shall be required) to enter the Premises at all reasonable hours for the purpose of inspecting the Premises, doing maintenance or making repairs or otherwise exercising its rights or fulfilling its obligations under this Lease, and Landlord and Agent also shall have the right to make access available at all reasonable hours to prospective or existing mortgagees, purchasers or tenants of any part of the Property. In exercising is rights pursuant to this Section 15.1, Landlord shall use good faith efforts to avoid unreasonable interference with Tenant's use of the Premises.

15.2 Covenant of Quiet Enjoyment. Subject to the terms and conditions of this Lease, on payment of the Basic Rent and Additional Rent and observing, keeping and performing all of the other terms and conditions of this Lease on Tenant' s part to be observed, kept and performed, Tenant shall lawfully, peaceably and quietly enjoy the Premises during the term hereof, without hindrance or ejection by any persons lawfully claiming under Landlord to have title to the Premises superior to Tenant. The foregoing covenant of quiet enjoyment is in lieu of any other covenant, express or implied.

15.3 Landlord's Liability.

(a) Tenant agrees to look solely to Landlord's equity interest in the Property at the time of recovery for recovery of any judgment against Landlord, and agrees that neither Landlord nor any successor of Landlord shall be personally liable for any such judgment, or for the payment of any monetary obligation to Tenant. The provision contained in the foregoing sentence is not intended to, and shall not, limit any right that Tenant might otherwise have to obtain injunctive relief against Landlord or any successor of Landlord, or to take any action not involving the personal liability of Landlord or any successor of Landlord to respond in monetary damages from Landlord's assets other than Landlord's equity interest in the Property.

(b) In no event shall Landlord ever be liable to Tenant for any loss of business or any other indirect or consequential damages suffered by Tenant from whatever cause.

(c) Where provision is made in this Lease for Landlord's consent, and Tenant shall request such consent, and Landlord shall fail or refuse to give such consent, Tenant shall not be entitled to any damages for any withholding by Landlord of its consent, it being intended that Tenant's sole remedy shall be an action for specific performance or injunction, and that such remedy shall be available only in those cases where Landlord has expressly agreed in writing not to unreasonably withhold its consent. Furthermore, whenever Tenant requests Landlord's consent or approval (whether or not provided for herein), Tenant shall pay to Landlord, on demand, as Additional Rent, any reasonable expenses incurred by Landlord (including without limitation reasonable attorneys' fees and costs, if any) in connection therewith.

(d) Any repairs or restoration required or permitted to be made by Landlord under this Lease may be made during normal business hours, and Landlord shall have no liability for damages to Tenant for inconvenience, annoyance or interruption of business arising therefrom; provided, however, that Landlord will use good faith efforts to avoid unreasonable interference with Tenant's use of the Premises.

15.4 Estoppel Certificate. Tenant shall, at any time and from time to time, upon not less than ten (10) business days prior written notice by Landlord, execute, acknowledge and deliver to Landlord an estoppel certificate containing such statements of fact as Landlord reasonably requests.

15.5 Relocation. Intentionally Deleted.

15.6 Brokerage. Tenant warrants and represents that Tenant has dealt with no broker in connection with the consummation of this Lease other than Broker, and, in the event of any brokerage claims against Landlord predicated upon prior dealings with Tenant, Tenant agrees to defend the same and indemnify Landlord against any such claim (except any claim by Broker which shall be paid by Landlord pursuant to its direct agreements with Broker).

15.7 Rules and Regulations. Tenant shall abide by the Rules and Regulations from time to time established by Landlord, it being agreed that such Rules and Regulations will be established and applied by Landlord in a non-discriminatory fashion, such that all Rules and Regulations shall be generally applicable to other tenants of the Building of similar nature to the Tenant named herein. Landlord agrees to use reasonable efforts to insure that any such Rules and Regulations are uniformly enforced, but Landlord shall not be liable to Tenant for violation of the same by any other tenant or occupant of the Building, or persons having business with them. In the event that there shall be a conflict between such Rules and Regulations and the provisions of this Lease, the provisions of this Lease shall control. The Rules and Regulations currently in effect are set forth in Exhibit E.

15.8 Invalidity of Particular Provisions. If any term or provision of this Lease, or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

15.9 Provisions Binding. Etc. Except as herein otherwise provided, the terms hereof shall be binding upon and shall inure to the benefit of the successors and assigns, respectively, of Landlord and Tenant (except in the case of Tenant, only such successors and assigns as may be permitted hereunder) and, if Tenant shall be an individual, upon and to his heirs, executors, administrators, successors and permitted assigns. Each term and each provision of this Lease to be performed by Tenant shall be construed to be both a covenant and a condition. Any reference in this Lease to successors and assigns of Tenant shall not be construed to constitute a consent to assignment by Tenant.

15.10 Recording, Tenant agrees not to record this Lease, but, if the Term of this Lease (including any extended term) is seven (7) years or longer, each party hereto agrees, on the request of the other, to execute a notice of lease in recordable form and complying with applicable law. In no event shall such document set forth the rent or other charges payable by Tenant under this Lease; and any such document shall expressly state that it is executed pursuant to the provisions contained in this Lease, and is not intended to vary the terms and conditions of this Lease. At Landlord' s request, promptly upon expiration of or earlier termination of the Term, Tenant shall execute and deliver to Landlord a release of any document recorded in the real property records for the location of the Property evidencing this Lease, and Tenant hereby appoints Landlord Tenant's attorney-in-fact, coupled with an interest, to execute any such document if Tenant fails to respond to Landlord's request to do so within fifteen (15) days. The obligations of Tenant under this Section shall survive the expiration or any earlier termination of the Term.

15.11 Notice. All notices or other communications required hereunder shall be in writing and shall be deemed duly given if delivered in person (with receipt therefor), if sent by reputable overnight delivery or courier service (e.g., Federal Express) providing for receipted delivery, or if sent by certified or registered mail, return receipt requested, postage prepaid, to the following address:

(a) if to Landlord, at Landlord s Address, to the attention of Karl W. Weller

(b) if to Tenant, at Tenant's Address.

Receipt of notice or other communication shall be conclusively established by either (i) return of a return receipt indicating that the notice has been delivered; or (ii) return of the letter containing the notice with an indication from the courier or postal service that the addressee has refused to accept delivery of the notice. Either party may change its address for the giving of notices by notice given in accordance with this Section.

15.12 When Lease Becomes Binding: Entire Agreement: Modification. The submission of this document for examination and negotiation does not constitute an offer to lease, or a reservation of, or option for, the Premises, and this document shall become effective and binding only upon the execution and delivery hereof by both Landlord and Tenant. This Lease is the entire agreement between Landlord and Tenant, and this Lease expressly supersedes any negotiations, considerations, representations and understandings and proposals or other written documents relating hereto. This Lease may be modified or altered only by written agreement between Landlord and Tenant, and no act or omission of any employee or agent of Landlord shall alter, change or modify any of the provisions hereof.

15.13 Paragraph Headings and Interpretation of Sections. The paragraph headings throughout this instrument are for convenience and reference only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Lease. The provisions of this Lease shall be construed as a whole, according to their common meaning (except where a precise legal interpretation is clearly evidenced), and not for or against either party. Use in this Lease of the words "including," "such as" or words of similar import, when followed by any general term, statement or matter, shall not be construed to limit such term, statement or matter to the specified item(s), whether or not language of non-limitation, such as "without limitation" or "including, but not limited to," or words of similar import, are used with reference thereto, but rather shall be deemed to refer to all other terms or matters that could fall within a reasonably broad scope of such term, statement or matter.

15.14 Dispute Resolution. In the event of a dispute between Landlord and Tenant pursuant to this Lease (other than a dispute relating to the payment of Basic Rent and Additional Rent the parties agree that prior to pursuing other available remedies (excluding giving notices of default), they will attempt to directly negotiate resolution of their dispute. If negotiation is unsuccessful, then they agree to participate in at least three hours of mediation to be facilitated by a mediator mutually acceptable to them under the mediation procedures set by the mediator. The mediation session shall be conducted within thirty (30) days of the date on which the mediator receives the request to mediate. The costs of such mediation shall be shared equally by the parties.

15.15 Financial Statements. Tenant shall, without charge therefor, at any time, within ten (1 0) days following a request by Landlord, deliver to Landlord, or to any other party designated by Landlord, a true and accurate copy of Tenant's most recent financial statements. All requests made by Tenant regarding subleases or assignments must be accompanied by the most recent financial statement of Tenant's prospective subtenant or prospective assignee. The provisions of this Section 15.15 shall not apply during such periods as Tenant's stock is publicly traded on a nationally recognized public stock exchange and such information is otherwise readily available through governmental filings which are available to Landlord.

15.16 Waiver of Jury Trial. Landlord and Tenant hereby each waive trial by jury in any action, proceeding or counterclaim brought by either against the other, on or in respect of any matter whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant or Tenant' s use or occupancy of the Premises.

15.17 Time Is of the Essence. Time is of the essence of each provision of this Lease.

15.18 Multiple Counterparts. This Lease may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document.

15.19 Governing Law. This Lease shall be governed by the laws of the state in which the Property is located.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Lease to be duly executed, under seal, by persons hereunto duly authorized, as of the date first set forth above.

LANDLORD:

BCIA NEW ENGLAND HOLDINGS LLC, a Delaware limited liability company

By: BCIA NEW ENGLAND HOLDINGS MASTER LLC, a Delaware limited liability company, its Manager

By: BCIA NEW ENGLAND HOLDINGS MANAGER LLC, a Delaware limited liability company, its Manager

By: BCIA NEW ENGLAND HOLDINGS MANAGER CORP., a Delaware corporation, its Manager

By: /s/ Karl W. Weller

Name: KARL W. WELLER
Title: EXECUTIVE VICE PRESIDENT

TENANT:

SONUS NETWORKS, INC

By: /s/ S.J. Nill

Name: S.J. Nill

Title: VP & CFO

BCIA15

EXHIBIT A
Location Plan of Premises

EXHIBIT A
SONUS PREMISES

[GRAPHIC OMITTED]

EXHIBIT B
Site Plan of Building

EXHIBIT C
Commencement Date Letter

[Name of Contact
[Name of Tenant]
[Address of Tenant]

RE: [Name of Tenant]
[Premises Rentable Area and Floor]

Dear [Name of Contact]:

Reference is made to that certain Lease, dated as of _____, 2000, between [Landlord], as Landlord and [Tenant] as Tenant, with respect to Premises on the _____floor of the above-referenced building. In accordance with Section 4.1 of the Lease, this is to confirm that the Commencement Date of the Term of the Lease occurred on _____, and that the Term of the Lease shall expire on _____

If the foregoing is in accordance with your understanding, kindly execute the enclosed duplicate of this letter, and return the same to us.

Very truly yours,

[Landlord]

By: _____
Name: _____
Title _____

Accepted and Agreed:

[Tenant]

By:
Name: _____
Title: _____
Date: _____

EXHIBIT D
Operating Expenses

Operating Expenses shall include the following, without limitation:

All expenses incurred by Landlord or Landlord's agents which shall be directly related to employment of personnel, including amounts incurred for wages, salaries and other compensation for services, payroll, social security, unemployment and similar taxes, workmen's compensation insurance, disability benefits, pensions, hospitalization, retirement plans and group insurance, uniforms and working clothes and the cleaning thereof, and expenses imposed on Landlord or Landlord's agents pursuant to any collective bargaining agreement for the services of employees of Landlord or Landlord's agents in connection with the operation, repair, maintenance, cleaning, management and protection of the Property, including, without limitation, day and night supervisors, manager, accountants, bookkeepers, janitors, carpenters, engineers, mechanics, electricians and plumbers and personnel engaged in supervision of any of the persons mentioned above; provided that, if any such employee is also employed on other property of Landlord, such compensation shall be suitably prorated among the Property and such other properties.

The cost of services, utilities, materials and supplies furnished or used in the operation, repair, maintenance, cleaning, management and protection of the Property.

The cost of replacements for tools and other similar equipment used in the repair, maintenance, cleaning and protection of the Property, provided that, in the case of any such equipment used jointly on other property of Landlord, such costs shall be suitably prorated among the Property and such other properties.

Where the Property is managed by Landlord or an affiliate of Landlord, a sum equal to the amounts customarily charged by management firms in the Greater Boston area for similar properties, whether or not actually paid, or where managed by other than Landlord or an affiliate thereof, the amounts accrued for management, together with, in either case, amounts accrued for legal and other professional fees relating to the Property, but excluding such fees and commissions paid in connection with services rendered for securing or renewing or enforcing leases and for matters not related to the normal administration and operation of the Property.

Premiums for insurance against damage or loss to the Property from such hazards as Landlord shall determine, including, but not by way of limitation, insurance covering loss of rent attributable to any such hazards, and public liability insurance.

If, during the Term of this Lease, Landlord shall make a capital expenditure, the total cost of which is not properly includable in Operating Expenses for the Operating Year in which it was made, there shall nevertheless be included in such Operating Expenses for the Operating Year in which it was made and in Operating Expenses for each succeeding Operating Year the annual charge-off of such capital expenditure. Annual charge-off shall be determined by dividing the original capital expenditure plus an interest factor, reasonably determined by Landlord, as being the interest rate then being charged for long-term mortgages by institutional lenders on like properties within the locality in which the Property is located, by the number of years of useful life of the capital expenditure; and the useful life

shall be determined reasonably by Landlord in accordance with generally accepted accounting principles and practices in effect at the time of making such expenditure.

Costs for electricity, water and sewer use charges, gas and other utilities supplied to the Property and not paid for directly by tenants.

Betterment assessments, provided the same are apportioned equally over the longest period permitted by law, and to the extent, if any, not included in Taxes.

Amounts paid to independent contractors for services, materials and supplies furnished for the operation, repair, maintenance, cleaning and protection of the Property.

Operating Expenses shall not include:

1. Taxes;

2. Cost of leasing space to other tenants or occupants including brokers commissions, attorneys fees, advertising expenses, improvements costs or other rental concessions;

3. Depreciation on the Building;

4. Ground lease rentals or debt service on any Mortgage;

5. Interest or amortization of debt except as otherwise expressly provided above in connection with capital expenditures or capital repairs;

6. Fines and penalties resulting from the acts or omissions of Landlord or other tenants or occupants of the Building;

7. Expenses for which and to the extent Landlord is actually reimbursed by net insurance proceeds; and

8. Expenses paid directly by or separately billed to individual tenants.

EXHIBIT E

Rules and Regulation of Building

The following regulations are generally applicable:

If the Building is occupied by more than one tenant, the public sidewalks, entrances, passages, courts, elevators, vestibules, stairways, corridors or halls shall not be obstructed or encumbered by Tenant (except as necessary for deliveries) or used for any purpose other than ingress and egress to and from the Premises.

If the Building is occupied by more than one tenant, no awnings, curtains, blinds, shades, screens or other projections shall be attached to or hung in, or used in connection with, any window of the Premises or any outside wall of the Building. Such awnings, curtains. blinds, shades, screens or other projections must be of a quality, type, design and color, and attached in the manner, approved by Landlord, which approval shall not be unreasonably withheld or delayed but may be conditioned upon a requirement that Tenant remove same (and repair any damage) upon expiration or earlier termination of the term of this Lease.

No show cases or other articles shall be put in front of or affixed to any part of the exterior of the Building, nor, if the Building is occupied by more than one tenant, displayed through interior windows into the atrium of the Building, nor placed in the halls, corridors or vestibules, provided that show cases or articles may be displayed through interior windows into the atrium of the Building (if any) with Landlord's prior written approval, such approval not to be unreasonably withheld or delayed so long as such display does not adverse affect the aesthetic integrity of the Building.

The water and wash closets and other plumbing fixtures shall not be used for any purposes other than those for which they were designed and constructed, and no sweepings, rubbish, rags, acids or like substances shall be deposited therein. All damages resulting from any misuse of the fixtures shall be borne by the Tenant.

Tenant shall not use the Premises or any part thereof or permit the Premises or any part thereof to be used as a public employment bureau or for the sale of property of any kind at auction, except in connection with Tenant's business.

Tenant must, upon the termination of its tenancy, return to the Landlord all locks, cylinders and keys to offices and toilet rooms of the Premises.

Landlord reserves the right to exclude from the Building after business hours and at all hours on days other than Business Days all persons connected with or calling upon the Tenant who are not escorted in the Building by an employee of Tenant. Tenant shall be responsible for all persons to whom it allows access and shall be liable to the Landlord for all wrongful acts of such persons.

The requirements of Tenant will be attended to only upon application at the Building Management Office. Employees of Landlord shall not perform any work or do anything outside of their regular duties, unless under special instructions from the office of the Landlord.

There shall not be used in any space in the Building, or in the public halls of the Building, either by Tenant or by jobbers or others, in the delivery or receipt of merchandise, any hand trucks, except those equipped with rubber tires and side guards.

No vehicles or animals of any kind shall be brought into or kept in or about the Premises. No bicycles may be brought into any portion of the Building or property other than the Premises

If the Building is occupied by more than one tenant, no tenant shall make, or permit to be made, any unseemly or disturbing noises or disturb or interfere with occupants of this or any neighboring building or premises or those having business with them whether by use of any musical instrument, radio, talking machine, unmusical noise, whistling, singing, or in any other way. No tenant shall throw anything out of the doors, windows or skylights or down the passageways.

The Premises shall not be used for lodging or sleeping or for any immoral or illegal purpose.

No smoking shall be permitted in the Premises or the Building. Smoking shall only be permitted in smoking areas outside of the Building which have been designated by the Landlord.

Landlord shall have the right, exercisable without notice and without liability to any tenant, to change the name and street address of the Building.

The rules and regulations set forth in Attachment I to this Exhibit, which is by this reference made a part hereof ,are applicable to any Alterations being undertaken by or for Tenant in the Premises pursuant to Section 5.2 of the Lease:

Attachment I to Exhibit E

Rules and Regulations for Tenant Alterations

1. General

1. All Alterations made by Tenant in, to or about the Premises shall be made in accordance with the requirements of this Exhibit and by contractors or mechanics approved by Landlord, which approval of contractors or mechanics shall not be unreasonably withheld or delayed.

2. Tenant shall, prior to the commencement of any work, submit for Landlord's written approval, complete plans for the Alterations, with full details and specifications for all of the Alterations, in compliance with Section D below.

3. Alterations must comply with the Building Code applicable to the Property and the requirements, rules and regulations and any other governmental agencies having jurisdiction.

4. No work shall be permitted to commence before Tenant obtains and furnishes to Landlord copies of all necessary licenses and permits from all governmental authorities having jurisdiction.

5. All demolition, removals or other categories of work that may inconvenience other tenants or disturb Building operations, must be scheduled and performed before or after normal business hours, and Tenant shall provide Agent with at least 24 hours' notice prior to proceeding with such work.

6. All inquiries, submissions, approvals and all other matters shall be processed through Agent.

7. All work, if performed by a contractor or subcontractor, shall be subject to reasonable supervision and inspection by Landlord's representative. Such supervision and inspection shall be at Tenant's sole expense and Tenant shall pay Landlord's reasonable charges for such supervision and inspection.

2. Prior to Commencement of Work

1. Tenant shall submit to the Building manager a request to perform the work. The request shall include the following enclosures:

(1) A list of Tenant's contractors and/or subcontractors for Landlord's approval.

(2) Four complete sets of plans and specifications properly stamped by a registered architect or professional engineer.

(3) A properly executed building permit application form.

(4) Four executed copies of the Insurance Requirements Agreement in the form attached to this Exhibit as Attachment II and made a part hereof from Tenant's contractor and, if requested by Landlord, from the contractor's subcontractors.

(5) Contractor's and subcontractor's insurance certificates, including an indemnity in accordance with the Insurance Requirements Agreement.

2. Landlord will return the following to Tenant:

(1) Two sets of plans approved or a disapproved with specific comments as to the reasons therefor (such approval or comments shall not constitute a waiver of approval of governmental authorities).

(2) Two fully executed copies of the Insurance Requirements Agreement.

3. Landlord's approval of the plans, drawings, specifications or other submissions in respect of any Alterations shall create no liability or responsibility on the part of Landlord for their completeness, design sufficiency or compliance with requirements of any applicable laws, rules or regulations of any governmental or quasi-governmental agency, board or authority.

4. Tenant shall obtain a building permit from the Building Department and necessary permits from other governmental agencies. Tenant shall be responsible for keeping current all permits. Tenant shall submit copies of all approved plans and permits to Landlord and shall post the original permit on the Premises prior to the commencement of any work.

3. Requirements and Procedures

1. All structural and floor loading requirements shall be subject to the prior approval of Landlord's structural engineer.

2. All mechanical (HVAC, plumbing and sprinkler), electrical and voice and data telecommunication system installation and requirements shall be subject to the approval of Landlord's mechanical and electrical engineers and all mechanical and electrical work and voice and data telecommunications system installation and requirements shall be performed by contractors who are first approved by Landlord, which approval shall not be unreasonably withheld or delayed. When necessary, Landlord will require engineering and shop drawings, which drawings must be approved by Landlord before work is started. Drawings are to be prepared by Tenant and all approvals shall be obtained by Tenant.

3. Elevator service for construction work shall be charged to Tenant at standard Building rates. Prior arrangements for elevator use shall be made with Building manager by Tenant. No material or equipment shall be carried under or on top of elevators. If an operating engineer is required by any union regulations, such engineer shall be paid for by Tenant.

4. If shutdown of risers and mains for electrical, HVAC, sprinkler and plumbing work is required, such work shall be supervised by Landlord's representative. No work will be performed in Building mechanical equipment rooms without Landlord's approval and under Landlord's supervision.

5. Tenant's contractor shall:

(1) have a superintendent or foreman on the Premises at all times;

(2) police the job at all times, continually keeping the Premises orderly;

(3 maintain cleanliness and protection of all areas, including elevators and lobbies.

(4) protect the front and top of all peripheral HVAC units and thoroughly clean them at the completion of work;

(5) block off supply and return grills, diffusers and ducts to keep dust from entering into the Building air conditioning system; and

(6) avoid the disturbance of other tenants.

6. If Tenant's contractor is negligent in any of its responsibilities, Tenant shall be charged for corrective work.

7. All equipment and installations must be equal to the standards generally in effect with respect to the remainder of the Building. Any deviation from such standards will be permitted only if indicated or specified on the plans and specifications and approved by Landlord.

8. A properly executed air balancing report signed by a professional engineer shall be submitted to Landlord upon the completion of all HVAC work.

9. Upon completion of the Alterations, Tenant shall submit to Landlord a permanent certificate of occupancy and final approval by the other governmental agencies having jurisdiction.

10. Tenant shall submit to Landlord a final "as-built" set of drawings showing all items of the Alterations in full detail.

11. Additional and differing provisions in the Lease, if any, will be applicable and will take precedence.

D. Standards for Plans and Specifications.

Whenever Tenant shall be required by the terms of the Lease (including this Exhibit) to submit plans to Landlord in connection with any Alterations, such plans shall include at least the following:

12. Floor plan indicating location of partitions and doors (details required of partition and door types).

13. Location of standard electrical convenience outlets and telephone outlets.

14. Location and details of special electrical outlets; e.g., photocopiers, etc.

15. Reflected ceiling plan showing layout of standard ceiling and lighting fixtures. Partitions to be shown lightly with switches located indicating fixtures to be controlled.

16. Locations and details of special ceiling conditions, lighting fixtures, speakers, etc.

17. Location and specifications of floor covering, paint or paneling with paint colors referenced to standard color system.

18. Finish schedule plan indicating wall covering, paint, or paneling with paint colors referenced to standard color system.

19. Details and specifications of special millwork, glass partitions, rolling doors and grilles, blackboards, shelves, etc.

20. Hardware schedule indicating door number keyed to plan, size, hardware required including butts, latchsets or locksets, closures, stops, and any special items such as thresholds, soundproofing, etc. Keying schedule is required.

21. Verified dimensions of all built-in equipment (file cabinets, lockers, plan files,

22. Location and weights of storage files.

23. Location of any special soundproofing requirements.

24. Location and details of special floor areas exceeding 50 pounds of live load per square foot.

25. All structural, mechanical, plumbing and electrical drawings necessary to complete the Premises in accordance with Tenant's Plans.

26. All drawings to be uniform size (30" x 46") and shall incorporate the standard project electrical and plumbing symbols and be at a scale of 1/8" = 1' or larger.

27. All drawings shall be stamped by an architect (or, where applicable, an engineer) licensed in the jurisdiction in which the Property is located and without limiting the foregoing, shall be sufficient in all respects for submission to applicable authorization in connection with a building permit application.

Attachment II to Exhibit E

Contractor's Insurance Requirements

Building:

Landlord:

Tenant:

Premises:

The undersigned contractor or subcontractor ("Contractor") has been hired by the tenant named above (hereinafter called "Tenant") of the Building named above (or by Tenant's contractor) to perform certain work ("Work") for Tenant in the Premises identified above. Contractor and Tenant have requested the landlord named above ("Landlord") to grant Contractor access to the Building and its facilities in connection with the performance of the Work, and Landlord agrees to grant such access to Contractor upon and subject to the following terms and conditions:

28. Contractor agrees to indemnify and save harmless Landlord and its respective officers, employees and agents and their affiliates, subsidiaries and partners, and each of them, from and with respect to any claims, demands, suits, liabilities, losses and expenses, including reasonable attorneys' fees, arising out of or in connection with the Work (and/or imposed by law upon any or all of them) because of personal injuries, bodily injury (including death at any time resulting therefrom) and loss of or damage to property, including consequential damages, whether such injuries to person or property are claimed to be due to negligence of the Contractor or Tenant except to the extent specifically prohibited by law (and any such prohibition shall not void this Agreement but shall be applied only to the minimum extent required by law).

29. Contractor shall provide and maintain at its own expense, until completion of the Work, the following insurance:

(1) Workmen's Compensation and Employers, Liability Insurance covering each and every workman employed in, about or upon the Work, as provided for in each and every statute applicable to Workmen's Compensation and Employers' Liability Insurance.

(2) Comprehensive General Liability Insurance including coverages for Protective and Contractual Liability (to specifically include coverage for the indemnification clause of this Agreement) for not less than the following limits:

Personal Injury:

$1,000,000 per person $3,000,000 per occurrence

Property Damage:
$1,000,000 per occurrence $3,000,000 aggregate

(3) Comprehensive Automobile Liability Insurance (covering all owned, non-owned and/or hired motor vehicles to be used in connection with the Work) for not less than the following limits:

Bodily Injury:
$1,000,000 per person
$1,000,000 per occurrence

Property Damage:
$1,000,000 per occurrence

Contractor shall furnish a certificate from its insurance carrier or carriers to the Building office before commencing the Work, showing that it has complied with the above requirements regarding insurance and providing that the insurer will give Landlord ten (10) days' prior written notice of the cancellation of any of the foregoing policies.

30. Contractor shall require all of its subcontractors engaged in the Work to provide the following insurance:

(1) Comprehensive General Liability Insurance including Protective and Contractual Liability coverages with limits of liability at least equal to the limits stated in paragraph 2(b).

(2) Comprehensive Automobile Liability Insurance (covering all owned, non-owned and/or hired motor vehicles to be used in connection with the Work) with limits of liability at least equal to the limits stated in paragraph 2(c).

Upon the request of Landlord, Contractor shall require all of its subcontractors engaged in the Work to execute an Insurance Requirements agreement in the same form as this Agreement.

Agreed to and executed this day of _____ , 2000

Contractor:

By: _____

By: _____

By: _____

AGREEMENT OF SUBLEASE

THIS AGREEMENT OF SUBLEASE is made as of the 30th day of September, 2000, by and between Sonus Networks, Inc. ("Landlord"), having an office at 5 Carlisle Road, Westford, MA 01886 and X-Rite Incorporated ("Tenant"), a Michigan corporation, having an office at 25 Porter Road, Littleton, MA 01460.

WITNESS

WHEREAS, by Lease dated as of September 30, 2000 (hereinafter the "Prime Lease") by and between BCIA New England Holdings, LLC ("Prime Landlord") and Landlord, Prime Landlord has leased to Landlord certain premises (the "Prime Premises") which is located within the building known by the street address of 25 Porter Road, Littleton, MA 01460 (the "Building"), which Prime Premises are more particularly described in the Prime Lease and include 33,194 rentable square feet on the second floor (2nd) floor of the Building as indicated by crosshatching on the floor plan attached to the Prime Lease as Exhibit A (a copy of such Prime Lease is attached hereto as Exhibit A and made a part hereof);

WHEREAS, Landlord desires to sublease to Tenant and Tenant desires to sublease from Landlord that portion of the Prime Premises comprised of approximately 3,000 rentable square feet and marked on Exhibit B to this Sublease as the "Premises" (the "Premises"), and Landlord is willing to sublease the Premises on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the parties agree as follows:

1. Subleasing of Premises. Subject to the written consent of the Prime Landlord, Landlord hereby subleases to Tenant and Tenant hereby subleases from Landlord the Premises, upon and subject to all of the terms, covenants, recitals and conditions hereinafter set forth.

2. Term The term (the "Term") of this Sublease shall commence on October 1, 2000 (the "Commencement Date"), with said Term to expire at midnight on December 31, 2002, (the "Expiration Date"), unless sooner terminated as hereinafter provided.

3. Base Rent. During the Term, Tenant shall pay to Landlord, in lawful money of the United States which at the time shall be legal tender in payment of all debts and dues, public and private, an annual fixed rent (the "Base Rent") in the amount of $28,500.00 per annum ($9.50 per rentable square foot per annum) payable in equal monthly installments of $2,375.00. All such monthly installments shall be paid in advance, on the first (1st) day of each month during the Term, at the address of Landlord set forth above, or such other place as Landlord may designate, without any setoff or deduction of any kind whatsoever.

4. Additional Rent.

(a) Beginning on the Commencement Date, Tenant shall pay, as Additional Rent, without notice or demand, Tenant's Proportionate Share (as hereafter defined) of Taxes and Operating Expenses (as such terms are defined in the Prime Lease) in accordance with Article 8 and Article 9 of the Prime Lease. As used in this Sublease, the term "Tenant's Proportionate Share" shall mean 4.49%. Base Rent and Additional Rent and any other sums due hereunder by Tenant not paid by the due date shall bear interest and be subject to late payment and/or administrative fees, all in accordance with the provisions of Article 3 and Section 14.4 of the Prime Lease. All payments shall be made to Landlord at its address set forth above, or at such

other address or addresses as Landlord may from time to time designate by written notice to Tenant.

Tenant shall also pay, as Additional Rent, the cost of all utilities furnished to Tenant on the Premises, including, but not limited to, electricity, gas, oil, water and sewer. Tenant agrees to pay any and all such charges for the Premises to Landlord in the event any such utilities are not separately metered to Tenant or directly to the utility company if such utilities are separately metered. Electricity usage within the Premises may, at Landlord's option, be measured by the use of a check-meter, and Tenant shall pay to Landlord monthly the amount invoiced by Landlord for electricity used in the Premises as indicated by such check-meter, at the rate then being charged by the local electrical utility company or by Prime Landlord. If any of such utilities are not separately metered, Tenant shall pay its proportionate share of such utilities for the Prime Premises based upon its relative square footage to that of Landlord.

(b) Tenant's obligation to pay Additional Rent hereunder shall be on account of the period from and after the Commencement Date and shall survive the Expiration Date or sooner termination of the Term.

(c) All amounts payable by Tenant to Landlord pursuant to this Sublease, including, without limitation, Base Rent and Additional Rent, shall be deemed and constitute rent and, in the event of any non-payment thereof, Landlord shall have all of the rights and remedies provided herein, in the Prime Lease or in law or at equity for non-payment of rent.

(d) Tenant agrees to pay to Landlord Tenant's Proportionate Share of any real estate taxes attributable to leasehold improvements within the Premises which are payable by Landlord under the Prime Lease.

5. Care, Surrender and Restoration of the Premises.

(a) Without limiting any other provision of this Sublease or the Prime Lease, Tenant shall take good care of the Premises, suffer no waste or injury thereto and shall comply with all those laws, orders and regulations applicable to the Premises, the Building and Tenant's use or manner of use thereof, which are imposed on Landlord, as tenant under the Prime Lease, in connection with the Premises and the Building, including without limitation the Rules and Regulations which are attached to the Prime Lease as Exhibit E.

(b) At the expiration or other termination of the Term, Tenant shall surrender the Premises and all alterations and additions thereto (including any fixtures, panelling, railings and like installation installed at the Premises at any time by Tenant, by Prime Landlord or by Landlord) in good order, repair and condition, ordinary wear and tear and damage by casualty only excepted, first removing all goods and effects of Tenant and, to the extent specified by Landlord by notice to Tenant, all alterations and additions made by or on behalf of Tenant. Tenant shall repair any damage caused by such removal and restore the Premises and leave them clean and neat in compliance with the requirements of Section 5 of this Sublease and Section 12.2 of the Prime Lease. All property permitted or required to be removed by Tenant upon the Expiration Date or sooner termination of the Term remaining in the Premises shall be deemed abandoned and may, at the election of Landlord, either be retained as Landlord's property or may be removed from the Premises by Landlord, at Tenant's expense. Any such reasonable expenses shall be paid by Tenant to Landlord upon demand therefor and shall be deemed Additional Rent, collectible by Landlord in the same manner and with the same remedies as though said sums were Base Rent reserved hereunder.

(c) Upon the Expiration Date or sooner termination of the Term, Tenant shall quit and surrender the Premises to Landlord, broom clean, in good order and condition, ordinary wear and tear and damage by fire and other casualty excepted, and Tenant shall remove all of its

property. If the Expiration Date or sooner termination of the Term of this Sublease falls on a Sunday, this Sublease shall expire at noon on the preceding Saturday unless it be a legal holiday, in which case it shall expire at noon on the preceding business day. Tenant shall observe and perform the covenants herein stated and Tenant's obligations hereunder shall survive the Expiration Date or sooner termination of the Term.

6. Use. Tenant shall use and occupy the Premises for the purposes permitted under Section 5.1 of the Prime Lease including light assembly and for no other purpose.

7. Subordination to and Incorporation of Terms of Prime Lease.

(a) This Sublease is in all respects subject and subordinate to the terms and conditions of the Prime Lease and to the matters to which the Prime Lease is or shall be subordinate. Except as otherwise expressly provided in this Sublease, the terms, provisions, covenants, stipulations, conditions, rights, obligations, remedies and agreements of the Prime Lease are incorporated in this Sublease by reference and made a part hereof as if herein set forth at length, and shall, as between Landlord and Tenant (as if they were the Landlord and Tenant, respectively, under the Prime Lease and as if the Premises being sublet hereby were the Prime Premises demised under the Prime Lease), constitute the terms of this Sublease, except to the extent that they do not relate to the Premises or are inapplicable to, inconsistent with, or modified or eliminated by, the terms of this Sublease.

In particular, it is intended that Tenant shall not be subject to duplicate monetary obligations to Landlord and Prime Landlord. Except as otherwise expressly provided in this Sublease, to the extent that Tenant is required by this Sublease to make monetary payments to Landlord (such as for rent, additional rent or upon default) Tenant shall not be obligated to the Prime Landlord for any such monetary obligations nor to Landlord for its monetary obligations to the Prime Landlord. Landlord and Tenant acknowledge and agree that Tenant has reviewed and is familiar with the Prime Lease and Landlord hereby represents that the copy delivered to Tenant for such purpose and attached hereto as Exhibit A is a true, correct and complete copy of such Prime Lease.

(b) In the event of Prime Lease Termination (as hereinafter defined) prior to December 31, 2002 and provided that the Sublease has not theretofore been terminated, Prime Landlord shall recognize Tenant as Prime Landlord's direct Tenant pursuant to the terms and provisions of the Sublease for the then remainder of the Term of the Sublease (through December 31, 2002) and Tenant hereby agrees to attorn to Prime Landlord and perform Tenant's obligations under this Sublease with respect to the Subleased Premises (and only as to the Subleased Premises) to and for the benefit of Prime Landlord as if Prime Landlord were the "Landlord" under this Sublease as a direct Lease between Prime Landlord and Tenant. Such arrangement between Prime Landlord and Tenant shall entitle the Tenant to occupy the Subleased Premises under the terms and provisions of this Sublease after Prime Lease Termination for the then remainder of the Term of the Sublease (through December 31, 2002) but shall not relieve Landlord from any liability to Prime Landlord under the Prime Lease. Tenant hereby agrees to execute and deliver at any time and from time to time, upon request of Prime Landlord, any instruments which may be necessary or appropriate to evidence such assumption and Tenant hereby irrevocably appoints Prime Landlord as its attorney in fact, coupled with an interest to execute on behalf of Tenant any documents or instruments necessary to evidence such assumption. Prime Landlord shall not (i) be liable to Tenant for any act, omission or breach of the Sublease by Landlord, (ii) be subject to any offsets or defenses which Tenant might have against Landlord, (iii) be bound by any rent or additional rent which Tenant might have paid in advance to Landlord, (iv) be bound to honor any rights of Tenant in any security deposit or advance rent made with or paid to Landlord by Tenant except to the extent Landlord has specifically assigned and turned over such security deposits and advance rent to Prime Landlord and Prime Landlord shall actually have the same in its possession and control.

Landlord and Tenant hereby agree that in the event of Prime Lease Termination, Landlord shall immediately pay or transfer to Prime Landlord any security deposits, rent or other sums then held by Landlord in connection with the subleasing of the Subleased Premises and, notwithstanding anything contained herein to the contrary, this shall satisfy Landlord's obligations to Tenant under this Sublease with respect to any such sums paid over or transferred to Prime Landlord. Such security deposit may be applied by Prime Landlord pursuant to the terms of the Sublease in the event of any holding over or other default by the Tenant after Prime Lease Termination. Tenant hereby agrees that under no circumstances whatsoever shall Prime Landlord be held in any way responsible or accountable for any security deposit or any sums paid by Tenant to Landlord unless and until and to the extent that Prime Landlord has actually received such sums from Landlord and has acknowledged their source, and Tenant shall have no claim to any security or other deposit made by Landlord under the Prime Lease.

"Prime Lease Termination" means the termination or cancellation of the Prime Lease prior to December 31, 2002 due to: (1) a default beyond expiration of applicable notice and/or cure periods by Landlord under the Prime Lease or any of the terms and provisions hereof; (2) foreclosure proceedings brought by the holder of any mortgage or trust deed to which the Prime Lease is subject; and (3) the termination of Landlord's leasehold estate by dispossession proceedings. Provided, however, that notwithstanding the foregoing to the contrary, termination of the Prime Lease in accordance with its terms prior to December 31, 2002 as the result of a fire, casualty, the exercise of the power of eminent domain or actions taken in lieu thereof or pursuant thereto or any other reason or cause not enumerated in (1), (2), o (3) above shall not be deemed a "Prime Lease Termination" for purposes of this paragraph 7.

In addition, in the event Landlord is in default under any of the terms and provisions of the Prime Lease beyond expiration of applicable notice and/or cure periods, Prime Landlord may elect to receive directly from Tenant all sums due or payable to Landlord by Tenant pursuant to the Sublease, and upon receipt of Prime Landlord's notice, Tenant shall thereafter pay to Prime Landlord any and all sums becoming due or payable under this Sublease and Landlord shall receive from Prime Landlord a credit for such sums actually received by Prime Landlord against any and all payments then owing from Landlord under the Prime Lease. Neither the mere service of such written notice nor the receipt of such direct payments shall cause Prime Landlord to assume any of Landlord's duties, obligations and/or liabilities under the Sublease, nor shall such event impose upon Prime Landlord the duty or obligation to honor this Sublease, nor subsequently to accept any purported attornment by Tenant except and to the extent of the occurrence of a Prime Lease Termination as aforesaid. Prime Landlord shall credit payments actually received pursuant to this conditional assignment to Landlord's obligations under the Prime Lease. Without limitation of the foregoing, acceptance of rent or other payments from Landlord and/or Tenant by Prime Landlord shall not: (i) constitute a waiver of any default or breach of the Prime Lease or (ii) cause nor result in a reinstatement of the Prime Lease after Prime Lease Termination or (iii) be deemed or construed to mean that Prime Landlord has accepted the Tenant as its "Tenant" under the Prime Lease or (iv) be deemed to mean that Tenant is entitled to any rights under the Sublease (except in the case of a Prime Lease Termination as provided above) or the Prime Lease.

8 Tenant's Obligations. Except as otherwise specifically provided herein, during the term of this Sublease all acts to be performed and all of the terms, provisions, covenants, stipulations, conditions, rights, obligations, remedies and agreements to be observed by and inuring to the benefit of, Landlord, as tenant under the Prime Lease of the Premises and arising from and after the Commencement Date, shall be performed, and observed by, and shall inure to the benefit of, Tenant, and Tenant's obligations shall run to Landlord or the Prime Landlord as Landlord may determine to be appropriate or required by the respective interests of Landlord and Prime Landlord. Tenant shall indemnify Landlord and Prime Landlord against, and hold Landlord and Prime Landlord harmless from and against, all costs, damages, claims, liabilities,

liens and expenses (including, but not limited to, reasonable attorneys' fees and disbursements, court costs and other expenses of litigation or arbitration) paid, suffered, incurred by or claimed against Landlord and/or Prime Landlord as a result of the nonperformance or nonobservance by Tenant, Tenant's agents, contractors, employees, invitees or licensees of any such terms, provisions, covenants, stipulations, conditions, obligations and agreements contained in the Prime Lease. In furtherance of the foregoing, Tenant shall not (i) do or permit to be done anything prohibited to Landlord, as tenant under the Prime Lease, or (ii) take any action or do or permit anything which would result in any additional cost or other liability to Landlord and/or Prime Landlord under the Prime Lease and/or this Sublease. In the event of any inconsistency between the Prime Lease and this Sublease, such inconsistency (i) if it relates to obligations of, or restrictions on, Tenant, shall be resolved in favor of that obligation which is more onerous to Tenant or that restriction which is more restrictive of Tenant, as the case may be, or (ii) if it relates to the rights of, or benefits to be conferred upon, Tenant, shall be resolved in favor of this Sublease.

9. Landlord's Obligations. Anything contained in this Sublease or in the Prime Lease to the contrary notwithstanding, Landlord shall have no responsibility to Tenant for, and shall not be required to provide, any of the services or make any of the repairs or restorations that Prime Landlord has agreed to make or provide, or cause to be made or provided, under the Prime Lease (including, without limitation, those set forth in Sections 7.1, 7.4 and Section 7.5). If Prime Landlord shall default in the of any of its obligations under the Prime Lease, or if Tenant wishes to file a protest or to dispute any matter or thing, Landlord has the right to protest or dispute as tenant under the Prime Lease, then Tenant shall advise Landlord of such protest or dispute (together with all material facts and circumstances pertaining thereto) and Landlord shall make demand on Prime Landlord and shall employ reasonable efforts to cause Prime Landlord to cure such default or resolve such dispute. Except as may result from a default of Landlord from its obligations specified in the preceding sentence, Tenant shall not make any claim against Landlord and/or Prime Landlord for any damage which may arise, nor shall Tenant's obligations hereunder be impaired or abated by reason of (i) the failure of Prime Landlord to keep, observe or perform its obligations pursuant to the Prime Lease, or (ii) the acts or omissions of Prime Landlord and each of its agents, contractors, servants, employees, invitees or licensees.

10 Covenants with respect to the Prime Lease. Tenant covenants and agrees that Tenant shall not do anything that would constitute a default under the Prime Lease or omit to do anything that Tenant is obligated to do under the terms of this Sublease so as to cause there to be a default under the Prime Lease.

11. Broker. Tenant represents and warrants to Landlord and Prime Landlord that Tenant has not dealt with any broker in connection with this Sublease. Tenant shall indemnify Landlord and Prime Landlord against, and hold Landlord and Prime Landlord harmless from, any claim of, or liability to, any broker or any other party with whom Tenant shall have dealt in connection with this transaction and Sublease.

12. Indemnification.

12.1 Reciprocal Indemnification of Landlord and Tenant.

(a) Tenant shall indemnify, defend with competent and experienced counsel and hold harmless Landlord, its subsidiaries and affiliates and their respective officers, directors, shareholders and employees from and against any and all damages, liabilities, actions, causes of action, suits, claims, demands, losses, costs and expenses (including without limitation reasonable attorneys' fees and disbursements and court costs) to the extent arising from or in connection with the negligence or willful misconduct of Tenant, its agents, employees, representatives or contractors.

(b) Landlord shall indemnify, defend with competent and experienced counsel and hold harmless Tenant, its subsidiaries and affiliates and their respective officers, directors, shareholders and employees, from and against any and all damages, liabilities, actions, causes of action, suits, claims, demands, losses, costs and expenses (including without limitation reasonable attorneys' fees and disbursements and court costs) to the extent arising from or in connection with the negligence or willful misconduct of Landlord, its agents, employees, representatives or contractors.

(c) The party seeking indemnification under this Section (the "Indemnified party") shall provide prompt written notice of any third party claim to the party from whom indemnification is sought (the "Indemnifying Party"). The Indemnifying Party shall have the right to assume exclusive control of the defense of such claim or at the option of the Indemnifying Party, to settle the same. The Indemnified Party agrees to cooperate reasonably with the Indemnifying Party in connection with the performance of the Indemnifying Party's obligations under this Section.

(d) Notwithstanding anything to the contrary contained in this Sublease, neither party hereto shall be liable to the other for any indirect, special, consequential or incidental damages (including without limitation loss of profits, loss of use or loss of goodwill) regardless of (i) the negligence (either sole or concurrent) of either party or (ii) whether either party has been informed of the possibility of such damages. It is expressly understood and agreed that damages payable by either party to Prime Landlord shall be deemed to constitute direct damages of such party.

12.2 Indemnification by Tenant of Prime Landlord. Without limitation of and in addition to any obligation of Tenant under this Sublease, Tenant agrees to defend, save harmless and indemnify Prime Landlord to the same extent as Landlord is required to do so under the provisions of Section 10.1 of the Prime Lease.

12.3 Survival. The provisions of this Section 12 shall survive the expiration or earlier termination of this Sublease.

13. Quiet Enjoyment. Subject to the terms and conditions hereof and as long as Tenant pays all of the Base Rent and Additional Rent due hereunder and otherwise performs and observes all of the obligations, terms and conditions contained herein and in the Prime Lease as herein incorporated, Tenant shall peaceably and quietly have, hold and enjoy the Premises.

14. Termination of Prime Lease. Except as otherwise expressly set forth in paragraph 7 hereof and paragraph 3 of the Consent to Sublease by and between Prime Landlord, Landlord and Tenant, if for any reason the term of the Prime Lease is terminated prior to the Expiration Date of this Sublease, this Sublease shall thereupon terminate, and Landlord shall not be liable to Tenant by reason thereof unless such termination is due solely to an event of default on behalf of Landlord. Notwithstanding the foregoing, if the termination of the Prime Lease does not result in the termination of this Sublease or otherwise does not result in the loss of possession of the Premises by Tenant, Landlord shall not be liable to Tenant hereunder for damages or otherwise, and Landlord's obligation to Tenant shall be limited to returning to Tenant a portion of any rent paid in advance by Tenant, if any, prorated as of the date of such termination.

15. Modification of Prime Lease. For the purposes hereof, the terms of the Prime Lease are subject to the following modifications:

(a) In all provisions of the Prime Lease requiring the approval or consent of Prime Landlord, Tenant shall be required to obtain the approval or consent of both Prime Landlord and Landlord. In all provisions of the Prime Lease requiring that notice be given to

Prime Landlord, Tenant shall be required to give notice to both the Prime Landlord and Landlord.

16. Consents. Landlord's refusal to consent to or approve any matter or thing, whenever Landlord's consent or approval is required under this Sublease or under the Prime Lease, as incorporated herein, shall be deemed reasonable if Prime Landlord has refused or failed to give its consent or approval to such matter or thing.

17. Condition of the Premises; Tenant's Changes.

(a) Tenant represents it has made a thorough examination of the Premises and it is familiar with the condition thereof. Tenant acknowledges that it enters into this Sublease without any representation or warranties by Landlord except as set forth in this Lease, or anyone acting or purporting to act on behalf of Landlord, as to the present or future conditions of the Premises or the appurtenances thereto or any improvements therein or of the Building. It is further agreed that Tenant does and will accept the Premises "as is" in their present condition and Landlord has no obligation to perform any work therein.

(b) Notwithstanding anything to the contrary contained in the Prime Lease, Tenant shall not make any changes to the Premises whatsoever, including, without limitation, structural or non-structural changes, without the prior written consent of Landlord which consent shall not be unreasonably withheld, conditioned-or delayed but subject to prior consent of Prime Landlord in accordance with the Prime Lease.

18. Assignment and Subletting.

(a) Tenant, for itself, its successors and assigns, expressly covenants that it shall not assign, whether by operation of law or otherwise, mortgage or pledge or otherwise transfer or encumber this Sublease, or sublet all or any part of the Premises. The parties acknowledge that Tenant may become a public company during the Term hereof and further acknowledge that the same will not constitute an assignment, transfer or encumbrance of this Sublease. Landlord reserves the right to transfer and assign its interest in and to this Sublease to any entity or person who shall succeed to Landlord's interest in and to the Prime Lease.

(b) Consent by Landlord to any assignment, transfer or subletting to any party shall not be construed as a waiver or release of Tenant from the terms of any covenant or its primary responsibility under this Sublease, nor shall consent to one assignment, transfer or sublease to any person, partnership, firm or corporation be deemed to be a consent to any subsequent assignment, transfer or subletting to another person, partnership, firm or corporation.

19. Insurance.

(a) Tenant agrees to maintain all insurance coverages specified in Section 10.2 of the Prime Lease (including without limitation commercial general liability and property damage insurance, casualty insurance and workers' compensation insurance) in accordance with Section 10.2 of the Prime Lease). All such insurance shall be underwritten by a company or companies licensed to do insurance business in the Commonwealth of Massachusetts by the Department of Insurance and in good standing, and shall be written on an "occurrence basis." All such insurance policies shall name Landlord and Prime Landlord as additional insureds thereunder and, in addition, shall name as additional insureds the holders of any Mortgage of the Property of which Tenant is notified in writing, as their respective interests may appear. Tenant shall furnish Landlord receipts evidencing payment of the premiums for such insurance (if requested by Landlord) and shall deposit with Landlord certificates for such insurance no later than the Commencement Date and at least fifteen (15) days before each insurance renewal date thereof, bearing the endorsement that the polices will not be canceled nor will coverages be

reduced until after ten (10) days' prior written notice to both Landlord and Prime Landlord of such proposed action. Tenant shall pay all premiums and charges for such insurance, and if Tenant shall fail to obtain such insurance, Landlord may, but shall not be obligated to, obtain the same, in which event the amount of the premium paid shall be paid by Tenant to Landlord upon Landlord's demand therefor, shall be deemed Additional Rent and shall be collectible by Landlord in the same manner and with the same remedies as though said sums were Additional Rent reserved hereunder.

(b) Tenant acknowledges that neither Landlord nor Prime Landlord will carry any insurance in favor of Tenant, and that neither Prime Landlord nor Landlord will carry insurance on Tenant's furniture and/or furnishings or any fixtures or equipment, improvements or appurtenances of Tenant in or about the Premises.

20. Waiver of Subrogation.

(a) Any casualty insurance carried by the Tenant with respect to the Premises, the Building or the Property, or property therein or occurrences thereon shall include a clause or endorsement denying to the insurer rights of subrogation against the other party to the extent rights have been waived by the insured prior to occurrence of injury or loss, provided that such clause or endorsement is obtainable without payment of an additional premium. If such clause or endorsement is obtainable upon payment of an additional premium, notice thereof shall be given to the Landlord and the Landlord may request the Tenant to obtain it and shall reimburse the Tenant for the cost of such additional premium.

(b) Each party, notwithstanding any provisions of this Sublease to the contrary, hereby waives any rights of recovery against the other for injury or loss due to hazards covered by such insurance to the extent such party's policy permits such waivers of subrogation and then only with respect to sums which are collectible thereunder. Landlord shall be afforded the protection of this provision notwithstanding any right which Tenant may have to self insure.

21. End of Term. If Tenant shall remain in possession of the Premises or any part thereof after the expiration or prior termination of the Term hereof, as the same may be extended, the parties agree that no such holding over by Tenant shall operate to extend or renew this Sublease, and that any such holding over shall cause Tenant to become a daily tenant at sufferance and Tenant shall be obligated to pay monthly installment of Base Rent and Additional Rent in an amount equal to two hundred percent (200%) of the sum of the installment of Base Rent and Estimated Additional Rent Payments payable during the last full calendar month of the Lease Term, and such tenancy shall otherwise be subject to all the terms, conditions, covenants and agreements of this Sublease. Tenant further agrees to pay to Landlord any additional amounts payable by Landlord to Prime Landlord under the Prime Lease by reason of any such holding over by Tenant.

22. Default.

(a) In the event that Tenant shall default in the payment of Base Rent, Additional Rent or any other charge payable hereunder within one (1) Business Day after written notice, or shall default in the performance or observance of any of the terms, conditions and covenants of this Sublease within twenty (20) days after written notice, or, if not curable within said twenty day period, Tenant does not commence to cure said default within said twenty day period and diligently prosecute the same to completion, and provided that there exists no event of default under the Prime Lease, Landlord, in addition to and not in limitation of any rights otherwise available to it, shall have the same rights and remedies with respect to such default as are provided to Prime Landlord under the Prime Lease with respect to defaults by Landlord as tenant thereunder, with the same force and effect as though all such provisions relating to any

such default or defaults were set forth herein in their entirety, and Tenant shall have all of the obligations of the tenant under the Prime Lease with respect to such default or defaults.

(b) In the event of a default by Tenant in the performance of any of its non-monetary obligations hereunder, including those under the Prime Lease, Landlord may, at its option, and without waiving any other remedies for such default herein or at law or by incorporation by reference of the Prime Lease provided, at any time thereafter, give written notice to Tenant that if such default is not cured, or the cure not commenced, within ten (10) days after notice, and if so commenced is not thereafter pursued diligently to completion, Landlord may cure such default for the account of Tenant, and any amount paid or incurred by Landlord in so doing shall be deemed paid or incurred for the account of Tenant and Tenant agrees promptly to reimburse Landlord therefor and save Landlord harmless therefrom; provided, however, that Landlord may cure any such default as aforesaid prior to the expiration of any waiting period if reasonably necessary to protect Landlord's interest under the Prime Lease or to prevent injury or damage to persons or property.

23. Destruction. Fire and other Casualty. If the whole or any part of the Premises or the Building shall be damaged by fire or other casualty and the Prime Lease is not terminated on account thereof by either Landlord or Prime Landlord in accordance with the terms thereof, this Sublease shall remain in full force and effect and Base Rent and Additional Rent shall not abate except to the extent Base Rent and Additional Rent for the Premises shall abate under the terms of the Prime Lease.

24. Notices.

(a) Whenever, by the terms of this Sublease, notice, demand or other communication shall or may be given to either party, the same shall be in writing and addressed as follows:

If to Landlord:	At the Address of Landlord set forth above in the preamble to this Lease
If to Tenant:	At the Premises

or to such other address or addresses as shall from time to time be designated by written notice by either party to the other as herein provided. All notices shall be sent by registered or certified mail, postage prepaid and return receipt requested, or by Federal Express or other comparable courier providing proof of delivery, and shall be deemed duly given and received (i) if mailed, on the third business day following the mailing thereof, or (ii) if sent by courier, the date of its receipt (or, if such day is not a business day, the next succeeding business day). Landlord and Tenant each promptly shall deliver to the other copies of all notices, requests, demands or other communications which relate to the Premises or the use or occupancy thereof after receipt of the same from Prime Landlord or others.

(b) Each party hereunder shall promptly furnish the other with copies of all notices under the Prime Lease or this Sublease with respect to the Premises which such party shall receive from Prime Landlord under the Prime Lease.

25. Sublease Conditional Upon Certain Consents. Landlord and Tenant each acknowledge and agree that this Sublease is subject to Landlord's obtaining the consent of Prime Landlord in accordance with the terms of the Prime Lease, and that if such consent shall not be obtained within fifteen (15) days of the date hereof, then this Sublease shall be deemed cancelled and terminated and neither of the parties hereto shall have any liability to the other.

26. Security Deposit. Tenant concurrently with the execution of this Sublease has deposited with Landlord a deposit (the "Security Deposit") in the amount of Sixteen Thousand and No/100ths ($16,000.00) Dollars to be held by Landlord without interest as security for the faithful performance and observance by Tenant of the terms, conditions and provisions of this Sublease, including without limitation the surrender of possession of the Premises to Landlord as herein provided. Landlord shall not be required to maintain the Security Deposit in a separate account. It is agreed that in the event Tenant defaults in respect of any of the terms, provisions and conditions of this Sublease, including, but not limited to, the payment of Base Rent and Additional Rent, Landlord may apply or retain the whole or any part of the Security Deposit to the extent required for the payment of any Base Rent and Additional Rent or any other sum as to which Tenant is in default or for any sum which Landlord may expend or may be required to expend by reason of Tenant's default in respect of any of the terms, covenants and conditions of this Sublease, including but not limited to, any damages or deficiency in the reletting of the Premises, whether such damages or deficiency accrue or accrues before or after summary proceedings or other reentry by Landlord. The Security Deposit is not to be used or applied by Tenant as a substitute for rent due any month, but may be so applied by Landlord at any time at Landlord's option. The use, application or retention of the Security Deposit, or any portion thereof, by Landlord shall not prevent Landlord from exercising any other right or remedy provided by this Sublease or by law and shall not operate as a limitation on any recovery to which Landlord may otherwise be entitled. If Landlord applies or retains any part of the Security Deposit, Tenant, upon written demand therefor by Landlord, shall deposit cash with Landlord in such amount so that Landlord shall have the full deposit on hand at all times during the Term. If Tenant shall fully and faithfully comply with all of the terms, provisions, covenants and conditions of this Sublease, the balance of the Security Deposit, if any, shall be returned to Tenant within thirty (30) days after the Expiration Date and after the delivery of the entire possession of the Premises to Landlord.

27. Payment of the First Month's Base Rent. Tenant shall pay to Landlord the first monthly installment of the applicable Base Rent ($2,375.00) upon execution of this Sublease.

28. Signage. Any signage contemplated by the Tenant shall be subject to and in accordance with the requirements set forth in the Prime Lease. Landlord shall have no obligation or responsibility to remove any signage which exists at the Premises as of the Commencement Date.

29. Landlord's Representations. Landlord hereby represents and warrants that (i) the Prime Lease is in full force and effect, (ii) the Prime Lease attached hereto as Exhibit A is the complete Prime Lease, the Prime Lease has not been amended or modified; (iii) to the best of Landlord's knowledge, there are no existing setoffs, defenses or counterclaims against the Prime Landlord with respect to the payment of rent reserved under the Prime Lease or any performance of other terms, conditions or covenants of the Prime Lease on the part of the Tenant under the Prime Lease to be performed; and (iv) there exists no defaults or breaches of Prime Landlord's or Landlord's obligations under the Prime Lease nor, to the best of Landlord's knowledge, any event which with the giving of notice or passage of time, or both, would constitute a default under the Prime Lease.

30. Miscellaneous.

(a) This Sublease may not be extended, renewed, terminated, or otherwise modified except by an instrument in writing signed by the party against whom enforcement of any such modification is sought and only upon the express written consent of Prime Landlord.

(b) It is understood and agreed that all understandings and agreements heretofore had between the parties hereto are merged in this Sublease, which alone fully and completely expresses their agreement, and that the same is entered into after full investigation,

neither party relying upon any statement, representation or warranty made by the other not embodied in this Sublease.

(c) The paragraph headings appearing herein are for purposes of convenience only and are not deemed to be a part of this Sublease.

(d) The provisions of this Sublease shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts without regard to principles of conflicts of laws. Landlord and Tenant agree to submit to jurisdiction in the Commonwealth of Massachusetts with respect to any dispute under or arising out of this Sublease and agree that any such dispute shall be brought either in the courts of the Commonwealth of Massachusetts or in the applicable federal district court located in Massachusetts.

(e) If any provision of this Sublease or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Sublease, or the application of such provision to persons or circumstance other than those as to which it is invalid or unenforceable, shall not be affected-thereby, and each provision of this Sublease shall be valid and enforced to the fullest extent permitted by law.

(f) This Sublease may be executed in counterparts each of which shall be deemed an original and all of which together shall constitute one and the same document.

(g) This Sublease (or any notice hereof) shall not be recorded.

(h) Landlord and Tenant hereby each waive trail by jury in any action, proceeding or counterclaim brought by either against the other, on or in respect of any matter whatsoever arising out of or in any way connected with this Sublease, the relationship of Landlord and Tenant or Tenant's use or occupancy of the Premises.

(i) This Sublease includes and incorporates all Exhibits referred to hereby and attached hereto.

IN WITNESS WHEREOF, this Agreement of Sublease has been duly executed as of the day and year first above written.

LANDLORD:
SONUS NETWORKS, INC.

By: _____
Name: _____
Title: _____

TENANT:
X-RITE INCORPORATED
By: _____
Name: _____
Title: _____

BCIA 15

EXHIBIT A
Prime Lease

Attached hereto

CONSENT TO SUBLEASE

PREAMBLE

THIS CONSENT TO SUBLEASE ("Consent") dated as of September 30, 2000, is made with reference to that certain Sublease dated September 30, 2000 (the "Sublease") by and between Sonus Networks, Inc. having an address of 5 Carlisle Road, Westford, MA 01886 ("Sublandlord") and X-Rite Incorporated having an original address of 25 Porter Road, Littleton, MA 01460 ("Subtenant"), and is entered into by and among BCIA New England Holdings LLC, having an address do Boston Capital Institutional Advisors LLC, One Boston Place, Suite 21000, Boston, MA 02108 ("Overlandlord"), Sublandlord, and Subtenant, with respect to the following facts:

A. Overlandlord and Sublandlord are the parties to that certain Lease dated as of September 30, 2000 (the "Overlease") pertaining to certain space (the "Master Premises") in a Building known as and numbered 25 Porter Road, Littleton, Massachusetts (the "Building");

B. Sublandlord and Subtenant wish to enter into the Sublease pursuant to which Sublandlord will lease to Subtenant a portion of the Master Premises comprised of approximately 3,000 rentable square feet (the "Sublease Premises");

C. The Overlease provides, inter alia, that Sublandlord may not enter into any sublease without Overlandlord's prior written approval; and

D. Sublandlord and Subtenant have presented the fully executed Sublease (a true copy of which is attached hereto as Exhibit A) to Overlandlord for Overlandlord's review and approval.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Overlandlord hereby consents to the execution and delivery of the Sublease upon the terms and conditions set forth in the General Conditions of Consent to Sublease ("General Conditions") attached hereto and made an integral part hereof.

2. Sublandlord and Subtenant hereby acknowledge receipt of the General Conditions and further acknowledge that Overlandlord's consent is subject to such General Conditions, and that in the event of a conflict between this Consent and the General Conditions and the Sublease, this Consent and the General Conditions shall control.

EXECUTED under seal as of the date first written above.

OVERLANDLORD:

BCIA NEW ENGLAND HOLDINGS LLC, a Delaware limited liability company

By: BCIA NEW ENGLAND HOLDINGS MASTER LLC, a Delaware limited liability company, its Manager

By: BCIA NEW ENGLAND HOLDINGS MANAGER LLC, a Delaware limited liability company, its Manager

By: BCIA NEW ENGLAND HOLDINGS MANAGER CORP., a Delaware corporation, its Manager

By: _____

Its: _____

SUBLANDLORD:

SONUS NETWORKS, INC.

By: _____

Its: _____

SUBTENANT:

X-RITE INCORPORATED

By: _____

Its: _____

GENERAL CONDITIONS OF CONSENT TO SUBLEASE

The following General Conditions are an integral part of and are hereby incorporated into the foregoing Consent to Sublease:

1. Neither the Overlease, the Sublease nor this Consent shall be deemed, nor are such documents intended to grant to Subtenant, any rights whatsoever against Overlandlord under the Overlease or (except as otherwise expressly provided in paragraph 3 of these General Conditions) under the Sublease or otherwise. Notwithstanding anything contained in the Sublease to the contrary, Subtenant hereby acknowledges and agrees that its sole remedy for any alleged or actual breach of its rights in connection with the Sublease shall be solely against Sublandlord, if, as and to the extent any such remedy may exist. Subtenant acknowledges and agrees that it is not a third party beneficiary under the Overlease and is not entitled to assert any of Sublandlord's rights thereunder against Overlandlord, whether in its own right or on behalf of Sublandlord.

2. This Consent and the Sublease shall not (i) constitute a consent or approval by Overlandlord of any of the terms, covenants or conditions of the Sublease and (except as otherwise expressly provided in paragraph 3 of these General Conditions), Overlandlord shall not be bound thereby or (ii) release Sublandlord from any existing or future duty, obligation or liability to Overlandlord pursuant to the Overlease (and Sublandlord shall be and remain liable for the full payment, performance and observance of all of the terms, covenants and conditions contained in the Overlease to be paid, performed and observed by the "Tenant" thereunder as if the Sublease and this Consent had never been made), or (iii) change, modify or amend the Overlease in any manner, except insofar as it constitutes Overlandlord's consent to the execution and delivery of the Sublease. Notwithstanding the generality of the foregoing, this Consent expressly shall not absolve Sublandlord from any requirement set forth in the Overlease that Sublandlord obtain Overlandlord's prior written approval of any additional subleases, assignments or other dispositions of its interest in the Overlease or the Premises (as defined in the Overlease).

3. (a) In the event of Overlease Termination (as hereinafter defined) prior to December 31, 2002 and provided that the Sublease has not theretofore been terminated, Overlandlord shall recognize Subtenant as Overlandlord's direct Tenant pursuant to the terms and provisions of the Sublease for the then remainder of the Term of the Sublease (through December 31, 2002) and Tenant hereby agrees to attorn to Overlandlord and perform Subtenant's obligations under the Sublease with respect to the Subleased Premises (and only as to the Subleased Premises) to and for the benefit of Overlandlord as the "Landlord" under the Sublease as a direct Lease between Overlandlord and Subtenant. Such agreement by Subtenant to perform each and every one of its obligations under the Sublease with respect to the Subleased Premises to and for the benefit of Overlandlord as the "Landlord" under the Sublease shall entitle the Subtenant to occupy the Subleased Premises after Overlease Termination

for the then remainder of the Term of the Sublease (through December 31, 2002) as if it were leased by Overlandlord directly to Subtenant, but shall not relieve Sublandlord from any liability to Overlandlord under the Overlease. Subtenant agrees to execute and deliver at any time and from time to time, upon request of Overlandlord, any instruments which may be necessary or appropriate to evidence such required assumption and Subtenant hereby irrevocably appoints Overlandlord as its attorney in fact, coupled with an interest to execute on behalf of Subtenant any documents or instruments necessary to evidence such assumption. Overlandlord shall not (i) be liable to Subtenant for any act, omission or breach of the Sublease by Sublandlord, (ii) be subject to any offsets or defenses which Subtenant might have against Sublandlord, (iii) be bound by any rent or additional rent which Subtenant might have paid in advance to Sublandlord, (iv) be bound to honor any rights of Subtenant in any security deposit or advance rent made with or paid to Sublandlord by Subtenant except to the extent Sublandlord has specifically assigned and turned over such security deposits and advance rent to Overlandlord and Overlandlord has actually received the same, (v) be bound by any provision of the Sublease except and to the extent hereinabove provided or (vi) be bound to honor any exercise of any Option to Extend or renew the term of the Overlease set forth in the Overlease, which Options to Extend or renew shall be deemed deleted from the Overlease effective as of the date of this Consent.

Sublandlord and Subtenant hereby agree that in the event of Overlease Termination, Sublandlord shall immediately pay or transfer to Overlandlord any security deposits, rent or other sums then held by Sublandlord in connection with the subleasing of the Subleased Premises and, notwithstanding anything contained in the Sublease to the contrary, this shall satisfy Sublandlord's obligations to Subtenant under this Sublease with respect to any such sums paid over or transferred to Overlandlord. Such security deposit may be applied by Overlandlord pursuant to the terms of the Overlease in the event of any holding over or other default by the Subtenant after an Overlease Termination. Subtenant hereby agrees that under no circumstances whatsoever shall Overlandlord be held in any way responsible or accountable for any security deposit or any sums paid by Subtenant to Sublandlord unless and until and to the extent that Overlandlord has actually received such sums from Sublandlord and has acknowledged their source, and Subtenant shall have no claim to any security or other deposit made by Sublandlord under the Overlease.

(b) "Overlease Termination" means the termination or cancellation of the Overlease prior to December 31, 2002 due to: (1) a default continuing beyond any applicable notice and/or cure periods by Sublandlord under the Overlease or any of the terms and provisions hereof; (2) foreclosure proceedings brought by the holder of any mortgage or trust deed to which the Overlease is subject; and (3) the termination of Sublandlord's leasehold estate by dispossession proceedings. Provided, however, that notwithstanding the foregoing to the contrary, termination of the Overlease in accordance with its terms prior to December 31, 2002 as the

result of fire, casualty, the exercise of the power of eminent domain or actions taken in lieu thereof or pursuant thereto or any other reason or cause not enumerated in (1), (2), or (3) above shall not be deemed an "Overlease Termination" for purposes of this paragraph 3 of this Consent.

4. In addition to Overlandlord's rights under Section 3 hereof, in the event Sublandlord is in default under any of the terms and provisions of the Overlease continuing beyond any applicable notice and/or cure periods, Overlandlord may elect to receive directly from Subtenant all sums due or payable to Sublandlord by Subtenant pursuant to the Sublease, and upon receipt of Overlandlord's notice, Subtenant shall thereafter pay to Overlandlord any and all sums becoming due or payable under the Sublease and Sublandlord shall receive from Overlandlord a credit for such sums actually received by Overlandlord against any and all payments then owing from Sublandlord under the Overlease. Except as otherwise expressly provided in paragraph 3 of this Consent with respect to an Overlease Termination, neither the mere service of such written notice nor the receipt of such direct payments shall cause Overlandlord to assume any of Sublandlord's duties, obligations and/or liabilities under the Sublease, nor shall such event impose upon Overlandlord the duty or obligation to honor the Sublease, nor subsequently to accept any purported attornment by Subtenant except and to the extent of the occurrence of an Overlease Termination as aforesaid. Sublandlord grants Overlandlord a security interest in all such payments due to Sublandlord from Subtenant, which security interest Overlandlord may perfect by filing a UCC-1 (which Sublandlord shall sign within three (3) days of Overlandlord's request). Overlandlord shall credit payments actually received pursuant to this conditional assignment to Sublandlord's obligations under the Overlease. Without limitation of the foregoing, acceptance of rent or other payments from Sublandlord and/or Subtenant by Overlandlord shall not: (i) constitute a waiver of any default or breach of the Overlease or (ii) cause nor result in a reinstatement of the Overlease after Overlease Termination or (iii) absent the occurrence of an Overlease Termination, be deemed or construed to mean that Overlandlord has accepted the Subtenant as its "Tenant" under the Overlease or (iv) absent the occurrence of an Overlease Termination, be deemed to mean that Subtenant is entitled to any rights under the Sublease or the Overlease.

5. Subtenant hereby acknowledges that it has read and has knowledge of all of the terms, provisions, rules and regulations of the Overlease and agrees not to do or omit to do anything which would cause Sublandlord to be in breach of the Overlease. Any such act or omission by Subtenant also shall constitute a breach of the Overlease and this Consent by Sublandlord shall entitle Overlandlord to recover any damage, loss, cost, or expense which it thereby suffers, from Sublandlord and/or Subtenant, who shall be jointly and severally liable to Overlandlord in this regard.

6. In the event of the commencement of an action at law or in equity by the filing of a complaint or other similar action involving a request for relief from a judicial body between or involving the parties hereto with respect to the Sublease, the Overlease, this Consent or the rights of the parties

hereto, hereunder or thereunder, the Sublandlord and Subtenant, jointly and severally, hereby agree to pay the Overlandlord on demand all reasonable costs, expense and attorneys' fees incurred therein by Overlandlord, which amounts may be included as a part of a judgment rendered therein.

7. The parties acknowledge that the Sublease constitutes the entire agreement between Sublandlord and Subtenant with respect to the subject matter thereof, and that no amendment, termination, modification or change therein will be binding upon Overlandlord unless Overlandlord shall have given its prior written consent thereto, which consent may be granted or denied by Overlandlord in its sole and absolute discretion.

8. This Consent shall be binding upon and shall inure to the benefit of the parties' respective successors in interest and assigns, subject at all times, nevertheless, to all agreements and restrictions contained in the Overlease, the Sublease, and herein, with respect to subleasing, assignment or other transfer and the foregoing shall not be deemed to limit or negate Overlandlord's rights to prohibit or condition its consent to a future dispossession of Sublandlord's or Subtenant's interests. The agreements contained herein constitute the entire understanding between parties with respect to the subject matter hereof and supersede all prior agreements.

9. This Consent shall not be assignable and shall only apply with respect to the Sublease by and between Sublandlord and Subtenant.

10. The consent by Overlandlord to the use and occupancy of the Subleased Premises by Subtenant shall not be construed as a consent by Overlandlord to the use and occupancy of the Subleased Premises by anyone other than Subtenant or Sublandlord or as a consent to further subletting by Sublandlord or by Subtenant of the Subleased Premises, or any part thereof. Neither the Sublease nor any of the rights, privileges or obligations thereunder shall be assigned, modified, renewed or extended, nor shall the Subleased Premises, or any part thereof, be further sublet or occupied by others (except by Sublandlord, in accordance with and subject to the terms and provisions of the Overlease).

11. Subject to the provisions of General Condition numbered 3 of this Consent to Sublease, unless previously terminated, on or before the day immediately preceding the date of expiration of the Overlease or upon the date of any earlier termination of the term of the Overlease, the Sublease and its term shall expire, terminate and come to an end and Sublandlord shall cause Subtenant to vacate and surrender the Subleased Premises on or before such date in accordance with the applicable provisions of the Overlease regarding surrender and delivery of the Premises to Overlandlord.

12. Sublandlord and Subtenant hereby acknowledge and agree that Overlandlord shall not be responsible for any brokers commissions or fees of any kind or nature in connection with the Sublease or the subject matter thereof (except for any commissions or fees due and payable to Trammell

Crow Company ("TCC"), if any, pursuant to Overlandlord's direct agreements with TCC which shall be paid by Overlandlord pursuant to its direct agreements, if any, with TCC and they each hereby agree to indemnify and hold Overlandlord harmless from and against any such claims including all reasonable attorneys fees sustained or incurred by Overlandlord as a result of any such claim against Overlandlord. Except for Overlandlord's obligation, if any, to pay commissions or fees to TCC pursuant to Landlord's direct agreements with TCC, Sublandlord and Subtenant hereby jointly and severally agree to indemnify and hold Overlandlord harmless from and against any and all claims, costs or damages sustained or incurred by Overlandlord as the result of any claim by any party that they are entitled to a commission or broker's fee in connection with this Consent or the Sublease. The indemnity contained herein shall include, without limitation, all reasonable attorneys' fees and expenses incurred by Overlandlord in connection with any such claim. This paragraph 12 shall survive expiration or earlier termination of the Sublease.

13. Sublandlord and Subtenant, jointly and severally, hereby agree to indemnify and hold Overlandlord harmless with respect to any and all liability to and claims by Subtenant in connection with the Sublease, Subtenant's use and occupancy of the Subleased Premises, or the subject matter hereof, unless due to the Overlandlord's negligence or willful misconduct. The within indemnity shall be joint and several and shall include all losses, costs, damages or expenses including, without limitation, reasonable attorneys fees sustained or incurred by Overlandlord arising out of the matters contained herein. The provisions of this paragraph 13 shall survive any expiration or earlier termination of the Sublease or the Overlease.

14. In the event that there shall be any conflict between the terms, covenants and conditions of this Consent to Sublease and the terms, covenants and, conditions of the Sublease, then the terms, covenants and conditions of this Consent to Sublease shall prevail in each instance and any conflicting terms, covenants or conditions of the Sublease shall be deemed modified to conform with the terms, covenants and conditions of this Consent to Sublease.

15. Notwithstanding anything contained in the Sublease to the contrary, Sublandlord and Subtenant represent to and agree with Overlandlord that no changes, additions or improvements including, without limitation, electrical, HVAC or other construction work shall be performed in the Subleased Premises unless detailed plans and specifications for such work are first submitted to Overlandlord for its approval and Overlandlord shall have granted such approval in writing. Such approval shall be given or withheld in accordance with the applicable terms of the Overlease. In accordance with the provisions of the Overlease, all such work, if approved by Overlandlord, shall be subject to the requirements contained in the Overlease applicable to construction within or alterations of the Subleased Premises and shall be performed in accordance with the Overlease.

16. No signs shall be placed upon or within the Building and/or the Subleased Premises without the express written consent of Overlandlord, which consent may be granted or withheld by Overlandlord in its sole and absolute discretion.

17. Subtenant shall, within 10 days of written request from Overlandlord therefor, execute and deliver to Overlandlord and/or the holder of any mortgage upon or proposed purchasers of the Building, a so-called "Estoppel Letter" in form satisfactory to Overlandlord or such holder of a Mortgage or proposed purchaser which shall include, among other things, if so requested, a statement (i) certifying that the Sublease is in full force and effect and has not been assigned, modified or amended, (ii) that Sublandlord is not in default thereunder, (iii) the date through which rent has been paid and (iv) that there are no defenses or set-offs against enforcement of the Sublease or this Agreement against Subtenant and/or Sublandlord.

18. Subtenant hereby further agrees that upon the written request of Overlandlord, Subtenant shall subordinate its interest in the Sublease to the lien of any mortgage, security agreement or lease now or hereafter affecting the Building or the land upon which the Building is constructed.

19. As a condition to the effectiveness of the within Consent, as additional rent under the Overlease, Sublandlord shall, within ten (10) days after invoice, reimburse Overlandlord for all costs and expenses including without limitation, attorneys fees sustained or incurred by Overlandlord in connection with Sublandlord's request for Overlandlord's Consent to the execution and delivery of the Sublease including, without limitation, review of the Sublease and preparation and negotiation of this Consent.

20. All notices and demands which may or are to be required or permitted to be given by any party hereunder shall be in writing. All notices and demands to Subtenant shall be sent by United States Mail, certified mail return receipt requested, postage prepaid, addressed to Subtenant at the Subleased Premises or to such other place as Subtenant may from time to time designate in a notice to the other parties hereto given in the manner herein provided.

    All notices and demands to Sublandlord shall be sent by United States Mail, certified mail return receipt requested, postage prepaid, addressed to the Sublandlord at the address set forth herein, and to such other person or place as the Sublandlord may from time to time designate in a notice to the other parties hereto given in the manner herein provided.

    All notices and demands to Overlandlord shall be sent by United States Mail, certified mail return receipt requested, postage prepaid, addressed to the Overlandlord at the address set forth herein, and to such other person or place as the Overlandlord may from time to time designate in a notice to the other parties hereto given in the manner herein provided.

CONSENT TO SUBLEASE

PREAMBLE

THIS CONSENT TO SUBLEASE ("Consent") dated as of September 30, 2000, is made with reference to that certain Sublease dated September 30, 2000 (the "Sublease") by and between Sonus Networks, Inc. having an address of 5 Carlisle Road, Westford, MA 01886 ("Sublandlord") and X-Rite Incorporated having an original address of 25 Porter Road, Littleton, MA 01460 ("Subtenant"), and is entered into by and among BCIA New England Holdings LLC, having an address c/o Boston Capital Institutional Advisors LLC, One Boston Place, Suite 21000, Boston, MA 02108 ("Overlandlord"), Sublandlord, and Subtenant, with respect to the following facts:

A. Overlandlord and Sublandlord are the parties to that certain Lease dated as of September 30, 2000 (the "Overlease") pertaining to certain space (the "Master Premises") in a Building known as and numbered 25 Porter Road, Littleton, Massachusetts (the "Building");

B. Sublandlord and Subtenant wish to enter into the Sublease pursuant to which Sublandlord will lease to Subtenant a portion of the Master Premises comprised of approximately 3,000 rentable square feet (the "Sublease Premises");

C. The Overlease provides, inter alia, that Sublandlord may not enter into any sublease without Overlandlord's prior written approval; and

D. Sublandlord and Subtenant have presented the fully executed Sublease (a true copy of which is attached hereto as Exhibit A) to Overlandlord for Overlandlord's review and approval.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Overlandlord hereby consents to the execution and delivery of the Sublease upon the terms and conditions set forth in the General Conditions of Consent to Sublease ("General Conditions") attached hereto and made an integral part hereof.

2. Sublandlord and Subtenant hereby acknowledge receipt of the General Conditions and further acknowledge that Overlandlord's consent is subject to such General Conditions, and that in the event of a conflict between this Consent and the General Conditions and the Sublease, this Consent and the General Conditions shall control.

EXECUTED under seal as of the date first written above.

OVERLANDLORD:

BCIA NEW ENGLAND HOLDINGS LLC, a Delaware limited liability company

By: BCIA NEW ENGLAND HOLDINGS MASTER LLC, a Delaware limited liability company, its Manager

By: BCIA NEW ENGLAND HOLDINGS MANAGER LLC, a Delaware limited liability company, its Manager

By: BCIA NEW ENGLAND HOLDINGS MANAGER CORP., a Delaware corporation, its Manager

By: _____

Its: _____

SUBLANDLORD:

SONUS NETWORKS, INC.

By: _____

Its: _____

SUBTENANT:

X-RITE INCORPORATED

By: _____

Its: _____

GENERAL CONDITIONS OF CONSENT TO SUBLEASE

The following General Conditions are an integral part of and are hereby incorporated into the foregoing Consent to Sublease:

1. Neither the Overlease, the Sublease nor this Consent shall be deemed, nor are such documents intended to grant to Subtenant, any rights whatsoever against Overlandlord under the Overlease or (except as otherwise expressly provided in paragraph 3 of these General Conditions) under the Sublease or otherwise. Notwithstanding anything contained in the Sublease to the contrary, Subtenant hereby acknowledges and agrees that its sole remedy for any alleged or actual breach of its rights in connection with the Sublease shall be solely against Sublandlord, if, as and to the extent any such remedy may exist. Subtenant acknowledges and agrees that it is not a third party beneficiary under the Overlease and is not entitled to assert any of Sublandlord's rights thereunder against Overlandlord, whether in its own right or on behalf of Sublandlord.

2. This Consent and the Sublease shall not (i) constitute a consent or approval by Overlandlord of any of the terms, covenants or conditions of the Sublease and (except as otherwise expressly provided in paragraph 3 of these General Conditions), Overlandlord shall not be bound thereby or (ii) release Sublandlord from any existing or future duty, obligation or liability to Overlandlord pursuant to the Overlease (and Sublandlord shall be and remain liable for the full payment, performance and observance of all of the terms, covenants and conditions contained in the Overlease to be paid, performed and observed by the "Tenant" thereunder as if the Sublease and this Consent had never been made), or (iii) change, modify or amend the Overlease in any manner, except insofar as it constitutes Overlandlord's consent to the execution and delivery of the Sublease. Notwithstanding the generality of the foregoing, this Consent expressly shall not absolve Sublandlord from any requirement set forth in the Overlease that Sublandlord obtain Overlandlord's prior written approval of any additional subleases, assignments or other dispositions of its interest in the Overlease or the Premises (as defined in the Overlease).

3. (a) In the event of Overlease Termination (as hereinafter defined) prior to December 31, 2002 and provided that the Sublease has not theretofore been terminated, Overlandlord shall recognize Subtenant as Overlandlord's direct Tenant pursuant to the terms and provisions of the Sublease for the then remainder of the Term of the Sublease (through December 31, 2002) and Tenant hereby agrees to attorn to Overlandlord and perform Subtenant's obligations under the Sublease with respect to the Subleased Premises (and only as to the Subleased Premises) to and for the benefit of Overlandlord as the "Landlord" under the Sublease as a direct Lease between Overlandlord and Subtenant. Such agreement by Subtenant to perform each and every one of its obligations under the Sublease with respect to the Subleased Premises to and for the benefit of Overlandlord as the "Landlord" under the Sublease shall entitle the Subtenant to occupy the Subleased Premises after Overlease Termination

for the then remainder of the Term of the Sublease (through December 31, 2002) as if it were leased by Overlandlord directly to Subtenant, but shall not relieve Sublandlord from any liability to Overlandlord under the Overlease. Subtenant agrees to execute and deliver at any time and from time to time, upon request of Overlandlord, any instruments which may be necessary or appropriate to evidence such required assumption and Subtenant hereby irrevocably appoints Overlandlord as its attorney in fact, coupled with an interest to execute on behalf of Subtenant any documents or instruments necessary to evidence such assumption. Overlandlord shall not (i) be liable to Subtenant for any act, omission or breach of the Sublease by Sublandlord, (ii) be subject to any offsets or defenses which Subtenant might have against Sublandlord, (iii) be bound by any rent or additional rent which Subtenant might have paid in advance to Sublandlord, (iv) be bound to honor any rights of Subtenant in any security deposit or advance rent made with or paid to Sublandlord by Subtenant except to the extent Sublandlord has specifically assigned and turned over such security deposits and advance rent to Overlandlord and Overlandlord has actually received the same, (v) be bound by any provision of the Sublease except and to the extent hereinabove provided or (vi) be bound to honor any exercise of any Option to Extend or renew the term of the Overlease set forth in the Overlease, which Options to Extend or renew shall be deemed deleted from the Overlease effective as of the date of this Consent.

Sublandlord and Subtenant hereby agree that in the event of Overlease Termination, Sublandlord shall immediately pay or transfer to Overlandlord any security deposits, rent or other sums then held by Sublandlord in connection with the subleasing of the Subleased Premises and, notwithstanding anything contained in the Sublease to the contrary, this shall satisfy Sublandlord's obligations to Subtenant under this Sublease with respect to any such sums paid over or transferred to Overlandlord. Such security deposit may be applied by Overlandlord pursuant to the terms of the Overlease in the event of any holding over or other default by the Subtenant after an Overlease Termination. Subtenant hereby agrees that under no circumstances whatsoever shall Overlandlord be held in any way responsible or accountable for any security deposit or any sums paid by Subtenant to Sublandlord unless and until and to the extent that Overlandlord has actually received such sums from Sublandlord and has acknowledged their source, and Subtenant shall have no claim to any security or other deposit made by Sublandlord under the Overlease.

(b) "Overlease Termination" means the termination or cancellation of the Overlease prior to December 31, 2002 due to: (1) a default continuing beyond any applicable notice and/or cure periods by Sublandlord under the Overlease or any of the terms and provisions hereof; (2) foreclosure proceedings brought by the holder of any mortgage or trust deed to which the Overlease is subject; and (3) the termination of Sublandlord's leasehold estate by dispossession proceedings. Provided, however, that notwithstanding the foregoing to the contrary, termination of the Overlease in accordance with its terms prior to December 31, 2002 as the

result of fire, casualty, the exercise of the power of eminent domain or actions taken in lieu thereof or pursuant thereto or any other reason or cause not enumerated in (1), (2), or (3) above shall not be deemed an "Overlease Termination" for purposes of this paragraph 3 of this Consent.

4. In addition to Overlandlord's rights under Section 3 hereof, in the event Sublandlord is in default under any of the terms and provisions of the Overlease continuing beyond any applicable notice and/or cure periods, Overlandlord may elect to receive directly from Subtenant all sums due or payable to Sublandlord by Subtenant pursuant to the Sublease, and upon receipt of Overlandlord's notice, Subtenant shall thereafter pay to Overlandlord any and all sums becoming due or payable under the Sublease and Sublandlord shall receive from Overlandlord a credit for such sums actually received by Overlandlord against any and all payments then owing from Sublandlord under the Overlease. Except as otherwise expressly provided in paragraph 3 of this Consent with respect to an Overlease Termination, neither the mere service of such written notice nor the receipt of such direct payments shall cause Overlandlord to assume any of Sublandlord's duties, obligations and/or liabilities under the Sublease, nor shall such event impose upon Overlandlord the duty or obligation to honor the Sublease, nor subsequently to accept any purported attornment by Subtenant except and to the extent of the occurrence of an Overlease Termination as aforesaid. Sublandlord grants Overlandlord a security interest in all such payments due to Sublandlord from Subtenant, which security interest Overlandlord may perfect by filing a UCC-1 (which Sublandlord shall sign within three (3) days of Overlandlord's request). Overlandlord shall credit payments actually received pursuant to this conditional assignment to Sublandlord's obligations under the Overlease. Without limitation of the foregoing, acceptance of rent or other payments from Sublandlord and/or Subtenant by Overlandlord shall not: (i) constitute a waiver of any default or breach of the Overlease or (ii) cause nor result in a reinstatement of the Overlease after Overlease Termination or (iii) absent the occurrence of an Overlease Termination, be deemed or construed to mean that Overlandlord has accepted the Subtenant as its "Tenant" under the Overlease or (iv) absent the occurrence of an Overlease Termination, be deemed to mean that Subtenant is entitled to any rights under the Sublease or the Overlease.

5. Subtenant hereby acknowledges that it has read and has knowledge of all of the terms, provisions, rules and regulations of the Overlease and agrees not to do or omit to do anything which would cause Sublandlord to be in breach of the Overlease. Any such act or omission by Subtenant also shall constitute a breach of the Overlease and this Consent by Sublandlord shall entitle Overlandlord to recover any damage, loss, cost, or expense which it thereby suffers, from Sublandlord and/or Subtenant, who shall be jointly and severally liable to Overlandlord in this regard.

6. In the event of the commencement of an action at law or in equity by the filing of a complaint or other similar action involving a request for relief from a judicial body between or involving the parties hereto with respect to the Sublease, the Overlease, this Consent or the rights of the parties

hereto, hereunder or thereunder, the Sublandlord and Subtenant, jointly and severally, hereby agree to pay the Overlandlord on demand all reasonable costs, expense and attorneys' fees incurred therein by Overlandlord, which amounts may be included as a part of a judgment rendered therein.

7. The parties acknowledge that the Sublease constitutes the entire agreement between Sublandlord and Subtenant with respect to the subject matter thereof, and that no amendment, termination, modification or change therein will be binding upon Overlandlord unless Overlandlord shall have given its prior written consent thereto, which consent may be granted or denied by Overlandlord in its sole and absolute discretion.

8. This Consent shall be binding upon and shall inure to the benefit of the parties' respective successors in interest and assigns, subject at all times, nevertheless, to all agreements and restrictions contained in the Overlease, the Sublease, and herein, with respect to subleasing, assignment or other transfer and the foregoing shall not be deemed to limit or negate Overlandlord's rights to prohibit or condition its consent to a future dispossession of Sublandlord's or Subtenant's interests. The agreements contained herein constitute the entire understanding between parties with respect to the subject matter hereof and supersede all prior agreements.

9. This Consent shall not be assignable and shall only apply with respect to the Sublease by and between Sublandlord and Subtenant.

10. The consent by Overlandlord to the use and occupancy of the Subleased Premises by Subtenant shall not be construed as a consent by Overlandlord to the use and occupancy of the Subleased Premises by anyone other than Subtenant or Sublandlord or as a consent to further subletting by Sublandlord or by Subtenant of the Subleased Premises, or any part thereof. Neither the Sublease nor any of the rights, privileges or obligations thereunder shall be assigned, modified, renewed or extended, nor shall the Subleased Premises, or any part thereof, be further sublet or occupied by others (except by Sublandlord, in accordance with and subject to the terms and provisions of the Overlease).

11. Subject to the provisions of General Condition numbered 3 of this Consent to Sublease, unless previously terminated, on or before the day immediately preceding the date of expiration of the Overlease or upon the date of any earlier termination of the term of the Overlease, the Sublease and its term shall expire, terminate and come to an end and Sublandlord shall cause Subtenant to vacate and surrender the Subleased Premises on or before such date in accordance with the applicable provisions of the Overlease regarding surrender and delivery of the Premises to Overlandlord.

12. Sublandlord and Subtenant hereby acknowledge and agree that Overlandlord shall not be responsible for any brokers commissions or fees of any kind or nature in connection with the Sublease or the subject matter thereof (except for any commissions or fees due and payable to Trammell

FIRST AMENDMENT TO LEASE AND
TEMPORARY EXPANSION AGREEMENT

This First Amendment to Lease and Temporary Expansion Agreement (the "First Amendment") is dated as of November 21, 2000 by and between BCIA New England Holdings LLC, a Delaware limited liability company ("Landlord") and Sonus Networks, Inc. ("Tenant").

RECITALS:

WHEREAS, Landlord and Tenant are the Landlord and Tenant, respectively under and pursuant to that certain Lease, dated as of September 30, 2000 (the "Lease") demising approximately 33,194 square feet of rentable area (the "Original Premises") in the building (the "Building") known as 25 Porter Road, Littleton, Massachusetts; and

WHEREAS, Landlord and Tenant (subject to entering into this First Amendment) desire to (a) expand the Premises demised under the Lease to include an additional 9,073 rentable square feet of space located on the first (1st) floor of the Building and marked on Exhibit A to this First Amendment as the "Expansion Space" (the "Expansion Space") beginning as of the Expansion Date (as hereafter defined) and ending on September 30, 2003 (the period of time beginning on the Expansion Date and expiring on September 30, 2003 being hereafter the "Expansion Space Term") and (b) to make certain other modifications to the Lease;

NOW THEREFORE, in consideration of the mutual covenants herein contained, and for other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Capitalized Terms. All capitalized terms not otherwise modified or defined herein shall have the same meanings as are ascribed to them in the Lease.

2. Expansion: Condition of the Premises. Tenant acknowledges and agrees that Tenant is presently in occupancy of the Original Premises and that Tenant is accepting the Original Premises in its "as is" condition as of the date hereof and is accepting the Expansion Space in its then "AS IS" condition, as of the Expansion Date without representation or warranty of any kind by Landlord (express or implied). Except as otherwise expressly provided herein, Landlord shall not be required to make nor pay for any alterations or improvements to the Original Premises and/or the Expansion Space in order to prepare same for Tenant's use or occupancy.

The "Expansion Date" shall be the last to occur of (i) December 1, 2000 or (ii) that date upon which Landlord delivers possession and control of the Expansion Space to Tenant regardless, in either of such cases, of whether or not all or any portion of Tenant's Work (as hereafter defined) is completed. Tenant acknowledges and agrees that Tenant shall have no right to enter, nor any rights of any kind with respect to the Expansion Space unless and until the occurrence of the Expansion Date. (Provided, however, in the event the Existing Tenant (as hereafter defined) shall vacate the Expansion Space prior to November 30, 2000 and shall give Tenant and Landlord its express written consent to permit Tenant to enter the Expansion Space prior to December 1, 2000 in order to perform Tenant's Work, Tenant shall be Permitted to enter the Expansion Space as of the earlier date consented to by the Existing Tenant solely for the

limited purposes of performing Tenant's Work approved in advance by Landlord in accordance with this First Amendment. Tenant shall deliver to Landlord a copy of the Existing Tenant's consent prior to entering the Expansion Space for the limited purposes herein provided). Tenant acknowledges and agrees that the Expansion Space is presently leased to a third party (the "Existing Tenant") and Landlord shall have no obligation to deliver the Expansion Space to Tenant hereunder unless and until Landlord and the Existing Tenant have entered into and delivered a mutually agreeable Amendment to the Existing Tenant's Lease whereby the Expansion Space is excluded from the Existing Tenant's premises and the Existing Tenant shall vacate and deliver the Expansion Space to Landlord. Landlord has entered into negotiations with the Existing Tenant pursuant to which Landlord believes (but does not warrant or represent to Tenant) that the existing Tenant will vacate and deliver up the Expansion Space to Landlord on or before November 30, 2000.

Except for Landlord's obligation to fund the "Allowance" (as hereafter defined) as that obligation is limited and conditioned by the terms hereof, Landlord shall not be required to make or pay for any improvements to the Original Premises nor to the Expansion Space in order to prepare same for Tenant's use and occupancy.

As and to the extent that Tenant wishes to make alterations or improvements in and to the Original Premises and/or the Expansion Space, Landlord has agreed, subject to the conditions and limitations hereafter set forth, to provide Tenant with an allowance (the "Allowance") in an amount not to exceed $27,219.00 ($3.00 per rentable square foot contained in the Expansion Space) in order to help defray the costs of such improvements desired by Tenant in and to the Original Premises and/or the Expansion Space (such work being the "Tenant's Work"). The Allowance shall be paid and released to Tenant from time to time (but not more often than once in any 30 day period) as Tenant's Work is completed and in place but only upon satisfaction of the Allowance Release Conditions (as hereafter defined) for and with respect to Tenant's Work completed and for which Tenant has satisfied the Allowance Release Conditions on or before March 31, 2001. It is agreed and understood that Landlord shall be entitled to retain any portion of the Allowance not required to reimburse Tenant for Tenant's Work completed within the time and manner herein provided.

Any and all Tenant's Work shall be performed by Tenant, at Tenant's sole cost and expense in accordance with the provisions of Article V and all other provisions of this Lease applicable to "Alterations" as if the Tenant's Work were "Alterations" as defined in Section 5.2 and all other applicable provisions of the Lease relating to work, alterations or improvements made by or at the request of Tenant. Prior to commencing any aspect of Tenant's Work, Tenant shall first submit to Landlord detailed plans and specifications describing the Tenant's Work to be performed for Landlord's approval.

No portion of the Allowance may be used for moving expenses, data and telecommunications systems, wiring, or furniture. A portion of the Allowance may be used for architectural and engineering fees sustained in connection with the planning and design of the Premises (including the Expansion Space) for Tenant's use. As used herein, the term "Allowance Release Conditions" shall mean (i) that no default by Tenant shall exist and be continuing (ii) that the applicable Tenant's Work for which reimbursement is sought has been completed in accordance with the plans and specifications so approved by Landlord in advance and Tenant shall have provided Landlord with a written request for payment for such completed Tenant's

Work and (iii) Tenant shall have provided Landlord with true and accurate copies of all permits and/or approvals (if any) required for the performance and completion of the applicable Tenant's Work (including, without limitation, if applicable, building permits and demolition permits) or other governmental approvals, (iv) Tenant shall deliver to Landlord lien waivers from Tenant's contractors or workmen performing such work, (v) copies of all relevant invoices for such work with detailed breakdown of all work performed, accompanied by copies of Tenant's cancelled checks indicating that all such work evidenced by such invoices has been paid in full and (vi) a certificate from Tenant or Tenant's architect (if any) certifying that such work has been completed on or before March 31, 2001 in compliance with the Plans and specifications so approved by Landlord.

Upon satisfaction of all of the Allowance Release Conditions with respect to Tenant's Work and upon the written request of Tenant (but not more often than once in any thirty day period), Landlord shall advance corresponding portions of the Allowance based upon the paid invoices for Tenant's Work then completed; provided, however, that in no event shall Landlord be required to advance any portion of the Allowance for which the Allowance Release Conditions are not satisfied on or before March 31, 2001.

3, Amendments Effective as of Expansion Date. Effective as of the Expansion Date, the Lease shall be deemed further amended in the following respects for the period of the Expansion Space Term (and only during the Expansion Space Term):

(a) Premises. The definition of the term "Premises" shall be deemed amended to include the approximately 9,073 rentable square feet of space on the first (1st) floor of the Building and contained in the Expansion Space. During the Expansion Space Term (and only during the Expansion Space Term) the Premises shall contain approximately 42,267 rentable square feet of space and shall be comprised of the Original Premises (33,194 rsf) and the Expansion Space (9,073 rsf). Upon expiration of the Expansion Space Term, the Premises shall revert back to consisting merely of the Original Premises.

(b) Basic Rent. The Basic Rent payable under the Lease during the Expansion Space Term shall be increased and adjusted by the amount of the Expansion Rent (as hereafter defined). The Expansion Rent shall be paid in addition to the portion of the Basic Rent set forth in Section 1.1 of the Lease. The Expansion Rent shall be payable beginning on the Expansion Date (pro-rated for any partial calendar month) and shall thereafter be paid as and when all other payments of Basic Rent are payable under this Lease without offset, deduction, set-off, abatement or demand.

As used herein, the term "Expansion Rent" shall mean $199,606.00 per annum payable in equal monthly installments of $16,633.83 (pro rated and adjusted for any partial month). The Expansion Rent shall not be payable with respect to the period following expiration of the Expansion Space Term and the Basic Rent set forth in Section 1.1 of the Lease alone shall thereafter comprise the Basic Rent payable under this Lease.

(c) Tenant's Proportionate Share. The Tenant's Proportionate Share shall be increased and adjusted to be 63.27% during the Expansion Space Term. Upon expiration of the Expansion Space Term, the term "Tenant's Proportionate Share" shall revert back to 49.69%.

Unless this Lease is sooner terminated in accordance with its terms, upon expiration of the Expansion Space Term, Tenant shall remove its property and vacate, surrender and deliver up the Expansion Space to Landlord in the condition and manner required by Section 12.2 of the Lease with respect to surrender and delivery of the Premises to Landlord as if the last day of the Expansion Space term were the last day of the Term of this Lease with respect to the Expansion Space (and only as to the Expansion Space). The provisions of Section 12.1 and 12.2 of the Lease shall apply in the event Tenant shall fail to comply with the requirements of the immediately preceding sentence.

4. Brokerage. Each party hereto represents and warrants to the other party that it has not dealt with any real estate broker or agent in connection with this First Amendment, except for Trammell Crow Company (the "Broker"). Each party hereto shall indemnify the other party and hold the other party harmless from any cost, expense or liability (including costs of suit and reasonable attorney's' fees) for any compensation, commission or fees claimed by any other real estate broker or agent in connection with this First Amendment or the Amended Lease or the negotiation thereof by reason of any of their acts. Landlord shall be responsible for any brokerage commission due the Broker in connection with this First Amendment or the amended Lease solely pursuant to Landlord's direct agreements with Broker.

5. Governing Law. This First Amendment and the rights and obligations of both parties hereunder shall be governed by the laws of The Commonwealth of Massachusetts.

6. Authority. Tenant warrants that the person or persons executing this First Amendment on behalf of Tenant has the authority to do so and that such execution has fully obligated and bound Tenant to all terms and provisions of this First Amendment.

7. Ratification. Except as modified by this First Amendment, the Lease is in full force and effect and Landlord and Tenant ratify and confirm the same.

8. Interpretation and Partial Invalidity. If any term of this First Amendment, or the application thereof to any person or circumstances, shall to any extent be invalid or unenforceable, the remainder of this First Amendment, or the application of such term to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term of this First Amendment shall be valid and enforceable to the fullest extent permitted by law. The titles for the paragraphs are for convenience only and not to be considered in construing this First Amendment.

[Signatures on next page]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the date and year first above written.

LANDLORD:

BCIA NEW ENGLAND HOLDINGS LLC, a Delaware limited liability company

By: BCIA NEW ENGLAND HOLDINGS MASTER LLC, a Delaware limited liability company, its Manager

By: BCIA NEW ENGLAND HOLDINGS MANAGER LLC, a Delaware limited liability company, its Manager

By: BCIA NEW ENGLAND HOLDINGS MANAGER CORP., a Delaware corporation, its Manager

By: /s/ Karl W. Weller

Name: KARL W. WELLER
Title: EXECUTIVE VICE PRESIDENT

TENANT:

Sonus Networks, Inc.

By: /s/ S.J. Nill

Name:

Its: VP & CFO

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report dated March 10, 2000 on the consolidated financial statements of Sonus Networks, Inc. (and to all references to our Firm) included in or made a part of this Form S-4.

/s/ ARTHUR ANDERSEN LLP

Boston, Massachusetts
December 22, 2000

EXHIBIT 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report dated December 1, 2000 on the consolidated financial statements of telecom technologies, inc. (and to all references to our Firm) included in or made a part of this Form S-4.

/s/ ARTHUR ANDERSEN LLP

Boston, Massachusetts
December 22, 2000