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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 26, 2015

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

For the transition period from to

Commission File Number 001-34115

SONUS NETWORKS, INC.
(Exact name of Registrant as specified in its charter)

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

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

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

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

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

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

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

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

As of July 23, 2015, there were 49,586,313 shares of the registrant's common stock, $0.001 par value, outstanding.

SONUS NETWORKS, INC.
FORM 10-Q
QUARTER ENDED JUNE 26, 2015
TABLE OF CONTENTS

Item		Page
	Cautionary Note Regarding Forward-Looking Statements	3
PART I FINANCIAL INFORMATION		
1.	Financial Statements	
	Condensed Consolidated Balance Sheets as of June 26, 2015 and December 31, 2014 (unaudited)	4
	Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 26, 2015 and June 27, 2014 (unaudited)	5
	Condensed Consolidated Statements of Comprehensive Loss for the Three and Six Months ended June 26, 2015 and June 27, 2014 (unaudited)	6
	Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 26, 2015 and June 27, 2014 (unaudited)	7
	Notes to Condensed Consolidated Financial Statements (unaudited)	8
2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	26
3.	Quantitative and Qualitative Disclosures About Market Risk	38
4.	Controls and Procedures	40
PART II OTHER INFORMATION		
1.	Legal Proceedings	40
1A.	Risk Factors	40
2.	Unregistered Sales of Equity Securities and Use of Proceeds	58
5.	Other Information	58
6.	Exhibits	59
	Signatures	61
	Exhibit Index	62

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, which are subject to a number of risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations and financial position, business strategy, plans and objectives of management for future operations, plans for future cost reductions and plans for future product development and manufacturing are forward-looking statements. Without limiting the foregoing, the words "anticipates", "believes", "could", "estimates", "expects", "intends", "may", "plans", "seeks" and other similar language, whether in the negative or affirmative, are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We therefore caution you against relying on any of these forward-looking statements.

Important factors that could cause actual results to differ materially from those in these forward-looking statements are discussed in Part I, Items 2 and 3, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures About Market Risk," respectively, and Part II, Item 1A, "Risk Factors," of this Quarterly Report on Form 10-Q. Also, any forward-looking statement made by us in this Quarterly Report on Form 10-Q speaks only as of the date on which this Quarterly Report on Form 10-Q was first filed. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

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

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 26, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 34,128	$ 41,157
Marketable securities	64,542	64,443
Accounts receivable, net of allowance for doubtful accounts of $60 at June 26, 2015 and $58 at December 31, 2014	48,654	62,943
Inventory	25,699	22,114
Deferred income taxes	1,001	991
Other current assets	17,450	15,239
Total current assets	191,474	206,887
Property and equipment, net	15,473	17,845
Intangible assets, net	29,956	22,594
Goodwill	40,310	39,263
Investments	14,851	42,407
Deferred income taxes	1,012	1,043
Other assets	2,326	2,596
	$ 295,402	$ 332,635
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 5,146	$ 7,497
Accrued expenses	22,513	32,149
Current portion of deferred revenue	41,811	36,967
Current portion of long-term liabilities	711	794
Total current liabilities	70,181	77,407
Deferred revenue	7,652	8,009
Deferred income taxes	1,982	1,623
Other long-term liabilities	3,119	5,246
Total liabilities	82,934	92,285
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock, $0.01 par value per share; 5,000,000 shares authorized, none issued and outstanding	—	—
Common stock, $0.001 par value per share; 120,000,000 shares authorized; 49,576,911 shares issued and outstanding at June 26, 2015; 49,357,033 shares issued and outstanding at December 31, 2014	50	49
Additional paid-in capital	1,233,013	1,226,226
Accumulated deficit	(1,026,049)	(991,347)
Accumulated other comprehensive income	5,454	5,422
Total stockholders' equity	212,468	240,350
	$ 295,402	$ 332,635

See notes to the unaudited condensed consolidated financial statements.

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

	Three months ended		Six months ended	
	June 26, 2015	June 27, 2014	June 26, 2015	June 27, 2014
Revenue:				
Product	$ 27,042	$ 45,845	$ 51,907	$ 90,985
Service	27,659	29,725	52,939	55,327
Total revenue	54,701	75,570	104,846	146,312
Cost of revenue:				
Product	11,269	16,811	22,917	30,474
Service	9,018	11,471	18,285	22,127
Total cost of revenue	20,287	28,282	41,202	52,601
Gross profit	34,414	47,288	63,644	93,711
Operating expenses:				
Research and development	19,968	20,921	39,307	39,893
Sales and marketing	17,540	18,782	37,305	38,363
General and administrative	10,444	11,995	19,668	23,181
Acquisition-related	24	—	131	1,306
Restructuring	1,487	391	1,148	1,560
Total operating expenses	49,463	52,089	97,559	104,303
Loss from operations	(15,049)	(4,801)	(33,915)	(10,592)
Interest income (expense), net	(20)	50	8	85
Other income (expense), net	5	(10)	50	2,325
Loss before income taxes	(15,064)	(4,761)	(33,857)	(8,182)
Income tax provision	(279)	(736)	(845)	(1,268)
Net loss	$ (15,343)	$ (5,497)	$ (34,702)	$ (9,450)
Loss per share:				
Basic	$ (0.31)	$ (0.11)	$ (0.70)	$ (0.18)
Diluted	$ (0.31)	$ (0.11)	$ (0.70)	$ (0.18)
Shares used to compute loss per share:				
Basic	49,484	49,424	49,454	51,211
Diluted	49,484	49,424	49,454	51,211

See notes to the unaudited condensed consolidated financial statements.

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

	Three months ended		Six months ended	
	June 26, 2015	**June 27, 2014**	**June 26, 2015**	**June 27, 2014**
Net loss	$ (15,343)	$ (5,497)	$ (34,702)	$ (9,450)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(90)	(33)	(48)	61
Unrealized gain (loss) on available-for sale marketable securities, net of tax	(25)	(62)	80	(72)
Other comprehensive income (loss), net of tax	(115)	(95)	32	(11)
Comprehensive loss, net of tax	$ (15,458)	$ (5,592)	$ (34,670)	$ (9,461)

See notes to the unaudited condensed consolidated financial statements.

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

	Six months ended	
	June 26, 2015	June 27, 2014
Cash flows from operating activities:		
Net loss	$ (34,702)	$ (9,450)
Adjustments to reconcile net loss to cash flows provided by operating activities:		
Depreciation and amortization of property and equipment	6,902	5,899
Amortization of intangible assets	3,238	2,207
Stock-based compensation	11,629	12,712
Loss on disposal of property and equipment	22	61
Deferred income taxes	335	519
Changes in operating assets and liabilities:		
Accounts receivable	14,223	8,254
Inventory	(3,590)	4,386
Other operating assets	(1,389)	2,698
Accounts payable	(1,994)	(620)
Accrued expenses and other long-term liabilities	(13,466)	(4,635)
Deferred revenue	4,524	(1,777)
Net cash (used in) provided by operating activities	(14,268)	20,254
Cash flows from investing activities:		
Purchases of property and equipment	(4,524)	(6,271)
Business acquisition, net of cash acquired	(10,147)	(34,010)
Divestiture of business	—	2,000
Purchases of marketable securities	(3,737)	(47,880)
Maturities/sales of marketable securities	30,620	134,127
Net cash provided by investing activities	12,212	47,966
Cash flows from financing activities:		
Proceeds from sale of common stock in connection with employee stock purchase plan	1,668	1,197
Proceeds from exercise of stock options	1,739	4,541
Payment of tax withholding obligations related to net share settlements of restricted stock awards	(2,164)	(1,571)
Repurchase of common stock	(6,084)	(83,518)
Principal payments of capital lease obligations	(41)	(44)
Net cash used in financing activities	(4,882)	(79,395)
Effect of exchange rate changes on cash and cash equivalents	(91)	47
Net decrease in cash and cash equivalents	(7,029)	(11,128)
Cash and cash equivalents, beginning of year	41,157	72,423
Cash and cash equivalents, end of period	$ 34,128	$ 61,295
Supplemental disclosure of cash flow information:		
Interest paid	$ 30	$ 44
Income taxes paid	$ 435	$ 1,052
Income tax refunds received	$ 311	$ 28
Supplemental disclosure of non-cash investing activities:		
Capital expenditures incurred, but not yet paid	$ 343	$ 147
Business acquisition purchase consideration - assumed equity awards	$ —	$ 1,671

See notes to the unaudited condensed consolidated financial statements.

SONUS NETWORKS, INC.
Notes to Condensed Consolidated Financial Statements
(unaudited)

(1) BASIS OF PRESENTATION

Business

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

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

Basis of Presentation

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

Interim results are not necessarily indicative of results for a full year or any future interim period. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2014 (the "Annual Report") filed with the SEC on February 25, 2015.

During the preparation of the Company's consolidated financial statements for the three month period ended June 26, 2015, the Company identified an error related to the historical foreign translation of depreciation expense on certain foreign fixed assets that resulted in a historical understatement of expense in prior fiscal years totaling $1.4 million on a cumulative basis. There is no tax effect on these expenses as the amounts were calculated in the appropriate foreign currencies. The Company does not believe this error is material to its previously issued historical consolidated financial statements for any of the periods impacted and accordingly, has not adjusted the historical financial statements. The Company has recorded the cumulative impact of the adjustment in the three months ended June 26, 2015. This adjustment resulted in a one-time $1.4 million overstatement of depreciation expense in both the three and six months ended June 26, 2015. The Company does not believe this adjustment is material to its condensed consolidated financial statements for either the three or six months ended June 26, 2015.

The Company effected a one-for-five reverse stock split of its issued, outstanding and authorized common stock, which became effective as of the commencement of trading on the NASDAQ Global Select Market on January 30, 2015. Unless otherwise indicated, all references herein to shares outstanding and share issuances have been adjusted to give effect to the Company's January 2015 reverse stock split.

On January 2, 2015 (the "Treq Asset Acquisition Date"), the Company acquired from Treq Labs, Inc. ("Treq") certain assets related to Treq's business of designing, developing, marketing, selling, servicing and maintaining software defined networking ("SDN") technology, SDN controller software and SDN management software (the "SDN Business"). The financial results of the SDN Business are included in the Company's condensed consolidated financial statements starting on the Treq Asset Acquisition Date.

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

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

Significant Accounting Policies

The Company's significant accounting policies are disclosed in Note 2 to the Consolidated Financial Statements included in the Annual Report. There were no material changes to the significant accounting policies during the three or six months ended June 26, 2015.

Principles of Consolidation

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

Use of Estimates and Judgments

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

Fair Value of Financial Instruments

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

Operating Segments

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

Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement* ("ASU 2015-05"), which provides guidance on a customer's accounting for cloud computing costs. Under ASU 2015-05, a customer must determine whether a cloud computing arrangement contains a software license. If so, the customer would account for the fees related to the software license element in a manner consistent with how the acquisition of other software licenses is accounted for under Accounting Standards Codification ("ASC") 350-40, *Intangibles - Goodwill and Other - Internal Use Software* ("ASC 350-40"). If the arrangement does not contain a software license, the customer would account for cloud computing arrangements as service contracts. An arrangement would contain a software license element if both of the following criteria are met: (i) the customer has the contractual right to take possession of the software at any time during the hosting period without significant penalty; and (ii) it is feasible for the customer to either run the software on its own hardware or contract

with another party unrelated to the vendor to host the software. ASU 2015-05 is effective for the Company for both annual and interim reporting beginning January 1, 2016. Early adoption is permitted. Entities may adopt the guidance either retrospectively or prospectively to arrangements entered into, or materially modified after the effective date. The Company is currently assessing the potential impact of the adoption of ASU 2015-05 on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). Under ASU 2015-03, an entity must present debt issuance costs on the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. ASU 2015-03 is effective for the Company for both annual and interim reporting beginning January 1, 2016. Early adoption is permitted. Entities must apply the new guidance retrospectively to all prior periods (i.e., the balance sheet for each period should be adjusted). The Company is currently assessing the potential impact of the adoption of ASU 2015-03 on its consolidated financial statements.

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

In June 2014, the FASB issued ASU 2014-12, *Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force)* (“ASU 2014-12”). ASU 2014-12 clarifies that entities should treat performance targets that can be met after the requisite service period of a share-based payment award as performance conditions that affect vesting. Therefore, an entity would not record compensation expense (measured as of the grant date without taking into account the effect of the performance target) related to an award for which transfer to the employee is contingent upon the entity’s satisfaction of a performance target until it becomes probable that the performance target will be met. ASU 2014-12 does not contain any new disclosure requirements. ASU 2014-12 is effective for the Company on January 1, 2016. The adoption of ASU 2014-12 is not expected to have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”) its final standard on revenue from contracts with customers. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the revenue model to contracts within its scope, an entity identifies the contract(s) with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to the performance obligations in the contract and recognizes revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 applies to all contracts with customers that are within the scope of other topics in the FASB ASC. Certain of ASU 2014-09’s provisions also apply to transfers of nonfinancial assets, including in-substance nonfinancial assets that are not an output of an entity’s ordinary activities (i.e., property plant and equipment; real estate; or intangible assets). Existing accounting guidance applicable to these transfers has been amended or superseded. In July 2015, the FASB decided to defer the original effective date of interim and annual reporting periods by one year. As a result, public entities would not be required to apply the new revenue standard until annual reporting periods beginning after December 15, 2017. The Company is currently assessing the potential impact of the adoption of ASU 2014-09 on its consolidated financial statements.

(2) BUSINESS ACQUISITIONS

Treq Labs, Inc.

On the Treq Asset Acquisition Date, the Company acquired from Treq its SDN Business. The SDN Business provides solutions that optimize networks for voice, video and UC for both enterprise and service provider customers. The Company believes that the acquisition of the SDN Business will accelerate Sonus' delivery of its SDN strategy. In consideration for the acquisition of the SDN Business, Sonus paid $10.1 million in cash at the Treq Asset Acquisition Date, with an additional consideration payment of $750,000 paid on July 2, 2015 and a second additional consideration payment of $750,000 due on January 4, 2016. The Company also entered into an Earn-Out Agreement, dated as of January 2, 2015, with Treq and Karl F. May, the seller representative in the transaction (the "Earn-Out Agreement"), under which the Company has agreed to issue up to an aggregate of 1.3 million shares of common stock over a three-year period subsequent to the Treq Asset Acquisition Date if aggregate revenue thresholds of at least $60 million are achieved by the SDN Business during that period, and up to an aggregate of an additional 2.2 million shares (3.5 million shares in total) if aggregate revenue thresholds of at least $150 million are achieved by the SDN Business during that period. If the initial revenue thresholds are not met, no shares will be issued. Based on historical and forecasted sales, no incremental contingent consideration was recorded either initially as of the Treq Asset Acquisition Date or through June 26, 2015. Any shares issued pursuant to the Earn-Out Agreement will be issued in reliance on the exemption from registration available under Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act") and will be subsequently registered for resale under the Securities Act by the Company.

The transaction has been accounted for as a business combination. The Company finalized its valuation of the identifiable intangible assets in the second quarter of fiscal 2015. Based on the purchase price allocation, the Company recorded $1.0 million of goodwill, primarily due to expected synergies between the combined companies and expanded market opportunities. The goodwill is deductible for tax purposes.

A summary of the purchase consideration for the SDN Business is as follows (in thousands):

Fair value of consideration transferred:		
Cash, net of cash acquired	$	10,147
Unpaid purchase consideration		1,500
Fair value of total consideration	$	11,647
Fair value of assets acquired and liabilities assumed:		
Intangible assets:		
In-process research and development	$	9,100
Developed technology		1,500
Goodwill		1,047
	$	11,647

The valuation of the acquired intangible assets is inherently subjective and relies on significant unobservable inputs. The Company used an income approach to preliminarily value the acquired in-process research and development and developed technology intangible assets. The valuation for each of these intangible assets was based on estimated projections of expected cash flows to be generated by the assets, discounted to the present value at discount rates commensurate with perceived risk. The valuation assumptions take into consideration the Company's estimates of technology attrition and revenue growth projections. The Company will begin to amortize the in-process research and development intangible asset at the time that the related products become generally available. Once the products become generally available, the Company will amortize the identifiable intangible assets in relation to the expected cash flows from the individual intangible assets over their respective useful lives (see Note 6).

The actual results of the SDN Business for the period since the Treq Asset Acquisition Date were not material to the Company's financial results. The Company has not provided pro forma information as the results of the SDN Business are not material to the Company's financial results.

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

Performance Technologies, Incorporated

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

The transaction has been accounted for as a business combination. The Company finalized the valuation of acquired assets, identifiable intangible assets and certain accrued liabilities in the fourth quarter of 2014. The Company recorded $8.8 million of goodwill, primarily due to expected synergies between the combined companies and expanded market opportunities. The goodwill is not deductible for tax purposes.

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

Fair value of consideration transferred:		
Cash, net of cash acquired	$	35,022
Fair value of equity awards assumed		1,671
Fair value of total consideration	$	36,693
Fair value of assets acquired and liabilities assumed:		
Marketable securities	$	2,315
Other current assets		9,337
Property and equipment		2,251
Intangible assets:		
Developed technology		13,200
Customer relationships		3,900
Goodwill		8,781
Current liabilities		(2,762)
Other long-term liabilities		(329)
	$	36,693

The valuation of the acquired intangible assets is inherently subjective and relies on significant unobservable inputs. The Company used an income approach to preliminarily value the acquired customer relationships and developed technology intangible assets. The valuation for each of these intangible assets was based on estimated projections of expected cash flows to be generated by the assets, discounted to the present value at discount rates commensurate with perceived risk. The valuation assumptions take into consideration the Company's estimates of contract renewal, technology attrition and revenue growth projections. The Company is amortizing the identifiable intangible assets in relation to the expected cash flows from the individual intangible assets over their respective useful lives (see Note 6).

The Company has not provided pro forma information as the results of PT are not material to the Company's financial results.

Acquisition-Related Expenses

Acquisition-related expenses include those expenses related to acquisitions that would otherwise not have been incurred by the Company. These expenses include professional and services fees, such as legal, audit, consulting, paying agent and other fees. These expenses also include cash payments to certain former PT executives under their respective PT change of control agreements. The amounts recorded in the three and six months ended June 26, 2015 relate to professional fees in connection with the acquisition of the SDN Business. The amount recorded in the six months ended June 27, 2014 represents professional

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

and services fees and expenses related to cash payments to certain former PT executives under their respective PT change of control agreements in connection with the PT acquisition. The Company did not record acquisition-related expense in the three months ended June 27, 2014.

The components of acquisition-related costs included in the Company's results of operations for the three and six months ended June 26, 2015 and June 27, 2014 are as follows (in thousands):

	Three months ended		Six months ended	
	June 26, 2015	June 27, 2014	June 26, 2015	June 27, 2014
Professional and services fees	$ 24	$ —	$ 131	$ 1,057
Change of control agreements	—	—	—	249
	$ 24	$ —	$ 131	$ 1,306

Sale of Multi-Protocol Server Business

On June 20, 2014 (the "MPS Sale Date"), the Company sold its PT Multi-Protocol Server ("MPS") business for $2.0 million to an affiliate of Sunhillo Corporation, comprised of $0.2 million of inventory, $0.1 million of fixed assets, $0.2 million of deferred revenue and $1.9 million of PT goodwill allocable to the MPS business. The Company had acquired the MPS business in connection with the acquisition of PT. The results of operations of the MPS business are excluded from the Company's condensed consolidated results after the MPS Sale Date.

(3) EARNINGS (LOSS) PER SHARE

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

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

	Three months ended		Six months ended	
	June 26, 2015	June 27, 2014	June 26, 2015	June 27, 2014
Weighted average shares outstanding—basic	49,484	49,424	49,454	51,211
Potential dilutive common shares	—	—	—	—
Weighted average shares outstanding—diluted	49,484	49,424	49,454	51,211

Options to purchase the Company's common stock, unvested shares of restricted stock, unvested shares of performance-based stock and shares in connection with future purchases under the Company's Amended and Restated 2000 Employee Stock Purchase Plan, as amended (the "ESPP"), aggregating 8.9 million shares for the three and six months ended June 26, 2015 and 8.8 million shares for the three and six months ended June 27, 2014 have not been included in the computation of diluted loss per share because their effect would have been antidilutive.

(4) CASH EQUIVALENTS AND INVESTMENTS

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

During the three months ended March 28, 2014, the Company sold $45.9 million of its available-for-sale securities and realized gross gains aggregating $46,000, which are included as a component of Other income (expense), net in the Company's

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

condensed consolidated statement of operations for the six months ended June 27, 2014. The Company did not realize any gross losses on these sales. In addition, $41.7 million of the Company's available-for-sale securities matured during the three months ended March 28, 2014 and were redeemed upon maturity. The Company did not sell any of its available-for-sale securities during the three or six months ended June 26, 2015 or the three months ended June 27, 2014.

Investments with continuous unrealized losses for one year or greater at June 26, 2015 were nominal. Since the Company currently does not intend to sell these securities and does not believe it will be required to sell any securities before they recover in value, it does not believe these declines are other-than-temporary.

On a quarterly basis, the Company reviews its marketable securities and investments to determine if there have been any events that could create a credit impairment. Based on its reviews, the Company does not believe that any impairment existed with its current holdings at June 26, 2015.

The amortized cost, gross unrealized gains and losses and fair value of the Company's marketable debt securities and investments at June 26, 2015 and December 31, 2014 were comprised of the following (in thousands):

	June 26, 2015			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Cash equivalents	$ 10,345	$ —	$ —	$ 10,345
Marketable securities				
Municipal obligations	$ 2,279	$ 1	$ —	$ 2,280
U.S. government agency notes	2,150	1	—	2,151
Corporate debt securities	52,121	2	(48)	52,075
Commercial paper	5,086	—	—	5,086
Certificates of deposit	2,950	—	—	2,950
	$ 64,586	$ 4	$ (48)	$ 64,542
Investments				
Municipal obligations	$ 1,435	$ 1	$ (2)	$ 1,434
U.S. government agency notes	2,301	2	—	2,303
Corporate debt securities	11,133	—	(19)	11,114
	$ 14,869	$ 3	$ (21)	$ 14,851

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

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

The Company's available-for-sale debt securities classified as Investments in the condensed consolidated balance sheets at June 26, 2015 and December 31, 2014 had maturity dates after one year but within two years or less from the balance sheet date.

Fair Value Hierarchy

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

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

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

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

The following table shows the fair value of the Company's financial assets at June 26, 2015 and December 31, 2014. These financial assets are comprised of the Company's available-for-sale debt securities and reported under the captions Cash and cash equivalents, Short-term investments and Investments in the condensed consolidated balance sheets (in thousands):

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

	Total carrying value at June 26, 2015	Fair value measurements at June 26, 2015 using:		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	$ 10,345	$ 10,345	$ —	$ —
Marketable securities				
Municipal obligations	$ 2,280	$ —	$ 2,280	$ —
U.S. government agency notes	2,151	—	2,151	—
Corporate debt securities	52,075	—	52,075	—
Commercial paper	5,086	—	5,086	—
Certificates of deposit	2,950	—	2,950	—
	$ 64,542	$ —	$ 64,542	$ —
Investments				
Municipal obligations	$ 1,434	$ —	$ 1,434	$ —
U.S. government agency notes	2,303	—	2,303	—
Corporate debt securities	11,114	—	11,114	—
	$ 14,851	$ —	$ 14,851	$ —

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

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

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

sources.

(5) INVENTORY

Inventory consists of the following (in thousands):

	June 26, 2015	December 31, 2014
On-hand final assemblies and finished goods inventories	$ 22,658	$ 19,285
Deferred cost of goods sold	3,041	2,829
	$ 25,699	$ 22,114

(6) INTANGIBLE ASSETS AND GOODWILL

The Company's intangible assets at June 26, 2015 and December 31, 2014 consist of the following (dollars in thousands):

June 26, 2015	Weighted average amortization period (years)	Cost	Accumulated amortization	Net carrying value
In-process research and development	7.00	$ 9,100	$ —	$ 9,100
Intellectual property	5.00	999	999	—
Developed technology	6.24	23,780	7,416	16,364
Customer relationships	5.57	10,040	5,589	4,451
Internal use software	3.00	730	689	41
	6.05	$ 44,649	$ 14,693	$ 29,956

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

Amortization expense for intangible assets for the three and six months ended June 26, 2015 and June 27, 2014 was as follows (in thousands):

	Three months ended		Six months ended		
	June 26, 2015	June 27, 2014	June 26, 2015	June 27, 2014	Statement of operations classification
Developed technology	$ 1,116	$ 613	$ 2,223	$ 1,183	Cost of revenue - product
Customer relationships	415	505	894	903	Sales and marketing
Internal use software	60	60	121	121	Cost of revenue - product
	$ 1,591	$ 1,178	$ 3,238	$ 2,207	

The Company has not recorded amortization expense in connection with the in-process research and development intangible assets because the related products are not yet generally available. The Company will begin to amortize the in-

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

process research and development intangible assets at the time that the related products become generally available and will amortize the identifiable intangible assets in relation to the expected cash flows from the individual intangible assets over their respective useful lives, which the Company expects will occur over the next several quarters. Estimated future amortization expense for the Company's intangible assets at June 26, 2015 is as follows (in thousands):

Years ending December 31,		
Remainder of 2015	$	3,869
2016		7,189
2017		7,281
2018		4,644
2019		3,611
Thereafter		3,362
	$	29,956

The changes in the carrying value of the Company's goodwill in the six months ended June 26, 2015 and June 27, 2014 were as follows (in thousands):

Balance at January 1, 2015		
Goodwill	$	42,369
Accumulated impairment losses		(3,106)
		39,263
Acquisition of SDN Business		1,047
Balance at June 26, 2015	$	40,310
Balance at June 26, 2015		
Goodwill	$	43,416
Accumulated impairment losses		(3,106)
	$	40,310

Balance at January 1, 2014		
Goodwill	$	35,485
Accumulated impairment losses		(3,106)
		32,379
Acquisition of PT		8,725
Sale of MPS business		(1,897)
Balance at June 27, 2014	$	39,207
Balance at June 27, 2014		
Goodwill	$	42,313
Accumulated impairment losses		(3,106)
	$	39,207

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

(7) ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	June 26, 2015	December 31, 2014
Employee compensation and related costs	$ 9,647	$ 20,042
Other	12,866	12,107
	$ 22,513	$ 32,149

(8) RESTRUCTURING ACCRUAL

2015 Restructuring Initiative

To better align the Company's cost structure to its current revenue expectations, the Company recently announced a cost reduction review. As part of this review, on April 16, 2015, the Company initiated a restructuring plan to reduce its workforce by approximately 150 positions, or 12.5% of its worldwide workforce (the "2015 Restructuring Initiative"). In connection with the 2015 Restructuring Initiative, the Company recorded $2.9 million of restructuring expense for severance and related costs in the three months ended June 26, 2015. A summary of the 2015 Restructuring Initiative accrual activity for the six months ended June 26, 2015 is as follows (in thousands):

2015 Restructuring Initiative	Balance at January 1, 2015	Initiatives charged to expense	Cash payments	Balance at June 26, 2015
Severance	$ —	$ 2,899	$ (2,452)	$ 447

The Company expects that the remaining amounts accrued under the 2015 Restructuring Initiative will be paid in the three months ending September 25, 2015.

2012 Restructuring Initiative

On August 7, 2012, the Company announced that it had committed to a restructuring initiative to streamline operations and reduce operating costs by closing and consolidating certain facilities and reducing its worldwide workforce (the "2012 Restructuring Initiative"). The Company regularly reviews its restructuring accruals against expected cash expenditures to determine if adjustments are required. As a result of such reviews, the Company recorded credits to restructuring expense aggregating $1.8 million in the six months ended June 26, 2015. This amount is comprised of a credit of $1.4 million recorded in the three months ended June 26, 2015 in connection with a settlement with the landlord of the Company's Fremont, California facility to vacate the facility without penalty or future payments and a credit of $0.3 million recorded in the three months ended March 27, 2015. The amount reversed in the three months ended March 27, 2015 is comprised of approximately $272,000 for facilities in connection with a settlement with the landlord of the Company's Dulles, Virginia facility for an amount that was lower than had previously been accrued and approximately $67,000 in connection with changes in the amounts of severance ultimately paid to certain individuals.

The Company recorded $1.2 million of restructuring expense in the three months ended June 27, 2014 and $1.6 million in the six months ended June 27, 2014 for severance and related costs in connection with reducing its workforce. A summary of the 2012 Restructuring Initiative accrual activity for the six months ended June 26, 2015 is as follows (in thousands):

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

2012 Restructuring Initiative	Balance at January 1, 2015	Initiatives charged to expense	Adjustments for changes in estimate	Cash payments	Balance at June 26, 2015
Severance	$ 1,682	$ —	$ (67)	$ (1,479)	$ 136
Facilities	3,652	—	(1,684)	(1,514)	454
	$ 5,334	$ —	$ (1,751)	$ (2,993)	$ 590

The Company expects that the remaining amounts for severance accrued under the 2012 Restructuring Initiative will be paid in the fourth quarter of 2015 and the remaining amounts accrued for facilities will be paid in fiscal 2016.

Balance Sheet Classification of Restructuring Accruals

The current portion of the restructuring accrual is included as a component of Accrued expenses in the Company's condensed consolidated balance sheets. The portion of restructuring payments due more than one year from the balance sheet date is included in Other long-term liabilities in the Company's condensed consolidated balance sheets. The long-term portions of accrued restructuring were $0.2 million at June 26, 2015 and $1.9 million at December 31, 2014.

(9) DEBT

The Company entered into a credit agreement by and among the Company, as Borrower, Bank of America, N.A. ("Bank of America"), as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders from time to time party thereto on June 27, 2014, which agreement was amended by a First Amendment to Credit Agreement on June 26, 2015 (the "Credit Agreement"). The Credit Agreement provides for a revolving credit facility of up to $15 million with a maturity date of June 30, 2016 and provides that the Company can select the interest rates under the credit facility from among the following options: (1) the Eurodollar Rate (which is defined as the rate per annum equal to the London Interbank Offered Rate plus 1.5% per annum) for a Eurodollar Rate Loan; and (2) the highest of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the rate of interest in effect on the borrowing date as publicly announced from time to time by Bank of America as its prime rate, and (c) the monthly Eurodollar Rate plus 1%. The Credit Agreement also provides that the Company pays a 0.15% commitment fee on the unused commitments available for borrowing.

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

The Company did not have any amounts outstanding under the Credit Agreement at June 26, 2015.

(10) COMMON STOCK REPURCHASES AND UNDERWRITTEN OFFERING

Stock Buyback Program

On July 29, 2013, the Company announced that its Board of Directors had authorized a stock buyback program to repurchase up to $100 million of the Company's common stock from time to time on the open market or in privately negotiated transactions. The timing and amount of any shares repurchased will be determined by the Company's management based on its evaluation of market conditions and other factors. The Company may elect to implement a 10b5-1 repurchase program, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws. The Company has not implemented such a 10b5-1 repurchase program to date. The stock buyback program may be suspended or discontinued at any time. The stock buyback program is being funded using the Company's working capital. During the six months ended June 26, 2015, the Company spent $6.1 million, including transaction fees, to repurchase and retire 0.4 million shares of its common stock under the stock buyback program. During the six months ended June 27, 2014, the Company spent $8.2 million, including transaction fees, to repurchase and retire 0.5 million shares of its common stock

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

under the stock buyback program. At June 26, 2015, the Company had $16.8 million remaining under the stock buyback program for future repurchases.

Underwritten Offering

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

(11) STOCK-BASED COMPENSATION PLANS

Stock Incentive Plan

The Company's 2007 Stock Incentive Plan, as amended (the "2007 Plan"), provides for the award of options to purchase the Company's common stock ("stock options"), stock appreciation rights ("SARs"), restricted common stock awards ("RSAs"), restricted common stock units ("RSUs"), performance-based stock awards ("PSAs"), performance-based stock units ("PSUs") and other stock-based awards to employees, officers, directors (including those directors who are not employees or officers of the Company), consultants and advisors of the Company and its subsidiaries.

At its June 11, 2015 annual meeting of stockholders, the Company's stockholders approved amendments to the 2007 Plan to, among other things:

- Increase the number of shares available for future grant by 1.4 million shares; and
- Revise the rate at which restricted stock, restricted stock units, performance awards and other stock unit awards are counted against the shares of common stock available for issuance under the 2007 Plan from 1.57 shares for every one share issued in connection with such award to 1.61 shares for every one share issued in connection with such award. Shares of common stock subject to awards that were granted under the two previous ratios of 1.57 and 1.5 will return to the 2007 Plan upon forfeiture of such awards at the respective previous ratios.

Executive and Board of Directors Equity Arrangements

In connection with the Company's annual incentive program, 22 executives of the Company were given the choice to receive all or half of their fiscal year 2015 bonuses (the "2015 Bonus"), if any are earned, in the form of shares of the Company's common stock (the "2015 Bonus Shares"). Each executive could also elect not to participate in this program and to earn his or her 2015 Bonus, if any, in the form of cash. The amount of the 2015 Bonus, if any, for each executive shall be determined by the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee"). The number of shares of the Company's common stock that will be granted to those executives who elected to receive their 2015 Bonus entirely in the form of shares of common stock will be calculated by dividing an amount equal to 1.5 times each executive's 2015 Bonus earned by $20.55, the closing price of the Company's common stock on January 2, 2015. The number of shares of the Company's common stock that will be granted to those executives who elected to receive one-half of their 2015 Bonus in the form of shares of common stock will be calculated by dividing an amount equal to 1.5 times one-half of each executive's 2015 Bonus earned by $20.55, with the cash portion equal 50% of their respective 2015 Bonus earned. The 2015 Bonus, if any, will be granted and/or paid on a date concurrent with the timing of the payout of bonuses under the Company-wide incentive bonus program and will be fully vested on the date of grant. Of the eligible executives, 16 elected to receive their entire 2015 Bonus in shares of common stock, five elected to receive 50% of their 2015 Bonus in shares of common stock and 50% in cash and one elected not to participate and instead to receive his entire 2015 Bonus in cash. As of June 26, 2015, four participants in the 2015 Bonus separated from the Company and accordingly, forfeited any 2015 Bonus Shares they might

otherwise have earned. As of June 26, 2015, the Company determined that the grant date criteria for the 2015 Bonus Shares had not been met; accordingly, the Company is marking to market the 2015 Bonus Shares expected to be earned and recording expense based on the aggregate fair value of the 2015 Bonus Shares at June 26, 2015. If earned, the 2015 Bonus Shares will not be granted until the date of the 2015 Bonus payment; accordingly, there are no shares related to the 2015 Bonus reported in the RSA table below.

On January 22, 2014, 21 executives of the Company were given the choice to receive all or half of their fiscal year 2014 bonuses (the "2014 Bonus"), if any were earned, in the form of shares of the Company's common stock (the "2014 Bonus Shares"). Of the eligible executives, 17 elected to receive their entire 2014 Bonus in shares of common stock, while 4 elected to receive 50% of their 2014 Bonus in shares of common stock and 50% in cash. The 2014 Bonus Shares were granted on February 20, 2015 and vested immediately. The Company granted approximately 266,000 2014 Bonus Shares, with the number of shares granted calculated by dividing amounts equal to 1.5 times each executive's 2014 Bonus earned, as determined by the Compensation Committee, by $15.40, the closing price of the Company's common stock on January 2, 2014. The Company recorded stock-based compensation expense for the 2014 Bonus Shares from January 1, 2014 through the grant date. These shares are reported as both "Granted" and "Vested" in the RSA table below.

On March 16, 2015, the Company granted 131,250 PSUs in the aggregate to eight of its executives with both market and service conditions. The terms of the PSUs are such that up to one-third of the shares subject to the PSUs will vest on each of the first, second and third anniversaries of the date of grant (collectively, the "Vesting Dates") to the extent of achievement of the Company's total shareholder return ("TSR") compared to the TSR of the companies included in the NASDAQ Telecommunications Index for the same Performance Period, measured by the Compensation Committee at the end of each of the 2015, 2016 and 2017 fiscal years, respectively (each, a "Performance Period"). The shares determined to be earned will vest on the anniversary of the grant date following each Performance Period. Shares subject to the PSUs that fail to be earned will be forfeited. The PSUs include a market condition which requires the use of a Monte Carlo simulation approach to model future stock price movements based upon the risk-free rate of return, the volatility of each entity, and the pair-wise covariance between each entity. These results were then used to calculate the grant date fair values of the PSUs. The Company is recording expense for the PSUs through the final Vesting Date of March 16, 2018. The PSUs are reported as "Granted" in the performance-based awards table below.

In connection with the separation of two executives from the Company during the second quarter of 2015 and in accordance with their employment agreements with the Company, the Company accelerated the vesting of certain unvested stock options, RSAs and PSUs. These RSAs and PSUs are reported as "Vested" in the respective tables below.

Stock Options

The activity related to the Company's outstanding stock options during the six months ended June 26, 2015 is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2015	7,521,432	$ 16.47		
Granted	293,670	$ 15.88		
Exercised	(152,108)	$ 10.89		
Forfeited	(409,632)	$ 16.33		
Expired	(148,415)	$ 22.35		
Outstanding at June 26, 2015	7,104,947	$ 16.45	6.38	$ 266
Vested or expected to vest at June 26, 2015	6,777,011	$ 16.44	6.28	$ 261
Exercisable at June 26, 2015	4,436,966	$ 16.66	5.20	$ 222

The grant date fair values of options to purchase common stock granted in the six months ended June 26, 2015 were estimated using the Black-Scholes valuation model with the following assumptions:

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

	Three months ended June 26, 2015	Six months ended June 26, 2015
Risk-free interest rate	1.65%	1.46% - 1.74%
Expected dividends	—	—
Weighted average volatility	54.3%	54.3%
Expected life (years)	5.0	5.0 - 6.0

Additional information regarding the Company's stock options for the six months ended June 26, 2015 is as follows:

	Three months ended June 26, 2015	Six months ended June 26, 2015
Weighted average grant date fair value of stock options granted	$ 3.72	$ 8.04
Total intrinsic value of stock options exercised (in thousands)	$ 16	$ 918
Cash received from the exercise of stock options (in thousands)	$ 52	$ 1,739

Restricted Stock Awards and Units

The activity related to the Company's RSAs for the six months ended June 26, 2015 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested balance at January 1, 2015	370,182	$ 16.74
Granted	1,663,051	$ 15.13
Vested	(421,147)	$ 17.50
Forfeited	(153,570)	$ 16.25
Unvested balance at June 26, 2015	1,458,516	$ 14.74

The activity related to the Company's unvested RSUs for the six months ended June 26, 2015 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested balance at January 1, 2015	—	$ —
Granted	120,215	$ 16.05
Vested	—	$ —
Forfeited	(10,672)	$ 16.05
Unvested balance at June 26, 2015	109,543	$ 16.05

The total fair value of shares of restricted stock that vested during the six months ended June 26, 2015 was $7.4 million.

Performance-Based Stock Awards and Units

The activity related to the Company's PSAs for the six months ended June 26, 2015 is as follows:

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

	Shares	Weighted Average Grant Date Fair Value
Unvested balance at January 1, 2015	34,235	$ 13.60
Granted	—	$ —
Vested	(28,610)	$ 13.60
Forfeited	—	$ —
Unvested balance at June 26, 2015	5,625	$ 13.60

The activity related to the Company's PSUs for the six months ended June 26, 2015 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested balance at January 1, 2015	—	$ —
Granted	131,250	$ 14.68
Vested	(11,666)	$ 14.18
Forfeited	(8,334)	$ 15.38
Unvested balance at June 26, 2015	111,250	$ 14.68

Employee Stock Purchase Plan

The Company's ESPP provides for six-month offering periods with the purchase price of the stock equal to 85% of the lesser of the market price on the first or last day of the offering period. The maximum number of shares of common stock an employee may purchase during each offering period is 500, subject to certain adjustments pursuant to the ESPP.

Stock-Based Compensation

The condensed consolidated statements of operations include stock-based compensation for the three and six months ended June 26, 2015 and June 27, 2014 as follows (in thousands):

	Three months ended		Six months ended	
	June 26, 2015	June 27, 2014	June 26, 2015	June 27, 2014
Product cost of revenue	$ 83	$ 104	$ 157	$ 183
Service cost of revenue	397	412	777	691
Research and development	1,445	1,749	2,803	3,062
Sales and marketing	1,852	1,303	2,868	2,552
General and administrative	3,032	3,370	5,024	6,224
	$ 6,809	$ 6,938	$ 11,629	$ 12,712

There is no income tax benefit for employee stock-based compensation expense for the six months ended June 26, 2015 or June 27, 2014 due to the valuation allowance recorded.

At June 26, 2015, there was $37.9 million, net of expected forfeitures, of unrecognized stock-based compensation expense related to unvested stock options, awards and units. This expense is expected to be recognized over a weighted average period of approximately two and one-half years.

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

(12) MAJOR CUSTOMERS

The following customer contributed 10% or more of the Company's revenue in each of the three and six month periods ended June 26, 2015 and June 27, 2014:

	Three months ended		Six months ended	
	June 26, 2015	June 27, 2014	June 26, 2015	June 27, 2014
AT&T Inc.	19%	20%	13%	24%

There were no other customers who contributed 10% or more of the Company's revenue in any of the three or six month periods ended June 26, 2015 and June 27, 2014.

At June 26, 2015, two customers each accounted for 10% or more of the Company's accounts receivable balance, representing approximately 34% in the aggregate of the Company's accounts receivable balance. At December 31, 2014, no customer accounted for 10% or more of the Company's accounts receivable balance. The Company performs ongoing credit evaluations of its customers and generally does not require collateral on accounts receivable. The Company maintains an allowance for doubtful accounts and such losses have been within management's expectations.

(13) GEOGRAPHIC INFORMATION

The Company's classification of revenue by geographic area is determined by the location to which the product is shipped or where the services are performed. The following table summarizes revenue by geographic area as a percentage of total revenue:

	Three months ended		Six months ended	
	June 26, 2015	June 27, 2014	June 26, 2015	June 27, 2014
United States	71%	71%	67%	72%
Europe, Middle East and Africa	12	14	13	13
Japan	9	9	13	8
Other Asia Pacific	4	4	4	4
Other	4	2	3	3
	100%	100%	100%	100%

International revenue, both as a percentage of total revenue and absolute dollars, may vary from one period to the next, and accordingly, historical data may not be indicative of future periods.

(14) INCOME TAXES

The Company's income tax provisions for the six months ended June 26, 2015 and June 27, 2014 reflect the Company's estimates of the effective rates expected to be applicable for the respective full years, adjusted for any discrete events, which are recorded in the period that they occur. These estimates are reevaluated each quarter based on the Company's estimated tax expense for the full year. The estimated effective rates for the six months ended June 26, 2015 and June 27, 2014 do not include any benefit for the Company's domestic losses, as the Company has concluded that a valuation allowance on any domestic benefit is required.

(15) COMMITMENTS AND CONTINGENCIES

On April 6, 2015, Ming Huang, a purported shareholder of the Company (the “Plaintiff”), filed a Class Action Complaint alleging violations of the federal securities laws (the “Complaint”) in the United States District Court for the District of New

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

Jersey (Civil Action No. 3:15-02407), against Sonus and two of its officers, Raymond P. Dolan, the Company’s President and Chief Executive Officer, and Mark T. Greenquist, the Company’s Chief Financial Officer (collectively, the “Defendants”). The Plaintiff claims to represent purchasers of the Company’s common stock during the period from October 23, 2014 to March 24, 2015 and seeks unspecified damages. The principal allegation contained in the Complaint is the claim that the Defendants made misleading forward-looking statements concerning the Company’s fiscal first quarter 2015 financial performance. The Company believes that the Defendants have meritorious defenses to the allegations made in the Complaint and does not expect the results of this suit to have a material effect on its business or consolidated financial statements.

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

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

The following discussion of the financial condition and results of operations of Sonus Networks, Inc. should be read in conjunction with the condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the audited financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2014, which was filed with the U.S. Securities and Exchange Commission on February 25, 2015.

Overview

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

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

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

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

On January 2, 2015 (the "Treq Asset Acquisition Date"), we acquired from Treq Labs, Inc. ("Treq") certain assets related to Treq's business of designing, developing, marketing, selling, servicing and maintaining software defined networking ("SDN") technology, SDN controller software and SDN management software (the "SDN Business") for $10.1 million in cash at the Treq Asset Acquisition Date, with an additional consideration payment of $750,000 paid on July 2, 2015 and a second additional consideration payment of $750,000 due on January 4, 2016. We also entered into an Earn-Out Agreement under which we agreed to issue to the sellers up to an aggregate of 1.3 million shares of common stock over a three-year period subsequent to the Treq Asset Acquisition Date if aggregate revenue thresholds of at least $60 million are achieved by the SDN Business during that period, and up to an aggregate of an additional 2.2 million shares (3.5 million shares in total) if aggregate revenue thresholds of at least $150 million are achieved by the SDN Business during that period. If the initial revenue thresholds are not met, no shares will be issued. Based on historical and forecasted sales, no incremental contingent consideration was recorded initially as of the Treq Asset Acquisition Date or through June 26, 2015. The SDN Business provides solutions that optimize networks for voice, video and UC for both enterprise and service provider customers. We believe that the acquisition of the SDN Business will accelerate our delivery of our SDN strategy. The financial results of the SDN Business are included in our condensed consolidated financial statements starting on the Treq Asset Acquisition Date.

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

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

To better align our cost structure to our current revenue expectations, we recently announced a cost reduction review. As part of this review, on April 16, 2015, we initiated a restructuring plan to reduce our workforce by approximately 150 positions, or 12.5% of our worldwide workforce. As a result of our cost reduction review, we expect to realize approximately $15 million of savings in 2015. We expect that our savings will be generated primarily from the workforce reduction described above and from reductions in other discretionary spending. These expected savings will be offset by the restructuring expense recorded in the period.

In early April 2015, Peter Polizzi agreed to step down as Vice President and General Manager, Global Services, effective May 1, 2015. Mr. Polizzi will remain with the Company in an advisory role to assist our Chief Executive Officer until September 30, 2015.

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

- expanding our communications network solutions to address emerging UC-, IP- and cloud-based enterprise and service providers;
- embracing the principles outlined by 3GPP, 4GPP2 and LTE architectures and delivering the industry's most advanced IMS (IP Multimedia Subsystem)-ready SBC and DSC product suites;
- leveraging our TDM (time division multiplexing)-to-IP gateway technology leadership with service providers to accelerate adoption of SIP-enabled UC services;
- expanding and broadening our customer base by targeting the enterprise market for SIP trunking and access solutions;
- providing an environment for our customers to enable real-time communication to embed into their presence on the worldwide web;
- expanding our global sales distribution, marketing and support capabilities;
- actively contributing to the SIP standards definition and adoption process;
- pursuing strategic transactions and alliances;
- successfully implementing our cost reduction initiatives; and
- delivering sustainable profitability by continuing to improve our overall performance.

We reported losses from operations of $15.0 million for the three months ended June 26, 2015 and $4.8 million for the three months ended June 27, 2014. We reported losses from operations of $33.9 million for the six months ended June 26, 2015 and $10.6 million for the six months ended June 27, 2014.

We reported net losses of $15.3 million for the three months ended June 26, 2015 and $5.5 million for the three months ended June 27, 2014. We reported net losses of $34.7 million for the six months ended June 26, 2015 and $9.5 million for the six months ended June 27, 2014.

Our revenue was $54.7 million in the three months ended June 26, 2015 and $75.6 million in the three months ended June 27, 2014. Our revenue was $104.8 million in the six months ended June 26, 2015 and $146.3 million in the six months ended June 27, 2014.

Our gross profit was $34.4 million in the three months ended June 26, 2015 and $47.3 million in the three months ended June 27, 2014. Our gross profit was $63.6 million for the six months ended June 26, 2015, compared to $93.7 million for the six months ended June 27, 2014. Our gross profit as a percentage of revenue ("total gross margin") was 62.9% in the three months ended June 26, 2015 and 62.6% in the three months ended June 27, 2014. Our total gross margin was 60.7% for the six months ended June 26, 2015 and 64.0% for the six months ended June 27, 2014.

Our operating expenses were $49.5 million in the three months ended June 26, 2015, compared to $52.1 million in the three months ended June 27, 2014. Our operating expenses for the three months ended June 26, 2015 include $1.5 million of net restructuring expense. Our operating expenses for the three months ended June 27, 2014 include $0.4 million of restructuring expense.

Our operating expenses were $97.6 million in the six months ended June 26, 2015, compared to $104.3 million in the six months ended June 27, 2014. Our operating expenses for the six months ended June 26, 2015 include $0.1 million of acquisition-related expense and $1.1 million of net restructuring expense. Our operating expenses for the six months ended June 27, 2014 include $1.3 million of acquisition-related expense and $1.6 million of restructuring expense.

We recorded stock-based compensation expense of $6.8 million in the three months ended June 26, 2015, compared to $6.9 million in the three months ended June 27, 2014. We recorded $11.6 million and $12.7 million of stock-based compensation expense in the six months ended June 26, 2015 and June 27, 2014, respectively.

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

In March 2014, we reached a settlement agreement for $2.25 million to recover a portion of our losses related to the impairment of certain prepaid royalties which we had written off in fiscal 2012. This amount is included in Other income (expense), net in our condensed consolidated statement of operations for the six months ended June 27, 2014.

On January 2, 2014, Raymond P. Dolan, our President and Chief Executive Officer elected to accept shares of restricted stock (the "2014 Dolan Salary Shares") in lieu of base salary for the period from January 1, 2014 through December 31, 2014. Effective September 16, 2014, Mr. Dolan's annual base salary was increased from $500,000 to $600,000. For the remainder of 2014, such increase was prorated, was paid in cash and was not subject to any stock-for-cash election. We recorded stock-based compensation expense related to the 2014 Dolan Salary Shares ratably for the period of January 1, 2014 through December 31, 2014. Mr. Dolan did not elect to receive his salary in shares of our common stock for 2015.

In connection with our Company-wide annual incentive bonus program, 22 of our executives were given the choice to receive all or half of their fiscal year 2015 bonuses (the "2015 Bonus"), if any are earned, in the form of shares of our common stock (the "2015 Bonus Shares"). Each executive could also elect not to participate in this program and to earn his or her 2015 Bonus, if any, in the form of cash. The amount of the 2015 Bonus, if any, for each executive shall be determined by the Compensation Committee of our Board of Directors (the "Compensation Committee"). The number of shares of common stock that will be granted to those executives who elected to receive their 2015 Bonus entirely in the form of shares of common stock will be calculated by dividing an amount equal to 1.5 times each executive's 2015 Bonus earned by $20.55, the closing price of our common stock on January 2, 2015. The number of shares of our common stock that will be granted to those executives who elected to receive one-half of their 2015 Bonus in the form of shares of common stock will be calculated by dividing an amount equal to 1.5 times one-half of each executive's 2015 Bonus earned by $20.55, with the cash portion equal 50% of their respective 2015 Bonus earned. The 2015 Bonus, if any, will be granted and/or paid on a date concurrent with the timing of the payout of bonuses under our Company-wide incentive bonus program and will be fully vested on the date of grant. Of the eligible executives, 16 elected to receive their entire 2015 Bonus in shares of common stock, five elected to receive 50% of their 2015 Bonus in shares of common stock and 50% in cash, and one elected not to participate and instead to receive his entire 2015 Bonus in cash. As of June 26, 2015, four participants in the 2015 Bonus separated from the Company and accordingly, forfeited any 2015 Bonus Shares they might otherwise have earned. As of June 26, 2015, we determined that the

grant date criteria for the 2015 Bonus Shares had not been met; accordingly, we are marking to market the 2015 Bonus Shares expected to be earned and recording expense based on the aggregate fair value of the 2015 Bonus Shares at June 26, 2015.

On January 22, 2014, 21 of our executives were given the choice to receive all or half of their fiscal year 2014 bonuses (the "2014 Bonus"), if any were earned, in the form of shares of our common stock (the "2014 Bonus Shares"). Of the eligible executives, 17 elected to receive their entire 2014 Bonus in shares of common stock and 4 elected to receive 50% of their 2014 Bonus in shares of common stock and 50% in cash. The 2014 Bonus Shares were granted on February 20, 2015 and vested immediately. We granted approximately 266,000 2014 Bonus Shares, with the number of shares granted calculated by dividing amounts equal to 1.5 times each executive's 2014 Bonus earned, as determined by the Compensation Committee, by $15.40, the closing price of our common stock on January 2, 2014. We recorded stock-based compensation expense for the 2014 Bonus Shares from January 1, 2014 through the grant date.

On March 16, 2015, we granted 131,250 performance-based stock units ("PSUs") in the aggregate to eight of our executives with both market and service conditions. The terms of the PSUs are such that up to one-third of the shares subject to the PSUs will vest on each of the first, second and third anniversaries of the date of grant (collectively, the "Vesting Dates") to the extent of achievement of our total stockholder return ("TSR") to the TSR of the companies included in the NASDAQ Telecommunications Index for the same Performance Period, measured by our Compensation Committee at the end of each of the 2015, 2016 and 2017 fiscal years, respectively (each, a "Performance Period"). The shares determined to be earned will vest on the anniversary of the grant date following each Performance Period. Shares subject to the PSUs that fail to be earned will be forfeited. We are recording expense for the PSUs through the final Vesting Date of March 16, 2018.

In connection with the separation of two executives from the Company during the second quarter of 2015 and in accordance with their employment agreements with the Company, the Company accelerated the vesting of certain unvested stock options, RSAs and PSUs.

Critical Accounting Policies and Estimates

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

- Revenue recognition;
- Valuation of inventory;
- Loss contingencies and reserves;
- Stock-based compensation;
- Business combinations;
- Goodwill and intangible assets; and
- Accounting for income taxes.

For a further discussion of our critical accounting policies and estimates, please refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2014. There were no significant changes to our critical accounting policies from December 31, 2014 through June 26, 2015.

Results of Operations

Three and six months ended June 26, 2015 and June 27, 2014

Revenue. Revenue for the three and six months ended June 26, 2015 and June 27, 2014 was as follows (in thousands, except percentages):

	Three months ended		Decrease from prior year	
	June 26, 2015	June 27, 2014	$	%
Product	$ 27,042	$ 45,845	$ (18,803)	(41.0)%
Service	27,659	29,725	(2,066)	(7.0)%
Total revenue	$ 54,701	$ 75,570	$ (20,869)	(27.6)%

	Six months ended		Decrease from prior year	
	June 26, 2015	June 27, 2014	$	%
Product	$ 51,907	$ 90,985	$ (39,078)	(42.9)%
Service	52,939	55,327	(2,388)	(4.3)%
Total revenue	$ 104,846	$ 146,312	$ (41,466)	(28.3)%

The decrease in product revenue in the current year quarter compared to the prior year quarter was primarily the result of lower revenue recognized from sales to two of our historically largest customers due to their reductions in capital expenditures in 2015 and lower sales of certain products to other customers.

The decrease in product revenue in the six months ended June 26, 2015 compared to the six months ended June 27, 2014 was primarily the result of lower revenue recognized from sales to one of our historically largest customers due to their reduction in capital expenditures in 2015 and lower sales of certain products to other customers.

In the three months ended June 26, 2015, approximately 26% of our total product revenue was from indirect sales through our channel program, compared to approximately 29% in the three months ended June 27, 2014. Approximately 25% of our total product revenue was from indirect sales through our channel program in the six months ended June 26, 2015, compared to approximately 24% in the six months ended June 27, 2014.

In the three months ended June 26, 2015, our product revenue from sales to enterprise customers was approximately 22% of our total product revenue, compared to approximately 20% in the three months ended June 27, 2014. Our product revenue from sales to enterprise customers was approximately 19% of our total product revenue in the six months ended June 26, 2015, compared to approximately 20% in the six months ended June 27, 2014. These sales were made both through our direct sales team and indirect sales channel partners.

We recognized product revenue totaling $2.2 million from 150 new customers in the three months ended June 26, 2015 and $6.6 million from 227 new customers in the three months ended June 27, 2014. We recognized product revenue totaling $5.0 million from 318 new customers in the six months ended June 26, 2015 and $9.9 million from 400 new customers in the six months ended June 27, 2014. New customers are those from whom we recognize revenue for the first time in a reporting period, although we may have had outstanding orders from such customers for several years, especially for certain multi-year projects. The timing of the completion of customer projects, revenue recognition criteria satisfaction and customer payments included in multiple element arrangements may cause our product revenue to fluctuate from one period to the next.

We expect that our product revenue in 2015 will decrease from 2014 levels, primarily due to the delayed timing of orders, lower capital expenditures by our customers and longer RFP decision cycles by our customers as they take time to determine their future network architectures. Despite our expected 2015 product revenue decrease compared to 2014, we continue to believe that our new product portfolio and increased focus on expanding our product offerings to address the emerging UC

and IP-based markets, such as SBC, in both the enterprise and service provider markets are aligned with the technology strategies of our customers.

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

Service revenue for the three and six months ended June 26, 2015 and June 27, 2014 was comprised of the following (in thousands, except percentages):

	Three months ended		Increase (decrease) from prior year	
	June 26, 2015	June 27, 2014	$	%
Maintenance	$ 23,511	$ 23,032	$ 479	2.1 %
Professional services	4,148	6,693	(2,545)	(38.0)%
	$ 27,659	$ 29,725	$ (2,066)	(7.0)%

	Six months ended		Increase (decrease) from prior year	
	June 26, 2015	June 27, 2014	$	%
Maintenance	$ 43,594	$ 43,557	$ 37	0.1 %
Professional services	9,345	11,770	(2,425)	(20.6)%
	$ 52,939	$ 55,327	$ (2,388)	(4.3)%

Our maintenance revenue increased slightly in the three months ended June 26, 2015 compared to the three months ended June 27, 2014, primarily due to the growth of our installed customer base and the timing of maintenance renewals, partially offset by customer mix, including merger activity of certain of our customers, and the timing of product shipments.

Our maintenance revenue was virtually flat in the six months ended June 26, 2015 compared to the six months ended June 27, 2014, primarily due to customer mix, including merger activity of certain of our customers, and the timing of product shipments in the current year.

The timing of the completion of projects for revenue recognition, customer payments and maintenance contracts may cause our services revenue to fluctuate from one period to the next. We expect that our service revenue in fiscal 2015 will decrease from fiscal 2014 levels as a result of the aforementioned customer merger activities and lower expected product sales, partially offset by the continued growth of our installed customer base.

The following customer contributed 10% or more of our revenue in each of the three and six month periods ended June 26, 2015 and June 27, 2014:

	Three months ended		Six months ended	
Customer	June 26, 2015	June 27, 2014	June 26, 2015	June 27, 2014
AT&T Inc.	19%	20%	13%	24%

There were no other customers who contributed 10% or more of the Company's revenue any of the three or six month periods ended June 26, 2015 and June 27, 2014.

International revenue was approximately 29% of revenue in the three months ended June 26, 2015 and approximately 29% of revenue in the three months ended June 27, 2014. International revenue was approximately 33% of revenue in the six months ended June 26, 2015 and approximately 28% of revenue in the six months ended June 27, 2014. Due to the timing of project completions, we expect that the domestic and international components as a percentage of our revenue will fluctuate from quarter to quarter and year to year.

Our deferred product revenue was $6.9 million at June 26, 2015 and $9.1 million at December 31, 2014. Our deferred service revenue was $42.6 million at June 26, 2015 and $35.9 million at December 31, 2014. Our deferred revenue balance

may fluctuate as a result of the timing of revenue recognition, customer payments, maintenance contract renewals, contractual billing rights and maintenance revenue deferrals included in multiple element arrangements.

Cost of Revenue/Gross Margin. Our cost of revenue consists primarily of amounts paid to third-party manufacturers for purchased materials and services, royalties, manufacturing and professional services personnel and related costs, and provision for inventory obsolescence. Our cost of revenue and gross margins for the three and six months ended June 26, 2015 and June 27, 2014 were as follows (in thousands, except percentages):

	Three months ended		Decrease from prior year	
	June 26, 2015	June 27, 2014	$	%
Cost of revenue				
Product	$ 11,269	$ 16,811	$ (5,542)	(33.0)%
Service	9,018	11,471	(2,453)	(21.4)%
Total cost of revenue	$ 20,287	$ 28,282	$ (7,995)	(28.3)%
Gross margin				
Product	58.3%	63.3%		
Service	67.4%	61.4%		
Total gross margin	62.9%	62.6%		

	Six months ended		Decrease from prior year	
	June 26, 2015	June 27, 2014	$	%
Cost of revenue				
Product	$ 22,917	$ 30,474	$ (7,557)	(24.8)%
Service	18,285	22,127	(3,842)	(17.4)%
Total cost of revenue	$ 41,202	$ 52,601	$ (11,399)	(21.7)%
Gross margin				
Product	55.8%	66.5%		
Service	65.5%	60.0%		
Total gross margin	60.7%	64.0%		

The decrease in product gross margin in the three months ended June 26, 2015 compared to the three months ended June 27, 2014 was primarily due to lower product revenue against certain fixed costs, coupled with the impact of $1.8 million of expenses related to reserves for both inventory and inventory-related purchase commitments for certain end-of-life products, which decreased our product gross margin in the aggregate by approximately eight percentage points, partially offset by product and customer mix, which increased our product gross margin by approximately three percentage points.

The decrease in product gross margin in the six months ended June 26, 2015 compared to the six months ended June 27, 2014 was primarily due to lower product revenue against certain fixed costs, coupled with the impact of $4.5 million of expenses related to reserves for both inventory and inventory-related purchase commitments for certain end-of-life products, which decreased our product gross margin in the aggregate by approximately eleven percentage points, partially offset by product and customer mix, which increased our product gross margin by approximately one percentage point.

The increase in service gross margin in the three months ended June 26, 2015 compared to the three months ended June 27, 2014 was primarily due to lower fixed service costs, which increased our service gross margin by approximately four percentage points, and lower third-party service costs, which increased our service gross margin by approximately two percentage points. The reduction in our fixed service costs was primarily the result of our recently implemented cost reduction initiatives.

The increase in service gross margin in the six months ended June 26, 2015 compared to the six months ended June 27, 2014 was primarily due to lower fixed service costs, which increased our service gross margin by approximately four percentage points, and lower third-party service costs, which increased our service gross margin by approximately one and one-half percentage points. The reduction in our fixed service costs was primarily the result of our cost reduction initiatives, which we implemented early in the second quarter of 2015.

We believe that our total gross margin will continue to be greater than 60% in the foreseeable future.

Research and Development Expenses. Research and development expenses consist primarily of salaries and related personnel expenses and prototype costs related to the design, development, testing and enhancement of our products. Research and development expenses for the three and six months ended June 26, 2015 and June 27, 2014 were as follows (in thousands, except percentages):

	June 26, 2015	June 27, 2014	Decrease from prior year	
			$	%
Three months ended	$ 19,968	$ 20,921	$ (953)	(4.6)%
Six months ended	$ 39,307	$ 39,893	$ (586)	(1.5)%

The decrease in research and development expenses in the three months ended June 26, 2015 compared to the three months ended June 27, 2014 is attributable to $3.0 million of lower employee-related expenses, partially offset by $1.3 million of higher depreciation expense and $0.7 million of higher product development (third-party development, prototype and equipment) costs. The decrease in employee-related expenses in the three months ended June 26, 2015 is attributable to $1.7 million of lower expense related to our Company-wide cash bonus program, $0.9 million of lower salary and related expenses, $0.3 million of lower stock-based compensation expense and $0.1 million of net reductions in other employee-related expenses. Our lower employee-related expenses are primarily due to reduced headcount in connection with our cost reduction initiatives implemented early in the second quarter of 2015. The increase in depreciation expense is attributable to a one-time adjustment recorded in the three months ended June 26, 2015 to correct an error related to the historical foreign translation of depreciation expense on certain foreign fixed assets.

The decrease in research and development expenses in the six months ended June 26, 2015 compared to the six months ended June 27, 2014 is attributable to $3.0 million of lower employee-related expenses, partially offset by $1.1 million of higher product development costs, $1.0 million of higher depreciation expense and $0.3 million of net increases in other research and development expenses. The decrease in employee-related expenses in the six months ended June 26, 2015 is attributable to $3.0 million of lower expense related to our Company-wide cash bonus program, $0.3 million of lower stock-based compensation expense and $0.1 million of lower employee travel and related expenses. These decreases were partially offset by $0.4 million of higher salary and related expenses. Our lower employee-related expenses are primarily due to reduced headcount in connection with our cost reduction initiatives implemented early in the second quarter of 2015. The increase in depreciation expense is primarily attributable to a one-time adjustment recorded in the three months ended June 26, 2015 to correct an error related to the historical foreign translation of depreciation expense on certain foreign fixed assets.

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

Sales and Marketing Expenses. Sales and marketing expenses consist primarily of salaries and related personnel costs, commissions, travel and entertainment expenses, promotions, customer trial and evaluations inventory and other marketing and sales support expenses. Sales and marketing expenses for the three and six months ended June 26, 2015 and June 27, 2014 were as follows (in thousands, except percentages):

	June 26, 2015	June 27, 2014	Decrease from prior year	
			$	%
Three months ended	$ 17,540	$ 18,782	$ (1,242)	(6.6)%
Six months ended	$ 37,305	$ 38,363	$ (1,058)	(2.8)%

The decrease in sales and marketing expenses in the three months ended June 26, 2015 compared to the three months ended June 27, 2014 is attributable to $1.5 million of lower employee-related expenses, partially offset by $0.3 million of net increases in other sales and marketing expenses. The decrease in employee-related expenses was the result of $1.3 million of lower salary and commissions and related expenses, $0.4 million of lower expense related to our Company-wide cash bonus program and $0.3 million of lower employee travel and related expenses. These decreases were partially offset by $0.5

million of higher stock-based compensation expense. Our lower employee-related expenses are primarily due to reduced headcount and related expenses in connection with our cost reduction initiatives implemented early in the second quarter of 2015.

The decrease in sales and marketing expenses in the six months ended June 26, 2015 compared to the six months ended June 27, 2014 is attributable to $1.8 million of lower employee-related expenses and $0.1 million of net decreases in other sales and marketing expenses, partially offset by $0.8 million of higher consulting costs. The decrease in employee-related expenses was the result of $1.2 million of lower salary and commissions and related expenses, $0.7 million of lower expense related to our Company-wide cash bonus program and $0.2 million of net reductions in employee travel and recruiting and related expenses. These reductions were partially offset by $0.3 million of higher stock-based compensation expense. Our lower employee-related expenses are primarily due to reduced headcount and related expenses in connection with our cost reduction initiatives implemented early in the second quarter of 2015.

We believe that our sales and marketing expenses will decrease in fiscal 2015 from fiscal 2014 levels, primarily attributable to our cost reduction initiatives and lower commissions expense driven by our anticipated lower revenue.

General and Administrative Expenses. General and administrative expenses consist primarily of salaries and related personnel costs for executive and administrative personnel, recruiting expenses and audit and professional fees. General and administrative expenses for the three and six months ended June 26, 2015 and June 27, 2014 were as follows (in thousands, except percentages):

			Decrease from prior year	
	June 26, 2015	June 27, 2014	$	%
Three months ended	$ 10,444	$ 11,995	$ (1,551)	(12.9)%
Six months ended	$ 19,668	$ 23,181	$ (3,513)	(15.2)%

The decrease in general and administrative expenses in the three months ended June 26, 2015 compared to the three months ended June 27, 2014 is attributable to $1.0 million of lower employee-related expenses, the absence in the current year quarter of $0.4 million of divestiture costs included in our general and administrative expenses in the three months ended June 27, 2014 and $0.3 million of lower expense related to foreign currency translation. These decreases were partially offset by $0.1 million of net increases in other general and administrative expenses. The decrease in employee-related expenses resulted from $0.3 million of lower salary and related expenses, $0.3 million of lower expense related to our Company-wide cash bonus program, $0.3 million of lower stock-based compensation expense and $0.1 million of lower employee travel and related expenses.

The decrease in general and administrative expenses in the six months ended June 26, 2015 compared to the six months ended June 27, 2014 is attributable to $2.4 million of lower employee-related expenses, the absence in the current year period of $0.4 million of divestiture costs included in our general and administrative expenses in the six months ended June 27, 2014, $0.4 million of lower expense related to foreign currency translation and $0.3 million of net decreases in other general and administrative expenses. The decrease in employee and related expenses resulted from $1.2 million of lower stock-based compensation expense, $0.8 million related to our Company-wide cash bonus program, $0.3 million of lower salary and related expenses and $0.1 million of lower employee travel and related expenses.

We believe that our general and administrative expenses will decrease in fiscal 2015 compared to fiscal 2014 levels, primarily due to the expected impact of our cost reduction initiatives.

Acquisition-Related Expenses. Acquisition-related expenses include those costs related to the acquisitions of the SDN Business in January 2015 and of PT in February 2014 that would otherwise not have been incurred by us. We recorded acquisition-related expenses of $24,000 in the three months ended June 26, 2015 and $0.1 million in the six months ended June 26, 2015 for professional fees, primarily legal fees, in connection with the acquisition of the SDN Business. We recorded $1.3 million of acquisition-related expenses in the six months ended June 27, 2014, comprised of $1.1 million of professional and service fees and $0.2 million related to change of control agreements with certain PT executives. We did not record acquisition-related expenses in the three months ended June 27, 2014.

Restructuring Expense. Our restructuring expense of $1.5 million in the three months ended June 26, 2015 was comprised of $2.9 million of expense for severance and related costs in connection with reducing our workforce by

approximately 150 positions, or 12.5% of our worldwide workforce, net of $1.4 million reversed in connection with a settlement with the landlord of our Fremont, California facility to vacate the facility without penalty or future payments.

Our restructuring expense of $1.1 million for the six months ended June 26, 2015 was comprised of the aforementioned $2.9 million of expense for severance and related costs, net of the $1.4 million reversed in connection with our Fremont, California facility in the three months ended June 26, 2015 and $0.3 million reversed in the three months ended March 27, 2015. This reversal is comprised of approximately $272,000 in connection with a settlement with the landlord of our Dulles, Virginia facility for an amount that was lower than had previously been accrued and approximately $67,000 in connection with changes in the amounts of severance ultimately paid to certain individuals.

We currently expect that the restructuring related to severance and related costs will be paid by the end of the fourth quarter of 2015 and the restructuring related to facilities will be paid in 2016.

Interest Income (Expense), Net. Interest income and interest expense for the three and six months ended June 26, 2015 and June 27, 2014 were as follows (in thousands, except percentages):

	Three months ended		Increase (decrease) from prior year	
	June 26, 2015	June 27, 2014	$	%
Interest expense	$ (90)	$ (31)	$ 59	190.3 %
Interest income	70	81	(11)	(13.6)%
Interest income (expense), net	$ (20)	$ 50	$ (70)	(140.0)%

	Six months ended		Increase (decrease) from prior year	
	June 26, 2015	June 27, 2014	$	%
Interest expense	$ (166)	$ (56)	$ 110	196.4 %
Interest income	174	141	33	23.4 %
Interest income (expense), net	$ 8	$ 85	$ (77)	(90.6)%

Interest expense in the three and six months ended June 26, 2015 primarily relates to the amortization of debt issuance costs in connection with our revolving credit facility. Interest expense in the three and six months ended June 27, 2014 primarily relates to interest on the debt assumed in connection with the acquisition of Network Equipment Technologies, Inc. ("NET"). Interest income consists of interest earned on our cash equivalents, marketable debt securities and long-term investments.

Other Income (Expense), Net. We recorded $2.25 million of income in the three months ended March 28, 2014 related to the settlement of a litigation matter in March 2014 in which we recovered a portion of our losses related to the impairment of certain prepaid royalties which we had written off in 2012. This amount is included in Other income (expense), net for the six months ended June 27, 2014.

Income Taxes. We recorded provisions for income taxes of $0.8 million in the six months ended June 26, 2015 and $1.3 million in the six months ended June 27, 2014. These amounts reflect our estimates of the effective rates expected to be applicable for the respective full fiscal years, adjusted for any discrete events, which are recorded in the period that they occur. These estimates are reevaluated each quarter based on our estimated tax rate for the full fiscal year. The estimated amounts recorded do not include any benefit for our domestic losses, as we have concluded that a valuation allowance on any domestic benefit is required.

Off-Balance Sheet Arrangements

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

Liquidity and Capital Resources

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

	Six months ended		
	June 26, 2015	June 27, 2014	Change
Net loss	$ (34,702)	$ (9,450)	$ (25,252)
Adjustments to reconcile net loss to cash flows provided by operating activities	22,126	21,398	728
Changes in operating assets and liabilities	(1,692)	8,306	(9,998)
Net cash (used in) provided by operating activities	$ (14,268)	$ 20,254	$ (34,522)
Net cash provided by investing activities	$ 12,212	$ 47,966	$ (35,754)
Net cash used in financing activities	$ (4,882)	$ (79,395)	$ 74,513

Our cash, cash equivalents, and short- and long-term investments totaled $113.5 million at June 26, 2015 and $148.0 million at December 31, 2014. We had cash and short-term investments held by our foreign subsidiaries aggregating approximately $6 million at June 26, 2015 and approximately $5 million at December 31, 2014. We do not intend to repatriate these funds, and as such, they are not available to fund our domestic operations. If we were to repatriate the funds, they would likely be treated as income for U.S. tax purposes, fully offset by our net operating losses. We do not believe this has a material impact on our liquidity.

We entered into a credit agreement by and among the Company, as Borrower, Bank of America, N.A. ("Bank of America"), as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders from time to time party thereto on June 27, 2014, which agreement was amended on June 26, 2015 by a First Amendment to Credit Agreement (the "Credit Agreement"). The Credit Agreement provides for a revolving credit facility of up to $15 million with a maturity date of June 30, 2016, and provides that we can select the interest rates under the credit facility from among the following options: (1) the Eurodollar Rate (which is defined as the rate per annum equal to the London Interbank Offered Rate plus 1.5% per annum) for a Eurodollar Rate Loan; and (2) the highest of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the rate of interest in effect on the borrowing date as publicly announced from time to time by Bank of America as its prime rate, and (c) the monthly Eurodollar Rate plus 1%. The Credit Agreement also provides that we pay a 0.15% commitment fee on the unused commitments available for borrowing. Our obligations under the Credit Agreement are guaranteed by Sonus International, Inc., Sonus Federal, Inc. and Network Equipment Technologies, Inc. ("NET") (collectively, together with us, the "Loan Parties") pursuant to a Master Continuing Guaranty and are secured by the assets of the Loan Parties pursuant to a Security and Pledge Agreement. We did not have any amounts outstanding under the Credit Agreement at June 26, 2015.

On July 29, 2013, we announced that our Board of Directors had authorized a stock buyback program to repurchase up to $100 million of our common stock from time to time on the open market or in privately negotiated transactions. The stock buyback program is being funded using our working capital. During the six months ended June 26, 2015, we repurchased and retired 0.4 million shares under our stock buyback program for $6.1 million in the aggregate, including transaction fees. During the six months ended June 27, 2014, we repurchased and retired 0.5 million shares under our stock buyback program for $8.2 million in the aggregate, including transaction fees. These amounts are included in financing activities in our condensed consolidated statements of cash flows for the six months ended June 26, 2015 and June 27, 2014.

On March 20, 2014, we announced the commencement of an underwritten public offering of 7.5 million shares of our common stock on behalf of Galahad Securities Limited and its affiliated entities (collectively, the "Legatum Group"). The underwriter of the offering was granted a 30-day option to purchase up to 1.125 million additional shares from the Legatum Group. The Legatum Group received all the proceeds from the underwritten offering; no shares in the underwritten offering were sold by us or any of our officers or directors. We purchased 4.3 million shares from the underwriter for $75.3 million in the aggregate, including $0.3 million of transaction fees. We funded the share repurchase with cash on hand. The repurchased shares were retired upon completion of the transaction. This amount is included in financing activities in our condensed consolidated statement of cash flows for the six months ended June 27, 2014.

Our operating activities used $14.3 million of cash in the six months ended June 26, 2015 and $20.3 million of cash in the six months ended June 27, 2014.

Cash used in operating activities in the six months ended June 26, 2015 was primarily the result of our net loss, further impacted by lower accrued expenses and other long-term liabilities and accounts payable, coupled with increases in inventory

and other operating assets. These amounts were partially offset by lower accounts receivable and higher deferred revenue. The decrease in accrued expenses and other long-term liabilities was primarily related to employee compensation and related costs, including payments in connection with our Company-wide cash bonus program and payments in connection with our ongoing restructuring initiatives. The increase in our inventory primarily reflects our reduced product sales in the current year quarter compared to original projections. Our lower accounts receivable reflects collections on sales made in the prior year, coupled with lower revenue recorded in the current year. Our net loss, adjusted for non-cash items such as depreciation, amortization and stock-based compensation, used $12.6 million of cash.

Cash provided by operating activities in the six months ended June 27, 2014 was primarily the result of lower accounts receivable, inventories and other operating assets, partially offset by decreases in accrued expenses and other long-term liabilities, deferred revenue and accounts payable. These changes excluded the impact of acquired balances in connection with the PT acquisition. The decrease in accounts receivable primarily reflected our continued focus on cash collections. Our continued focus on maintaining appropriate inventory levels was the primary contributor to the decrease in inventory. The decrease in other operating assets was primarily the result of lower prepaid expenses. The decrease in accrued expenses and other long-term liabilities was primarily related to employee compensation and related costs, including payments in connection with our Company-wide incentive bonus program, as well as restructuring payments. Our net loss, adjusted for non-cash items such as depreciation, amortization and stock-based compensation, provided $11.9 million of cash.

Our investing activities provided $12.2 million of cash in the six months ended June 26, 2015, comprised of $26.9 million of net maturities of marketable securities, partially offset by $10.1 million of cash paid, net of cash acquired, for the acquisition of the SDN Business and $4.5 million of investments in property and equipment.

Our investing activities provided $48.0 million of cash in the six months ended June 27, 2014, comprised of $86.2 million of aggregate maturities and sales of marketable securities and $2.0 million of cash received in connection with our June 20, 2014 divestiture of the MPS business. These amounts were partially offset by $34.0 million of cash paid, net of cash acquired, for the acquisition of PT on February 19, 2014 (the portion of the total cash consideration of $35.0 million that was paid through June 27, 2014) and $6.3 million of investments in property and equipment.

Our financing activities used $4.9 million of cash in the six months ended June 26, 2015, comprised of $6.1 million, including transaction fees, for the repurchase of common stock, $2.2 million used to pay withholding obligations related to the net share settlement of restricted stock awards upon vesting and $41,000 for payments on our capital leases for office equipment. These amounts were partially offset by $1.7 million of proceeds from the exercise of stock options and $1.7 million of proceeds from the sale of our common stock in connection with our Amended and Restated 2000 Employee Stock Purchase Plan, as amended ("ESPP").

Our financing activities used $79.4 million of cash in the six months ended June 27, 2014, comprised of $83.5 million, including transaction fees, for the repurchase of common stock, comprised of $75.3 million to repurchase stock in connection with the Legatum Group public offering described above and $8.2 million to repurchase stock under our stock buyback program, $1.6 million used to pay withholding obligations related to the net share settlement of restricted stock awards upon vesting and $44,000 for payments on our capital leases for office equipment. These amounts were partially offset by $4.5 million of proceeds from the exercise of stock options and $1.2 million of proceeds from the sale of our common stock in connection with our ESPP.

Based on our current expectations, we believe our current cash, cash equivalents, marketable debt securities and long-term investments will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least twelve months, including any future stock repurchases under the aforementioned stock buyback program. It is difficult to predict future liquidity requirements with certainty. The rate at which we will consume cash will be dependent on the cash needs of future operations, including changes in working capital, which will, in turn, be directly affected by the successful implementation of our cost reduction initiatives, the levels of demand for our products, the timing and rate of expansion of our business, the resources we devote to developing our products and any litigation settlements. We anticipate devoting substantial capital resources to continue our research and development efforts, to maintain our sales, support and marketing, to improve our controls environment, for other general corporate activities and to vigorously defend against existing and potential litigation. See Note 15 to our condensed consolidated financial statements for a description of our contingencies.

Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement* ("ASU 2015-05"), which provides guidance on a customer's accounting for cloud computing costs. Under ASU 2015-05, a customer must determine whether a

cloud computing arrangement contains a software license. If so, the customer would account for the fees related to the software license element in a manner consistent with how the acquisition of other software licenses is accounted for under Accounting Standards Codification ("ASC") 350-40, *Intangibles - Goodwill and Other - Internal Use Software* ("ASC 350-40"). If the arrangement does not contain a software license, the customer would account for cloud computing arrangements as service contracts. An arrangement would contain a software license element if both of the following criteria are met: (i) the customer has the contractual right to take possession of the software at any time during the hosting period without significant penalty; and (ii) it is feasible for the customer to either run the software on its own hardware or contract with another party unrelated to the vendor to host the software. ASU 2015-05 is effective for us for both our annual and interim reporting beginning January 1, 2016. Early adoption is permitted. Entities may adopt the guidance either retrospectively or prospectively to arrangements entered into, or materially modified after the effective date. We are currently assessing the potential impact of the adoption of ASU 2015-05 on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). Under ASU 2015-03, an entity must present debt issuance costs on its balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. ASU 2015-03 is effective for us for both our annual and interim reporting beginning January 1, 2016. Early adoption is permitted. Entities must apply the new guidance retrospectively to all prior periods (i.e., the balance sheet for each period must be adjusted). We are currently assessing the potential impact of the adoption of ASU 2015-03 on our consolidated financial statements.

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

In June, 2014, the FASB issued ASU 2014-12, *Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force)* (“ASU 2014-12”). ASU 2014-12 which clarifies that entities should treat performance targets that can be met after the requisite service period of a share-based payment award as performance conditions that affect vesting. Therefore, an entity would not record compensation expense (measured as of the grant date without taking into account the effect of the performance target) related to an award for which transfer to the employee is contingent on the entity’s satisfaction of a performance target until it becomes probable that the performance target will be met. ASU 2014-12 does not contain any new disclosure requirements. ASU 2014-12 is effective for us on January 1, 2016. The adoption of ASU 2014-12 is not expected to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”) its final standard on revenue from contracts with customers. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the revenue model to contracts within its scope, an entity identifies the contract(s) with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to the performance obligations in the contract and recognizes revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 applies to all contracts with customers that are within the scope of other topics in the FASB ASC. Certain of ASU 2014-09’s provisions also apply to transfers of nonfinancial assets, including in-substance nonfinancial assets that are not an output of an entity’s ordinary activities (i.e., property, plant and equipment; real estate; or intangible assets). Existing accounting guidance applicable to these transfers has been amended or superseded. In July 2015, the FASB decided to defer the original effective date of interim and annual reporting periods by one year. As a result, public entities would not be required to apply the new revenue standard until annual reporting periods beginning after December 15, 2017. We are currently assessing the potential impact of the adoption of ASU 2014-09 on our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

foreign currency fluctuations. We do not believe that a hypothetical 10% adverse movement in interest rates and foreign currency exchange rates would have a materially different impact from what was disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of June 26, 2015.

Changes in Internal Control over Financial Reporting. There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended June 26, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

On April 6, 2015, Ming Huang, a purported shareholder of the Company (the “Plaintiff”), filed a Class Action Complaint alleging violations of the federal securities laws (the “Complaint”) in the United States District Court for the District of New Jersey (Civil Action No. 3:15-02407), against Sonus and two of its officers, Raymond P. Dolan, the Company’s President and Chief Executive Officer, and Mark T. Greenquist, the Company’s Chief Financial Officer (collectively, the “Defendants”). The Plaintiff claims to represent purchasers of the Company’s common stock during the period from October 23, 2014 to March 24, 2015 and seeks unspecified damages. The principal allegation contained in the Complaint is the claim that the Defendants made misleading forward-looking statements concerning the Company’s fiscal first quarter 2015 financial performance. The Company believes that the Defendants have meritorious defenses to the allegations made in the Complaint and does not expect the results of this suit to have a material effect on its business or consolidated financial statements.

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

Item 1A. Risk Factors

We have revised and updated our discussion of the risk factors affecting our business since those presented in our Quarterly Report on Form 10-Q, Part II, Item 1A., for the fiscal quarter ended March 27, 2015. The following discussion includes three revised risk factors: “If in the future we do not have a sufficient number of shares available to issue to our employees, the limited number of shares we could issue may impact our ability to attract, retain and motivate key personnel”; “If we fail to compete successfully against telecommunications equipment and networking companies, our ability to increase our revenues and achieve profitability will be impaired”; and “Our credit agreement with Bank of America, N.A. (“Bank of America”), as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders from time to time party thereto, first dated as of June 27, 2014 and as amended on June 26, 2015 (the “Credit Agreement”), contains financial and operating restrictions that may limit our access to credit. If we fail to comply with covenants in the Credit Agreement, we may be required to repay any potential indebtedness thereunder, which may have an adverse effect on our liquidity”, which reflect material developments subsequent to the discussion of risk factors included in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 27, 2015. Except for the three risk factors noted above, there have been no material changes in our assessment of our risk factors from those set forth in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 27, 2015. For convenience, all of our risk factors are included below.

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

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

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

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

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

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

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

We incurred net losses in each of the first two quarters of 2015, as well as in fiscal years 2014, 2013 and 2012. We may incur additional net losses in future quarters and years. Our revenues may not grow and we may never generate sufficient revenues to sustain profitability.

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

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

Our future success will depend on our ability to attract additional customers beyond our current customer base. In 2014, 2013 and 2012, one customer, AT&T, contributed more than 10% of our revenue, representing approximately 19% of our revenue in 2014, 15% of our revenue in 2013 and 20% of our revenue in 2012. Factors that may affect our ability to grow our customer base include but are not limited to the following:

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

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

- customer willingness to implement our products;
- the timing of industry transitions to new network technologies;
- acquisitions of or by our customers;
- delays or difficulties that we may incur in completing the development and introduction of our planned products or product enhancements;
- failure of our products to perform as expected; and
- difficulties we may incur in meeting customers' delivery requirements or with software development, hardware design, manufacturing or marketing of our products and/or services.

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

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

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

Many of our distribution and channel partners sell competitive products and services and the loss of, or reduction in sales by, these partners could materially reduce our revenues. Our sales through channel partners typically involve the use of our

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

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

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

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

We believe the telecommunications industry is in the early stages of a major architectural shift to the virtualization of networks. If the architectural shift does not occur, if it does not occur at the pace we predict, or if the products and services we have developed are not attractive to our customers after such shift takes place, our revenues could decline.

We believe the telecommunications industry is in the early stages of transitioning to the virtualization of networks, and we are developing products and services that we believe will be attractive to our customers and potential customers who make that shift. While we believe that the industry shift to a software-centric cloud-based architecture is all but certain to happen, fundamental changes like this often take time to accelerate. In addition, our customers may adapt to such changes at varying rates. As our customers take time to determine their future network architectures, we may encounter delayed timing of orders, deferred purchasing decisions and reduced expenditures. These longer decision cycles and reduced expenditures may negatively impact our revenues, or make it difficult for us to accurately predict our revenues, either of which could materially adversely affect our consolidated financial statements and cause our stock price to decline.

In 2012, the macro-environment for our media gateway trunking business faced significant declining revenues that happened faster than we were anticipating. In 2014 and 2013, we continued to experience significant declines in customer spending in our media gateway trunking business, and these declines have continued to date. Even though we are still transforming our company from a media gateway trunking business to an SBC and DSC business, a portion of our current revenue remains dependent upon the commercial success of our voice infrastructure products, which we believe will remain

true for the foreseeable future. If the market for these products continues to significantly decline and if our SBC and DSC sales do not accelerate as quickly as we forecast, our operating results could suffer.

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

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

We recorded restructuring expense of $19.9 million in the aggregate in the first half of 2015 and fiscal years 2014, 2013 and 2012, comprised of $14.8 million for severance and related costs, $4.6 million for the consolidation of certain facilities and $0.5 million for the write-off of assets associated with the headcount reduction and facilities consolidations. We initiated a new restructuring plan in April 2015 pursuant to which we expect to reduce our workforce by approximately 150 positions, or 12.5% of our worldwide workforce.

These restructurings and any future restructurings, should it become necessary for us to continue to restructure our business due to worldwide market conditions or other factors that reduce the demand for our products and services, could adversely affect our ability to execute our business strategy in a number of ways, including through:

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

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

We may fail to realize the anticipated benefits from our acquisitions of PT and/or the SDN Business on a timely basis, or at all, for a variety of reasons, including but not limited to the following:

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

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

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

We are not currently a party to any material pending acquisition agreements. However, we may acquire additional businesses, products or technologies in the future. Acquisitions are inherently risky and no assurance can be given that our future acquisitions will be successful or will not materially and adversely affect our business, operating results or financial condition. We continue to review opportunities to acquire other businesses or technologies that would add to our existing product line, complement and enhance our current products, expand the breadth of our markets, enhance our technical capabilities or otherwise offer growth opportunities. If we make further acquisitions, we could, among other things:

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

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

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

We historically have used stock options and restricted stock as a significant component of our employee compensation program in order to align our employees' interests with the interests of our stockholders, encourage employee retention and provide competitive compensation packages. In 2007, our stockholders approved our 2007 Stock Incentive Plan (the "2007 Plan") which includes a limited amount of shares to be granted under such plan. Our stockholders approved amendments to the 2007 Plan in June 2010, June 2013, December 2014 and June 2015.

If our stockholders do not approve future amendments that we determine are needed to the 2007 Plan or adopt a new stock incentive plan, the limited number of shares available for use as equity incentives to employees may make it more difficult for us to attract, retain and motivate key personnel.

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

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

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

- reduced demand for our products and services as a result of our customers choosing to refrain from building capital intensive networks;

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

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

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

Competition in the telecommunications market is intense. This market has historically been dominated by large incumbent telecommunications equipment companies, such as Ericsson LM Telephone Company and Huawei Technologies Co. Ltd., both of which are our direct competitors. We also face competition from other telecommunications and networking companies, including Alcatel Lucent, ALOE Systems Inc., AudioCodes Ltd., Avaya Inc., Cisco Systems, Inc., Dialogic Inc., F5 Networks, Inc., GENBAND Inc., Metaswitch Networks, Mitel Networks Corporation, Nokia Siemens Network (NSN), Oracle Corporation, Sansay, Inc., Technicolor SA and ZTE Corporation, all of which design competing products. These or other competitors may also merge, intensifying competition. Additional competitors with significant financial resources may enter our markets and further intensify competition.

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

To compete effectively, we must deliver innovative products that:

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

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

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

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

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

result in loss of revenues or customers. Additionally, our customers may decide to devote a significant portion of their budgets to evolving technology as they consider national or worldwide build-outs. Therefore, if the demand for our products is not strong and if our target customers do not adopt, purchase and successfully deploy our current or planned products, our revenues will not grow.

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

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

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

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

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

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

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

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

Our credit agreement with Bank of America, N.A. ("Bank of America"), as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders from time to time party thereto, first dated as of June 27, 2014 and as amended on June 26, 2015 (the "Credit Agreement"), contains financial and operating restrictions that may limit our access to credit. If we fail to comply with covenants in the Credit Agreement, we may be required to repay any potential indebtedness thereunder, which may have an adverse effect on our liquidity.

The Credit Agreement provides us with a revolving credit facility of up to $15 million. Provisions in the Credit Agreement impose limitations on our ability to, among other things:

- incur additional indebtedness;
- create liens;
- enter into transactions with affiliates;
- dispose of assets;
- make certain investments; and
- merge or consolidate.

In addition, we are required to meet certain financial covenants customary for financings of this type. Our failure to comply with these covenants in the future may result in the declaration of an event of default, which could cause us to be unable to borrow under the Credit Agreement or result in the acceleration of the maturity of indebtedness outstanding under the Credit Agreement at such time. If the maturity of our indebtedness is accelerated, we may not have sufficient funds available for repayment or we may not have the ability to borrow or obtain sufficient funds to replace the accelerated indebtedness on terms acceptable to us, or at all. We are also subject to a 0.15% commitment fee on any unused commitments available for borrowing.

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

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

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

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

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

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

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

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

From time to time, we are subject to claims and litigation regarding intellectual property rights or other claims, which could seriously harm our business and require us to incur significant costs. On April 6, 2015, Ming Huang, a purported shareholder of the Company (the "Plaintiff"), filed a Class Action Complaint alleging violations of the federal securities laws (the "Complaint") in the United States District Court for the District of New Jersey (Civil Action No. 3:15-02407), against the Company and two of its officers, Raymond P. Dolan, the Company's President and Chief Executive Officer, and Mark T. Greenquist, the Company's Chief Financial Officer (collectively, the "Defendants"). The Plaintiff claims to represent purchases of the Company's common stock during the period from October 23, 2014 and March 25, 2015 and seeks unspecified damages. The principal allegation contained in the Complaint is the claim that the Defendants made misleading forward-looking statements concerning the Company's first quarter 2015 financial performance. In the past, we have also been named as a defendant in other securities class action and derivative lawsuits. We are generally obliged, to the extent permitted by law, to indemnify our current and former directors and officers who are named as defendants in these lawsuits. Defending against litigation may require significant attention and resources of management. Regardless of the outcome, such litigation could result in significant legal expenses.

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

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

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

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

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

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

- authorizing the Board of Directors to issue shares of preferred stock;
- limiting the persons who may call special meetings of stockholders;
- prohibiting stockholder actions by written consent;
- permitting the Board of Directors to increase the size of the Board and to fill vacancies;
- providing indemnification to our directors and officers;

- controlling the procedures for conduct and scheduling of Board and stockholder meetings;
- requiring a super-majority vote of our stockholders to amend our amended and restated by-laws and certain provisions of our amended and restated certificate of incorporation; and
- establishing advance notice requirements for nominations for election to the Board of Directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

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

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

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

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

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

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

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

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

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

In addition, we may not be able to develop international market demand for our products, which could impair our ability to grow our revenues. In many international markets, long-standing relationships between potential customers and their local

suppliers and protective regulations, including local content requirements and approvals, create barriers to entry. We have limited experience marketing, distributing and supporting our products in certain international locations and, to do so, we expect that we will need to develop versions of our products that comply with local standards. Moreover, difficulties in foreign financial markets and economies and of foreign financial institutions, particularly in emerging markets, could adversely affect demand from customers in the affected countries.

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

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

In connection with the acquisition of PT in 2014, we increased the number of contract manufacturers we worked with from three to four contract manufacturers. However, by December 31, 2014, we had reduced the number of contract manufacturers back down to three. Additionally, we switched from one single-source manufacturer to another in 2009 as well as in 2011. Any future changes to or consolidations of our current contract manufacturers could lead to material shortages or delays in the supply of our products. In the event we elect to continue to consolidate and/or change any of our manufacturers, qualifying a new contract manufacturer to commence commercial scale production or consolidating to a reduced number of contract manufacturers are expensive and time-consuming activities and could result in a significant interruption in the supply of our products. If a change in contract manufacturers results in delays in our fulfillment of customer orders or if a contract manufacturer fails to make timely delivery of orders, we may lose revenues and suffer damage to our customer relationships.

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

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

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

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

customers or harm our ability to attract new customers and could have a material adverse effect on our consolidated financial statements.

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

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

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

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

Our business depends upon highly skilled technical, managerial, engineering, sales, marketing and customer support personnel. Competition for these personnel is intense, especially during times of economic recovery or growth. Any failure to hire, assimilate in a timely manner and retain needed qualified personnel, particularly engineering and sales personnel, could impair our growth and make it difficult to meet key objectives, such as timely and effective product introductions. These risks may be heightened by the cost reduction initiative we announced in April 2015.

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

We have had three executive departures in 2015: the departures of our Vice President and General Manager, Global Services, our Chief Information Officer and our Vice President, Global Marketing. We had one executive departure in 2014: the departure of our Executive Vice President of Strategy and Go-to-Market. We had two executive departures in 2013: the departures of our former Senior Vice President, Global Services and Systems Management and our Senior Vice President and Chief Financial Officer. We had two executive departures in 2012: the departures of our Senior Vice President of Engineering and Chief Technology Officer and our Vice President of Human Resources. While we have since hired replacements and/or promoted certain individuals, there is always a risk of uncertainty and instability relating to our ability to find highly qualified successors for certain executive positions and to transition the duties and responsibilities of any departing key executive in an orderly manner.

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

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

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

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

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

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

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

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

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

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

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

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

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

A limited portion of the revenue generated from our government customers is based on our contract with the General Services Administration ("GSA"). This contract imposes significant compliance and reporting obligations on us. The contract also establishes a fixed price under which government customers may purchase our products and provides for automatic mandatory price reductions upon certain events. In addition, the GSA can impose financial penalties for non-compliance. If we are unable to comply with the GSA or if the fixed prices under which government customers may purchase our products is insufficient to cover the costs of making such products, our revenue and gross margins and our results of operations may be adversely affected.

Consolidation in the telecommunications industry could harm our business.

The telecommunications industry has experienced consolidation, including the acquisition of Mavenir Systems, Inc. by Mitel Networks Corporation in April 2015, the acquisition of Dialogic Inc. by Novacap TMT IV, L.P. in 2014 and the acquisitions of Acme Packet, Inc. and Tekelec by Oracle Corporation in 2013, and we expect this trend to continue. Consolidation among our customers may cause delays or reductions in capital expenditure plans and/or increased competitive pricing pressures as the number of available customers declines and the relative purchasing power of customers increases in relation to suppliers. Any of these factors could adversely affect our business.

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

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

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

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

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

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

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

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

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

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

We rely upon the security of our information systems and, in certain circumstances, those of our third-party providers, such as vendors, consultants and contract manufacturers, to protect our proprietary information and information of our customers. Despite our security procedures and those of our third-party providers, our information systems and those of our third-party service providers are vulnerable to threats such as computer hacking, cyber-terrorism or other unauthorized attempts by third parties to access, modify or delete our or our customers' proprietary information. Information technology system failures, including a breach of our or our third-party providers' data security measures, or the theft or loss of laptops, other mobile devices or electronic records used to back up our systems or our third-party providers' systems, could result in an unintentional disclosure of customer, employee, or our information or otherwise disrupt our ability to function in the normal course of business by potentially causing, among other things, delays in the fulfillment or cancellation of customer orders or disruptions in the manufacture or shipment of products or delivery of services, any of which could have a material adverse effect on our operating results. These types of security breaches could also create exposure to lawsuits, regulatory investigations, increased legal liability and/or reputational damage. Such consequences could be exacerbated if we or our third-party providers are unable to adequately recover critical systems following a systems failure.

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

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

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

A change in accounting pronouncements or taxation rules or practices can have a significant effect on our reported results and may affect our reporting of transactions completed before the change is effective. New accounting pronouncements, taxation rules and varying interpretations of accounting pronouncements or taxation rules have occurred in the past and may occur in the future. The change to existing rules, future changes, if any, or the need for us to modify a current tax position may adversely affect our reported financial results or the way we conduct our business. For example, a new revenue recognition standard was issued in 2014 which will be effective for companies in 2018, and could have a material impact on our consolidated financial statements.

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

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

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

Under generally accepted accounting principles, we review our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Our intangible assets increased by approximately $11 million in 2015 as a result of our acquisition of the SDN Business, $17 million in 2014 as a result of our acquisition of PT and $17 million in 2012 as a result of our acquisition of NET. Goodwill, which increased by approximately $1 million as a result of our acquisition of the SDN Business, $7 million as a result of our acquisition of PT (net of the reduction of goodwill related to the sale of PT's Multi-Protocol Server business) and $27 million as a result of our acquisition of NET, is tested for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill or intangible assets may not be recoverable include significant underperformance relative to plan or long-term projections, strategic changes in business strategy, significant negative industry or economic trends, significant change in circumstances relative to a large customer, significant decline in our stock price for a sustained period and decline in our market capitalization to below net book value.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) Issuer Purchases of Equity Securities

The following table provides information with respect to the shares of common stock repurchased by us for the periods indicated:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (3)
March 28, 2015 to April 24, 2015	—	$ —	—	$ 16,762,242
April 25, 2015 to May 22, 2015	20,842	$ 7.88	—	$ 16,762,242
May 23, 2015 to June 26, 2015	401	$ 7.90	—	$ 16,762,242
Total	21,243	$ 7.88	—	$ 16,762,242

(1) Upon vesting of restricted stock awards, our employees are permitted to return to us a portion of the newly vested shares to satisfy the tax withholding obligations that arise in connection with such vesting. During the second quarter of fiscal 2015, 21,243 shares of restricted stock were returned to us by employees to satisfy tax withholding obligations arising in connection with vesting of restricted stock, which shares are included in this column.

(2) We did not repurchase any shares under our stock buyback program announced on July 29, 2013 (the "2013 Buyback Program") between March 28, 2015 and June 26, 2015. Under the 2013 Buyback Program, our Board of Directors has authorized the repurchase of up to $100 million of our common stock from time to time on the open market or in privately negotiated transactions. The timing and amount of any shares repurchased will be determined by our management based on its evaluation of market conditions and other factors. We may elect to implement a 10b5-1 repurchase program, which would permit shares to be repurchased when we might otherwise be precluded from doing so under insider trading laws. The 2013 Buyback Program may be suspended or discontinued at any time. The 2013 Buyback Program is being funded using our working capital.

(3) Represents amounts that remain available for repurchases under the 2013 Buyback Program.

Item 5. Other Information

We held our annual meeting of stockholders on June 11, 2015. At the annual meeting, our stockholders approved amendments (the "Amendment") to our 2007 Stock Incentive Plan, as amended (the "2007 Plan") to:

- Increase the aggregate number of shares of our common stock authorized for issuance under the 2007 Plan by 1,400,000 shares;

- Require that no new award issued under the 2007 Plan shall vest earlier than the first anniversary of its date of grant; provided, however, that the minimum vesting requirement shall not apply to an aggregate of up to 5% of the maximum number of shares of our common stock authorized for issuance under the 2007 Plan; and

- Revise the rate at which restricted stock, restricted stock units, performance awards and other stock unit awards, which we refer to collectively as full value awards, are counted against the shares of common stock available for issuance under the 2007 Plan from 1.57 shares for every one share issued in connection with such award to 1.61 shares for every one share issued in connection with such award. Shares of common stock subject to awards that were granted under either of the 1.5 or 1.57 times ratio that applied at the time such awards were granted would return to the 2007 Plan upon forfeiture of such awards at the previous ratio of 1.5 or 1.57, as applicable.

The Amendment had previously been approved by our Board of Directors subject to stockholder approval.

The above description of the Amendment is qualified in its entirety by reference to: (i) the complete text of the Amendment, a copy of which is attached as Exhibit 10.1 to this Quarterly Report on Form 10-Q, and is incorporated herein by reference; and (ii) the complete text of the 2007 Plan marked to show the changes made by the Amendment, which is included as Appendix B to our Definitive Proxy Statement on Form DEF 14A, filed with the SEC on April 29, 2015, and is incorporated herein by reference.

Item 6. Exhibits

Exhibit No.	Description
10.1 * +	Amendment to Sonus Networks, Inc. 2007 Stock Incentive Plan, as amended.
10.2	First Amendment to Credit Agreement, dated as of June 26, 2015, by and between Sonus Networks, Inc., as borrower, Bank of America, N.A., as Administrative Agent, Swing Line Lender, L/C Issuer and Lender (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed June 30, 2015 with the SEC).
10.3 * +	Employment Agreement between Sonus Networks, Inc. and Peter Polizzi, dated June 13, 2013.
10.4 * +	Separation Agreement between Sonus Networks, Inc. and Peter Polizzi, dated May 1, 2015.
10.5 * +	Consulting Agreement between Sonus Networks, Inc. and Peter Polizzi, dated May 1, 2015.
31.1 *	Certificate of Sonus Networks, Inc. Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 *	Certificate of Sonus Networks, Inc. Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 #	Certificate of Sonus Networks, Inc. Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 #	Certificate of Sonus Networks, Inc. Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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* Filed herewith.

Furnished herewith.

+ Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: July 30, 2015

SONUS NETWORKS, INC.

By: /s/ Mark T. Greenquist

Mark T. Greenquist
Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)

EXHIBIT INDEX

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+ Management contract or compensatory plan or arrangement.

Exhibit 10.1

AMENDMENT TO

SONUS NETWORKS, INC.

2007 STOCK INCENTIVE PLAN, AS AMENDED

WHEREAS, subject to approval by the stockholders of Sonus Networks, Inc. (the "Company"), the Company desires to amend the Sonus Networks, Inc. 2007 Stock Incentive Plan, as amended (the "2007 Plan"), in the manner set forth below (the "Amendment").

NOW THEREFORE, in accordance with Section 11(d) of the 2007 Plan, the 2007 Plan is hereby amended as follows:

1. Section 4(a) of the 2007 Plan is hereby amended by deleting the first sentence of the first paragraph thereof in its entirety and substituting the following in lieu thereof:

   "Subject to adjustment under Section 9, the aggregate number of shares of common stock, $0.001 par value per share, of the Company (the "Common Stock") reserved for Awards under the Plan is equal to 15,676,713, which amount includes the 1,096,173 shares of Common Stock (i) previously reserved for issuance under the Company's 2008 Stock Incentive Plan and the Company's 2012 Amended Performance Technologies, Incorporated Omnibus Incentive Plan (the "Acquired Plans") that remained available for grant under the Acquired Plans as of December 2, 2014 and (ii) subject to awards granted under the Acquired Plans, which awards expire, terminate or are otherwise surrendered, cancelled, forfeited or repurchased by the Company at their original issuance price pursuant to a contractual repurchase right (subject, however, in the case of Incentive Stock Options to any limitations of the Code)."

2. Section 4(b) of the 2007 Plan is hereby deleted in its entirety and replaced with the following:

   "(b) *Share Count.* Shares issued pursuant to Awards of Restricted Stock or Restricted Stock Units or Other Stock Unit Awards will count against the shares of Common Stock available for issuance under the Plan as 1.61 shares for every one (1) share issued in connection with the Award. Shares issued pursuant to the exercise of Options will count against the shares available for issuance under the Plan as one (1) share for every one (1) share to which such exercise relates. The total number of shares subject to SARs that are settled in shares shall be counted in full against the number of shares available for issuance under the Plan, regardless of the number of shares actually issued upon settlement of the SARs. If Awards are settled in cash, the shares that would have been delivered had there been no cash settlement shall not be counted against the shares available for issuance under the Plan. If any Award expires or is terminated, surrendered or canceled without having been fully exercised, is forfeited in whole or in part (including as the result of shares of Common Stock subject to such Award being repurchased by the Company at the original issuance price pursuant to a contractual repurchase right), then the shares of Common Stock covered by such Award shall again become available for the grant of Awards under the Plan; provided that any one (1) share issued as Restricted Stock or subject to a Restricted Stock Unit Award or Other Stock Unit Award that is forfeited or terminated shall be credited as 1.61 shares when determining the number of shares that shall again become available for Awards under the Plan. Shares that are exchanged by a Participant or withheld by the Company as full or partial payment in connection with any Award under the Plan, as well as any shares exchanged by a Participant or withheld by the Company to satisfy the tax withholding obligations related to any Award, shall not be available for subsequent Awards under the Plan. In the case of Incentive Stock Options (as hereinafter defined), the foregoing provisions shall be subject to any limitations under the Code. Shares of common

stock issued pursuant to full value awards count against the shares of common stock available for issuance hereunder as 1.61 shares for every one share issued in connection with such award; however, the shares subject to awards that were outstanding (i) as of June 11, 2015 (but not as of December 2, 2014) and that expire, terminate, are cancelled or otherwise result in shares not being issued and become available for future grant hereunder would return hereunder at a ratio of 1.57 for every share awarded, and (ii) as of December 2, 2014 and that expire, terminate, are cancelled or otherwise result in shares not being issued and become available for future grant hereunder would return hereunder at a ratio of 1.5 for every share awarded."

3. Section 10(f) of the 2007 Plan is hereby amended to add the following at the beginning of such Section:

   "Subject to Section 10(h),"

4. Section 10(h) of the 2007 Plan is hereby deleted in its entirety and replaced with the following:

   "(h) *Acceleration*. The Board may, at any time, provide that any Award shall become immediately exercisable in full or in part, free from some or all of the restrictions or conditions applicable to such Award or otherwise realizable in full or in part, as the case may be, including, without limitation, (A) upon the death or disability of the Participant or (B) in connection with an Acquisition."

5. A new Section 10(j) shall be added to the 2007 Plan, as follows:

   "(j) *Limitations on Vesting*. Subject to Section 10(h) and notwithstanding anything to the contrary in the Plan, no Award shall vest earlier than the first anniversary of its date of grant. The foregoing sentence shall not apply to an aggregate of up to 5% of the maximum number of authorized shares set forth in Section 4(a)."

6. The Amendment shall be effective upon approval of the stockholders of the Company at the Company's 2015 annual meeting of stockholders and shall only be applicable with respect to Awards granted after such approval. If the Amendment is not so approved at such meeting, then the amendments to the 2007 Plan set forth herein shall be void *ab initio*.

7. Except as herein above provided, the 2007 Plan is hereby ratified, confirmed and approved in all respects.

Sonus Networks, Inc.
4 Technology Park Drive
Westford, MA 01886

June 13, 2013

Mr. Peter Polizzi
<By Electronic Delivery>

Dear Peter:

I am pleased to provide you in this letter (the “Agreement”) with the terms and conditions of your promotion by Sonus Networks, Inc. (the “Company”).

1. Position. The Company agrees to promote you to the position of Vice President and General Manager of Sonus Global Services (“SGS”), reporting to Todd Abbott. As the Company’s organization evolves, this reporting structure may change and you may be assigned such other management duties and responsibilities as the Company may determine.

2. Promotion Date/Nature of Relationship. Your promotion will become effective on June 14, 2013 (the “Promotion Date”). Employment at the Company remains “at will” and either you or the Company may terminate the employment relationship at any time and for any reason or no reason, subject to the provisions of Section 4(c) below.

3. Compensation. Your new compensation will be as follows:

(a) *Base Compensation*. Your new base salary (“Base Salary”) will be at the annualized rate of $290,000 less applicable state and federal withholdings, paid twice monthly in accordance with the Company’s normal payroll practices.

(b) *Target Bonus*. You will be eligible to participate in the Targeted Incentive for Performance Success (“TIPS”) cash incentive plan (or its successor) during each year you are employed by the Company, with a target bonus of 50% of your then-current annual Base Salary (“Target Bonus”). Additionally, you will be given a Management by Objective (“MBO”) related to the profitability target of SGS. Specific criteria to achieve this MBO will be jointly decided between you and Todd Abbott by no later than July 31, 2013, with the expected focus on 2013 profitability exit run rate.

(c) *Stock Option Grant*. You will be granted non-qualified options (“Options”) to purchase up to 100,000 shares of the Company’s common stock, $0.001 par value per share, under the Company’s 2007 Stock Incentive Plan, as

Amended (the “Plan”), subject to the terms of the Plan and the terms of the Company’s Nonstatutory Stock Option Agreement Granted Under 2007 Stock Incentive Plan “(Stock Option Agreement”), which will reflect the terms of this Agreement. The grant date will be June 17, 2013. The per share exercise price will be the per share closing price of the Company’s common stock on the grant date. Subject to the provisions of this Agreement, the Options will vest and become exercisable as follows: (i) 25% of the Options (25,000 shares) will vest on the first anniversary of the grant date and (ii) the remaining 75% of the Options (75,000 shares) will vest in equal monthly increments through the fourth anniversary of the grant date. The Options will expire on the tenth anniversary of your Promotion Date. The Options granted to you herein shall not affect the options previously granted to you as part of your November 8, 2011 offer letter.

(d) *Restricted Stock Grant*. You will be granted 25,000 restricted shares of the Company’s common stock under the Plan (the “Restricted Shares”), subject to the terms of the Plan and the Company’s Award of Restricted Stock and Restricted Stock Agreement under the 2007 Stock Incentive Plan Additional Terms and Conditions (“Restricted Stock Agreement”), which shall reflect the terms of this Agreement. The grant date will be June 17, 2013 (the “Restricted Stock Grant Date”). The Restricted Shares shall vest as follows: (A) 25% of the Restricted Shares (6,250 Restricted Shares) shall vest on the first anniversary of the Restricted Stock Grant Date and (B) 75% of the Restricted Shares (18,750 Restricted Shares) shall vest in equal increments semi-annually thereafter through the fourth anniversary of the Restricted Stock Grant Date.

You may elect under Section 83(b) of the Internal Revenue Code of 1986, as amended, to be taxed at the time the Restricted Shares are acquired on the Restricted Stock Grant Date (“Section 83(b) Election”). A Section 83(b) Election, if made, must be filed with the Internal Revenue Service within thirty (30) days of the Restricted Stock Grant Date. You are obligated to pay to the Company the amount of any federal, state, local or other taxes of any kind required by law to be withheld with respect to the granting (if a Section 83(b) Election is made) or vesting (if a Section 83(b) Election is not made) of the shares. If you do not make a Section 83(b) Election, you shall satisfy such tax withholding obligations by delivery to the Company, on each date on which shares vest, such number of shares that vest on such date as have a fair market value (calculated using the last reported sale price of the common stock of the Company on the NASDAQ Global Select Market on the trading date immediately prior to such vesting date) equal to the amount of the Company’s withholding obligation; provided, however, that the total tax withholding cannot exceed the Company’s minimum statutory withholding obligations (based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to

such supplemental taxable income). Such delivery of shares to the Company shall be deemed to happen automatically, without any action required on your part, and the Company is hereby authorized to take such actions as are necessary to effect such delivery of shares to the Company.

(e) *Acquisition*.

(i) In the event of an Acquisition (as hereinafter defined):

(A) 50% of all unvested options will vest immediately upon the date of Acquisition, and the remaining unvested options will continue to vest according to their terms; and

(B) 50% of all unvested restricted shares will vest immediately upon the date of the Acquisition and the remaining unvested restricted shares will continue to vest according to their terms.

4. <u>Termination and Eligibility for Severance</u>. You will be eligible to receive the termination and severance benefits set forth in this Section 4 unless your employment is terminated by the Company for Cause (as defined below).

(a) In the event the Company terminates your employment for any reason other than Cause or your employment terminates due to your death or Disability (as defined below), and subject to your execution of a comprehensive release as set forth in Section 4(b) below, you (or your estate or your successors and assigns, as the case may be) will be eligible to receive the following severance and related post-termination benefits:

(i) The Company will continue to pay your then-current Base Salary, less applicable state and federal withholdings, in accordance with the Company's usual payroll practices, for a period of twelve (12) months following the Date of Termination;

(ii) The Company will pay your then-current annual Target Bonus at 100% of target, less applicable state and federal withholdings, in a lump sum in accordance with Section 4(b) below;

(iii) The Company will continue to pay the Company's share of medical, dental and vision insurance premiums (if elected) for you and your dependents for the twelve (12) month period following the termination of your employment; provided, that if immediately prior to the termination of your employment you were required to contribute towards the cost of premiums as a condition of receiving such insurance, you may be required to continue contributing towards the cost of such premiums under the same terms and conditions as applied to you and your dependents immediately prior to the

termination of your employment in order to receive such continued insurance coverage;

(iv) Any allowable unreimbursed expenses, any accrued but unused vacation pay, and any earned but unpaid bonus amounts owing to you at the time of termination;

(v) Any options that are unvested as of the termination date and that would vest during the twelve (12) months following your termination will accelerate and immediately vest and become exercisable upon termination, in accordance with the terms of the applicable stock option agreement; provided that if your termination under this Section 4(a) occurs in contemplation of, upon or after an Acquisition, then all unvested options at that time will fully accelerate and immediately vest on the termination date; and all options vesting pursuant to this Section 4(a)(v) will remain outstanding and exercisable for the shorter of three (3) years from your termination date or the original remaining life of the options; and

(vi) Any restricted shares that are unvested as of the termination date and that would vest during the twelve (12) months following your termination will accelerate and immediately vest upon termination and such shares will be freely marketable; provided that if your termination under this Section 4(a) occurs in contemplation of, upon or after an Acquisition, then all unvested restricted shares at that time will fully accelerate, immediately vest upon termination and be freely marketable.

(b) The Company’s provision of the benefits described in Section 4(a) above will be contingent upon your execution of a release of all claims of any kind or nature in favor of the Company in a form to be provided by the Company (the “Release Agreement”). You will have twenty-one (21) days following your receipt of the Release Agreement to consider whether or not to accept it. If the Release Agreement is signed and delivered by you to the Company, you will have seven (7) days from the date of delivery to revoke your acceptance of such agreement. The payments described in Section 4(a)(i) above shall be made on the Company’s regular payroll schedule, commencing on the eighth (8th) day following the delivery of the executed Release Agreement to the Company, provided that you have not revoked the Release Agreement; the payment described in Section 4(a)(ii) above shall be made simultaneously with the first payment made pursuant to Section 4(a)(i). The Company shall have no further obligation to you in the event your employment with the Company terminates at any time, other than those obligations specifically set forth in this Section 4.

(c) The Company may terminate your employment at any time with or without Cause by written notice to you specifying the date of termination. You may terminate your employment by providing written notice to the Company at least thirty (30) days prior to the date of termination. Upon a termination for Cause by the Company, you will be entitled to accrued but unpaid Base Salary and benefits through the date of termination only.

(e) Definitions:

(i) An "*Acquisition*" as used in this Agreement will mean any of the following: (A) any "person," as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than the Company or its affiliates), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company or you) representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities; (B) in the event that the individuals who as of the date hereof constitute the Board, and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the Board then still in office who either were members of the Board as of the date hereof or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof; (C) the consummation of a merger or consolidation of the Company with or the sale of the Company to any other entity and, in connection with such merger, consolidation or sale, individuals who constitute the Board immediately prior to the time any agreement to effect such merger or consolidation is entered into fail for any reason to constitute at least a majority of the board of directors of the surviving/purchasing or acquiring entity following the consummation of such merger, consolidation or sale; (D) the stockholders of the Company approve a plan of complete liquidation of the Company; or (E) the consummation of the sale or disposition by the Company of all or substantially all of the Company's assets to an entity not controlled by the Company.

(ii) "*Cause*" as used in this Agreement means the occurrence of any of the following: (A) gross negligence or willful misconduct by you in the performance of your duties that is likely to have a material adverse effect on the Company or its reputation; (B) your indictment for, formal admission to (including a plea of guilty or *non contendere* to), or conviction of (1) a felony, (2) a crime of moral turpitude,

dishonesty, breach of trust or unethical business conduct, or (3) any crime involving the Company; (C) your commission of an act of fraud or dishonesty in the performance of your duties; (D) repeated failure by you to perform your duties, which are reasonably and in good faith requested in writing by your manager or the CEO of the Company; (E) material breach of this Agreement by you, which you do not cure within ten (10) days following receipt by you of written notice of such breach; or (F) material breach of any written agreement between you and the Company, including, without limitation, the Noncompetition and Confidentiality Agreement between you and the Company, that you fail to remedy within ten (10) days following written notice from the Company.

(iii) "Disability" means an illness (mental or physical) or accident, which results in you being unable to perform your duties as an employee of the Company for a period of one hundred eighty (180) days, whether or not consecutive, in any twelve (12) month period.

(f) *Tax Implications of Termination Payments.* Subject to this Section 4(f), any payments or benefits required to be provided under Section 4(a) will be provided only upon the date of a "separation from service" with the Company as defined under Section 409A of the U.S. Internal Revenue Code of 1986, as amended, and the guidance issued thereunder ("Section 409A"), which occurs on or after the date of termination under this Section 4. The following rules will apply with respect to distribution of the payments and benefits, if any, to be provided to you under this Section 4:

(i) It is intended that each installment of the payments and benefits provided under this Section 4 will be treated as a separate "payment" for purposes of Section 409A. Neither the Company nor you will have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409A.

(ii) If, as of the date your "separation from service" with the Company, you are not a "specified employee" (each within the meaning of Section 409A), then each installment of the payments and benefits will be made on the dates and terms set forth in this Section 4.

(iii) If, as of the date of your "separation from service" with the Company, you are a "specified employee" (each, for purposes of this Agreement, within the meaning of Section 409A), then:

(A) Each installment of the payments and benefits due under

this Section 4 that, in accordance with the dates and terms set forth herein, will in all circumstances, regardless of when the separation from service occurs, be paid within the short-term deferral period (as defined for the purposes of Section 409A) will be treated as a short-term deferral within the meaning of Treasury Regulation Section 1.409A-1(b)(4) to the maximum extent permissible under Section 409A; and

(B) Each installment of the payments and benefits due under this Section 4 that is not paid within the short-term deferral period or otherwise cannot be treated as a short-term deferral within the meaning of Treasury Regulation Section 1.409A-1(b)(4) and that would, absent this subsection, be paid within the six-month period following your "separation from service" with the Company will not be paid until the date that is six months and one day after such separation from service (or, if earlier, your death), with any such installments that are required to be delayed being accumulated during the six-month period and paid in a lump sum on the date that is six months and one day following your separation from service and any subsequent installments, if any, being paid in accordance with the dates and terms set forth herein; provided, however, that the preceding provisions of this sentence will not apply to any installment of payments if and to the maximum extent that that such installment is deemed to be paid under a separation pay plan that does not provide for a deferral of compensation by reason of the application of Treasury Regulation 1.409A-1(b)(9)(iii) (relating to separation pay upon an involuntary separation from service). Any installments that qualify for the exception under Treasury Regulation Section 1.409A-1(b)(9)(iii) must be paid no later than the last day of the second taxable year following the taxable year in which your separation from service occurs.

5. Section 409A of the Code. This Agreement is intended to comply with the provisions of Section 409A and this Agreement will, to the extent practicable, be construed in accordance therewith. Terms used in this Agreement will have the meanings given such terms under Section 409A if and to the extent required in order to comply with Section 409A. Notwithstanding the foregoing, to the extent that this Agreement or any payment or benefit hereunder will be deemed not to comply with Section 409A, then neither the Company, the Board nor any of its or their respective designees or agents will be liable to you or any other person for any actions, decisions or determinations made in good faith.

6. No Mitigation. The parties hereto agree that you will not be required to mitigate damages in respect of any termination benefit or payment due under this Agreement, nor

will any such benefit or payment be offset by any future compensation or income received by you from any other source.

7. Provision of Benefits. Should the continuation of any benefits to be provided to you following the termination of your employment hereunder be unavailable under the Company's benefit plans for any reason, the Company will pay for you to receive such benefits under substantially similar plans from similar third party providers.

8. Assignment. This Agreement is personal in nature and neither of the parties hereto will, without the written consent of the other, assign or otherwise transfer this Agreement or its obligations, duties and rights under this Agreement; provided, however, that in the event of the merger, consolidation, transfer or sale of all or substantially all of the assets of the Company, this Agreement will, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor will discharge and perform all of the promises, covenants, duties and obligations of the Company hereunder.

9. General.

(a) *Entire Agreement; Modification.* Except as specifically stated herein, the terms of your offer letter dated November 8, 2011 shall survive and continue with full force and effect. This Agreement contains the entire agreement of the parties relating to the subject matter hereof, and the parties hereto have made no agreements, representations or warranties relating to the subject matter of this Agreement that are not set forth otherwise herein. No modification of this Agreement will be valid unless made in writing and signed by the parties hereto.

(b) *Severable Provisions*. The provisions of this Agreement are severable and if any one or more provisions may be determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions of this Agreement will nevertheless be binding and enforceable. Notwithstanding the foregoing, if there are any conflicts between the terms of this Agreement and the terms of any Plan document referred to in this Agreement, then the terms of this Agreement will govern and control. Except as modified hereby, this Agreement will remain unmodified and in full force and effect.

(c) *Governing Law*. This Agreement will be governed by and interpreted in accordance with the laws of the Commonwealth of Massachusetts, without regard to the conflict of laws provisions hereof.

(d) *Arbitration*.

(i) Any controversy, dispute or claim arising out of or relating to this Agreement or the breach hereof which cannot be settled by mutual agreement will be finally settled by binding arbitration in Boston,

Massachusetts, under the jurisdiction of the American Arbitration Association, before a single arbitrator appointed in accordance with the arbitration rules of the American Arbitration Association, modified only as herein expressly provided. The arbitrator may enter a default decision against any party who fails to participate in the arbitration proceedings.

(ii) The decision of the arbitrator on the points in dispute will be final, non-appealable and binding, and judgment on the award may be entered in any court having jurisdiction thereof.

(iii) Except as otherwise provided in this Agreement, all the fees and expenses of the arbitrator will be borne by the Company, and each party will bear the fees and expenses of its own attorney.

(iv) The parties agree that this Section 9(d) has been included to rapidly and inexpensively resolve any disputes between them with respect to this Agreement, and that this Section 9(d) will be grounds for dismissal of any court action commenced by either party with respect to this Agreement, other than post-arbitration actions seeking to enforce an arbitration award or actions seeking an injunction or temporary restraining order. In the event that any court determines that this arbitration procedure is not binding, or otherwise allows any litigation regarding a dispute, claim, or controversy covered by this Agreement to proceed, the parties hereto hereby waive any and all right to a trial by jury in or with respect to such litigation.

(v) The parties will keep confidential, and will not disclose to any person, except as may be required by law, the existence of any controversy hereunder, the referral of any such controversy to arbitration or the status or resolution thereof.

(e) *Notices.* All notices shall be in writing and shall be delivered personally (including by courier), sent by facsimile transmission (with appropriate documented receipt thereof), by overnight receipted courier service (such as UPS or Federal Express) or sent by certified, registered or express mail, postage prepaid, to the Company at the following address: General Counsel, Sonus Networks, Inc., 4 Technology Park Drive, Westford, MA 01886, and to you at the address in your then-current employment records. Any such notice will be deemed given when so delivered personally, or if sent by facsimile transmission, when transmitted, or, if by certified, registered or express mail, postage prepaid mailed, forty-eight (48) hours after the date of deposit in the mail. Any party may, by notice given in accordance with this paragraph to the other party, designate another address or person for receipt of notices hereunder.

(f) *Counterparts.* This Agreement may be executed in more than one counterpart, each of which will be deemed to be an original, and all such counterparts together will constitute one and the same instrument.

(g) *Survival*. All terms of this Agreement, which by their nature extend beyond its termination, will remain in effect until fulfilled and apply to the parties' respective successors and assigns.

You may accept this offer of employment and the terms and conditions thereof by confirming your acceptance in writing by June 14, 2013. Please send your countersignature to this Agreement to the Company, or via e-mail to Caroline Strickler, which execution will evidence your agreement with the terms and conditions set forth herein.

Peter, I am looking forward to your help taking Sonus to the next level.

Very truly yours,

/s/ Todd A. Abbott

Todd A. Abbott
EVP Strategy and Go-to-Market

Accepted by:

/s/ Peter Polizzi	June 19, 2013
Peter Polizzi	Date

Exhibit 10.4

May 1, 2015

PERSONAL AND CONFIDENTIAL

Peter Polizzi
By email
Dear Peter:

This letter summarizes the terms of your separation from employment with Sonus Networks, Inc. (the “Company”). You and the Company agree as follows:

A. Separation From Employment

1. Employment Status. As agreed, your employment with the Company will terminate effective May 1, 2015 (the “Separation Date”).

2. Final Payments. As of the Separation Date, payments of your salary will cease and you will be entitled to severance as set forth in your executive employment letter, dated June 13, 2013 (your “Agreement”); provided that the payments reflected in paragraph 4(a)(i) of the Agreement will be made in a single lump sum. In addition, the Company will pay you (i) all earned but unpaid base salary up to and through the Separation Date, and (ii) all accrued but unused vacation up to and through the Separation Date. The Company will also reimburse you for all appropriately documented business expenses in accordance with Company policy; provided that you submit all documentation of any such expenses on or before the Separation Date.

3. Benefits. In accordance with the Agreement, the Company will continue to pay its share of medical, dental and vision premiums for you and your dependents through May 31, 2016. As of the Separation Date, the following benefits will cease to be effective: vacation accrual, sick and personal day accrual, 401k, life and accidental death and dismemberment, flexible spending accounts and short-term/long-term disability. You may consult with the Company’s Human Resources Department if you are interested in continuing certain of these benefits at your own expense.

4. Stock Options and Restricted Shares. As stated in the Agreement, any stock options granted to you by the Company to purchase shares of the Company’s common stock that are unvested as of the Separation Date and that will vest during the twelve (12) months following your termination will accelerate and immediately vest and become exercisable upon termination, and your stock options that are or become vested will remain outstanding and exercisable for the shorter of three (3) years following the Separation Date or the original remaining life of the options. Any shares of restricted stock granted to you by the Company that are unvested as of the Separation Date and that will vest in during twelve (12) months following your termination

will accelerate and immediately vest upon termination, any and all restrictions on such restricted shares will be terminated, and any and all legends on such restricted shares will be removed so that the restricted shares will be freely marketable.

5. Stock Transactions. As of the Separation Date, you will no longer be obligated to comply with the Company's quiet period restrictions regarding the purchase or sale of the Company's stock. Please understand, however, you remain subject to all federal and state securities laws and that that it is a violation of law to trade in Company stock if you possess material non-public information.

B. General Release of Claims

1. Release. In consideration of the severance pay above and other good and valuable consideration, the receipt of which are hereby acknowledged, you hereby agree to remise, release, and forever discharge the Company and its subsidiaries, successors and assigns, and their respective past, present and future officers, directors, shareholders, agents, legal representatives, insurers, benefit plans, and employees (the "Released Parties") from any and all claims, losses, liabilities, obligations, and causes of action of every kind, nature and character, known or unknown, that you may have, or have ever had, against any of the Released Parties, arising out of, in any way connected with, or relating to your employment with the Company, separation from employment with the Company, or other status with the Company, including, but not limited to (collectively the "Causes of Action"), (a) claims for compensation, salary, wages, bonuses, commissions, vacation pay, expense reimbursement, benefits, multiple damages, or attorneys fees conferred by or arising under any state, federal or local law, including the M.G.L. c. 149, §§148 and 150 (also known as the Massachusetts Wage Act); (b) claims for breach of contract, express or implied; (c) claims for wrongful discharge, defamation, breach of privacy, intentional infliction of emotional distress, or any other tort or personal injury; (d) claim under common law; (e) claims relating to harassment, discrimination, retaliation, and/or civil rights; and (f) claims arising under any municipal, state or federal law, statute, regulation or ordinance, including without limitation Title VII of the Civil Rights Act, the Equal Pay Act, 42 U.S.C. §1981, the Rehabilitation Act, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act, the Worker Adjustment and Retraining Notification Act, the Massachusetts Fair Employment Practices Act, The New Jersey Law Against Discrimination, the Massachusetts Equal Rights Law, Mass. G.L. c. 151B, and similar provisions under the laws of the Commonwealth of Massachusetts, and the state of New Jersey, all as amended. In addition, you agree not to assist or otherwise cooperate with any third parties in the filing or administration of any Cause of Action.

2. Waiver of Rights and Claims Under the Age Discrimination In Employment Act of 1967

This agreement is intended to comply with the Older Workers' Benefit Protection Act of 1990 ("OWBPA') with regard to your waiver and release of rights and/or claims under the Age Discrimination in Employment Act of 1967 ("ADEA"). To that end, you agree and acknowledge as follows:

(a) In consideration for the amounts described above, which you are not otherwise entitled to receive, you specifically and voluntarily waive such rights and/or claims under the ADEA you might have against the Company to the extent such rights and/or claims arose prior to the date this Agreement was executed.

(b) You understand that rights or claims under the ADEA which may arise after the date this Agreement is executed are not waived by you.

(c) You have been advised to consult with or seek advice from an attorney of your choosing before executing this Agreement.

(d) You have twenty-one (21) days within which to consider the terms of this Agreement and the decision to enter into this Agreement, and that such twenty-one (21) day review period will not be affected or extended by any revisions, whether material or immaterial, that might be made to this Agreement.

(e) You may revoke your acceptance of this Agreement in the seven (7) day period following the date on which you sign the Agreement. Notice of revocation must be in writing, and submitted to the Company within the seven (7) day revocation period. This Agreement will not become effective or enforceable until the seven (7) day revocation period has expired.

3. No Assignment. You represent that you have made no assignment, and will make no assignment, of any claim, right of action or any right of any kinds whatsoever, embodied in any of the claims released by you herein, and that no other person or entity of any kind had or has any interest in any of the respective claims, demands, obligations, actions, causes of action, debts, liabilities, rights, contracts, damages, attorneys' fees, costs, expenses or losses released by you herein.

4. Full Resolution of Claims. You acknowledge that you desire the foregoing release to be a full and complete resolution of any and all claims, complaints or grievances you have, may have or ever had against the Company, whether known or unknown, relating to your employment with and termination from the Company.

C. Return of Company Property

On or before the Separation Date, you agree to return to the Company any and all Company property, documents, materials and information that you created, received, or used in the course of your employment, including but not limited to laptop, keys, contact information, and badge (the "Company Materials"). You further agree that you shall not retain any copies of the Company Materials, whether in written or electronic form, and that if you discover any other Company Materials in your possession after the Separation Date, you will immediately return such materials to the Company.

D. Post-Employment Obligations

1. Contractual Obligations. You confirm the existence and continued validity of the Non-Competition and Confidentiality Agreement signed by you (the "Confidentiality Agreement"), which you signed as a condition of your employment with the Company.

2. Cessation of Payments In Event of Breach. You understand and acknowledge that, if the Company reasonably determines that you have failed to abide by your obligations under this Section D, or any other provision of this Agreement or the Confidentiality Agreement, the Company may immediately terminate all severance and related benefits set forth above, in addition to, and not in lieu of, seeking all other legal and equitable relief.

E. Miscellaneous

1. This Agreement shall be deemed to have been executed and delivered within the Commonwealth of Massachusetts and the rights and obligations of the parties to this Agreement shall be construed and enforced in accordance with and governed by the laws of the Commonwealth of Massachusetts. The state or federal courts in the Commonwealth of Massachusetts will have exclusive jurisdiction to adjudicate any dispute arising under or relating in any way to this Agreement, and the parties hereby submit to the jurisdiction and venue of any Massachusetts court.

2. This Agreement may be modified only by a written agreement signed by you and an authorized Company representative.

3. If one or more of the provisions contained in this Agreement is held to be excessively broad as to scope, activity, subject or otherwise so as to be unenforceable at law, such provision or provisions will be construed by the appropriate judicial body by limiting or reducing it or them, so as to be enforceable to the maximum extent compatible with applicable law.

4. You agree that you have entered into this Agreement voluntarily and that you have had the opportunity to review this Agreement with an independent lawyer of your choosing. In entering into this Agreement, you are not relying on any representation, promise, or inducement made by the Company or its attorneys with the exception of those promises described in this document.

* * *

If you agree to the terms of this Agreement, please sign and date below and return this Agreement to me. Because the Company cannot leave this offer of severance open indefinitely, please note that this offer of severance will expire and no longer be valid upon the earlier to occur of (i) your receipt of written notice from the Company, which specifically withdraws this offer of severance, or (ii) 5:00 p.m. (Eastern Standard Time) twenty-one (21) days after the date that you receive the offer.

Sincerely,
Sonus Networks, Inc.,

By: /s/ Jeffrey M. Snider
Jeffrey M. Snider
Chief Administrative Officer

YOU REPRESENT THAT YOU HAVE READ THE FOREGOING AGREEMENT, THAT YOU FULLY UNDERSTAND THE TERMS AND CONDITIONS OF SUCH AGREEMENT AND THAT YOU ARE VOLUNTARILY EXECUTING THE SAME. IN ENTERING INTO THIS AGREEMENT, YOU DO NOT RELY ON ANY REPRESENTATION, PROMISE OR INDUCEMENT MADE BY THE COMPANY WITH THE EXCEPTION OF THE CONSIDERATION DESCRIBED IN THIS DOCUMENT.

Accepted and agreed to:

/s/ Peter Polizzi	May 1, 2015
Peter Polizzi	Date

Exhibit 10.5

May 1, 2015

PERSONAL AND CONFIDENTIAL

Peter Polizzi
By email
Dear Peter:

This consulting agreement ("Agreement") is effective as of May 1, 2015 ("Effective Date"), by and between Sonus Networks, Inc. ("Sonus") and Peter Polizzi ("Consultant"). Sonus and Consultant hereby agree to the following:

1. Title, Term, and Termination. Sonus will retain Consultant as "Advisor to the CEO," and Consultant will accept such retention, commencing as of the Effective Date of this Agreement and terminating on September 30, 2015. This Agreement may be terminated by Consultant for any reason or no reason upon thirty (30) days written notice to Sonus. Sonus may terminate this Agreement only for cause.

2. Compensation. Consultant shall be paid $10,000 per month during the term of this Agreement, as compensation for all services rendered. Consultant shall have the responsibility for the payment of all federal, state and local taxes for any compensation payable to Consultant hereunder; provided, however, to the extent required by law, the Company may withhold from compensation payable to Consultant all applicable federal, state and local withholding taxes.

3. Independent Contractor. The parties agree that Consultant is an independent contractor, and no other relationship, status, or legal organization shall be implied or created by this Agreement. Consultant shall have no power or authority to bind the Company or act on behalf of the Company in any manner.

4. Confidential Information. The terms of the Non-Disclosure Agreement ("NDA") between the Company and the Consultant of even date herewith in the form attached hereto is hereby incorporated by reference. The terms of the Confidentiality, Non-Competition and Assignment of Inventions Agreement, earlier signed by Consultant as a full-time employee, shall survive the signature of the NDA.

5. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Massachusetts, without regard to its choice of law principles, and the parties agree that all disputes will be submitted to courts in Massachusetts.

* * *

Sonus Networks, Inc.	**Peter Polizzi**
/s/ Jeffrey M. Snider	/s/ Peter Polizzi
Signed: Jeffrey M. Snider	Date: May 1, 2015
Title: Chief Administrative Officer	
Date: May 1, 2015	

Non-Disclosure Agreement

This **NON-DISCLOSURE AGREEMENT** (“Agreement”), effective as of the date of execution by both parties (the “Effective Date”), is between Sonus Networks, Inc. including its subsidiaries and affiliates, with offices located at 4 Technology Park Drive, Westford, Massachusetts 01886 (the “Company”) and **Peter Polizzi** with offices/address located at 5 Colonial Road, Port Washington, New York (the “Recipient”). The Company would like the Recipient to provide services (“Services”) as a contractor or consultant to the Company and, to further these ends, the Company may disclose Confidential Information (as defined below) to the Recipient to assist the Recipient in performing such Services. This Agreement covers information that has been previously disclosed by the Company and information that will be disclosed by the Company on or after the Effective Date.

1. "Confidential Information" shall mean all commercially valuable, proprietary and confidential information and trade secrets with respect to the Company’s business and products, whether of a technical, business or other nature (including, without limitation, know-how and information relating to the technology, customers, business plans, promotional and marketing activities, finances and other business affairs of Company), that has been or is disclosed to Recipient or is otherwise learned by Recipient in the course of its discussions or business dealings with, or its physical or electronic access to the premises of, the Company, and that has been identified as being proprietary and/or confidential or that by the nature of the circumstances surrounding the disclosure or receipt ought to be treated as proprietary and confidential.

2. The Recipient agrees that all Confidential Information of the Company shall (a) remain the secret and confidential property of Company, which the Recipient will hold and protect in secrecy and confidence using all reasonable precautions including, but not limited to, using precautions no less stringent than those employed by the Recipient to protect its own Confidential Information but in no event less than a reasonable degree of care; (b) not be used for any purpose other than evaluation and/or provision of the Services; (c) not be disclosed to any person other than those employees or consultants of the Recipient who have a need to know the Confidential Information to perform the Services (and the Recipient shall be responsible for any breach of this Agreement by any of them); and (d) not be recorded or copied except to the extent specifically authorized by the Company in writing. In addition, without prior written consent of the Company, the Recipient will not disclose the fact that the Services are being contemplated by or provided to the Company.

3. The restrictions set forth above shall not apply to information that the Recipient can establish (a) is now or subsequently becomes in the public domain; (b) is lawfully received by the Recipient from a third party not bound in a confidential relationship to the Company; (c) was already in the Recipient’s possession at the time such information was disclosed by the Company to the Recipient; or (d) was independently developed by the Recipient without use of the information disclosed under this Agreement. If a portion or aspect of the Confidential Information becomes generally known, only that portion or aspect shall not be governed by this Agreement and all other aspects of the Confidential Information shall remain subject to the provisions of this Agreement.

4. The Recipient shall destroy or return to the Company, at the Company’s request, all Confidential Information (including, without limitation, any copies, extracts or other reproductions in whole or in part of such Confidential Information) within ten (10) days of any such request by the Company and the individual or officer of the Recipient supervising such destruction shall certify in writing to the Company that such destruction occurred. Any oral Confidential Information shall be kept confidential subject to this Agreement.

5. The Recipient agrees not to decompile, reverse engineer or disassemble any portion of the Company’s products.

6. All information is provided “as is” and without any warranty, express, implied or otherwise, regarding its accuracy or performance**.**

7. If a Recipient becomes compelled by law or court order to disclose Confidential Information of the Company, the Recipient will provide the Company with prompt notice of such requirement so the Company may seek a protective order or other appropriate remedy. If such protective order or other remedy is not obtained, the Recipient agrees to furnish only that portion of the Confidential Information that it is advised by legal counsel is required by applicable law or court order, and such disclosure will not result in any liability hereunder.

8. The Recipient acknowledges that any violation of this Agreement may have a material adverse effect upon, and result in irreparable damage to, the Company and that, in the event of any such violation, without limiting any other available remedies, the Company shall be entitled to seek an injunction and other equitable relief, without the need for proving actual damages or the posting of a bond. No failure or delay by either party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise or any right, power or privilege.

9. The Recipient certifies that none of the Company’s Confidential Information, or any portion thereof, will be exported to any country in violation of any applicable export control laws or regulations.

10. From time to time during the term of this Agreement, the Company may disclose information related to future products, features or enhancements in order to support and obtain feedback for the Company’s vision and strategy for development efforts and plans (“Product Roadmap”). Development efforts and plans are subject to change at any time, without notice. The Company provides no assurances that the Company will introduce future products, features or enhancements described in a presentation containing Product Roadmap information, and the Company assumes no responsibility to introduce such products, features or enhancements.

11. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and may only be amended by a writing signed by both parties. Either party may terminate this Agreement upon sixty (60) days written notice to the other party. Notwithstanding the foregoing, the obligations of the parties contained in this Agreement shall survive indefinitely and continue beyond the termination of this Agreement. If any provision of this Agreement is found invalid or unenforceable under any applicable law, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining portions of this Agreement. This Agreement will be governed by and construed in

accordance with the laws of the Commonwealth of Massachusetts without regard to its rules regarding conflicts of law. The parties irrevocably submit to the exclusive jurisdiction of the courts of the Commonwealth of Massachusetts. The language of this Agreement shall be construed as a whole, according to its fair meaning, not strictly for or against either party, with no regard whatsoever to the status of any person who drafted all or any portion of this Agreement. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which taken together shall be deemed to constitute one and the same instrument. This Agreement may not be assigned by either party.

12. Notwithstanding any provision to the contrary, Recipient agrees to comply with all applicable laws with regard to its receipt, processing and holding of Discloser information, including without limitation employee information, and compliance with privacy laws.

COMPANY: SONUS NETWORKS, INC.

By:	By: /s/ Jeffrey M. Snider
Name:	Name: Jeffrey M. Snider
Title:	Title: Chief Administrative Officer
Date:	Date: May 1, 2015

RECIPIENT

By:	By: /s/ Peter Polizzi
Name:	Name: Peter Polizzi
Date:	Date: May 1, 2015

EXHIBIT 31.1

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

I, Raymond P. Dolan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sonus Networks, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2015

/s/ Raymond P. Dolan

Raymond P. Dolan
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

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

I, Mark T. Greenquist, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sonus Networks, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2015

/s/ Mark T. Greenquist

Mark T. Greenquist
Chief Financial Officer (Principal Financial Officer)

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Sonus Networks, Inc. (the "Company") for the period ended June 26, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Raymond P. Dolan, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 30, 2015

/s/ Raymond P. Dolan

Raymond P. Dolan
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Sonus Networks, Inc. (the "Company") for the period ended June 26, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Mark T. Greenquist, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 30, 2015

/s/ Mark T. Greenquist

Mark T. Greenquist
Chief Financial Officer
(Principal Financial Officer)