Sonus®

2015 Notice and Proxy Statement

And

2014 Annual Report

Sonus®

Proxy Statement

SONUS NETWORKS, INC.
4 Technology Park Drive
Westford, MA 01886

April 29, 2015

Dear Stockholder:

We cordially invite you to attend the annual meeting of stockholders of Sonus Networks, Inc. The meeting will be held on Thursday, June 11, 2015, at 10:00 a.m., local time, at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, located at 60 State Street, Boston, Massachusetts 02109.

At the annual meeting, stockholders will be asked to consider and vote on (i) the election of eleven nominees for director to hold office until the 2016 annual meeting of stockholders; (ii) the approval of amendments to the Sonus Networks, Inc. 2007 Stock Incentive Plan, as amended; (iii) the ratification of the appointment of Deloitte & Touche LLP to serve as Sonus' independent registered public accounting firm for the fiscal year ending December 31, 2015; (iv) the approval, on a non-binding basis, of the compensation of our named executive officers as disclosed in the "Compensation Discussion and Analysis" section and the accompanying compensation tables and related narratives contained in the accompanying Proxy Statement; and (v) the transaction of any other business that may properly come before the meeting and any adjournments or postponements thereof. Sonus' Board of Directors recommends a vote **FOR** each of the proposals, each of which is described in more detail in the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement.

We look forward to greeting personally those stockholders who are able to be present at the meeting; however, whether or not you plan to attend in person, it is important that your shares be represented. **Your vote is very important.** Therefore, please vote at your earliest convenience by following the instructions as described in the accompanying Proxy Statement.

Thank you for your continued trust and confidence in Sonus.

Sincerely,

Raymond P Dolan

Raymond P. Dolan
President and Chief Executive Officer

SONUS NETWORKS, INC.
4 Technology Park Drive
Westford, MA 01886

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To be held June 11, 2015

To the Stockholders of Sonus Networks, Inc.:

Notice is hereby given that the annual meeting of stockholders of Sonus Networks, Inc. will be held on Thursday, June 11, 2015 at 10:00 a.m., local time, at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, located at 60 State Street, Boston, Massachusetts 02109. At the meeting, we will consider and vote upon the following proposals to:

1. Elect eleven nominees for director to hold office until the 2016 annual meeting of stockholders;
2. Approve amendments to the Sonus Networks, Inc. 2007 Stock Incentive Plan, as amended;
3. Ratify the appointment of Deloitte & Touche LLP to serve as Sonus Networks' independent registered public accounting firm for the fiscal year ending December 31, 2015;
4. Approve, on a non-binding advisory basis, the compensation of our named executive officers as disclosed in the "Compensation Discussion and Analysis" section and the accompanying compensation tables and related narratives contained in the accompanying Proxy Statement; and
5. Transact any other business that may properly come before the meeting and any adjournments or postponements thereof.

These items are more fully described in the accompanying Proxy Statement. Only stockholders of record at the close of business on April 14, 2015 are entitled to attend and vote at the 2015 annual meeting and any adjournment of the meeting. All stockholders are invited to attend the annual meeting in person. Whether or not you plan to attend the annual meeting, your vote is important. To ensure that your vote is counted at the 2015 annual meeting, please vote as promptly as possible.

By Order of the Board of Directors,

Jeffrey M. Snider
Senior Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary

Westford, Massachusetts
April 29, 2015

This Notice, the accompanying Proxy Statement and a form of proxy card are being mailed beginning on or about April 29, 2015 to all stockholders entitled to vote at the meeting. The Sonus Networks, Inc. 2014 Annual Report on Form 10-K, which includes our financial statements and constitutes our annual report to our stockholders, is being mailed with this Notice.

Important Notice Regarding Availability of Proxy Materials for the Stockholder Meeting to be held on June 11, 2015: The Proxy Statement and the 2014 Annual Report to Stockholders are available at *https://materials.proxyvote.com/835916*.

TABLE OF CONTENTS

SONUS NETWORKS, INC.
PROXY STATEMENT

Proxy Statement—Summary

This summary highlights information contained elsewhere in this Proxy Statement or the accompanying 2014 Annual Report. This summary does not contain all of the information you should consider before voting. You should read the entire Proxy Statement carefully before voting.

We effected a one-for-five reverse stock split of our 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 our January 2015 reverse stock split.

2014 Financial and Operating Performance Highlights

Fiscal year 2014 was another year of continued strong and operational progress for Sonus:

FINANCIAL PERFORMANCE

- We **increased total revenue by 7%** to $296.3 million.
- We **generated $30 million of cash** from operations.
- We **increased our total non-GAAP gross margin and GAAP gross margin** by 380 basis points, to 67.4%, and 290 basis points, to 65.3%, respectively.[1]
- We **achieved non-GAAP diluted earnings per share of $0.37**, up 236% compared to full year 2013; and reduced GAAP loss per share to $0.34.[1]

SALES PERFORMANCE

- We **added 856 new customers**, compared to 670 the previous year, a 28% increase.
- In 2014, our **channel product sales grew 51% and represented 27% of total product revenue,** compared to 20% the previous year.

STRATEGIC PERFORMANCE

- We **successfully closed two acquisitions**: Performance Technologies, Incorporated (in February 2014) and the software-defined networking ("SDN") technology software assets of Treq Labs, Inc. (in January 2015).
- We **successfully reduced the concentration of our two largest shareholders** from approximately 37% of our total shares outstanding in March 2014 to approximately 8% as of year-end 2014.
- We **launched the Sonus SBC 7000**, the industry's highest scale session border controller ("SBC"). This product represented the fastest time to revenue for any new product in the Company's history.
- We **continued to lead the market to software** with the introduction of the Sonus PSX SWe, the virtualized platform of Sonus' Centralized Policy and Routing Engine, and the Sonus DSC SWe, a virtualized version of Sonus' Diameter Signaling Controller ("DSC") product.
- We **received numerous industry awards** including the 2014 Excellence in SDN Award and the 2014 Unified Communications (UC) Product of the Year Award by TMC's INTERNET TELEPHONY magazine for the Sonus SBC SWe. The Company was also awarded the 2014 INTERNET TELEPHONY Lync Pioneer Award, an award given to companies that enable businesses to leverage the Microsoft Lync platform for enhanced UC and collaboration experiences.

(1) A reconciliation of non-GAAP to GAAP financial information and a statement on the use of non-GAAP measures are included as Appendix A.

Corporate Governance and Executive Compensation Highlights

Annual Election of Directors: ***Yes (no staggered board)***
Separate Chairman and CEO: ***Yes***
Number of Independent Directors: ***10 out of 11 directors***
Independent Directors Meet without Management: ***Yes***
Average Director Attendance at Board and Committee Meetings: ***98.58%***
Board Diversity (as to gender, ethnicity, experience and skills): ***Yes***
Annual Equity Grant to Non-Employee Directors: ***Yes***
Annual Board and Committee Self-Evaluations: ***Yes***
Annual Advisory Approval of Executive Compensation: ***Yes***
Disclosure Committee for Financial Reporting: ***Yes***
Review and Approval Policy for Related Party Transactions: ***Yes***
Code of Conduct for Non-Employee Directors: ***Yes***
Share ownership guidelines for our CEO, our other Section 16 reporting officers and our non-employee directors: ***Yes***

Key Elements of our Executive Compensation Program: Our overall executive compensation program is founded on three guiding principles:

- We offer competitive compensation packages **to attract** executives from larger telecommunications companies that offer significantly greater cash compensation, and from smaller private telecommunications companies that offer greater perceived equity growth potential;
- We offer incentive compensation **to motivate** our executives to transform Sonus from a media gateway company in a declining market into a profitable company in growing SBC, DSC and SDN markets; and
- We seek **to retain** our key executives in the face of other opportunities.

Key Highlights of our 2014 Executive Compensation Program: Our Board was fiscally conservative and our executives demonstrated their belief that the Company's equity value will grow:

- Despite achievement that would have resulted in a cash bonus payout of 127% based on the fixed metrics adopted last year, our Compensation Committee **exercised its discretion** in light of overall financial performance **to reduce** this amount to approximately 105%.
- With the exception of his base salary increase in September 2014, our CEO elected to receive **100% of his salary in restricted shares** of common stock that were subject to forfeiture until they vested on December 31, 2014, and our named executive officers ("NEOs") and nearly all of our senior managers elected to receive their **annual cash bonuses in the form of common stock** in lieu of cash, with a mandatory one-year holding period, further aligning them with the long-term interests of other stockholders.

Key Highlights of our 2015 Executive Compensation Program to Date:

- We **added performance-based awards** to our equity incentive compensation mix for the first time since March 2012. These performance-based awards constitute a meaningful portion of the long-term equity incentive compensation for our Chief Executive Officer and his direct reports.
- Our Compensation Committee established metrics for 2015 bonuses that continue to reward growth in net income, added a revenue growth metric, and ascribed a percentage weighting to each of 60% and 40%, respectively.
- Our NEOs again elected to receive their **annual cash bonuses in the form of common stock** in lieu of cash, meaning that they will have elected to receive their annual cash bonuses in the form of common stock for three straight years.

Board of Director Nominees and Committee Composition							
Director Nominees (11)				**Board Committees**			
Name	**Director Since**	**Independent**	**Position**	**Audit Committee**	**Compensation Committee**	**Nominating and Corporate Governance Committee**	**Technology and Strategy Oversight Committee**
James K. Brewington	2009	✓	Former President of the Developing Markets group of Lucent Technologies			✓	C
Matthew W. Bross	2014	✓	Chairman and Chief Executive Officer of Compass-EOS				✓
John P. Cunningham	2004	✓	Former Senior Vice President, Finance and Operations of Citrix Systems, Inc.	✓			
Raymond P. Dolan	2010		President, Chief Executive Officer and Director of Sonus Networks, Inc.				
Beatriz V. Infante	2010	✓	Chief Executive Officer of BusinessExcelleration LLC		✓		
Howard E. Janzen	2006	✓	Chairman of the Board, President and Chief Executive Officer of Cool Planet Energy Systems, Inc.	✓		✓	
Richard J. Lynch	2014	✓	President of FB Associates, LLC, and the former Executive Vice President and Chief Technology Officer for Verizon Communications and Verizon Wireless				✓
Pamela D.A. Reeve	2013	✓	Former President, Chief Executive Officer and Director of Lightbridge, Inc.		✓	✓	
John A. Schofield	2009	✓	Former President, Chief Executive Officer and Chairman of the Board of Advanced Fibre Communications, Inc.	✓	C		
Scott E. Schubert	2009	✓	Former Chief Financial Officer of TransUnion LLC	C ACFE			
H. Brian Thompson	2003	✓	Executive Chairman of GTT Communications, Inc.		✓	C	

C—Denotes Chairman of the specified committee.

ACFE—Denotes that Mr. Schubert is an "audit committee financial expert" as defined in Item 407(d)(5) of Regulation S-K.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Proxy Statement 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 Proxy Statement, including statements regarding our future results of operations and financial position, industry developments, business strategy, plans and objectives of management for future operations and plans for future cost reductions are forward-looking statements. Without limiting the foregoing, the words "anticipates", "believes", "could", "estimates", "expects", "intends", "may", "plans", "seeks" and other similar language, whether in the negative or affirmative, are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to: the timing of customer purchasing decisions and our recognition of revenues; economic conditions; adjustments identified in the course of the Company's quarter-end accounting review; our ability to recruit and retain key personnel; difficulties supporting our strategic focus on channel sales; difficulties retaining and expanding our customer base; difficulties leveraging market opportunities; the impact of cost reduction and restructuring activities; our ability to realize benefits from the Network Equipment Technologies, Inc. ("NET") and Performance Technologies, Incorporated ("PT") acquisitions and the Treq Labs, Inc. ("Treq") asset acquisition; the effects of disruption from the PT and Treq transactions, making it more difficult to maintain relationships with employees, customers, business partners or government entities; the success implementing the integration strategies of NET, PT and Treq assets; litigation; actions taken by significant stockholders; difficulties providing solutions that meet the needs of customers; market acceptance of our products and services; rapid technological and market change; our ability to protect our intellectual property rights; our ability to maintain partner, reseller, distribution and vendor support and supply relationships; higher risks in international operations and markets; the impact of increased competition; currency fluctuations; the impact of the reverse split of our common stock and changes in the market price of our common stock; and/or failure or circumvention of our controls and procedures. Important factors that could cause actual results to differ materially from those in these forward-looking statements are discussed in the "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", and "Quantitative and Qualitative Disclosures About Market Risk" sections in our filings with the Securities and Exchange Commission. Forward-looking 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. Also, any forward-looking statement made by us in this Proxy Statement speaks only as of the date of this Proxy Statement. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

INFORMATION ABOUT THE ANNUAL MEETING

Our Board of Directors (our "Board") is soliciting proxies for the annual meeting of stockholders of Sonus Networks, Inc. ("Sonus," "Sonus Networks," "our," "we," "us" or the "Company") to be held on Thursday, June 11, 2015, and at any adjournments or postponements thereof. This Proxy Statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully.

Why am I receiving these materials?

You have received these proxy materials because our Board is soliciting your vote at the 2015 annual meeting of stockholders. This Proxy Statement includes information that we are required to provide to you under the rules of the U.S. Securities and Exchange Commission (the "SEC") and that is designed to assist you in voting your shares.

When and where is the meeting?

The 2015 annual meeting of stockholders of the Company will be held on Thursday, June 11, 2015 at 10:00 a.m., local time, at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, located on the 26th floor at 60 State Street, Boston, Massachusetts 02109.

Who may vote at the meeting?

Stockholders of record at the close of business on April 14, 2015, the record date, may attend and vote at the meeting. Each stockholder is entitled to one vote for each share of common stock held on all matters to be voted. As of the close of business on April 14, 2015, an aggregate of 50,944,886 shares of our common stock were outstanding (which includes 1,501,157 unvested shares underlying restricted stock grants that are not considered to be outstanding for accounting purposes). A list of our stockholders will be available for inspection at our corporate offices at 4 Technology Park Drive, Westford, Massachusetts 01886 beginning no less than ten days prior to the meeting.

How many shares must be present to hold the meeting?

A majority of the 50,944,886 shares of our common stock that were outstanding as of the record date must be present at the meeting in order to hold the meeting and conduct business. This is called a quorum. For purposes of determining whether a quorum exists, we count as present any shares that are properly represented in person at the meeting or that are represented by a valid proxy properly submitted over the Internet, by telephone or by mail. Further, for purposes of establishing a quorum, we will count as present shares that a stockholder holds and which are represented by their proxy even if the stockholder does not vote on one or more of the matters to be voted upon.

What proposals will be voted on at the meeting?

There are four proposals scheduled to be voted on at the meeting:

- The election of eleven nominees for director to hold office until the 2016 annual meeting of stockholders;
- The approval of amendments to the Sonus Networks, Inc. 2007 Stock Incentive Plan, as amended (the "2007 Plan");
- The ratification of the appointment of Deloitte & Touche LLP to serve as Sonus Networks' independent registered public accounting firm for the fiscal year ending December 31, 2015; and

- The non-binding advisory vote on the compensation of our named executive officers as disclosed in the "Compensation Discussion and Analysis" section and the accompanying compensation tables and related narratives contained in this Proxy Statement.

How does the Board of Directors recommend that I vote?

Our Board recommends that you vote your shares:

- "For" the election of each of the nominees to our Board;
- "For" the approval of amendments to the 2007 Plan;
- "For" the ratification of the appointment of Deloitte & Touche LLP to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2015; and
- "For" the approval, on a non-binding advisory basis, of the compensation of our named executive officers, as disclosed in the "Compensation Discussion and Analysis" section and the accompanying compensation tables and related narratives contained in this Proxy Statement.

What vote is required to approve each matter and how are votes counted?

Election of Directors. To be elected, each of the eleven nominees for director must receive a plurality of the votes of the shares of common stock present or represented at the 2015 annual meeting of stockholders and entitled to vote as of the record date. You may vote "For" all nominees, "Withhold" your vote from all nominees, or vote "For" one or more nominees and "Withhold" your vote from one or more of the nominees. Votes that are withheld will not be included in the vote tally for the election of directors and will not affect the results of the vote. Please note that if you are a beneficial owner of our common stock and your stock is held through a broker, bank or other nominee, under stock exchange rules a broker, bank or other nominee subject to those rules is not permitted to vote your shares on the election of directors without your instruction. Therefore, if a beneficial owner of our common stock fails to instruct such a broker, bank or other nominee on how to vote for the Board's nominees, that beneficial owner's shares cannot be voted on this matter—in other words, your broker, bank or other nominee's proxy will be treated as a "broker non-vote," which is explained in the following question and explanation.

Approval of Amendments to the Sonus Networks, Inc. 2007 Stock Incentive Plan, as Amended. If a quorum is present, the affirmative vote of a majority of the shares of common stock present or represented at the 2015 annual meeting of stockholders and entitled to vote on this proposal will be required to approve this proposal. You may vote "For", "Against", or "Abstain" from voting on this proposal. Abstaining from voting on this proposal will have the effect of a vote against approval of the amendments to the 2007 Plan. Please note that if you are a beneficial owner of our common stock and your stock is held through a broker, bank or other nominee, under stock exchange rules, a broker, bank or other nominee subject to those rules is not permitted to vote your shares on this proposal without your instruction. Therefore, if a beneficial owner of our common stock fails to instruct such a broker, bank or other nominee on how to vote for the amendments to the 2007 Plan, that beneficial owner's shares cannot be voted on this matter—in other words, your broker, bank or other nominee's proxy will be treated as a "broker non-vote," which is explained in the following question and explanation.

Ratification of the Appointment of Deloitte & Touche LLP to Serve as Sonus Networks' Independent Registered Public Accounting Firm for the Fiscal Year Ending December 31, 2015. The affirmative vote of a majority of the shares of common stock present or represented at the 2015 annual meeting of stockholders and entitled to vote as of the record date will be required to approve the ratification of the appointment of Sonus Networks' independent registered public accounting firm. You may vote "For", "Against", or "Abstain" from voting on this proposal. Abstaining from voting on this proposal will have the effect of a vote against the proposal.

A Non-Binding Advisory Vote on the Compensation of Our Named Executive Officers. The vote on the compensation of our named executive officers is non-binding, as provided by law. However, our Board and the Compensation Committee will review and consider the outcome of this vote when making future compensation decisions for our named executive officers. The affirmative vote of a majority of the shares of common stock present or represented at the 2015 annual meeting of stockholders and entitled to vote as of the record date will be required to approve the non-binding advisory vote on the compensation of our named executive officers. You may vote "For", "Against", or "Abstain" from voting on this proposal. Abstaining from voting on this proposal will have the effect of a vote against the proposal. Please note that if you are a beneficial owner of our common stock and your stock is held through a broker, bank or other nominee, under stock exchange rules, a broker, bank or other nominee subject to those rules is not permitted to vote your shares on this proposal without your instruction. Therefore, if a beneficial owner of our common stock fails to instruct such a broker, bank or other nominee on how to vote its shares on the non-binding advisory vote on the compensation of our named executive officers, that beneficial owner's shares cannot be voted on this matter—in other words, your broker, bank or other nominee's proxy will be treated as a "broker non-vote," which is explained in the following question and explanation.

What are broker non-votes and what is the effect of broker non-votes?

Brokers, banks and other nominees have the discretion to vote shares held in "street name"—a term that means the shares are held in the name of the broker, bank or other nominee on behalf of its customer, the beneficial owner—on routine matters, but not on non-routine matters. Generally, broker non-votes occur when shares held by a broker, bank or other nominee for a beneficial owner are not voted with respect to a non-routine matter because the broker, bank or other nominee has not received voting instructions from the beneficial owner and the broker, bank or other nominee lacks discretionary authority to vote the shares because of the non-routine nature of the matter. Broker non-votes with respect to a matter are not counted as shares entitled to vote with respect to that matter and do not affect the voting results on that matter (unless the required vote is a percentage of all outstanding shares). Broker non-votes are counted as shares present for purposes of determining the presence of a quorum. The election of directors, the approval of the amendments to the 2007 Plan and the non-binding advisory vote on compensation of our named executive officers are "non-routine" matters for which brokers, banks and other nominees, under applicable stock exchange rules, may not exercise discretionary voting power without instructions from the beneficial owner. Your vote is very important, whether you hold directly or through a broker, bank or other nominee. We encourage you to read this Proxy Statement and the 2014 Annual Report carefully and if you are a beneficial owner, please be sure to give voting instructions to your broker, bank or other nominee.

How can I vote my shares in person at the meeting?

Shares held directly in your name as the stockholder of record may be voted in person at the meeting. If you choose to attend the meeting, please bring the enclosed proxy card and proof of identification for entrance to the meeting.

If you hold your shares in street name, please bring the enclosed proxy card or the voting instruction form you receive from your broker, bank or other nominee and proof of identification for entrance to the meeting. You must also request a legal proxy from your broker, bank or other nominee and bring it to the annual meeting if you would like to vote at the meeting.

How can I vote my shares without attending the meeting?

Whether you hold shares directly as a stockholder of record or beneficially in street name, you may vote without attending the meeting. If you are a stockholder of record, you may submit a proxy in any of the following ways:

- *Submit your proxy by mail.* You may complete, date and sign the proxy card and mail it in the postage-prepaid envelope that you received. The persons named in the proxy card will vote the shares you own in accordance with your instructions on the proxy card you return. If you return the proxy card but do not give any instructions on a particular matter described in this Proxy Statement, the persons named in the proxy card will vote the shares you own in accordance with the recommendations of our Board.
- *Submit your proxy over the Internet.* If you have Internet access, you may submit your proxy by following the instructions set forth on your proxy card. If you submit your proxy over the Internet, please do not return your proxy card.
- *Submit your proxy by telephone.* If you are located in the United States or Canada, you may submit your proxy by telephone by following the instructions set forth on your proxy card. If you submit your proxy by telephone, please do not return your proxy card.

The ability to submit your proxy by telephone or over the Internet will be available until 11:59 p.m., Eastern Daylight Time on June 10, 2015.

If your shares are held in the name of a broker, bank or other nominee, please follow the voting instructions on the forms you receive from such nominee. The availability of submitting your voting instructions by telephone or over the Internet will depend upon their voting procedures.

Who is serving as the Company's inspector of elections?

Broadridge Financial Solutions, Inc. has been engaged as our independent inspector of elections to tabulate stockholder votes for the 2015 annual meeting.

How can I change my vote?

You may revoke your proxy and change your vote at any time before the polls close at the meeting. You may do this by signing and submitting a new proxy card with a later date, submitting a proxy by telephone or submitting a proxy over the Internet (your latest telephone or Internet proxy is counted) or by attending the meeting and voting in person. Attending the meeting by itself, however, will not revoke your proxy unless you specifically request it.

Is my vote confidential?

Proxy instructions, ballots and voting tabulations that identify stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Sonus or to third parties, except as necessary to meet applicable legal requirements and to allow for the tabulation and certification of votes. Occasionally, stockholders provide written comments on their proxy cards, which may be forwarded to management and our Board.

What are the directions to the meeting?

The meeting is being held at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, Massachusetts 02109, telephone: (617) 526-6000. The main reception area where you should check in is on the 26th floor, where the annual meeting will be held.

Proposal 1—ELECTION OF DIRECTORS

Board of Directors

Our Board is presently composed of eleven members, ten of whom are independent within our director independence standards, which meet the director independence standards of the NASDAQ Stock Market Marketplace Rules. At the 2015 annual meeting of stockholders, all of our directors will be elected to hold office in accordance with our Fourth Amended and Restated Certificate of Incorporation, as amended. Each of the directors elected at the 2015 annual meeting of stockholders will serve for a term expiring at the 2016 annual meeting of stockholders.

Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the nominees named below. If a nominee declines to serve or is unable to serve as a director at the time of the annual meeting, such shares will be voted for the election of such substitute nominee as our Board may propose. It is not presently expected that the nominees named below will be unable or will decline to serve as a director. Under Delaware law, the affirmative vote of the holders of a plurality of shares of common stock voting on this matter at the annual meeting (*i.e.,* the largest number of votes cast) is required to elect each director. Consequently, only shares that are voted in favor of a particular nominee will be counted toward such nominee's achievement of a plurality.

Nominees Up For Election—Background and Qualifications

Our directors are a diverse group of leaders in their respective fields. Many of the current directors have leadership experience at major domestic and international companies with operations inside and outside of the United States, as well as experience on other companies' boards, which provides an understanding of different business processes, challenges and strategies. Other directors have experience as members on the board of directors of non-profit and philanthropic institutions, which brings unique perspectives to our Board and provides insight into issues faced by companies. The Board and its Nominating and Corporate Governance Committee believe that the attributes, leadership skills and other diverse experiences of our current Board members collectively provide the Company with the perspectives and judgment necessary to guide the Company's strategies and governance principles and to monitor their execution. Therefore, the Board proposes the re-election of the following eleven directors of the Company to hold office until the 2016 annual meeting of stockholders.

The biographies below describe the skills, qualities, attributes and experience of the nominees that led the Board and its Nominating and Corporate Governance Committee to determine that it is appropriate to nominate these directors.

James K. Brewington, 71, has been a director since May 2009. Mr. Brewington is a veteran of the global communications market, with over 40 years of industry experience at AT&T Inc. and Lucent Technologies before his retirement in 2007. From mid-2004 until his retirement from Lucent Technologies, Mr. Brewington was President of the then newly formed Developing Markets group, tasked with expanding the revenue base beyond domestic borders, reflecting his prior success in building out their global footprint. Prior to this, he was President of Lucent Technologies' Mobility Solutions division, where he was responsible for all wireless infrastructure for the mobility segment, including global wireless development and product architecture, project management, and business and product management. Mr. Brewington joined Lucent Technologies in 1996. He began his career at AT&T Inc. in 1968, and over the ensuing years held various executive management positions in the telecommunications industry, including overseeing Bell Telephone Wireless Laboratories.
Mr. Brewington has served on the Board of Directors and the Nominating and Corporate Governance Committee of Kopin Corporation since 2006 and serves on the Board of Directors of two privately held companies. He also advises several technology startup companies. He has served on the boards of the U.S.-Saudi Arabian Business Council and INROADS/North Jersey, Inc., a non-profit organization that

trains minority youth for careers in business and industry. He was a member of the Cellular Telecommunications Industry Association ("CTIA") and the CTIA Wireless Foundation. Mr. Brewington has a Master of Business Administration degree from Seattle University, a Master of Science degree from Stanford University (Sloan Fellow) and a Bachelor of Arts degree from the College of Idaho. Among other qualifications, Mr. Brewington brings to the Board executive management and leadership experience, including from his service for over 40 years at AT&T Inc. and Lucent Technologies, along with extensive technological and industry experience.

Matthew W. Bross, 54, has been a director since February 2014. Mr. Bross has been the Chairman and Chief Executive Officer of Compass-EOS, a supplier of icPhotonics™ technology that delivers a commercial chip-to-chip direct silicon-to-photonics solution, since February 2014. Mr. Bross was previously the Global Chief Technology Officer of Huawei from October 2009 to October 2012, British Telecom from November 2002 to July 2009, and Williams Communications Group, Inc. from March 1997 to November 2002. He has led the technology innovation and investment strategies for the companies he has served across multiple technology and business domains, including carrier, enterprise, devices, applications and services. Additionally, he was awarded a William Pitt Fellowship by Pembroke College at the University of Cambridge. Mr. Bross currently serves as Chairman of the Global Information Infrastructure Commission and is a member of the Board of Directors for the EastWest Institute. Among other qualifications, Mr. Bross brings to the Board executive management and leadership experience as global chief technology officer of various public companies, along with his deep technology expertise and understanding of advanced technology.

John P. Cunningham, 77, has been a director since September 2004. In 2002, Mr. Cunningham retired from Citrix Systems, Inc., a global leader in virtual workplace software and services. From 2001 to 2002, Mr. Cunningham was Senior Vice President, Finance and Operations of Citrix Systems, Inc. He joined Citrix Systems, Inc. in 1999 as Senior Vice President, Finance and Administration and served in that capacity until 2001. From 1998 to 1999, Mr. Cunningham served as Executive Vice President and Chief Financial Officer of Wang Global, a worldwide provider of network services. Prior to joining Wang Global, he served as Chief Financial Officer of Whirlpool Corporation from 1996 to 1998 and Chief Financial Officer of Maytag Corporation from 1994 to 1996. Mr. Cunningham has also held various management positions, including Corporate Controller, at International Business Machines. From 2001 to December 2013, he served as a member of the Board of Directors of Smart Disk Corporation as well as its Audit Committee. Mr. Cunningham has a Master of Business Administration degree from New York University and a Bachelor of Science degree from Fordham University. Among other qualifications, Mr. Cunningham brings to the Board executive leadership experience, including from his service as a chief financial officer of various public companies, along with extensive financial expertise.

Raymond P. Dolan, 57, has been our President, Chief Executive Officer and a director since October 2010, and is responsible for the strategic direction and management of our company. Mr. Dolan has more than 25 years of experience in the telecommunications industry, having served in senior leadership positions at QUALCOMM Incorporated, Nextwave Wireless and BellAtlantic/NYNEX Mobile. From 2006 to 2008, Mr. Dolan served as Chief Executive Officer of QUALCOMM/Flarion Technologies, a developer of mobile broadband communications technologies, as well as Senior Vice President of QUALCOMM Incorporated. Prior to its acquisition by QUALCOMM in 2006, Mr. Dolan served as Chairman and Chief Executive Officer of Flarion Technologies. Before his role at Flarion Technologies, from 1996 to 2000, Mr. Dolan was Chief Operating Officer of NextWave Telecom. Prior to that, he spent eight years at BellAtlantic/NYNEX Mobile, serving in numerous roles of increasing responsibility, most recently as Executive Vice President of Marketing. He began his career in the telecommunications industry at PacTel Cellular as a Manager of Network Operations. Mr. Dolan also served as an officer in the United States Marine Corps, where he spent more than seven years as a tactical jet pilot. He has served on the Board of Directors and has been Chairman of the Nominating and Corporate Governance Committee of American Tower Corporation since 2003. He also served on the Board of Directors of NII Holdings, Inc. from 2008 until 2012. Mr. Dolan graduated from the U.S. Naval Academy with a degree in Mechanical Engineering and also holds a Master of Business Administration degree from the Columbia University School of Business. Among other qualifications, Mr. Dolan brings to the Board executive leadership experience, including from his service as our Chief Executive Officer, along with extensive brand marketing and strong financial, risk analysis and corporate governance skills and experience.

Beatriz V. Infante, 61, has been a director since January 2010. Since 2009, Ms. Infante has served as Chief Executive Officer of BusinessExcelleration LLC, which provides management consulting services to companies at strategic inflection points. Since 2008, Ms. Infante has also served as a limited partner and advisor to Tandem Capital, an investment firm specializing in mobile technology companies. From 2010 until its acquisition by Infor in 2011, Ms. Infante was the Chief Executive Officer and a director of ENXSUITE Corporation, a leading supplier of energy management solutions. From 2006 until its acquisition by Voxeo Corporation in 2008, she was the Chief Executive Officer and a director of VoiceObjects Inc., a market leader in voice applications servers. From 2004 to 2005, Ms. Infante served as Interim Chief Executive Officer and a director of Sychron Inc., which was sold to an investor group. Ms. Infante was Chief Executive Officer and President of Aspect Communications Corporation, a market leader in communications solutions, from April 2000 until October 2003, and was additionally named Chairman in February 2001, and held additional executive roles between October 1998 and April 2000. She has served on the Board of Directors, Compensation Committee and Nominating and Corporate Governance Committee of Emulex Corporation since May 2012, including as the Chair of the Nominating and Corporate Governance Committee since February 2014. Since May 2014, she has served on the Board of Directors and Audit Committee of Liquidity Services Inc. Since 1994, she has served on the Advisory Committee to the Princeton University School of Engineering and Applied Science. She has been a director at a number of privately held companies as well as two non-profit organizations, Silicon Valley Leadership Group and Joint Venture Silicon Valley Network. Additionally, Ms. Infante is a National Association of Corporate Directors Board Leadership Fellow, a member of the Corporate Directors Group, and in 2013 was named to the Financial Times Agenda "Top 50 Digital Directors' List." Ms. Infante holds a Bachelor of Science and Engineering degree in Electrical Engineering and Computer Science from Princeton University and holds a Master of Science degree in Engineering Science from California Institute of Technology. Among other qualifications, Ms. Infante brings to the Board executive leadership experience, including from her service as a chief executive officer of various companies, along with extensive operational expertise and experience in brand marketing.

Howard E. Janzen, 61, has been a director since January 2006 and the Chairman of the Board since December 2008. Since May 2012, Mr. Janzen has been the President and Chief Executive Officer of Cool Planet Energy Systems, Inc., a company that converts non-food biomass into sustainable, high-octane gasoline, as well as its director since July 2012. Since 2002, Mr. Janzen has served as President and Chief Executive Officer of Janzen Ventures, Inc., a private investment business venture. Mr. Janzen was the Chief Executive Officer and a director of One Communications Corp., a supplier of integrated advanced telecommunications solutions to businesses, from 2007 until its sale in 2011. He served as President of Sprint Business Solutions, the business unit serving Sprint Corporation's business customer base, from 2004 to 2005. From 2003 to 2004, he was President of Sprint Corporation's Global Markets Group, responsible for Sprint Corporation's long distance service for both consumer and business customers. From 1994 until 2002, Mr. Janzen served as President and Chief Executive Officer, and Chairman from 2001 to 2002, of Williams Communications Group, Inc., a high technology company. Mr. Janzen has served as a member of the Board of Directors, the Compensation Committee and the Corporate Governance Committee of Global Telecom & Technology, Inc. since 2006; and a member of the Board of Directors and the Audit Committee of Vocera Communications, Inc. since 2007. He previously served as a member of the Board of Directors, Compensation Committee and Strategy Committee of Macrosolve, Inc. from 2006 to 2012. Mr. Janzen also serves as a member of the Board of Directors of two privately held companies, a member of the Executive Committee of the Global Information Infrastructure Commission, a member of the University of Tulsa Board of Trustees and Colorado School of Mines Foundation Board of Governors, and a member of the Boards of Directors of Heart of America Boy Scout Council, a non-profit organization. Mr. Janzen received his Bachelor of Science and Master of Science degrees in Metallurgical Engineering from the Colorado School of Mines. He also has completed the Harvard Business School Program for Management Development. Among other qualifications, Mr. Janzen brings to the Board executive leadership experience, including from his service as a chief executive officer of various telecommunications companies and his past service as a chairman of a public company, along with extensive financial expertise and brand marketing experience.

Richard J. Lynch, 66, has been a director since February 2014. Since September 2011, Mr. Lynch has served as the President of FB Associates, LLC, which provides advisory and consulting services at the intersection of technology, marketing and business operations. Mr. Lynch was the Executive Vice President and Chief Technology Officer for Verizon Communications between 2007 and 2011, and the Executive Vice President and Chief Technology Officer of Verizon Wireless and its predecessors from 1990 until 2007. Mr. Lynch has been at the forefront of wireless technology solutions and was responsible for the selection of CDPD, CDMA, EV-DO and LTE for use within the Verizon network. Building on these and other key technology decisions, Mr. Lynch has driven the introduction of key innovative products and services into the marketplace. Mr. Lynch is a Fellow of the Institute of Electrical and Electronic Engineers and has been awarded patents in the field of wireless communications. He has served as a member of the Board of Directors, Chairman of the Nominating and Corporate Governance Committee and a member of the Compensation Committee of Ruckus Wireless, Inc. since March 2012; and a member of the Board of Directors and Compensation, Nominating and Governance Committee of BlackBerry Limited since February 2013. From November 2010 to November 2013, Mr. Lynch served as Chairman of the Board of Directors and a member of the Nominating and Corporate Governance Committee of TranSwitch Corp. Mr. Lynch also serves as a member of the Board of Directors of two privately held companies. He has also sat on the boards of numerous industry organizations, including the GSM Association and the CDMA Development Group, and as a member of the Federal Communications Commission Technical Advisory Committee and Communications Security Reliability and Interoperability Council. For his leadership in the early years of wireless data, Mr. Lynch was honored with the President's Award by the CTIA. He has also been inducted into the Wireless History Foundation's Hall of Fame. Mr. Lynch is a graduate of Lowell Technological Institute (now University of Massachusetts) where he received Bachelor of Science and Master of Science degrees in electrical engineering. He has also completed post-graduate work at the Wharton School of the University of Pennsylvania and the Johnson School of Management at Cornell University. Among other qualifications, Mr. Lynch brings to the Board executive leadership experience, including from his service as chief technology officer of Verizon and its predecessor companies.

Pamela D.A. Reeve, 65, has been a director since August 2013. From November 1989 to August 2004, Ms. Reeve was the President, Chief Executive Officer and a director of Lightbridge, Inc., a global provider of mobile business solutions, offering products and services for the wireless communications industry. Prior to joining Lightbridge, Inc. in 1989, Ms. Reeve spent 11 years as a consultant and in a series of executive positions at the Boston Consulting Group, Inc. Ms. Reeve has served as a member of the Board of Directors, the Compensation Committee and the Nominating and Corporate Governance Committee of Frontier Communications Corporation since 2010. Since 2002, Ms. Reeve has served as a member of the Board of Directors of American Tower Corporation, including as its Lead Director since 2004, a member of its Compensation Committee since 2004, and a member of its Nominating and Corporate Governance Committee since 2009. From 1997 to 2008, Ms. Reeve served as a director of NMS Communications Corp., which sold its core business and the remaining business became Livewire Mobile, Inc. Ms. Reeve served on the Board of Directors of Livewire Mobile, Inc.

from 2008 to November 2009. She also has been a director at one non-profit organization. She received her Master of Business Administration degree, with distinction, from Harvard Business School, and received her Bachelor of Arts degree, with honors, from the University of Georgia Honors Program. Among other qualifications, Ms. Reeve brings to the Board executive leadership experience, including from her service as chief executive officer of a telecommunications company, along with extensive operational experience in the communications and technologies industries.

John A. Schofield, 66, has been a director since January 2009. From 1999 to 2005, Mr. Schofield served as President, Chief Executive Officer and Chairman of the Board of Advanced Fibre Communications, Inc., a leading supplier of next-generation edge access equipment and multi-service broadband solutions for the telecommunications industry. From 1992 to 1999, Mr. Schofield served as Senior Vice President and then President of the Integrated Solutions Group of ADC Telecommunications, Inc., a world-wide supplier of network equipment, software solutions, and integration services for broadband and multiservice networks. Since 2000, he has served as the Chairman of the Board of Directors of Integrated Device Technology, Inc., as well as a member of its Compensation Committee and its Nominating and Governance Committee. Mr. Schofield has a Bachelor of Science degree in Electrical Engineering from the NSW Institute of Technology in Sydney, Australia and is a graduate of Raytheon's Management Development Program. Among other qualifications, Mr. Schofield brings to the Board executive leadership experience, including from his service as a chairman of a public company, along with extensive financial expertise and brand marketing experience.

Scott E. Schubert, 61, has been a director since February 2009. From 2005 until 2008, Mr. Schubert served as Chief Financial Officer of TransUnion LLC, a leading global information solutions company. From 2003 to 2005, Mr. Schubert served as Chief Financial Officer and, prior to that, Executive Vice President of Corporate Development of NTL, Inc. (now Virgin Media, Inc.). From 1999 to 2003, Mr. Schubert held the position of Chief Financial Officer of Williams Communications Group, Inc., a high technology company. Mr. Schubert also served as head of BP Amoco's Global Financial Services, leading the initial integration of BP and Amoco's worldwide financial operations following the merger of the two companies. From August 2011 to October 2014, he served as a member of the Board of Directors, the Compensation Committee, the Audit Committee and the Compliance Committee of Isle of Capri Casinos, Inc. Mr. Schubert is a graduate of the Krannert School of Business at Purdue University, where he completed his Master of Business Administration degree in Finance and Economics in 1976. He also earned his Bachelor of Science degree at Purdue University in 1975, with dual majors in Engineering and Accounting. Among other qualifications, Mr. Schubert brings to the Board executive leadership experience, including from his service as a chief financial officer of various companies, along with extensive financial expertise.

H. Brian Thompson, 76, has been a director since October 2003. Mr. Thompson has been Executive Chairman of GTT Communications, Inc., a worldwide cloud network provider, since 2006. He has also headed his own private equity investment and advisory firm, Universal Telecommunications, Inc., since its incorporation in 1991. From 2002 to 2007, Mr. Thompson was Chairman of Comsat International, and he served as Chairman and Chief Executive Officer of Global TeleSystems Group, Inc. from 1999 to 2000. Mr. Thompson was Chairman and Chief Executive Officer of LCI International, Inc. from 1991 until its merger with Qwest Communications International Inc. in 1998. Subsequent to the merger, Mr. Thompson became Vice Chairman of the Board of Directors for Qwest until his resignation in 1998. Mr. Thompson previously served as Executive Vice President of MCI Communications Corporation from 1981 to 1990. Prior to MCI, he was a management consultant with the Washington, D.C. offices of McKinsey & Company. He has served as a member of the Board of Directors, the Compensation Committee and the Nominating and Corporate Governance Committee of Axcelis Technologies, Inc. ("Axcelis") since 2002, but will not be standing for reelection at Axcelis' 2015 annual meeting of shareholders; a member of the Board of Directors, the Compensation

Committee and the Audit Committee of Pendrell Corporation (formerly known as ICO Global Communications (Holdings) Ltd.) since 2007; and a member of the Board of Directors, the Compensation Committee and the Nominating and Corporate Governance Committee of Penske Automotive Group, Inc. since 2002. Mr. Thompson is a member of the Board of Trustees for the Lab School of Washington. He is a former chairman of the U.S. Competitive Telecommunications Association and also served on the University of Massachusetts Chancellor's Executive Committee, as a member of the Board of Trustees of Capitol College in Laurel, Maryland, and the St. Stephens and St. Agnes School Foundation in Alexandria, Virginia. He received his Master of Business Administration degree from Harvard University's Graduate School of Business, and received a Bachelor of Science degree in chemical engineering from the University of Massachusetts. Among other qualifications, Mr. Thompson brings to the Board executive leadership experience, including from his service as a chairman and chief executive officer of various companies, along with extensive brand marketing experience.

Board of Directors' Recommendation

The Board of Directors unanimously recommends a vote "FOR" the election to the Board of Directors of each of the eleven nominees.

Proposal 2—APPROVAL OF AMENDMENTS TO THE SONUS NETWORKS, INC. 2007 STOCK INCENTIVE PLAN, AS AMENDED

The Sonus Networks, Inc. 2007 Stock Incentive Plan, as amended (the "2007 Plan"), which initially was approved by the stockholders at our 2007 annual meeting and was most recently amended by the stockholders at the special meeting of stockholders on December 2, 2014, continues our program of providing equity incentives to our eligible employees, officers, directors, consultants and advisors. We offer these incentives in order to assist in recruiting, retaining and motivating our employees, officers, directors, consultants and advisors. The 2007 Plan currently provides that 14,276,713 shares of common stock of the Company (subject to adjustment in the event of stock splits and other similar events) are authorized for the grant of awards under the 2007 Plan, 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 us 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 Internal Revenue Code of 1986, as amended (the "Code")).

Our Board now recommends that the stockholders approve amendments to the 2007 Plan (the "Amendment") to:

- Increase the aggregate number of shares of our common stock authorized for issuance under the 2007 Plan by 1,400,000 new 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 this 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 ("RSUs"), 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. This new ratio would apply to all full value awards from and after the time this proposal is approved by stockholders. 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.

Attached as Appendix B to this Proxy Statement is a copy of the 2007 Plan marked to show the changes made by the Amendment. This description of the effect of the proposed Amendment is a summary and is qualified by the full text of the 2007 Plan, as amended by the Amendment. All other provisions of the 2007 Plan will remain in full force and effect.

Stock Available for Awards

The 2007 Plan provides for the grant of incentive stock options intended to qualify under Section 422 of the Code, non-statutory stock options, stock appreciation rights ("SARs"), restricted stock, RSUs and other stock unit awards and performance awards as described below (collectively referred to as awards).

There were 3,446,366 shares available for future issuance under the 2007 Plan as of December 31, 2014.

Our Board has approved, and recommends that the stockholders approve, the Amendment to increase the number of shares of our common stock available for awards under the 2007 Plan so that the maximum number of shares issuable under the 2007 Plan is increased by 1,400,000 shares and to make the other indicated changes. Our Board believes that the Amendment, if approved, would assist in recruiting, retaining and motivating our employees, officers, directors, consultants and advisors.

Reasons for Proposed Amendments to the 2007 Plan

Shares currently available under the 2007 Plan are insufficient to meet our current needs based on our historical grant rate and our anticipated hiring and retention needs.

At our 2014 special meeting of stockholders, we requested and stockholders approved an additional 2,000,000 shares for the 2007 Plan. Our recent share usage has been affected by the following factors:

- Most of our executives (including all of our senior executives) elected to receive their 2014 and 2015 cash bonuses, if any, in the form of shares of common stock. For 2014, these elections resulted in the use of approximately 265,754 shares from the 2007 Plan, which, as a result of the fungible share provisions of the 2007 Plan reduced the number of shares available for issuance under the 2007 Plan by 417,234 shares, using our current fungible share ratio of 1.57. These shares issued in lieu of cash to our CEO and other executives were ***elective*** and thus not awarded in the form of our standard equity grants, which are otherwise generally subject to vesting through the fourth anniversary of the grant date or the employee's commencement date, as applicable. The 2015 bonuses have not yet been determined, but based on the target amounts, the Compensation Committee has determined that 209,031 shares of our common stock should be reserved in case they are needed to satisfy those bonus payments, which, as a result of the fungible share provisions of the 2007 Plan, would reduce the number of shares available for issuance under the 2007 Plan by 328,179 shares, using our current fungible share ratio of 1.57; however, since the Compensation Committee retains the right, in its sole discretion, to pay any such 2015 fiscal year bonus in cash, regardless of the executive's election, the number of shares ultimately issuable may differ from the Company's current expectation;

- After consecutive years of providing below-market annual grants to our employees as compared to our peer group, beginning in 2014 we increased the total number of stock options and/or restricted stock granted to our employees as a whole in order to provide the retention and motivation that has been eroded by below-market grants in years past and our need to implement a new product strategy. Even with such grants, our three-year average burn rate as of December 31, 2014 was 4.95%, which is consistent with general market practices for companies of our size and in our industry compared to companies in our peer group as well as the technology industry; and
- Grants to members of our senior leadership team were necessary to retain executives recently hired in connection with the reconstitution of our management team during the past three years.

As of December 31, 2014:

- Options underlying 5,920,126 shares of our common stock with a weighted average exercise price of $15.61 and a weighted average remaining term of 7.44 years were outstanding under the 2007 Plan;
- 402,417 shares of unvested restricted stock issued under the 2007 Plan were outstanding, including 34,235 shares of unvested performance-based stock for which the performance conditions had been satisfied and which were subject only to time-vesting at December 31, 2014; and
- 3,446,366 shares were available for grant under the 2007 Plan.

For information about activity under our other equity incentive plans, see Note 16 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2014.

We believe that our future success depends, in large part, upon our ability to maintain a competitive position in attracting, retaining and motivating persons who are expected to make important contributions to the Company and by providing such persons with equity ownership opportunities and performance-based incentives that are intended to align their interests with those of our stockholders.

If the Amendment is approved by our stockholders, we anticipate that we will have sufficient shares to meet our needs through the 2016 annual meeting of stockholders. We may need to request additional shares from stockholders at our 2016 annual meeting of stockholders to meet our needs for future years to maintain competitive annual equity compensation packages and to respond to extraordinary circumstances, such as acquisitions.

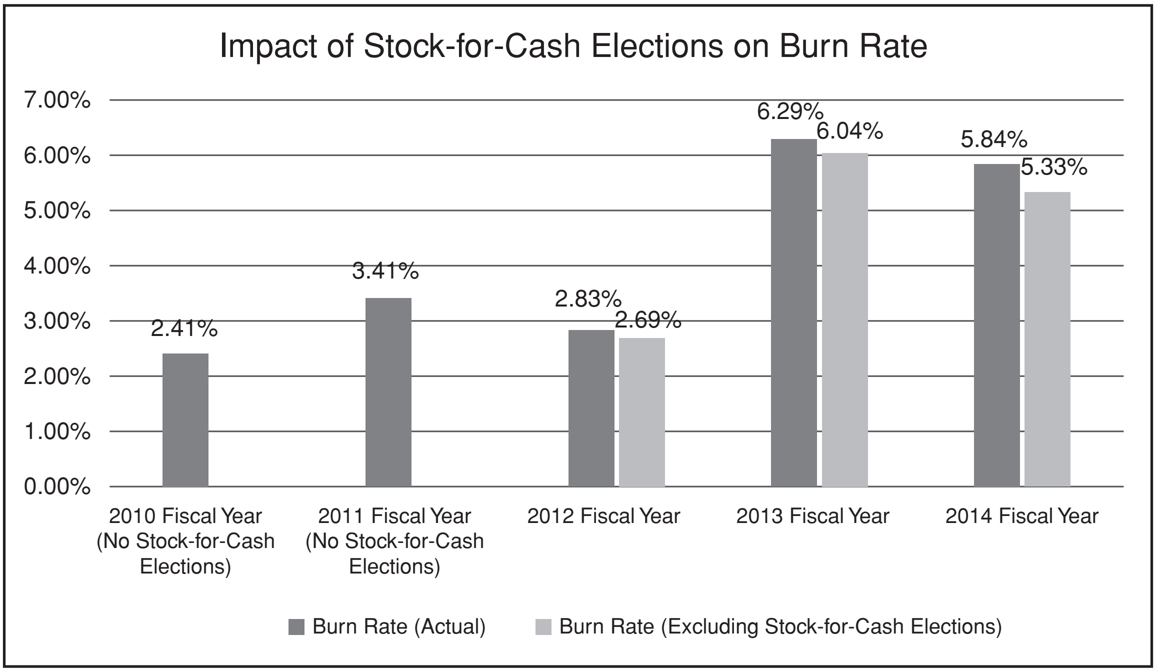
The 1,400,000 additional shares that we are requesting to add to the 2007 Plan was recommended by our Compensation Committee based upon careful consideration of the equity compensation needs of the Company, including assessing the number of shares likely to be needed for future grants for the remainder of this year and the next year. As described below, our Compensation Committee also considered the cost of the 2007 Plan to our stockholders, as well as the potential dilution to our stockholders that would result from their approval of the Amendment. The Board and the Compensation Committee believe that approving the additional 1,400,000 shares of common stock for issuance under the 2007 Plan is appropriate and in the best interests of stockholders given the highly competitive environment in which we recruit and retain employees, the dilution rate of our peers, and our historical rate of issuing equity awards.

Based on shares of our common stock outstanding as of December 31, 2014, the proposal to increase the number of authorized shares under the 2007 Plan by 1,400,000 would result in additional dilution of approximately 3.76%. We feel that targeting this additional dilution is reasonable and appropriate in light of our burn rate and other factors, as described below:

- Burn rate provides a measure of the potential dilutive impact of our annual equity award program. Our historical burn rate is within market practice for a technology company, and is not high compared to our peers. The Company's three-year average annual burn rate as of December 31, 2014 was 4.95%. The burn rates for the years ended December 31, 2014, 2013 and 2012 were 5.84%, 6.29% and 2.83%, respectively. We calculate our equity burn rate by dividing the total number of shares underlying options and restricted share awards granted in the year by weighted-average common shares outstanding for that year. We granted options to purchase our common stock during the years ended December 31, 2014, 2013 and 2012 totaling approximately 2.3 million, 2.8 million and 1.3 million, respectively. We granted share awards (restricted stock and performance-based stock awards) during the years ended December 31, 2014, 2013 and 2012 aggregating approximately 0.6 million, 0.7 million and 0.3 million, respectively. Our <u>2012 annual burn rate does not include 396,900 shares</u> of our common stock issued as performance-based stock awards. However, since the Company determined that the grant date criteria for such awards had <u>*not been met*</u> as of December 31, 2012, these 396,900 shares were excluded from being reported as granted or vested shares in our Annual Report on Form 10-K for the year ended December 31, 2012 and, as a result, were also <u>excluded from our 2012 burn rate calculation</u>.

- On a three-year average basis (from 2011 to 2013), our adjusted burn rate is at the median of our peer group. Adjusted burn rate was calculated by taking the total number of options and full value awards granted each year and dividing such number by the weighted average of common shares outstanding.

- Since 2012, our annual burn rate has been inflated as a result of elections made by our (i) executive officers over the last two years to receive their annual bonuses in the form of common stock in lieu of cash, (ii) CEO for the years 2012, 2013 and 2014 to receive his annual base salary in the form of common stock in lieu of cash and (iii) directors in 2014 to receive all or a portion of their annual fees in the form of common stock in lieu of cash. The following table demonstrates the impact of these stock-for-cash elections on our equity burn rate over the last three years.



An increase in the number of shares available for issuance under the 2007 Plan would allow us to continue to effectively incent and motivate executive, creative and technical talent to drive stockholder value creation.

We would like to change the fungible share ratio to reflect the volatility of our stock price, the expected life of our stock options, and to make our 2007 Plan more cost efficient due to changes to our stock option valuation.

Revising the rate at which our 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 would reflect changes in the volatility of our common stock price and the expected life of our stock options. The change reflects the ratio of the value of one stock option to the value of a share of our common stock so that when restricted stock is granted, 1.61 share equivalents are deducted from the shares available for grant for each share of restricted stock that is granted. Likewise, any unvested shares of restricted stock that were granted using the 1:1.61 that are subsequently forfeited and returned to the 2007 Plan will increase the number of shares available for future grant by 1.61 times each forfeited share returned. At no time will the number of shares returned to the 2007 Plan as a result of forfeitures increase the available share pool by a different fungible share ratio than that used for the initial grant.

We would like to institute a one-year minimum vesting period on awards issued under the 2007 Plan to enhance the link between future equity grants and the Company's long-term growth and performance.

We are proposing an amendment to the 2007 Plan whereby performance-based stock awards granted after the date the Amendment is approved by our stockholders must have a minimum vesting period of at least one year; provided, however, that this 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. This amendment will help ensure that performance-based equity will be viewed as an incentive for long-term growth and performance and not as a short-term incentive in the decision processes of executives and employees.

Stock-based incentive compensation encourages and rewards employee performance while aligning our employees' interests with those of our stockholders.

We continue to believe that alignment of the interests of our stockholders and our employees, officers and directors is best advanced through the issuance of equity incentives as a portion of their total compensation. Stock-based incentive compensation encourages and rewards employee performance by increasing the value of their compensation if our stock performance improves. This results in employees, officers and directors being motivated to increase our share price. In this way, we reinforce the link between our stockholders and our employees', officers' and directors' focus on personal responsibility, creativity and stockholder returns. We also believe that delivering a portion of their total compensation in the form of long-term equity compensation helps to encourage a long-term view as we continue with our transition from a declining media gateway trunking business to a growth business (represented principally by session border controller ("SBC") and diameter signaling controller ("DSC") revenue). Vesting requirements also encourage long-term retention, which is beneficial to our growth and success. We need additional shares under the 2007 Plan to ensure that we have the continued ability to use equity compensation to motivate existing high-performing employees, hire additional, qualified employees and align the interests of our employees, officers and directors with those of our stockholders.

Highlights of Certain Continuing Provisions of the 2007 Plan

- ***Administration by Independent Committee of Board.*** The 2007 Plan is administered by the Compensation Committee, whose members are non-employee directors within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and outside directors within the meaning of Section 162(m) of the Code.
- ***Fungible Share Pool.*** The 2007 Plan uses a fungible share pool under which each share issued pursuant to a full value award will reduce the number of shares available by 1.57 shares. We are asking stockholders to amend this ratio to 1.61 shares because this new ratio reflects changes in the volatility of our common stock price and the expected life of our stock options.
- ***Awards Subject to Forfeiture/Clawback.*** Awards made under the 2007 Plan and any payments made thereunder to executive officers are subject to any recoupment or any clawback policy established from time to time by the Company to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") or otherwise. As of September 16, 2014, our Compensation Committee adopted a formal clawback policy, which would allow the Company to seek to recover from any current or former executive officer of the Company who received incentive-based compensation during the three-year period preceding the date on which the Company may be required to prepare an accounting restatement based on erroneous data, the excess of what would have been paid to the executive officer under the accounting restatement. The clawback policy would apply in the event we are required to prepare an accounting restatement after the adoption of the clawback policy due to any material noncompliance with any financial reporting requirement under the U.S. federal securities laws.
- ***No Discount Stock Options or SARs.*** The exercise price of options and the base price of SARs must be at least equal to the fair market value of our shares on the grant date.
- ***No Repricing of Stock Options or SAR Grants.*** The 2007 Plan prohibits the repricing of options or SAR grants either by an amendment of an outstanding award agreement or through the substitution of a new option award at a lower price, unless such repricing or substitution is approved by our stockholders. The 2007 Plan also prohibits the cash buyout of options or SAR grants.

• ***No Liberal Share Recycling Provisions.*** Shares subject to awards that are (i) tendered for payment of the option exercise price, (ii) withheld for the payment of the option exercise price, (iii) withheld for the payment of taxes, or (iv) repurchased using the proceeds from option exercises do not become available again for grant under the 2007 Plan. Further, the total number of shares subject to SARs that are settled in shares are counted in full against the number of shares available for issuance under the 2007 Plan, regardless of the number of shares actually issued upon settlement of the SARs.

Description of the 2007 Plan (as proposed to be amended)

The following is a summary of the 2007 Plan as proposed to be amended. This summary does not purport to be complete, and is qualified in its entirety by reference to the full text of the 2007 Plan, which is included as Appendix B hereto and marked to show the changes made by the Amendment.

Shares Issuable under the 2007 Plan

Awards may be made under the 2007 Plan for up to 15,676,713, which amount includes the 1,096,173 shares of common stock (i) previously reserved for issuance under 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). The number of shares issuable under the 2007 Plan is subject to adjustment for changes in capitalization, including stock splits and other similar events. No more than 14,320,000 shares of common stock may be issued as incentive stock options under the 2007 Plan.

If an award expires, terminates, is cancelled or otherwise results in shares not being issued, the unused shares covered by such award will generally become available for future grant under the 2007 Plan. However, any shares tendered to pay the exercise price of an award or to satisfy a tax withholding obligation will not become available for future grant under the 2007 Plan. In addition, the full number of shares subject to any stock-settled SARs will count against the shares available for issuance under the 2007 Plan, regardless of the number of shares actually issued to settle such SAR upon exercise.

Shares of common stock issued as full value awards count against the shares of common stock available for issuance under the 2007 Plan 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 our 2015 annual meeting of stockholders (but that were not yet outstanding as of December 2, 2014) and that expire, terminate, are cancelled or otherwise result in shares not being issued and become available for future grant under the 2007 Plan would return to the 2007 Plan 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 under the 2007 Plan would return to the 2007 Plan at a ratio of 1.5 for every share awarded.

Administration

The 2007 Plan is administered by our Board, which has the authority to adopt, amend and repeal the administrative rules, guidelines and practices relating to the 2007 Plan and to interpret the provisions of the 2007 Plan. Pursuant to the terms of the 2007 Plan and to the extent permitted by applicable law, our Board may delegate authority under the 2007 Plan to one or more committees or subcommittees of our Board. Our Board has authorized the Compensation Committee to administer the 2007 Plan and the Compensation Committee has authorized the Chief Executive Officer to grant options, subject to specific limitations set by the Compensation Committee, to newly hired employees, other than officers, of the Company or any of our present or future subsidiaries and to current employees, other than officers, who have referred new employees to us pursuant to our employee referral program.

Subject to any applicable limitations contained in the 2007 Plan, our Board, the Compensation Committee, or any other committee to whom our Board delegates authority, as the case may be, selects the recipients of awards and determines the terms of the awards.

Our Board is required to make equitable adjustments in connection with the 2007 Plan and any outstanding awards to reflect stock splits, stock dividends, recapitalizations, combination of shares, reclassification of shares, spin-offs and other similar changes in capitalization, and any other dividend or distribution other than an ordinary cash dividend. The 2007 Plan also contains provisions addressing the consequences of any Reorganization Event, which is defined as:

- any merger or consolidation of Sonus with or into another entity as a result of which all of our common stock is converted into or exchanged for the right to receive cash, securities or other property, or is cancelled;
- any exchange of all of our common stock for cash, securities or other property pursuant to a share exchange transaction; or
- any liquidation or dissolution of our company.

In connection with a Reorganization Event, our Board may take any one or more of the following actions as to all or any (or any portion of) outstanding awards, other than awards of restricted stock and RSUs, on such terms as our Board determines:

- provide that awards will be assumed, or substantially equivalent awards will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof);
- upon written notice, provide that all unexercised awards will terminate immediately prior to the consummation of such Reorganization Event unless exercised within a specified period following the date of such notice;
- provide that outstanding awards will become exercisable, realizable or deliverable, or restrictions applicable to an award will lapse, in whole or in part prior to or upon such Reorganization Event;
- in the event of a Reorganization Event under the terms of which holders of our common stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event, or the Acquisition Price, make or provide for a cash payment to an award holder equal to the excess, if any, of (A) the Acquisition Price times the number of shares of common stock subject to the holder's awards (to the extent the exercise price does not exceed the Acquisition Price) over (B) the aggregate exercise price of all such outstanding awards and any applicable tax withholdings, in exchange for the termination of such awards;
- provide that, in connection with a liquidation or dissolution of our company, awards will convert into the right to receive liquidation proceeds (if applicable, net of the exercise price thereof and any applicable tax withholdings); and
- any combination of the foregoing.

In taking any of the actions permitted directly above, the Board is not obligated by the 2007 Plan to treat identically all awards, all awards held by a holder of such awards or all awards issued at the same time.

With respect to awards of restricted stock and RSUs, upon the occurrence of a Reorganization Event other than a liquidation or dissolution of our company, the repurchase and other rights of the Company under each such award will inure to the benefit of our successor, and will, unless the Board determines otherwise, apply to the cash, securities or other property into which our common stock is converted or exchanged in the same manner and to the same extent as they applied to the common stock subject to such award. Upon the occurrence of our liquidation or dissolution, except to the extent specifically provided to the contrary in the award agreement governing the award or any other agreement between the award holder and the Company, all restrictions and conditions on such awards will automatically be deemed terminated or satisfied.

Our Board may at any time provide that any award will become immediately exercisable in full or in part, free of some or all restrictions or conditions, or otherwise realizable in full or in part, as the case may be, including, without limitation, (A) upon the death or disability of the holder of such award or (B) in connection with a Reorganization Event.

Limitation on Vesting

No new award issued under the 2007 Plan may vest earlier than the first anniversary of its date of grant; provided, however, that this minimum vesting requirement does 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.

Types of Awards

The 2007 Plan provides for the grant of incentive stock options intended to qualify under Section 422 of the Code, non-statutory stock options, SARs, restricted stock, RSUs and other stock unit awards and performance awards as described below.

Incentive Stock Options and Non-statutory Stock Options. Optionees receive the right to purchase a specified number of shares of common stock at a specified option price and subject to such other terms and conditions as are specified in connection with the option grant. Options must be granted at an exercise price which is not less than the fair market value of our common stock at the close of trading on the date of grant. Under present law, incentive stock options and options intended to qualify as performance-based compensation under Section 162(m) of the Code may not be granted at an exercise price less than 100% of the fair market value of the common stock on the date of grant (or less than 110% of the fair market value in the case of incentive stock options granted to optionees holding more than 10% of our voting power). Options may not be granted for a term in excess of 10 years. The 2007 Plan permits the following forms of payment for the exercise price of options: payment by cash; check; via "cashless exercise" through a broker; subject to certain conditions and if permitted by our Board, surrender to Sonus of shares of our common stock held by the optionee or delivery to Sonus of a promissory note on terms determined by the Board; any other lawful means as provided for in the applicable option agreement or approved by the Board; and any combination of these forms of payment.

Stock Appreciation Rights. A SAR is an award entitling the holder, upon exercise, to receive an amount in common stock or cash or a combination thereof determined by reference to appreciation, from and after the date of grant, in the fair market value of a share of common stock over the exercise price, which may not be less than the fair market value on the date the SAR is granted. SARs may be granted independently or in tandem with an option granted under the 2007 Plan. No SAR will be granted with a term in excess of 10 years.

Restricted Stock Awards. Restricted stock awards entitle recipients to acquire shares of common stock, subject to our right to repurchase all or part of such shares at their issue price or other stated or formula price or to require forfeiture if issued at no cost if the conditions specified in the applicable award are not satisfied prior to the end of the applicable restriction period established by the Board for such award. Our Board will determine the terms and conditions of the applicable award, including the conditions for vesting and repurchase and the issue price, if any. Shares of common stock issued pursuant to restricted stock awards after the date stockholders approve this proposal count against the shares of common stock available for issuance under the 2007 Plan as 1.61 shares for every one share issued in connection with such award.

Restricted Stock Unit Awards. RSU awards entitle the recipient to receive shares of common stock or cash to be delivered at the time such award vests pursuant to the terms and conditions established by our Board. Shares of common stock issued pursuant to RSU awards after the date stockholders approve this proposal count against the shares of common stock available for issuance under the 2007 Plan as 1.61 shares for every one share issued in connection with such award.

Other Stock Unit Awards. Under the 2007 Plan, our Board has the right to grant other awards having such terms and conditions as our Board may determine, including the grant of shares based upon certain conditions, the grant of awards that are valued in whole or in part by reference to, or otherwise based on, shares of common stock or other property, and the grant of awards entitling recipients to receive shares of common stock to be delivered in the future (collectively, "Other Stock Unit Awards"). Shares of common stock issued pursuant to Other Stock Unit Awards after the date stockholders approve this proposal count against the shares of common stock available for issuance under the 2007 Plan as 1.61 shares for every one share issued in connection with such award.

Performance Conditions. Restricted stock and RSU awards and Other Stock Unit Awards that are intended to qualify as performance-based compensation under Section 162(m) of the Code will be made subject to the achievement of performance goals. We refer to these awards as "performance awards." Performance awards will vest solely upon the achievement of specified performance criteria designed to qualify for deduction under Section 162(m) of the Code.

The performance criteria for each such award will be based on one or more of the following measures: (a) net income; (b) earnings before or after discontinued operations, interest, taxes, depreciation and/or amortization; (c) operating profit before or after discontinued operations and/or taxes; (d) sales; (e) sales growth; (f) earnings growth; (g) cash flow or cash position; (h) gross margins; (i) stock price; (j) market share; (k) return on sales, assets, equity or investment; (l) improvement of financial ratings; (m) achievement of balance sheet or income statement objectives; or (n) total stockholder return; and may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated. A committee comprised of two or more "outside directors" within the meaning of Section 162(m) of the Code, or the Committee, may specify that such performance measures will be adjusted to exclude any one or more of: (i) extraordinary items; (ii) gains or losses on the dispositions of discontinued operations; (iii) the cumulative effects of changes in accounting principles; (iv) the writedown of any asset; and (v) charges for restructuring and rationalization programs.

Such performance measures:

- may vary by participant and may be different for different awards;
- may be particular to a participant or the department, branch, line of business, subsidiary or other unit in which the participant works and may cover such period as may be specified by the Committee; and
- will be set by the Committee within the time period prescribed by, and will otherwise comply with the requirements of, Section 162(m) of the Code.

Restrictions on Repricings

Unless approved by our stockholders:

- no outstanding option or SAR granted under the 2007 Plan may be amended to provide an exercise price that is lower than its then-current exercise price (other than adjustments for changes in capitalization);
- no outstanding option or SAR grant may be cancelled and substituted with a new award under the 2007 Plan covering the same or a different number of shares of common stock and having an exercise price lower than the then-current exercise price of the cancelled option or SAR; and
- no outstanding option or SAR granted under the 2007 Plan may be purchased by the Company for cash.

Transferability of Awards

Awards, other than vested awards of restricted stock and RSUs, may not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an incentive stock option, pursuant to a qualified domestic relations order. During the life of the holder of an award, awards, other than vested awards of restricted stock and RSUs, are exercisable only by such holder. Our Board may permit the gratuitous transfer of an award by the holder of an award to or for the benefit of any immediate family member, family trust or other entity established for the benefit of such holder or an immediate family member of such holder if, with respect to such transferee, Sonus would be eligible to use a Form S-8 for the registration of the sale of the common stock subject to such award under the Securities Act of 1933, as amended.

Eligibility to Receive Awards

Our employees, officers, directors, consultants and advisors and those of our subsidiaries are eligible to be granted awards under the 2007 Plan. Under present law, however, incentive stock options may only be granted to employees of Sonus and its subsidiaries.

The maximum number of shares with respect to which awards may be granted to any participant under the 2007 Plan may not exceed 800,000 shares per calendar year. For purposes of this limit, the combination of an option in tandem with a SAR is treated as a single award. In addition, the maximum number of shares with respect to which awards may be granted to each non-employee director in a calendar year is 40,000.

Plan Benefits

As of December 31, 2014, approximately 1,193 employees (including our eight executive officers), 10 non-employee directors, and 199 consultants were eligible to receive awards under the 2007 Plan. The granting of awards under the 2007 Plan is discretionary and we cannot now estimate the number or type of awards to be granted in the future to any particular person or group.

As discussed below under the section entitled "Compensation Discussion and Analysis—2014 Compensation Payouts—Cash Bonuses," certain of our executives elected to receive half or all of their 2015 fiscal year bonuses, if any are earned, in the form of shares of our common stock, and, if earned, such shares will be granted at 1.5 times the cash bonus earned and will be issued under the 2007 Plan. Since the Compensation Committee retains the right, in its sole discretion, to pay any such 2015 fiscal year bonus in cash, regardless of the executive's election, the number of shares that will ultimately be issued, if any, may differ from the Company's current expectation.

Since the 2007 Plan was adopted through December 31, 2014, we have granted the following number of options and restricted shares (including restricted shares granted under performance-based awards) of our common stock under the 2007 Plan to the individuals and groups listed below.[(1)]

	Options Granted	Restricted Shares Granted	Shares Forfeited under Performance-Based Awards
Named Executive Officers			
Raymond P. Dolan, President and Chief Executive Officer	705,000	662,322	178,090
Mark T. Greenquist, Chief Financial Officer	120,000	50,000	—
Peter Polizzi, Vice President and General Manager, Global Services	107,000	15,000	—
Anthony Scarfo, Executive Vice President	335,000	98,309	—
Jeffrey M. Snider, Senior Vice President, Chief Administrative Officer and General Counsel	202,416	98,644	—
Todd A. Abbott, Former Executive Vice President, Strategy and Go-to Market	345,000	226,604	75,000
All current executive officers as a group	1,616,024	974,593	178,090
All current directors who are not executive officers as a group	249,419	201,857	—
All employees, including all current officers who are not executive officers, as a group	7,320,276	349,362	497,511
Total	9,185,719	1,525,812	675,601

(1) Please see the "Compensation Discussion and Analysis" section of this Proxy Statement for information related to awards made under the 2007 Plan since December 31, 2014 to our named executive officers.

Substitute Awards

In connection with a merger or consolidation of an entity with us or the acquisition by us of property or stock of an entity, our Board may grant awards in substitution for any options or other stock or stock-based awards granted by such entity or an affiliate thereof. Substitute awards may be granted on such terms as our Board deems appropriate in the circumstances, notwithstanding any limitations on awards contained in the 2007 Plan. Substitute awards will not count against the 2007 Plan's overall share limit, except as may be required by the Code.

Provisions for Foreign Participants

Our Board may modify awards granted to participants who are foreign nationals or employed outside the United States or establish subplans or procedures under the 2007 Plan to recognize differences in laws, rules, regulations or customs of such foreign jurisdictions with respect to tax, securities, currency, employee benefit or other matters.

Amendment or Termination

The 2007 Plan became effective on November 12, 2007. No new award may be granted under the 2007 Plan after completion of 10 years from the effective date of the 2007 Plan, but awards previously granted may extend beyond that date. Our Board may at any time amend, suspend or terminate the 2007 Plan; provided that, to the extent determined by our Board, no amendment requiring stockholder approval under any applicable legal, regulatory or listing requirement will become effective until such stockholder approval is obtained.

Certain U.S. Federal Income Tax Consequences

The following is a summary of the U.S. federal income tax consequences that generally will arise with respect to awards granted under the 2007 Plan. This summary is general in nature and is based on the federal tax laws in effect as of the date of this Proxy Statement. Changes to these laws could alter the tax consequences described below and the Company is not in a position to assure any particular tax result. In addition, this summary assumes that all awards are exempt from, or comply with, the rules under Section 409A of the Code regarding nonqualified deferred compensation.

Incentive Stock Options

A participant will not have income upon the grant of an incentive stock option. Also, except as described below, a participant will not have income upon exercise of an incentive stock option if the participant has been employed by us or a 50% or more-owned corporate subsidiary at all times beginning with the option grant date and ending three months before the date the participant exercises the option. If the participant has not been so employed during that time, then the participant will be taxed as described below under the section entitled "Non-statutory Stock Options." The exercise of an incentive stock option may subject the participant to the alternative minimum tax.

A participant will have income upon the sale of the stock acquired under an incentive stock option at a profit (if sales proceeds exceed the exercise price). The type of income will depend on when the participant sells the stock. If a participant sells the stock more than two years after the option was granted and more than one year after the option was exercised, then all of the profit will be long-term capital gain (or long-term capital loss, if sales proceeds do not exceed the exercise price). If a participant sells the stock prior to satisfying these waiting periods, then the participant will have engaged in a disqualifying disposition and a portion of the profit will be ordinary income and a portion may be capital gain. This capital gain will be long-term if the participant has held the stock for more than one year and otherwise will be short-term. If a participant sells the stock at a loss (sales proceeds are less than the exercise price), then the loss will be a capital loss. This capital loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

Non-statutory Stock Options

A participant will not have income upon the grant of a non-statutory stock option. A participant will have ordinary income upon the exercise of a non-statutory stock option equal to the value of the stock on the day the participant exercised the option less the exercise price. Upon sale of the stock, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the option was exercised. This capital gain or loss will be long-term if the participant has held the stock for more than one year and otherwise will be short-term.

Stock Appreciation Rights

A participant will not have income upon the grant of a SAR. A participant will recognize ordinary income upon the exercise of a SAR equal to the amount of the cash and the fair market value of any stock received. Upon the sale of the stock, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the SAR was exercised. This capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

Restricted Stock Awards

A participant will not have income upon the grant of restricted stock unless the participant voluntarily makes an election under Section 83(b) of the Code within 30 days of the date of grant. If a timely Section 83(b) election is made, then a participant will have ordinary income equal to the value of the stock on the date of grant less the purchase price. When the stock is sold, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the date of grant, if a timely Section 83(b) election has been made.

If the participant does not make a Section 83(b) election, then when the stock vests (*i.e.,* the transfer restrictions and forfeiture provisions lapse) the participant will have ordinary income equal to the value of the stock on the vesting date less the purchase price. When the stock is sold, the participant will have capital gain or loss equal to the sales proceeds less the value of the stock on the vesting date, if no Section 83(b) election has been made. Any capital gain or loss will be long-term if the participant held the stock for more than one year following (i) the day after the grant date if a timely Section 83(b) election has been made or (ii) the day after the vesting date if no Section 83(b) election has been made, and otherwise will be short-term.

Restricted Stock Units

A participant will not have income upon the grant of an RSU. A participant is not permitted to make a Section 83(b) election with respect to an RSU award. When the RSU is settled, the participant will have income on the settlement date in an amount equal to the amount of cash received or the fair market value of the stock on the settlement date less the purchase price, if any. When the stock is sold, the participant will have capital gain or loss equal to the sales proceeds less the value of the stock on the settlement date. Any capital gain or loss will be long-term if the participant held the stock for more than one year following the settlement date and otherwise will be short-term. RSUs may be subject to Section 409A of the Code.

Other Stock Unit Awards

The tax consequences associated with any other stock unit award granted under the 2007 Plan will vary depending on the specific terms of such award. Among the relevant factors are whether or not the award has a readily ascertainable fair market value, whether or not the award is subject to forfeiture provisions or restrictions on transfer, the nature of the property to be received by the participant under the award and the participant's holding period and tax basis for the award or underlying common stock. Other stock unit awards may be subject to Section 409A of the Code.

Tax Consequences to the Company

The Company generally will be allowed a deduction for federal income tax purposes in an amount equal to the ordinary income recognized by a participant. Any such deduction may be subject to the limitations of Sections 162(m) and 280G of the Code.

Required Vote

Approval of the proposed amendments to the 2007 Plan requires the affirmative "FOR" vote of a majority of the shares of common stock present or represented at the 2015 annual meeting of stockholders and entitled to vote on the proposal. You may vote "For", "Against", or "Abstain" from voting on this proposal. Abstaining from voting on this proposal will have the effect of a vote against approval of the Amendment. Please note that if your common stock is held with a broker, bank or other nominee, under stock exchange rules that broker, bank or other nominee is not permitted to vote your shares on the Amendment without your instructions.

Board of Directors' Recommendation

We believe strongly that the approval of the Amendment is essential to our continued success. Our employees are one of our most valuable assets. Awards under the 2007 Plan are vital to our ability to attract and retain outstanding and highly skilled individuals. Such awards also are crucial to our ability to motivate employees to achieve our goals. For the reasons stated above, the stockholders are being asked to approve the Amendment.

The Board of Directors unanimously recommends a vote "FOR" the Amendments to the Sonus Networks, Inc. 2007 Stock Incentive Plan, as amended.

Proposal 3—RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We are asking our stockholders to ratify the appointment by our Audit Committee of Deloitte & Touche LLP to serve as Sonus Networks' independent registered public accounting firm for the fiscal year ending December 31, 2015. Deloitte & Touche LLP has acted in this capacity since August 2005. Representatives of Deloitte & Touche LLP are expected to be present at the 2015 annual meeting of stockholders and will have the opportunity to make a statement if they desire to do so. It is also expected that they will be available to respond to appropriate questions. If this proposal is not approved at the annual meeting, our Audit Committee will reconsider this appointment. Even if the proposal is approved at the annual meeting, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such change would be in the best interests of the Company and its stockholders.

Deloitte & Touche LLP Fees

The following is a summary of the aggregate fees billed to us by Deloitte & Touche LLP for the fiscal years ended December 31, 2014 and 2013 for each of the following categories of professional services:

Fee Category	Fiscal 2014 Fees	Fiscal 2013 Fees
Audit Fees	$1,443,415	$1,614,970
Audit-Related Fees	—	—
Tax Fees	270,835	101,200
All Other Fees	12,500	12,500
Total Fees	$1,726,750	$1,728,670

Audit Fees

These amounts represent fees for the audit of our consolidated financial statements included in our Annual Report on Form 10-K, the review of financial statements included in our Quarterly Reports on Form 10-Q, the audit of internal control over financial reporting and the services that an independent auditor would customarily provide in connection with subsidiary audits, statutory requirements, regulatory filing and similar engagements for the fiscal year, such as consents and assistance with review of documents filed with the SEC. Audit fees also include advice on accounting matters that may arise in connection with or as a result of the audit or the review of periodic consolidated financial statements and statutory audits that non-U.S. jurisdictions require.

Audit-Related Fees

Audit-related fees consist of fees related to due diligence services and accounting consultations regarding the application of generally accepted accounting principles to proposed transactions.

Tax Fees

Tax fees consist of professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and international tax compliance, value-added tax compliance, research and development tax credit compliance, and transfer pricing advice and planning. Of this amount for fiscal 2014, approximately $43,000 represents fees for tax compliance and preparation.

All Other Fees

All other fees consist of professional products and services other than the services reported above, including fees for our subscription to Deloitte & Touche LLP's online accounting research tool.

Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services

The Audit Committee has adopted a policy to pre-approve audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Prior to engagement of the independent registered public accounting firm for the next year's audit, the independent registered public accounting firm and our management submit a list of services expected to be rendered during that year for each of the four categories of services to the Audit Committee for approval. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services. The independent registered public accounting firm and our management periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval process. The Audit Committee may also pre-approve particular services on a case-by-case basis. The Audit Committee pre-approved all of the services and fees of Deloitte & Touche LLP set forth above.

Our Audit Committee requires the regular rotation of the lead audit partner and concurring partner as required by Section 203 of the Sarbanes-Oxley Act of 2002 and is responsible for recommending to our Board policies for hiring employees or former employees of the independent registered public accounting firm. The Audit Committee has determined that the provision of services described above to us by Deloitte & Touche LLP is compatible with maintaining their independence.

Board of Directors' Recommendation

The Board of Directors unanimously recommends a vote "FOR" the ratification of the appointment of Deloitte & Touche LLP to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2015.

Proposal 4—A NON-BINDING ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

The Company provides its stockholders with the opportunity to cast an annual advisory vote to approve the compensation of its named executive officers ("NEOs"), as disclosed pursuant to the SEC's compensation disclosure rules (which disclosure rules includes the Compensation Discussion and Analysis, the compensation tables, and the narrative disclosures that accompany the compensation tables) (a "Say-on-Pay proposal"). The Company believes that it is appropriate to seek and take into account the views of stockholders in the design and effectiveness of the Company's executive compensation program.

Our executive compensation program is designed to drive the Company's long-term success and to increase stockholder value. We utilize our executive compensation program to provide competitive compensation within our industry peer group to attract and retain executive talent, encourage our leaders to perform at a high level by linking compensation with financial and performance milestones and align our executive compensation with stockholders' interests through the use of equity-based incentive awards. The Compensation Committee has overseen the development and implementation of our executive compensation program in line with these core principles.

Key Objectives of Our Executive Compensation Program

Our overall executive compensation program is founded on three guiding principles:

- We offer competitive compensation packages to attract executives from larger telecommunications companies that offer significantly greater cash compensation, and from smaller private telecommunications companies that offer greater perceived equity growth potential;
- We offer incentive compensation to motivate our executives to transform Sonus from a media gateway company in a declining market into a profitable company in growing session border controller ("SBC"), diameter signaling controller ("DSC") and software-defined networking ("SDN") markets; and
- We seek to retain our key executives in the face of other opportunities.

2014 Say-on-Pay Results and Stockholder Input

Responsiveness to Stockholders

Stockholder Concerns Addressed: In response to feedback from our stockholders, including the passing vote we received on Say-on-Pay at our 2014 annual meeting of stockholders, and to demonstrate our commitment to strong corporate governance standards, since our 2014 annual meeting of stockholders we have taken the following actions, among others:

- **Confirmed specific financial metrics** for our cash bonus plans;
- **Added performance shares** to our equity incentive compensation mix;
- **Instituted share ownership guidelines** for our CEO, our other Section 16 reporting officers and our Board;
- **Adopted a formal clawback policy** with respect to our executive incentive compensation; and
- **Eliminated the poison pill**, which had been in effect since 2008.

After the proxy statement for our 2014 annual meeting of stockholders was filed and in advance of the 2014 annual meeting of stockholders, the Company expanded upon its outreach process in an effort to address any stockholder concerns. The Company reached out to all of the 50 top institutional holders, representing approximately 93% of the total votes either against or abstaining from the 2013 Say-on-Pay proposal and 65% of the Company's total shares eligible to vote as of the record date for the 2014 annual meeting of stockholders. Of these holders, we received responses from 16 institutions representing approximately 48% of the Company's total shares eligible to vote. At our 2014 annual meeting of stockholders, 92.90% of the shares outstanding on the record date for the meeting were present in person or by proxy. Of the shares present at the meeting and entitled to vote on our 2014 Say-on-Pay proposal, 57.35% voted in favor, with 41.14% voting against and 1.51% abstaining. 21.22% of the shares present at the meeting constituted broker non-votes that were not entitled to vote on the matter.

The feedback from this outreach process and the results of the 2014 Say-on-Pay proposal have formed the basis for the following changes to the Company's executive compensation practices that have been made since the 2014 annual meeting of stockholders:

Establishment of Fixed Financial Metrics for Cash Bonus Plan

Our Compensation Committee confirmed the specific financial metrics to be used to determine the achievement of our annual cash incentive bonus plans. For 2014, 100% of the achievement was weighted to net income. The bonus payout was determined by multiplying the percentage achievement for this metric by the bonus at target for each participant. Despite achievement that would have resulted in a cash bonus payout of 127% based on this fixed metric, our Compensation Committee <u>exercised its discretion</u> in light of our overall financial performance <u>to reduce</u> this amount to approximately 105%. For 2015, the Compensation Committee has established metrics that continue to reward growth in net income, added a revenue growth metric, and ascribed a percentage weighting to each of 60% and 40%, respectively.

Addition of Performance Shares in Equity Incentive Compensation Mix

In 2015, we issued performance-based awards for the first time since March 2012. These performance shares constitute a meaningful portion of the long-term equity incentive compensation for our Chief Executive Officer and his direct reports. The shares will vest, if at all, over three years, based on the Company's total shareholder return ("TSR") relative to the TSR of each of the companies included in the NASDAQ Telecommunications Index at the time of grant.

Institution of Stock Ownership Guidelines

In 2014, our Compensation Committee established share ownership guidelines for our non-employee directors, our Chief Executive Officer and our other Section 16 reporting officers. Each Board member must own five times his or her annual cash retainer and must maintain this minimum amount of stock ownership throughout his or her tenure as a director of the Company, our Chief Executive Officer must own six times his annual base salary and must maintain this minimum about of stock ownership throughout his employment, and our other Section 16 reporting officers (the "Other Executives") must own one time his or her respective annual base salaries and must maintain this minimum amount of stock ownership throughout his or her employment.

Current directors, the current Chief Executive Officer and the current Other Executives are expected to achieve the applicable level of ownership on or before September 16, 2019. With respect to (i) future directors, they must achieve the applicable level of ownership within five years of their joining the Board; (ii) future chief executive officers, they must achieve the applicable level of ownership within six years of their becoming chief executive officer of the Company, and (iii) future Other

Executives, they must achieve the applicable level of ownership within five years of their becoming an Other Executive.

When establishing stock ownership guidelines, our Compensation Committee wanted to ensure that: (i) the motivations of our Board, our Chief Executive Officer and Other Executives are aligned with those of our stockholders; (ii) our Board, our Chief Executive Officer and Other Executives are invested in both the short- and long-term growth of our Company; and (iii) our Board, our Chief Executive Officer and Other Executives are focused on value creation being offered by the Company through its equity compensation programs.

Adoption of a Formal Clawback Policy

Our Compensation Committee adopted a formal clawback policy with respect to our executive incentive compensation in September 2014, which will apply in the event we are required to prepare an accounting restatement after the adoption of the policy due to any material noncompliance with any financial reporting requirement under the U.S. federal securities laws. This policy requires the Company to use reasonable efforts to recover from any current or former executive officer of the Company who receives incentive-based compensation during the three-year period preceding the date on which the Company is required to prepare an accounting restatement based on erroneous data, the excess of what would have been paid to the executive officer under the accounting restatement.

We believe that our 2014 executive compensation program was responsive to the feedback we have received and aligned with stockholder interests. Further, our Compensation Committee has given additional consideration to the results of the 2014 Say-on-Pay vote and has made additional changes to our executive compensation programs for 2015, as described above. The Compensation Committee respects all stockholder votes, both for and against our compensation program. The Compensation Committee is committed to continued engagement between stockholders and the Company to fully understand diverse viewpoints and discuss the important connections between Sonus' compensation program, business strategy and long-term financial and operating performance.

In addition to the compensation-related changes described above, since the 2014 annual meeting of stockholders the Board took the following actions in response to investor feedback:

Termination of Poison Pill

Our Board terminated our stockholder rights plan, as amended (also referred to as a poison pill), which was originally adopted in June 2008 and was set to expire in June 2015. This was done in recognition of dramatically changed circumstances since the poison pill was put in place in 2008 and renewed in 2011 and 2013. As recently as March 2014, the Company's two largest stockholders controlled as much as 37% of the Company's outstanding shares. The threat of precipitous stockholder action was exacerbated by the Company's cash holdings, which were large as a percentage of the value of the Company. In March 2014, however, the Company assisted its then-largest stockholder to sell a majority of that stockholder's Sonus stock in an underwritten transaction in which the Company repurchased approximately half of the shares sold. In part as a result of these transactions, as of March 2014, (i) no single stockholder holds in excess of 10% of the Company's outstanding shares, and (ii) the Company no longer has an excess of cash reserves that could be used by a hostile stockholder in a takeover attempt.

2014 Financial and Operating Performance of the Company

Fiscal year 2014 was a year of continued strong operational and financial progress for Sonus. Highlights from the results of the Company's full year ended December 31, 2014 include the following (a reconciliation of non-GAAP to GAAP financial information and a statement on the use of non-GAAP financial measures are included as Appendix A; these non-GAAP financial measures are not in accordance with GAAP and should not be viewed in isolation or as a substitution for reported, or GAAP, financial measures):

FINANCIAL PERFORMANCE

- We **increased total revenue by 7%** to $296.3 million.
- We **generated $30 million of cash** from operations.
- We **increased our total non-GAAP gross margin and GAAP gross margin** by 380 basis points, to 67.4%, and 290 basis points, to 65.3%, respectively.
- We **achieved non-GAAP diluted earnings per share of $0.37**, up 236% compared to full year 2013; and reduced GAAP loss per share to $0.34.

SALES PERFORMANCE

- We **added 856 new customers**, compared to 670 the previous year, a 28% increase.
- In 2014, our **channel product sales grew 51% and represented 27% of total product revenue,** compared to 20% the previous year.

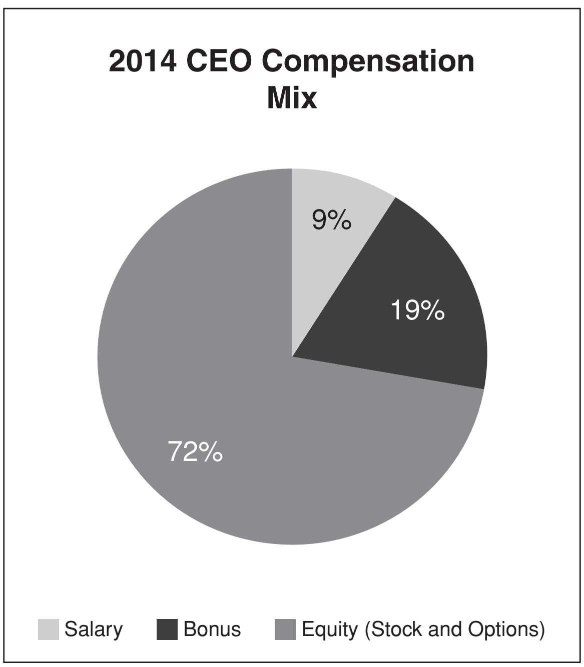
STRATEGIC PERFORMANCE

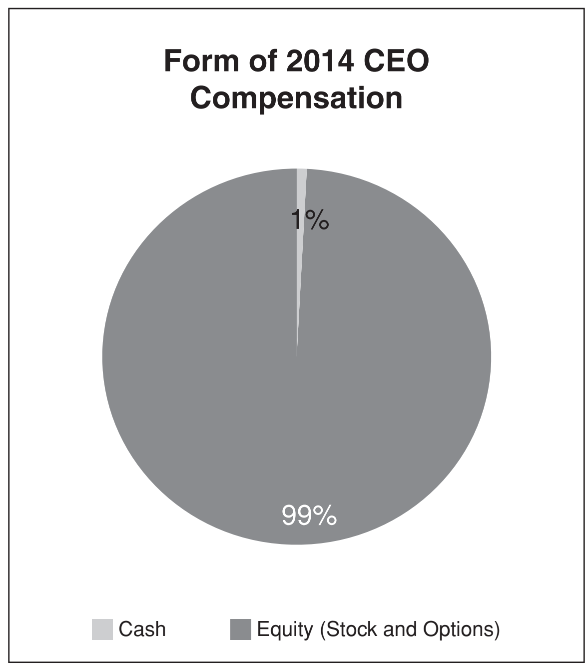
- We **successfully closed two acquisitions**: Performance Technologies, Incorporated (in February 2014) and the SDN technology software assets of Treq Labs, Inc. (in January 2015).
- We **successfully reduced the concentration of our two largest shareholders** from approximately 37% of our total shares outstanding in March 2014 to approximately 8% as of year-end 2014.
- We **launched the Sonus SBC 7000**, the industry's highest scale SBC. This product represented the fastest time to revenue for any new product in the Company's history.
- We **continued to lead the market to software** with the introduction of the Sonus PSX SWe, the virtualized platform of Sonus' Centralized Policy and Routing Engine, and the Sonus DSC SWe, a virtualized version of Sonus' DSC product.
- We **received numerous industry awards** including the 2014 Excellence in SDN Award and the 2014 Unified Communications (UC) Product of the Year Award by TMC's INTERNET TELEPHONY magazine for the Sonus SBC SWe. The Company was also awarded the 2014 INTERNET TELEPHONY Lync Pioneer Award, an award given to companies that enable businesses to leverage the Microsoft Lync platform for enhanced UC and collaboration experiences.

2014 Executive Compensation Program

In making its compensation decisions for 2014, the Compensation Committee considered, among other things, our financial and operational results for the year, the achievement of the compensation objectives set by the Compensation Committee, and the feedback received from our stockholders following the prior year's annual meeting of stockholders. The "Compensation Discussion and Analysis" section of this Proxy Statement describes the Company's executive compensation program and the decisions made by the Compensation Committee in 2014 in more detail. Highlights of the Company's 2014 executive compensation program included the following:

- For the third straight year, our CEO elected to receive 100%[1] of his salary in restricted shares of common stock that were subject to forfeiture until they vested on December 31, 2014, and for the second straight year our NEOs elected to receive their annual bonuses in the form of common stock in lieu of cash, further aligning them with the long-term interests of other stockholders (the NEOs made the same election for 2015, meaning that they will have elected to receive Sonus common stock instead of a cash bonus for three straight years). As a result of these decisions, the value our CEO's compensation in 2014, including salary, bonus and long-term incentives, consisted of approximately 99% equity awards and 1% cash. These shares issued in lieu of cash to our CEO and other NEOs were ***elective*** and thus not awarded in the form of our standard equity grants, which are otherwise generally subject to vesting through the fourth anniversary of the grant date or the employee's commencement date, as applicable.





- Despite achievement that would have resulted in a cash bonus payout of 127% based on the fixed metrics adopted last year, our Compensation Committee exercised its discretion in light of overall financial performance to reduce this amount to approximately 105% (pursuant to previously disclosed elections, bonuses for NEOs who agreed to receive stock instead of cash

(1) With the exception of Mr. Dolan's recent increase in base salary from $500,000 to $600,000, effective as of September 16, 2014, which increase was prorated for the remainder of 2014 and which was paid in cash.

were paid out at 1.5 times the percentage of target achieved), and adjusted the goals for 2015 to incorporate an additional metric.

Examples of practices and policies that the Compensation Committee has implemented for effective governance of compensation plans include, but are not limited to, the following:

- The Compensation Committee employs an independent compensation consultant who reports directly to the Compensation Committee and performs no other services for the Company.
- In addition to new hire and annual grant programs, our NEOs were given an opportunity to elect to receive equity in lieu of cash bonuses (at a rate of 1.5 times the percentage of target achieved), to build and maintain a long-term equity ownership position in the Company so that their interests are further aligned with those of our stockholders, and, once earned, our NEOs voluntarily agreed to a minimum one-year holding period.
- None of our severance agreements provide for tax gross-ups in connection with severance benefits following a change-in-control.
- Ahead of any such requirement in the Dodd-Frank Act, our Compensation Committee adopted a formal clawback policy, which will apply in the event we are required to prepare an accounting restatement after the adoption of the clawback policy due to any material noncompliance with any financial reporting requirement under the U.S. federal securities laws and will allow the Company to seek to recover from any current or former executive officer of the Company who received incentive-based compensation during the three-year period preceding the date on which the Company may be required to prepare an accounting restatement based on erroneous data, the excess of what would have been paid to the executive officer under the accounting restatement.
- We conduct an annual risk assessment of our pay practices.
- Our insider trading policy discourages all employees, officers and directors from engaging in transactions involving hedging, monetization, margin accounts, pledges, puts, calls and other derivative securities, and requires those who wish to enter into such an arrangement to first pre-clear the proposed transaction with either the Chief Financial Officer or the General Counsel. To date, no such transaction has been requested or approved.
- Our equity plan prohibits option repricing and back-dating.
- We have granted very limited perquisites to our NEOs.
- Our executives and directors are subject to meaningful stock ownership requirements.

For further details regarding our 2014 executive compensation program, please review the "Compensation Discussion and Analysis" section and the accompanying compensation tables and narrative discussion in this Proxy Statement.

We believe that for the reasons summarized in the "Compensation Discussion and Analysis" section of this Proxy Statement, together with the strong progress we achieved in 2014, we have a compensation program deserving of stockholder support. In accordance with Section 14A of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, we are asking stockholders to indicate their support for our NEO compensation by voting FOR the following advisory resolution:

"RESOLVED, that the stockholders of Sonus Networks, Inc. (the "Company") approve, on an advisory basis, the compensation paid to the Company's named executive officers as disclosed pursuant to the compensation disclosure rules of the U.S. Securities and Exchange Commission, including the "Compensation Discussion and Analysis" section and the accompanying compensation tables and the related narratives in the Proxy Statement for the Company's 2015 annual meeting of stockholders."

This vote is not intended to address any specific element of compensation, but rather the overall compensation paid to the NEOs. Even though the outcome of this advisory vote on the compensation of our NEOs is non-binding, the Compensation Committee and the Board of Directors will review and consider the outcome of this vote, among other factors, when making future compensation decisions for our NEOs.

Board of Directors' Recommendation

The Board of Directors unanimously recommends a vote "FOR" the approval, on a non-binding advisory basis, of the compensation paid to our NEOs, as disclosed in the "Compensation Discussion and Analysis" section and the accompanying compensation tables and related narratives in this Proxy Statement.

CORPORATE GOVERNANCE AND BOARD MATTERS

Code of Ethics

Our Board has adopted a written Code of Conduct, which qualifies as a "code of ethics" as defined by the regulations promulgated under the Securities Act of 1933, as amended, and the Exchange Act. The Code of Conduct is intended to provide guidance on the conduct expected of Sonus' employees, officers and directors in the interests of preserving Sonus' reputation for integrity, accountability and fair dealing. To ensure that our business is conducted in a consistently legal and ethical manner, all of our directors, officers and employees must act in accordance with our Code of Conduct.

We intend to disclose any amendment to or waiver of a provision of the Code of Conduct that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, by posting such information on our website available at *www.sonusnet.com* and/or in our public filings with the SEC.

A current copy of our Code of Conduct is available on our website *www.sonusnet.com*, in the section entitled *Company—Investor Relations—Corporate Governance*. A copy of the Code of Conduct may also be obtained, free of charge, from us upon a request directed to our corporate secretary at: Sonus Networks, Inc., 4 Technology Park Drive, Westford, Massachusetts 01886, Attention: Corporate Secretary.

Oversight of Risk Management

At Sonus, we believe that innovation and leadership are impossible without taking risks. We also recognize that imprudent acceptance of risk or the failure to appropriately identify and mitigate risks could be destructive to stockholder value. The Board is responsible for assessing the Company's approach to risk management and overseeing management's execution of its responsibilities for identifying and managing risk. The Board exercises its responsibilities through discussions in Board meetings and also through its committees, each of which examines various components of enterprise risk as part of their responsibilities. Generally, strategic risks and the risks related to management delegation are overseen and evaluated by the full Board; financial and internal control risks are overseen and evaluated by the Audit Committee; risks relating to our compensation policies are overseen and evaluated by the Compensation Committee; and risks related to governance are overseen and evaluated by the Nominating and Corporate Governance Committee. Each committee assesses identified risks and informs the Board about the risks as needed. Management also regularly reports on each such risk to the relevant committee or the Board. Additional review or reporting on risks is conducted as needed or as requested by the Board or one of its committees.

In addition, an overall review of risk is inherent in the Board's consideration of our long-term strategies and in the transactions and other matters presented to the Board, including capital expenditures, acquisitions and divestitures, and financial matters. The Board's role in risk oversight of the Company is consistent with our leadership structure. The President and Chief Executive Officer and other members of senior management have responsibility for assessing and managing our risk exposure. The Board and, if applicable, its committees provide oversight in connection with those efforts.

Director Independence

Under the NASDAQ Stock Market Marketplace Rules, a director will only qualify as an "independent director" if, in the opinion of our Board, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. SEC rules also impose, through the NASDAQ Stock Market Marketplace Rules, special independence requirements for members of the Audit Committee and the Compensation Committee.

During its annual review of director independence, the Board considers all information it deems relevant, including without limitation, any transactions and relationships between each director or any member of his immediate family and the Company and its subsidiaries and affiliates.

Our Board has determined that each of James K. Brewington, Matthew W. Bross, John P. Cunningham, Beatriz V. Infante, Howard E. Janzen, Richard J. Lynch, Pamela D.A. Reeve, John A. Schofield, Scott E. Schubert and H. Brian Thompson does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is an "independent director" as defined under Rule 5605(a)(2) of the NASDAQ Stock Market Marketplace Rules. The special independence requirements for Audit Committee members are discussed below under the section entitled "Board Committees—Audit Committee."

Meeting Attendance

Our Board recognizes the importance of director attendance at Board and committee meetings. Our Board held eight meetings during 2014, four of which were regular meetings and four of which were special meetings. Each of the directors attended at least 75% of the aggregate of the total number of meetings of the Board and the total number of meetings of all committees of the Board on which they served during 2014. While we do not have a policy regarding the attendance of directors at our annual meetings of stockholders, 100% of the directors who served on our Board at the time attended the 2014 annual meeting of stockholders.

Board Committees

Our Board has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee, and one ad-hoc committee: the Technology Strategy and Oversight Committee. Each of these committees is composed entirely of independent directors as defined under applicable rules, including, in the case of all members of the Audit Committee, the independence requirements of Rule 10A-3 under the Exchange Act and, in the case of all members of the Compensation Committee, the independence requirements under Rule 10C-1 under the Exchange Act.

In December 2014, the Board dissolved the Corporate Development and Investment Committee because it determined that it was in the best interests of the Company and its stockholders to have the entire Board participate in discussions and decisions relating to the Company's corporate development and investments.

Audit Committee

Our Board has established an Audit Committee consisting of four members: Messrs. Schubert (Chairman), Cunningham, Janzen and Schofield. Our Board has determined that Mr. Schubert is an "audit committee financial expert" as defined in Item 407(d)(5) of Regulation S-K. This designation is a disclosure requirement of the SEC related to Mr. Schubert's experience and understanding with respect to certain accounting and auditing matters, but it does not impose upon Mr. Schubert any duties, obligations or liability that are greater than are generally imposed on him as a member of the Audit Committee and the Board, and his designation as an audit committee financial expert pursuant to this SEC requirement does not affect the duties, obligations or liability of any other member of the Audit Committee or the Board. The Audit Committee held eight meetings during 2014.

As described more fully in its charter, the Audit Committee responsibilities include, among other things:

- appointing, evaluating, compensating, overseeing the work of and, if appropriate, terminating the appointment of the independent auditor;

- overseeing the Company's financial reporting, including reviewing and discussing with management, the independent auditor and a member of the internal audit function, prior to public release, the Company's annual and quarterly financial statements to be filed with the SEC;
- overseeing management's design and maintenance of the Company's internal control over financial reporting and disclosure controls and procedures; and
- reviewing and discussing with management and the independent auditor the Company's financial risk exposures and assessing the policies and procedures management has implemented to monitor and control such exposures.

The Audit Committee operates pursuant to a written charter adopted by the Board that reflects standards and requirements adopted by the SEC and the NASDAQ Stock Market, a current copy of which is available at *www.sonusnet.com*, in the section entitled *Company—Investor Relations—Corporate Governance*.

Compensation Committee

The Compensation Committee consists of four members: Mr. Schofield (Chairman), Ms. Infante, Ms. Reeve and Mr. Thompson. The Compensation Committee held five meetings during 2014.

As described more fully in its charter, the Compensation Committee responsibilities include, among other things:

- reviewing and approving the Company's compensation plans, practices and policies for directors and executive officers, including a review of any risks arising from compensation practices and policies for employees that are reasonably likely to have a material adverse effect on the Company;
- reviewing the Company's succession plans for executive officers, where requested to do so by the Board;
- making recommendations to the Board regarding the establishment and terms of any incentive compensation or equity-based plans and monitoring their administration; and
- before selecting or receiving advice from a compensation advisor (other than in-house legal counsel), considering various factors, including the provision of other services to the Company by the firm employing the compensation advisor; the amount of fees received from the Company by the person that employs the compensation advisor as a percentage of the total revenue of the person that employs the compensation advisor; the policies or procedures of the person employing the compensation advisor that are designed to prevent conflicts of interest; any business or personal relationship of the compensation advisor with a member of the Compensation Committee; any stock of the Company owned by the compensation advisor; and any business or personal relationship of the compensation advisor or the person employing the compensation advisor with an executive officer of the Company.

The Compensation Committee operates pursuant to a written charter adopted by the Board that reflects standards and requirements adopted by the NASDAQ Stock Market, a current copy of which is available at *www.sonusnet.com*, in the section entitled *Company—Investor Relations—Corporate Governance*.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee consists of four members: Messrs. Thompson (Chairman), Brewington and Janzen and Ms. Reeve. The Nominating and Corporate Governance Committee held four meetings during 2014.

As described more fully in its charter, the Nominating and Corporate Governance Committee responsibilities include, among other things:

- identifying, screening and reviewing individuals qualified to serve as directors, consistent with criteria approved by the Board, and recommending to the Board candidates for: (i) nomination for election by the stockholders and (ii) any Board vacancies that are to be filled by the Board, subject to any rights regarding the selection of directors by holders of preferred shares and any other contractual or other commitments of the Company;
- developing and recommending to the Board, overseeing the implementation and effectiveness of, and recommending modifications as appropriate to, a set of corporate governance guidelines applicable to the Company;
- reviewing annually with the Board the composition of the Board as a whole and a succession plan in the event one or more directors ceases to serve for any reason; and
- identifying appropriate director development and continuing education opportunities and making recommendations to the Board as appropriate.

The Nominating and Corporate Governance Committee operates under a written charter adopted by the Board that reflects standards and requirements adopted by the NASDAQ Stock Market, a current copy of which is available at *www.sonusnet.com*, in the section entitled *Company—Investor Relations—Corporate Governance*.

Technology Strategy and Oversight Committee

The Technology Strategy and Oversight Committee is an ad-hoc committee of the Board and consists of three members: Messrs. Brewington (Chairman), Bross and Lynch. The Technology Strategy and Oversight Committee was established in February 2014 and held four meetings during 2014.

Among other things, the purposes of the Technology Strategy and Oversight Committee include providing advice to the Board with respect to: the development and implementation of major strategies relating to the Company's approach to technical and commercial innovation and the process of innovation and technology acquisition to assure ongoing business growth; the evaluation of the implications of new technologies on the Company's competitive position; the research, development and implementation of improvements to the Company's existing technologies; the assessment of the strength and competitiveness of the Company's engineering processes and disciplines; and the assessment of the Company's engineering leadership strategy and the review of critical technologists' development and talent planning processes. The Technology Strategy and Oversight Committee also performs any other activities or responsibilities from time to time assigned to it by the Board. The Technology Strategy and Oversight Committee, however, does not have any authority to act on behalf of or bind the Company unless the Board delegates such authority to the Technology Strategy and Oversight Committee.

The Technology Strategy and Oversight Committee operates pursuant to a written charter adopted by the Board, a current copy of which is available at *www.sonusnet.com*, in the section entitled *Company—Investor Relations—Corporate Governance*.

Compensation Committee Interlocks and Insider Participation

During 2014, the members of the Compensation Committee were Mr. Schofield (Chairman), Ms. Infante, Ms. Reeve and Mr. Thompson. No interlocking relationship exists between any member of our Board or our Compensation Committee and any member of our Board or Compensation Committee of any other company, and none of these interlocking relationships have existed in the past.

Director Nomination Process

The Nominating and Corporate Governance Committee encourages the selection of directors who will contribute to our overall corporate goals of responsibility to our stockholders, customers and employees. The Nominating and Corporate Governance Committee reviews from time to time the appropriate skills and characteristics required of individual directors to contribute to our success in today's business environment. The process followed by the Nominating and Corporate Governance Committee to identify and evaluate director candidates includes requests to our Board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the Nominating and Corporate Governance Committee and our Board.

In considering whether to recommend any particular candidate for inclusion in our Board's slate of recommended director nominees, the Nominating and Corporate Governance Committee applies the criteria generally set forth in the Nominating and Corporate Governance Committee Charter. There are no specific minimum qualifications for a recommended nominee to our Board; however, the Nominating and Corporate Governance Committee considers, among other skills and criteria, the following criteria for nomination as a director: demonstrated business knowledge and experience and an ability to exercise sound judgment in matters that relate to our current and long-term objectives; commitment to understanding us and our industry and to regularly attend and participate in meetings of our Board and its committees; a reputation for integrity, honesty and adherence to high ethical standards; the ability and experience to understand the sometimes conflicting interests of our various constituencies and to act in the interests of all stockholders; and the absence of any conflict of interest that would impair the nominee's ability to represent the interest of all our stockholders and to fulfill the responsibilities of being a director. The Nominating and Corporate Governance Committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. Our Board believes that the backgrounds and qualifications of its directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow our Board to fulfill its responsibilities. In identifying potential director candidates, the Nominating and Corporate Governance Committee and the Board also focus on ensuring that the Board reflects a diversity of experiences, gender, ethnicity, backgrounds and skills. The Nominating and Corporate Governance Committee has the authority to engage independent advisors to assist in the process of identifying and evaluating director candidates, but has not engaged any such advisors to date.

Stockholders may recommend individuals to the Nominating and Corporate Governance Committee for consideration as potential director candidates. All director candidates will be evaluated based on the criteria identified above, regardless of the identity of the individual or entity or person who proposed the director candidate. A stockholder who wishes to propose a candidate may provide the candidate's name and a detailed background of the candidate's qualifications to the Nominating and Corporate Governance Committee, c/o Corporate Secretary, Sonus Networks, Inc., 4 Technology Park Drive, Westford, MA 01886. Stockholders may also directly nominate director candidates, without any action or recommendation on the part of the Nominating and Corporate Governance Committee or our Board, by following the procedures set forth under the section entitled "Stockholder Proposals For Presentation At 2016 Annual Meeting."

Board Leadership Structure

The Company's by-laws delegate to the Board the right to exercise its discretion to either separate or combine the offices of Chairman of the Board and CEO. The Board evaluates its leadership structure and role in risk oversight on an ongoing basis. The decision to combine or separate the Chairman and CEO roles is determined on the basis of what the Board considers to be best for the Company at any given point in time. The current Board leadership structure separates the roles of Chairman and CEO. The independent Chairman meets regularly with the CEO to discuss appropriate business to come before the Board and its committees and actively recommends agenda items for Board meetings.

The Board believes that this separation of roles and the current Board leadership structure is most appropriate for the Company at this time because it believes that the leadership structure offers the following benefits:

- Increasing the independent oversight of Sonus and enhancing our Board's objective evaluation of our CEO;
- Liberating the CEO to focus on company operations instead of Board administration;
- Providing the CEO with an experienced sounding board;
- Providing greater opportunities for communication between stockholders and our Board;
- Enhancing the independent and objective assessment of risk by our Board; and
- Providing an independent spokesperson for our Company.

The duties of the independent Chairman of the Board, among others, are to:

- convene and preside over Board meetings; convene and preside over executive sessions or other meetings of the independent directors;
- consult with the CEO as to agenda items and appropriate materials for Board and committee meetings;
- coordinate with committee chairs in the development and recommendations relative to Board and committee meeting content and schedules; and
- provide the CEO's annual performance evaluation communicating the feedback from the Compensation Committee and the Board.

Executive Sessions of the Board

The Company's Board is structured to promote independence. All but one member of the Board are independent directors. Under our Corporate Governance Guidelines, our independent directors are required to meet regularly in executive session without management to review the performance of management and our Company and any related matters. Generally, executive sessions are held in conjunction with regularly scheduled meetings of the Board. We expect the Board to have a least four executive sessions each year.

The Board's leadership is designed so that independent directors exercise oversight of the Company's management and key issues related to strategy and risk. Only independent directors serve on the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Technology Strategy and Oversight Committee. The Board of Directors believes its leadership structure provides for appropriate independence between the Board and management.

Stock Ownership Policy

The Board believes that it is important to link the interests of our directors and management to those of our stockholders. Accordingly, in September 2014, the Board adopted a stock ownership policy for our non-employee directors, our Chief Executive Officer and our other Section 16 reporting officers. For additional information regarding our stock ownership policy, please see the section entitled "Compensation Discussion and Analysis—Stock Ownership Policy" below.

Additional Governance Matters

Public Availability of Corporate Governance Documents

For more corporate governance information, you are invited to access our key corporate governance documents, including our Corporate Governance Guidelines, Code of Conduct and the charters of our Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, and Technology Strategy and Oversight Committee on our corporate website at *www.sonus.net* or in print if you request them from our corporate secretary. The references in this Proxy Statement to our corporate website are not intended to, and do not, incorporate by reference into this Proxy Statement any materials contained on such website.

Stockholder Communications with the Board of Directors

Stockholders may communicate with our Board by writing, calling or e-mailing our Investor Relations Department at Sonus Networks, Inc., 4 Technology Park Drive, Westford, MA 01886, Attention: Investor Relations, (978) 614-8440, *ir@sonusnet.com.* Our Investor Relations Department will review all such communications and will forward to the Chairman of the Audit Committee all communications that raise an issue appropriate for consideration by our Board.

AUDIT COMMITTEE REPORT

The information contained in this report shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the U.S. Securities and Exchange Commission, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that we specifically request that it be treated as soliciting material or specifically incorporate it by reference into a document filed under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

We reviewed Sonus' audited financial statements for the fiscal year ended December 31, 2014 and discussed these financial statements with Sonus' management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. Sonus' management is responsible for Sonus' financial reporting process, including its system of internal controls, and for the preparation of consolidated financial statements in accordance with generally accepted accounting principles. Sonus' independent registered public accounting firm, Deloitte & Touche LLP ("Deloitte"), is responsible for performing an independent audit of Sonus' financial statements in accordance with standards of the Public Company Accounting Oversight Board (United States) ("PCAOB") and issuing a report on those financial statements and issuing a report on the effectiveness of Sonus' internal control over financial reporting as of the end of the fiscal year. Our responsibility is to monitor and review these processes. We also reviewed and discussed with Deloitte the audited financial statements and the matters required by SEC Regulation S-X Rule 2-07 and PCAOB Standard No. 16, *Communications with Audit Committees*.

Deloitte provided us with the written disclosures and the letter required by PCAOB Ethics and Independence Rule 3526, *Communications with Audit Committees Concerning Independence*. This rule requires independent registered public accounting firms annually to disclose in writing all relationships that in the independent registered public accounting firm's professional opinion may reasonably be thought to bear on independence, to confirm their independence and to engage in a discussion of independence. In addition to engaging in this discussion with Deloitte regarding its independence, we also considered whether Deloitte's provision of other, non-audit related services to Sonus is compatible with maintaining Deloitte's independence.

Based on our discussions with management and Deloitte, and our review of information provided by management and Deloitte, we recommended to the Sonus Board of Directors that the audited financial statements be included in Sonus' Annual Report on Form 10-K for the year ended December 31, 2014.

Submitted by,
AUDIT COMMITTEE:
Scott E. Schubert (Chairman)
John P. Cunningham
Howard E. Janzen
John A. Schofield

DIRECTOR COMPENSATION

Director Cash Compensation

Our President and Chief Executive Officer, the one member of our Board who is an employee and officer of Sonus, receives no compensation for his service as a director. The fee structure for our non-employee directors from June 2013 to June 2014 was as follows:

Description of Board and Committee Service	Board Member Annual Fee
Board	$30,000
Audit Committee(1)	$10,000
Compensation Committee(1)	$ 7,500
Nominating and Corporate Governance Committee(1)	$ 5,000
Corporate Development and Investment Committee(1)	$ 5,000
Technology Strategy and Oversight Committee(1)(2)	$ 5,000
Non-Executive Chairman of the Board(3)	$20,000
Audit Committee Chair(4)	$20,000
Compensation Committee Chair(4)	$15,000
Nominating and Corporate Governance Committee Chair(4)	$10,000
Technology Strategy and Oversight Committee Chair(2)(4)	$10,000

(1) Compensation for service as a committee member is in addition to compensation paid for Board service.

(2) The Technology Strategy and Oversight Committee was established by the Board in February 2014.

(3) Compensation for service as the Non-Executive Chairman is in addition to compensation paid for Board service.

(4) Compensation for service as a committee chair includes all compensation for service on such committee.

Directors also are eligible to be reimbursed for reasonable out-of pocket expenses incurred in connection with attendance at our Board or committee meetings.

In June 2014, our Board approved a revised compensation program for the Company's non-employee directors, effective June 2014. The following changes were made to the non-employee director compensation program:

- The annual cash retainer was increased from $30,000 to $40,000. Therefore, for the second half of fiscal year 2014, each non-employee director received an additional $5,000 in cash. Such payment was made in July 2014 for the non-employee directors who elected to receive their half of their annual retainer in cash. The non-employee directors who elected to receive their annual retainer in shares of the Company's common stock were granted shares of the Company's restricted stock equal to $5,000 on the date of grant of June 16, 2014. Such shares vested in full on July 1, 2014. These shares issued in lieu of cash were ***elective*** and thus not awarded in the form of our standard equity grants, which are otherwise generally subject to vesting through the fourth anniversary of the grant date.
- Previously, initial equity grants to new non-employee directors were as follows: $100,000 in stock options and $100,000 in shares of restricted stock. The revised initial equity grant to new non-employee directors is as follows: $200,000 in shares of restricted stock. This amount represents the grant date fair value of each such award.

- Previously, annual equity grants to non-employee directors were as follows: $50,000 in stock options and $50,000 in shares of restricted stock. The revised annual equity grant to non-employee directors is as follows: $150,000 in shares of restricted stock. This amount represents the grant date fair value of each such award.

All other cash fees paid to non-employee directors remain the same.

Director Equity Compensation

For 2014, non-employee directors were also entitled to equity compensation as follows:

Type of Grant	Cash Value of Shares of Common Stock Underlying Options	Cash Value of Shares of Restricted Stock
Prior Initial Grant (through June 2014)(1) .	$100,000(2)	$100,000(3)
Current Initial Grant (after June 2014)(4) . .	—	$200,000
Grant for continuing non-employee directors in 2014(5)	—	$150,000

(1) From June 2013 to June 2014, newly appointed non-employee directors received an initial grant of $100,000 in stock options and $100,000 in shares of restricted stock.

(2) The number of shares subject to options to purchase common stock granted to each newly appointed non-employee director between June 2013 and June 2014, under the 2007 Plan, was calculated by dividing $100,000 by the grant date fair value of an option to purchase one share of common stock. The per share exercise price was the per share closing price of the Company's common stock on the grant date. Subject to the non-employee director's continued service through the vesting date, each option will vest in full and become exercisable on the earlier of the first anniversary of the initial grant date and immediately prior to the next annual meeting of stockholders of the Company.

In February 2014, each of Matthew W. Bross and Richard J. Lynch was granted an option to purchase 13,496 shares of common stock under this methodology. Each option vested immediately prior to the Company's 2014 annual meeting of stockholders.

(3) The number of shares of restricted stock granted to each newly appointed non-employee director between June 2013 and June 2014, under the 2007 Plan was calculated by dividing $100,000 by the per share closing price of the Company's common stock on the grant date. Subject to the non-employee director's continued service through the vesting date, such shares of restricted stock would vest on the earlier of the first anniversary of the initial grant date and immediately prior to the next annual meeting of stockholders of the Company.

In February 2014, each of Matthew W. Bross and Richard J. Lynch was granted 5,540 shares of restricted stock using this methodology. Each share of restricted stock vested immediately prior to the Company's 2014 annual meeting of stockholders.

(4) Effective June 2014, the Board changed the equity compensation paid to newly appointed non-employee directors. The number of shares of restricted stock granted to each newly appointed non-employee director under the 2007 Plan will now be calculated by dividing $200,000 by the per share closing price of the Company's common stock on the grant date. Since no new directors have been added to the Board since June 2014, no shares of restricted stock have been granted pursuant to this methodology.

(5) To qualify to receive equity grants as a continuing non-employee director, a non-employee director must have been continuously serving on the Board since the Company's last annual meeting of stockholders.

Effective June 2014, the Board changed the annual equity compensation paid to continuing non-employee directors. The number of shares of restricted stock granted annually to each continuing non-employee director under the 2007 Plan will now be calculated by dividing $150,000 by the per share closing price of the Company's common stock on the grant date. On June 16, 2014, each continuing non-employee director received 8,523 shares of restricted stock under the 2007 Plan using this methodology. These restricted shares of common stock will vest on the earlier of immediately prior to the Company's 2015 annual meeting of stockholders or June 16, 2015.

Total Director Compensation for 2014

The following table contains information on compensation earned by each non-employee member of our Board during 2014:

2014 Director Compensation

	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Total ($)
James K. Brewington(4)(5)	$55,007	$150,001	—	$205,008
Matthew W. Bross(5)(6)	$45,005	$250,004	$100,001	$395,010
John P. Cunningham(5)	$50,004	$150,001	—	$200,005
Beatriz V. Infante(5)	$47,503	$150,001	—	$197,504
Howard E. Janzen(5)	$70,002	$150,001	—	$220,003
Richard J. Lynch(5)(6)	$45,005	$250,004	$100,001	$395,010
Pamela D.A. Reeve(5)	$47,503	$150,001	—	$197,504
John A. Schofield(5)	$60,000	$150,001	—	$210,001
Scott E. Schubert(5)	$60,000	$150,001	—	$210,001
H. Brian Thompson(5)	$52,506	$150,001	—	$202,507

(1) As part of a Company's non-employee director stock-for-cash election program, Ms. Infante, Ms. Reeve and each of Messrs. Brewington, Bross, Cunningham, Lynch and Janzen elected to receive the full amount of their compensation in the form of shares of the Company's common stock ("2014 Full Director Shares") in lieu of annual retainer fees. Mr. Thompson elected to receive half of his cash compensation in the form of shares of the Company's common stock ("2014 Part Director Shares" and collectively with the 2014 Full Director Shares, the "2014 Director Shares") in lieu of annual retainer fees. Of the 2014 Director Shares granted on January 2, 2014, half of the 2014 Director Shares vested immediately upon the January 2, 2014 grant date, while the remainder of such shares vested on July 1, 2014. The number of 2014 Director Shares granted to each director was equal to the applicable amount of cash compensation foregone by such director divided by the closing price of our common stock on the January 2, 2014 grant date. These 2014 Director Shares issued in lieu of cash were ***elective*** and thus not awarded in the form of our standard equity grants, which are otherwise generally subject to vesting through the fourth anniversary of the grant date.

(2) The amounts in this column do not reflect compensation actually received by the director. Instead the amounts reflect the grant date fair value of 2014 awards of restricted stock, as calculated in accordance with Accounting Standards Codification 718, *Compensation—Stock-Based Compensation* ("ASC 718"). The grant date fair values of restricted stock awards granted to our directors are

equal to the closing price of our common stock on the date of grant. The number of shares granted to each director is rounded up to account for any partial share amounts.

(3) The amounts in this column do not reflect compensation actually received by the director. Instead, the amounts reflect the grant date fair value of 2014 option awards, as calculated in accordance with ASC 718. The grant date fair values of options to purchase common stock granted to our non-employee directors in 2014 were estimated using the Black-Scholes valuation model. The number of options granted to each director is rounded up to account for any partial share amounts. For a discussion of the assumptions used in the Black-Scholes calculation of the grant date fair values of options granted in 2014, please see Note 16 to our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014.

(4) In February 2014, Mr. Brewington was appointed the Chair of the Company's newly created Technology Strategy and Oversight Committee. As part of Mr. Brewington's director compensation for fiscal year 2014, Mr. Brewington elected to receive the full amount of his compensation in the form of shares of the Company's common stock ("Brewington Shares") in lieu of annual retainer fees. Therefore, as part of Mr. Brewington's annual retainer fees of $10,000 in connection with his appointment as Chair of the Technology Strategy and Oversight Committee, Mr. Brewington received 606 Brewington Shares with a grant date fair value of $10,002. One half of these shares vested immediately upon grant on February 18, 2014 and the other half vested on July 1, 2014. These shares issued in lieu of cash were ***elective*** and thus not awarded in the form of our standard equity grants, which are otherwise generally subject to vesting through the fourth anniversary of the grant date.

(5) Effective June 2014, the Board changed the equity compensation paid to continuing non-employee directors to, among other things, increase the annual cash retainer from $30,000 to $40,000. As part of each director's compensation for the second half of fiscal year 2014, on June 16, 2014, each director who elected to receive 2014 Director Shares (Ms. Infante, Ms. Reeve and each of Messrs. Brewington, Bross, Cunningham, Lynch and Janzen) received 284 shares of common stock in lieu of a cash payment of $5,000. On June 16, 2014, Mr. Thompson, who elected to receive half of his retainer in cash and half in shares of common stock, received 142 shares of common stock in lieu of a cash payment of $2,500. The remaining $2,500 from the increase in the annual retainer was paid to Mr. Thompson in cash. These shares issued in lieu of cash were ***elective*** and thus not awarded in the form of our standard equity grants, which are otherwise generally subject to vesting through the fourth anniversary of the grant date.

(6) On February 18, 2014, the Company announced that Matthew W. Bross and Richard J. Lynch had been appointed to our Board of Directors, expanding our Board from nine to eleven directors. As part of Mr. Bross and Mr. Lynch's director compensation for fiscal year 2014, each of Mr. Bross and Mr. Lynch elected to receive shares of common stock in lieu of annual retainer and meeting fees of $40,000. On February 18, 2014, the date of grant, each of Mr. Bross and Mr. Lynch received 2,424 shares of common stock, of which one half vested immediately on grant and the other half vested on July 1, 2014. These shares issued in lieu of cash were ***elective*** and thus *not awarded in the form of our standard equity grants*, which are otherwise generally subject to vesting through the fourth anniversary of the grant date.

Further, in connection with their new director grants, each of Mr. Bross and Mr. Lynch received 6,060 restricted shares of common stock and an option to purchase 13,496 shares of common stock. These shares of restricted stock and options vested immediately prior to the Company's 2014 annual meeting of stockholders.

At December 31, 2014, our non-employee directors held options to purchase the following aggregate numbers of shares: Mr. Brewington, 30,826, all of which have exercise prices below $19.85

(the closing price of our common stock on December 31, 2014); Mr. Bross, 13,496, all of which have exercise prices below $19.85; Mr. Cunningham, 32,826, of which options for 20,826 shares have exercise prices below $19.85; Ms. Infante, 30,826, all of which have exercise prices below $19.85; Mr. Janzen, 38,826, of which options for 20,826 shares have exercise prices below $19.85; Mr. Lynch, 13,496, all of which have exercise prices below $19.85; Ms. Reeve, options for 11,645 shares, all of which have exercise prices below $19.85; Mr. Schofield, 28,326, all of which have exercise prices below $19.85; Mr. Schubert, 30,826, all of which have exercise prices below $19.85; and Mr. Thompson, 33,826, of which options for 20,826 shares have exercise prices below $19.85.

At December 31, 2014, each of our non-employee directors held 8,522 unvested shares of our common stock.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Company as of the date hereof are listed below.

Name	Age	Position
Raymond P. Dolan	57	President and Chief Executive Officer
Mark T. Greenquist	56	Chief Financial Officer and Treasurer
Peter Polizzi	44	Vice President and General Manager, Global Services
Anthony Scarfo	54	Executive Vice President
Jeffrey M. Snider	51	Senior Vice President, Chief Administrative Officer, General Counsel and Secretary
Brian O'Donnell	36	Vice President of Finance, Corporate Controller and Principal Accounting Officer
Kevin Riley	44	Vice President, Engineering and Chief Technology Officer
Michael Swade(1)	52	Senior Vice President, Worldwide Sales and Marketing

(1) Mr. Swade assumed the role of Interim Senior Vice President, Worldwide Sales and Marketing on July 29, 2014. On September 29, 2014, Mr. Swade was appointed as the Company's Senior Vice President, Worldwide Sales and Marketing.

Biographical information regarding each executive officer other than Raymond P. Dolan is set forth below. Mr. Dolan's biographical information is set forth above under the section entitled "Proposal 1—Election of Directors."

Mark T. Greenquist has been our Chief Financial Officer since November 2013. Prior to joining Sonus, he was the Chief Financial Officer at Siemens Enterprise Communications Limited (now Unity), a leading provider of enterprise communications solutions, from May 2013 to October 2013. He previously served as the President and Chief Executive Officer of Telcordia Technologies, Inc., a telecommunications research and development company, from May 2007 to August 2012 and served as its Senior Vice President and Chief Financial Officer from July 2005 to May 2007. He served as Chief Financial Officer and Senior Vice President, Finance of Symbol Technologies, Inc., a manufacturer and supplier of data capture and delivery equipment, from February 2003 to June 2005. Prior to his tenure at Symbol Technologies, Inc., Mr. Greenquist served as Executive Vice President and Chief Financial Officer of Agere Systems Inc. from January 2001 to February 2003. Prior to joining Agere Systems Inc., Mr. Greenquist served as Vice President of Finance and Chief Financial Officer of General Motors Europe from January 1999 to January 2001. From October 1998 to January 1999, he served as Vice President and Corporate Treasurer of Delta Air Lines Inc. Prior to joining Delta Air Lines Inc., Mr. Greenquist was at General Motors (now Motors Liquidation Company) from 1986 to 1998, where he held a variety of positions, including Assistant Treasurer of General Motors, Chief Financial Officer and Managing Director of General Motors Poland, and Corporate Treasurer and Manager of Commercial Finance of Saab Automobile AB. Mr. Greenquist holds a Bachelor of Arts degree in

Economics from Dartmouth College and a Master's in Business Administration degree with concentration in Finance from Columbia University Graduate School of Business.

Peter Polizzi has been our Vice President and General Manager of Global Services since August 2013. He was previously our Senior Director of Strategy and Go-to-Market from November 2011 to August 2013, and is responsible for managing our services strategy and operations. Prior to joining Sonus, Mr. Polizzi served as Vice President of Channel Technical Operations at Avaya Inc., an enterprise communications systems company, from 2009 to 2011. Previously, from 2003 to 2009, Mr. Polizzi was a Senior Director at Symbol Technologies, Inc. and a General Manager at Motorola Solutions Inc.'s Advanced Services business after its acquisition of Symbol Technologies, Inc. Mr. Polizzi holds a Bachelor of Science degree in Mathematics from both the Università di Palermo in Italy and Columbia University.

Anthony Scarfo has been our Executive Vice President since October 2013, and was previously our Senior Vice President, Technology Development from May 2012 to October 2013; Vice President and General Manager of Trunking, Policy and Business Development from February 2012 to May 2012; and Vice President of Business Development from September 2011 to February 2012. Mr. Scarfo is in charge of product development and global engineering. Prior to joining Sonus, Mr. Scarfo was the Vice President of Global Services Providers and System Integrators at Polycom, Inc., a leader in open, standards-based unified communications and collaboration solutions for voice and video collaboration, from February 2010 to May 2011, where he was responsible for developing Polycom, Inc.'s cloud strategy to deploy video and voice infrastructure for Managed and Hosted Unified Communication services. Previously, Mr. Scarfo was the Chief Strategy Officer and Head of Global Channels at ECI Telecom, which delivers communications platforms to carriers and services providers worldwide, from July 2006 to January 2010, where he led the development of a multi-faceted business strategy and developed a partner program with strategic and original equipment manufacturer partners. He also served as Vice President of Global Alliances and Partnerships at Juniper Networks, Inc., which designs, develops and sells network infrastructure products and services, from July 2002 to June 2006. Mr. Scarfo started his career at AT&T Inc., a premier communications holding company, and held leadership roles at Lucent Technologies, which designed and delivered systems, services and software for next-generation communications networks. Mr. Scarfo holds a Bachelor of Science degree in computer information systems from Manhattan College and a Master of Business Administration degree from Seton Hall University.

Jeffrey M. Snider has served as our Chief Administrative Officer since September 2012 and our Senior Vice President, General Counsel and Secretary since June 2009. Prior to joining Sonus, from 2006 to 2008, Mr. Snider served in a dual legal and operating role as Executive Vice President and General Counsel of BMS, Inc., a provider of hardware, software and services to the legal industry. From 2003 to 2006, Mr. Snider was the Senior Vice President and General Counsel of Geac Computer Corporation, Ltd., a global software and services provider. Prior to Geac Computer Corporation, Ltd., Mr. Snider was Senior Vice President and General Counsel at Lycos, Inc., an industry-leading Internet conglomerate, from 1997 to 2002. Before his in-house career, Mr. Snider was a member of the Boston law firm of Hutchins & Wheeler. Mr. Snider served as a Director on the Board of the New England Legal Foundation from 2001 to 2009, and was a Trustee of the Boston Bar Foundation from 2003 to 2007. Mr. Snider holds a Bachelor of Arts degree from Amherst College and a Juris Doctor from the University of Virginia School of Law.

Brian O'Donnell was appointed as our Principal Accounting Officer in February 2015 and has served as our Vice President of Finance and Corporate Controller since December 2012. Previously, he was our Senior Director of Finance from June 2012 to December 2012, and Director of Revenue Operations from April 2011 to June 2012. Prior to joining Sonus, he was employed by Deloitte & Touche LLP, a professional services firm, since 2002, where he most recently served as Senior Manager, Attestation Services from September 2009 to April 2011. Mr. O'Donnell holds a Bachelor of Science degree in Accounting from Assumption College and is a Certified Public Accountant in the Commonwealth of Massachusetts.

Kevin Riley has served as our Vice President, Engineering and Chief Technology Officer since January 2014 and previously served as our Vice President of Platform Engineering and was a Sonus Fellow from May 2011 to January 2014. Prior to joining Sonus, he was the Software Development Director at Verivue, Inc., a content delivery network software company, from August 2009 to May 2011. Mr. Riley holds a Bachelor of Science degree in Electrical Engineering from the University of Massachusetts, Amherst and a Master of Science degree in Electrical Engineering from Northeastern University.

Michael R. Swade has served as our Senior Vice President, Worldwide Sales and Marketing since September 2014, and was previously our Interim Senior Vice President, Worldwide Sales and Marketing from July 2014 to September 2014 and Vice President and General Manager, Americas from May 2014 to July 2014. Prior to joining Sonus, from September 2011 to May 2014, he was the Executive Vice President, Sales at York Telecom Corporation ("Yorktel"), a global provider of unified communications and collaboration, cloud, and video managed services for large enterprise and federal government customers. Prior to his tenure at Yorktel, from February 2011 to September 2011, Mr. Swade acted as an independent consultant. From November 2010 to February 2011, Mr. Swade served as the Senior Vice President, Global Field Operations at Polycom, Inc. He was also Polycom, Inc.'s President, Europe from January 2010 to November 2010; Vice President, Service Provider and Unified Communications Sales from January 2008 to January 2010; and Vice President, Global Account Sales from January 2007 to January 2008. Mr. Swade holds a Bachelor of Science degree in Marketing from Eastern Illinois University and a Master of Business Administration degree from Dominican University of California.

BENEFICIAL OWNERSHIP OF OUR COMMON STOCK

The following table sets forth information regarding beneficial ownership of our common stock as of March 31, 2015 by:

- each person who beneficially owns, to the best of our knowledge, more than 5% of the outstanding shares of our common stock;
- each of our Chief Executive Officer, our Chief Financial Officer, our other three most highly compensated executive officers serving as executive officers at December 31, 2014, and one individual for whom disclosure would have been provided as one of our three most highly compensated executive officers but for the fact that he was not serving as an executive officer at December 31, 2014;
- each of our directors; and
- all of our current executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC, and includes voting or investment power with respect to shares. In computing the number of shares beneficially owned by each person named in the following table and the percentage ownership of that person, shares of common stock that the person has the right to acquire within 60 days of March 31, 2015, through the exercise of any stock option or other equity right, are deemed owned by that person and are also deemed outstanding. These shares are not, however, deemed outstanding for purposes of computing the percentage ownership of any other person.

Unless otherwise indicated below, to our knowledge, all persons named in the table have sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under applicable law. The percentage of common stock outstanding as of

March 31, 2015 is based upon 49,443,729 shares of common stock outstanding on that date plus shares subject to options to the extent noted above.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Common Stock Outstanding
Named Executive Officers:		
Raymond P. Dolan(1)	1,438,426	2.91%
Mark T. Greenquist(2)	171,176	*
Peter Polizzi(3)	81,434	*
Anthony Scarfo(4)	300,187	*
Jeffrey M. Snider(5)	236,305	*
Todd A. Abbott(6)	167,820	*
Non-Employee Directors:		
James K. Brewington(7)	54,480	*
Matthew W. Bross(8)	32,975	*
John P. Cunningham(9)	56,291	*
Beatriz V. Infante(10)	51,528	*
Howard E. Janzen(11)	69,546	*
Richard J. Lynch(12)	32,975	*
Pamela D.A. Reeve(13)	31,124	*
John A. Schofield(14)	45,335	*
Scott E. Schubert(15)	46,635	*
H. Brian Thompson(16)	59,310	*
All current executive officers and directors as a group (18 persons)(17)	2,980,378	6.03%
5% Owners:		
Wellington Management Group LLP—280 Congress Street, Boston, MA 02210(18)	4,959,517	10.03%
BlackRock Inc.—55 East 52nd Street, New York, NY 10022(19)	3,611,302	7.30%
Empire Capital Management, L.L.C.—1 Gorham Island, Suite 201, Westport, CT 06880(20)	2,915,000	5.90%
The Vanguard Group, Inc.—100 Vanguard Blvd., Malvern, PA 19355(21)	2,867,293	5.80%

* Less than 1% of the outstanding shares of common stock

(1) Includes 449,166 shares subject to outstanding options that are exercisable as of May 30, 2015 and 175,000 shares of restricted stock subject to vesting.

(2) Includes 43,333 shares subject to outstanding options that are exercisable as of May 30, 2015 and 86,250 shares of restricted stock subject to vesting.

(3) Includes 20,438 shares subject to outstanding options that are exercisable as of May 30, 2015 and 50,625 shares of restricted stock subject to vesting.

(4) Includes 171,146 shares subject to outstanding options that are exercisable as of May 30, 2015 and 65,625 shares of restricted stock subject to vesting.

(5) Includes 110,913 shares subject to outstanding options that are exercisable as of May 30, 2015 and 50,000 shares of restricted stock subject to vesting.

(6) Includes 96,491 shares subject to outstanding options that are exercisable as of May 30, 2015 and no shares of restricted stock subject to vesting. The information presented for the shares of

common stock outstanding held by Mr. Abbott, the Company's Former Executive Vice President, Strategy and Go-to-Market, was as of September 16, 2014.

(7) Includes 28,528 shares subject to outstanding options that are exercisable as of May 30, 2015 and 9,860 shares of restricted stock subject to vesting.

(8) Includes 13,496 shares subject to outstanding options that are exercisable as of May 30, 2015 and 9,616 shares of restricted stock subject to vesting.

(9) Includes 30,528 shares subject to outstanding options that are exercisable as of May 30, 2015 and 9,738 shares of restricted stock subject to vesting.

(10) Includes 28,528 shares subject to outstanding options that are exercisable as of May 30, 2015 and 8,522 shares of restricted stock subject to vesting.

(11) Includes 36,528 shares subject to outstanding options that are exercisable as of May 30, 2015 and 10,346 shares of restricted stock subject to vesting.

(12) Includes 13,496 shares subject to outstanding options that are exercisable as of May 30, 2015 and 9,616 shares of restricted stock subject to vesting.

(13) Includes 11,465 shares subject to outstanding options that are exercisable as of May 30, 2015 and 9,799 shares of restricted stock subject to vesting.

(14) Includes 26,028 shares subject to outstanding options that are exercisable as of May 30, 2015 and 8,522 shares of restricted stock subject to vesting.

(15) Includes 28,528 shares subject to outstanding options that are exercisable as of May 30, 2015 and 8,522 shares of restricted stock subject to vesting.

(16) Includes 31,528 shares subject to outstanding options that are exercisable as of May 30, 2015 and 9,221 shares of restricted stock subject to vesting.

(17) Includes 1,111,253 shares subject to outstanding options that are exercisable as of May 30, 2015, and 703,762 shares of restricted stock subject to vesting owned by our current directors and executive officers. Each of our current directors and executive officers may be reached at 4 Technology Drive, Westford, Massachusetts 01886.

(18) According to a Schedule 13G filed with the SEC on March 10, 2015, reporting the beneficial ownership of 4,959,517 shares of our common stock, each of Wellington Management Group LLP, Wellington Group Holdings LLP and Wellington Investment Advisors Holdings LLP reported shared voting power with respect to 3,823,662 shares, shared dispositive power with respect to 4,959,517 shares, and sole voting and dispositive powers with respect to none of the shares. Wellington Management Company LLP, a subsidiary of Wellington Management Group LLP, is the beneficial owner of 4,528,383 shares of our common stock and reported that it had shared voting power with respect to 3,597,336 shares, shared dispositive power with respect to 4,528,383 shares, and sole voting and dispositive powers with respect to none of the shares.

(19) According to a Schedule 13G filed with the SEC on February 2, 2015, reporting the beneficial ownership of 3,611,302 shares of our common stock, BlackRock Inc. reported that it had sole voting power with respect to 3,477,458 shares, sole dispositive power with respect to 3,611,302 shares, and shared voting and dispositive powers with respect to none of the shares.

(20) According to a Schedule 13G/A No. 9 filed with the SEC on February 13, 2015, reporting the beneficial ownership of 2,915,000 shares of our common stock, each of Empire Capital Management, L.L.C. ("Empire"), Scott A. Fine, and Peter J. Richards's reports shared voting and dispositive power over the 2,915,000 shares. According to the Schedule 13G/A No. 9, (i) Empire serves as the investment manager to and has investment discretion over the securities held by

Empire Capital Partners, L.P.; Empire Capital Partners, Ltd.; and Empire Capital Partners Enhanced Master Fund, Ltd.; and (ii) Mr. Fine and Mr. Richards are the only managing members of Empire.

(21) According to a Schedule 13G/A No.1 filed with the SEC on February 11, 2015, reporting the beneficial ownership of 2,867,293 shares of our common stock, The Vanguard Group, Inc. reported that it had sole dispositive power with respect to 2,800,580 shares of common stock, shared dispositive power over 67,113 shares of common stock, sole voting power with respect to 69,513 shares, and shared voting power with respect to none of the shares. Vanguard Fiduciary Trust Company, a wholly owned subsidiary of The Vanguard Group, Inc., is the beneficial owner with respect to 67,113 of the shares mentioned above as a result of its serving as investment manager of collective trust accounts and Vanguard Investments Australia, Ltd., a wholly owned subsidiary of The Vanguard Group, Inc., is the beneficial owner with respect to 2,800 of the shares mentioned above as a result of its serving as investment manager of Australian investment offerings.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our executive officers, directors and persons who beneficially own more than 10% of our common stock to file reports of initial ownership and subsequent changes in that ownership with the SEC. Based solely on a review of the copies of reports furnished to us and the written representations of our directors and executive officers, we believe that during the year ended December 31, 2014, our directors, executive officers and greater than 10% stockholders complied with all Section 16(a) filing requirements.

TRANSACTIONS WITH RELATED PERSONS

Our Board has adopted a written related party transaction policy, which sets forth our policies and procedures for the review, approval or ratification of any transaction required to be reported in our filings with the SEC. Our policy with regard to related party transactions is that all related party transactions are to be reviewed by our general counsel, who, in consultation with our CEO, will determine whether the contemplated transaction or arrangement requires the approval or ratification of the Audit Committee, the Compensation Committee (in the case of compensation of executive officers), both or neither.

Other than the paragraph below and the compensation arrangements described elsewhere in this Proxy Statement, since January 1, 2014, there has not been, and there is not currently proposed, any transaction or series of similar transactions (i) to which we were or will be a participant, (ii) in which the amount involved exceeded or will exceed $120,000, and (iii) in which any director, executive officer or a holder of five percent or more of any class of our capital stock or any member of their immediate family had or will have a direct or indirect material interest.

On March 20, 2014, we commenced 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"), which as of March 17, 2014 beneficially owned approximately 22% of the outstanding shares of our common stock. Goldman, Sachs & Co., the underwriter of the offering, was granted a 30-day option to purchase up to 1.125 million additional shares from the Legatum Group. The Legatum Group received all the proceeds from the underwritten offering; no shares in the underwritten offering were sold by us or any of our officers or directors. In addition, we repurchased 4.3 million shares from the underwriter for $75.3 million in the aggregate, including $0.3 million of transaction fees.

COMPENSATION COMMITTEE REPORT

The information contained in this report shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the U.S. Securities and Exchange Commission, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that we specifically request that it be treated as soliciting material or specifically incorporate it by reference into a document filed under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

The Compensation Committee consists of John A. Schofield (Chairman), Beatriz V. Infante, Pamela D.A. Reeve and H. Brian Thompson. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with our management. Based on this review and discussion, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by,
COMPENSATION COMMITTEE:
John A. Schofield (Chairman)
Beatriz V. Infante
Pamela D.A. Reeve
H. Brian Thompson

COMPENSATION DISCUSSION AND ANALYSIS

The following discussion and analysis contains statements regarding Company performance targets and goals. These targets and goals are discussed in the limited context of our compensation programs and should not be understood to be statements of management's expectations or estimates of results or other guidance. Investors should not apply these statements to other contexts.

Executive Summary

Overview

This Compensation Discussion and Analysis ("CD&A") section explains our compensation philosophy, summarizes the material components of our compensation programs and reviews compensation decisions made by the Compensation Committee, a committee comprised exclusively of independent directors, for the six executives identified as named executive officers ("NEOs") in the Summary Compensation Table below.

2014 NEOs

The NEOs for 2014 are:

- Raymond P. Dolan, President and Chief Executive Officer
- Mark T. Greenquist, Chief Financial Officer
- Peter Polizzi, Vice President and General Manager, Global Services
- Anthony Scarfo, Executive Vice President
- Jeffrey M. Snider, Senior Vice President, Chief Administrative Officer, and General Counsel
- Todd A. Abbott, Former Executive Vice President, Strategy and Go-to-Market

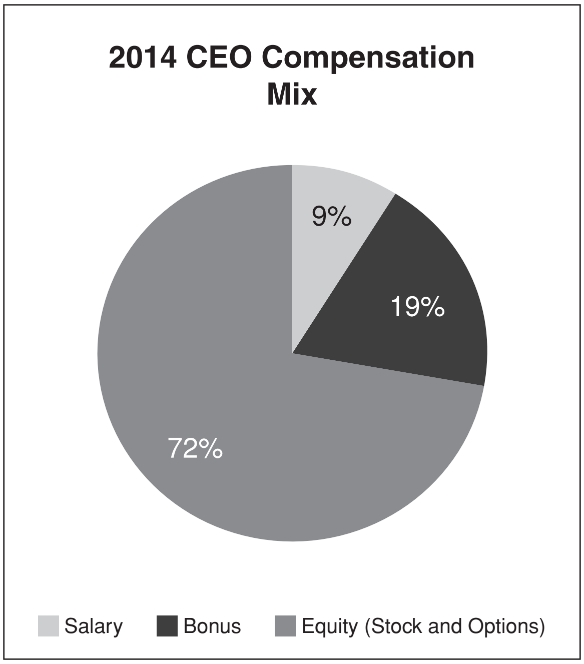
Effective July 29, 2014, Mr. Abbott stepped down as the Company's Executive Vice President, Strategy and Go-to-Market. Mr. Abbott remained with the Company in an advisory role to assist in the transition of his duties until October 17, 2014.

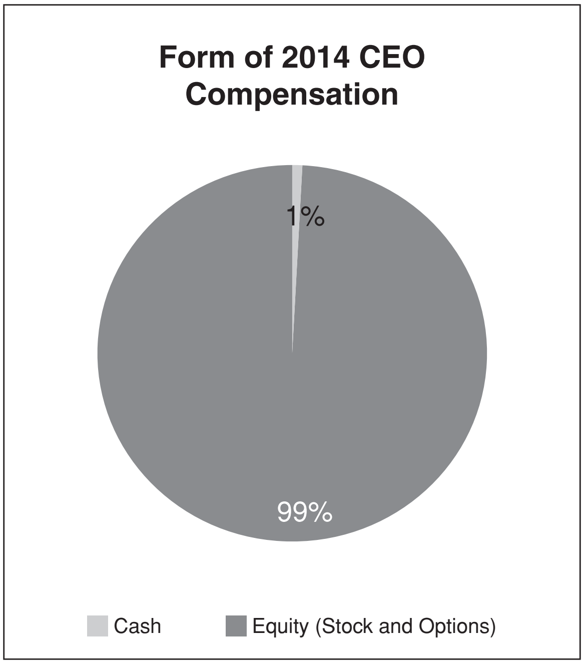
Summary of 2014 Compensation Payout Decisions

In making its compensation decisions for 2014, the Compensation Committee considered, among other things, our financial and operational results for the year, the achievement of the compensation objectives set by the Compensation Committee, and the feedback received from our stockholders following the prior year's annual meeting of stockholders. Highlights of the Company's 2014 executive compensation program included the following:

- For the third straight year, our CEO elected to receive 100%[1] of his salary in restricted shares of common stock that were subject to forfeiture until they vested on December 31, 2014, and for the second straight year our NEOs elected to receive their annual bonuses in the form of common stock in lieu of cash, further aligning them with the long-term interests of other stockholders (the NEOs made the same election for 2015, meaning that they will have elected to receive Sonus common stock instead of a cash bonus for three straight years). As a result of these decisions, the value our CEO's compensation in 2014, including salary, bonus and long-term incentives, consisted of approximately 99% equity awards and 1% cash. These shares issued in lieu of cash to our CEO and other NEOs were ***elective*** and thus not awarded in the form of our standard equity grants, which are otherwise generally subject to vesting through the fourth anniversary of the grant date or the employee's commencement date, as applicable.

(1) With the exception of Mr. Dolan's recent increase in base salary from \$500,000 to \$600,000, effective as of September 16, 2014, which increase was prorated for the remainder of 2014 and which was paid in cash.





- Despite achievement that would have resulted in a payout of 127% based on the fixed metrics established for our cash bonus plan, our Compensation Committee exercised its discretion in light of overall financial performance to reduce this amount to approximately 105% of target bonus (pursuant to previously disclosed elections, bonuses for NEOs who agreed to receive stock instead of cash were paid out at 1.5 times the percentage of target achieved).

Existing Strong Pay Practices

In addition to the design summarized above, we believe our existing compensation practices reflect strong corporate governance policies.

- The Compensation Committee employs an independent compensation consultant who reports directly to the Compensation Committee and performs no other services for the Company.
- In addition to new hire and annual grant programs, our NEOs were given an opportunity to elect to receive equity in lieu of cash bonuses, to build and maintain a long-term equity ownership position in the Company so that their interests are further aligned with those of our stockholders.
- None of our severance agreements provide for tax gross-ups in connection with severance benefits following a change-in-control.
- We have a formal clawback policy, which applies in the event we are required to prepare an accounting restatement after the adoption of the clawback policy due to any material noncompliance with any financial reporting requirement under the U.S. federal securities laws and allows the Company to seek to recover from any current or former executive officer of the Company who receives incentive-based compensation during the three-year period preceding the date on which the Company is required to prepare an accounting restatement based on erroneous data, the excess of what would have been paid to the executive officer under the accounting restatement.
- We conduct an annual risk assessment of our pay practices.

- Our insider trading policy discourages all employees, officers and directors from engaging in transactions involving hedging, monetization, margin accounts, pledges, puts, calls and other derivative securities, and requires those who wish to enter into such an arrangement to first pre-clear the proposed transaction with either the Chief Financial Officer or the General Counsel. To date, no such transaction has been requested or approved.
- Our equity plan prohibits option repricing and back-dating.
- We have implemented stock ownership guidelines that are applicable to our non-employee directors, Chief Executive Officer and our other Section 16 reporting officers to align their interests with those of our stockholders.
- We have granted very limited perquisites to our NEOs.

2014 Say-on-Pay Results and Stockholder Input

Responsiveness to Stockholders

Stockholder Concerns Addressed: In response to feedback from our stockholders, including the passing vote we received on Say-on-Pay at our 2014 annual meeting of stockholders, and to demonstrate our commitment to strong corporate governance standards, since our 2014 annual meeting of stockholders we have taken the following actions, among others:

- **Confirmed specific financial metrics** for our cash bonus plans;
- **Added performance shares** to our equity incentive compensation mix;
- **Instituted share ownership guidelines** for our CEO, our other Section 16 reporting officers and our Board;
- **Adopted a formal clawback policy** with respect to our executive incentive compensation; and
- **Eliminated the poison pill**, which had been in effect since 2008.

After the proxy statement for our 2014 annual meeting of stockholders was filed and in advance of the 2014 annual meeting of stockholders, the Company expanded upon its outreach process in an effort to address stockholder concerns. The Company reached out to all of the 50 top institutional holders, representing approximately 93% of the total votes either against or abstaining from the 2013 Say-on-Pay proposal and 65% of the Company's total shares eligible to vote as of the record date for the 2014 annual meeting of stockholders. Of these holders, 16 institutions representing approximately 48% of the Company's total shares eligible to vote responded to our outreach. At our 2014 annual meeting of stockholders, 92.90% of the shares outstanding on the record date for the meeting were present in person or by proxy. Of the shares present at the meeting and entitled to vote on our 2014 Say-on-Pay proposal, 57.35% voted in favor, with 41.14% voting against and 1.51% abstaining. 21.22% of the shares present at the meeting constituted broker non-votes that were not entitled to vote on the matter.

The feedback from this outreach process and the results of the 2014 Say-on-Pay proposal have formed the basis for the following changes to the Company's executive compensation practices that have been made since the 2014 annual meeting of stockholders:

- Our Compensation Committee confirmed the specific financial metrics to be used to determine the achievement of our annual cash incentive bonus plans. For 2014, 100% of the achievement was weighted to net income. The bonus payout was determined by multiplying the percentage achievement for this metric by the bonus at target for each participant. Despite achievement that would have resulted in a cash bonus payout of 127% based on this fixed metric, our Compensation Committee exercised its discretion in light of our overall financial performance to reduce this amount to approximately 105%. For 2015, the Compensation Committee has established metrics that continue to reward growth in net income, added a revenue growth metric, and ascribed a percentage weighting to each of 60% and 40%, respectively.

- In 2015, we have issued performance-based awards for the first time since March 2012. These performance shares constitute a meaningful portion of the long-term equity incentive compensation for our Chief Executive Officer and his direct reports. The shares will vest, if at all, over three years, based on the Company's TSR relative to the TSR of each of the companies included in the NASDAQ Telecommunications Index at the time of grant.

- Our Compensation Committee established share ownership guidelines for our non-employee directors, our Chief Executive Officer and our other Section 16 reporting officers. Each Board member must own five times his or her annual cash retainer and must maintain this minimum amount of stock ownership throughout his or her tenure as a director of the Company, our Chief Executive Officer must own six times his annual base salary and must maintain this minimum about of stock ownership throughout his employment, and the other Section 16 reporting officers of the Company (the "Other Executives") must own one time his or her respective annual base salaries and must maintain this minimum amount of stock ownership throughout his or her employment. Current directors, the current Chief Executive Officer and the current Other Executives are expected to achieve the applicable level of ownership on or before September 16, 2019. With respect to (i) future directors, they must achieve the applicable level of ownership within five years of their joining the Board; (ii) future chief executive officers, they must achieve the applicable level of ownership within six years of their becoming chief executive officer of the Company, and (iii) future Other Executives, they must achieve the applicable level of ownership within five years of their becoming an Other Executive. When establishing stock ownership guidelines, our Compensation Committee wanted to ensure that: (i) the motivations of our Board, our Chief Executive Officer and Other Executives are aligned with those of our stockholders; (ii) our Board, our Chief Executive Officer and Other Executives are invested in both the short- and long-term growth of our Company; and (iii) our Board, our Chief Executive Officer and Other Executives are focused on value creation being offered by the Company through its equity compensation programs.

- Our Compensation Committee adopted a formal clawback policy with respect to our executive incentive compensation in September 2014, which will apply in the event we are required to prepare an accounting restatement after the adoption of the policy due to any material noncompliance with any financial reporting requirement under the U.S. federal securities laws. This policy would allow the Company to use reasonable efforts to recover from any current or former executive officer of the Company who received incentive-based compensation during the three-year period preceding the date on which the Company may be required to prepare an accounting restatement based on erroneous data, the excess of what would have been paid to the executive officer under the accounting restatement.

- In addition to these changes to the Company's compensation practices, our Board terminated its stockholder rights plan, as amended (also referred to as a poison pill), which was originally adopted on June 26, 2008 and was set to expire in June 2015. This was done in recognition of dramatically changed circumstances since the poison pill was put in place in 2008 and renewed in 2011 and 2013. As recently as March 2014, the Company's two largest stockholders controlled as much as 37% of the Company's outstanding shares. The threat of precipitous stockholder action was exacerbated by the Company's cash holdings, which were large as a percentage of the value of the Company. In March 2014, however, the Company assisted its then-largest stockholder to sell a majority of that stockholder's Sonus stock in an underwritten transaction in which the Company repurchased approximately half of the shares sold. In part as a result of these transactions, as of March 2014, (i) no single stockholder holds in excess of 10% of the Company's outstanding shares, and (ii) the Company no longer has an excess of cash reserves that could be used by a hostile stockholder in a takeover attempt.

We believe that our 2014 executive compensation program is responsive to the feedback we have received and is aligned with stockholder interests. The Compensation Committee respects all stockholder votes, both for and against our compensation program. The Compensation Committee is committed to continued engagement between stockholders and the Company to fully understand diverse viewpoints and discuss the important connections between Sonus' compensation program, business strategy and long-term financial and operating performance.

Overview

The Company's executive compensation programs are administered by the Compensation Committee of the Board. In addition to attracting and retaining high caliber executives, the components of the executive compensation program are designed to reward both annual and long- term business performance. Additionally, other factors are critical, such as the successful execution of corporate strategies and fostering and driving continuous improvement and a high performance culture.

Who Oversees the Company's Compensation Program

The Compensation Committee

The Compensation Committee, which is comprised entirely of independent directors as defined by the independence standards of the NASDAQ Stock Market Marketplace Rules, is primarily responsible for overseeing the Company's executive compensation program, after considering advice from an independent compensation consultant regarding competitive market pay practices. Our Board sets the overall corporate performance objectives for each year, while the Compensation Committee determines and approves the compensation level for the CEO; reviews and sets compensation levels of other key executive officers; evaluates the performance of these executives; and evaluates and approves all grants of equity-based compensation to the CEO and the other executive officers. All decisions regarding the CEO's compensation are made by the Compensation Committee in executive session without the CEO present. After the end of the fiscal year, the Compensation Committee reviews the actual corporate performance to determine the appropriate bonus amount, if any, to be paid to each eligible executive.

Role of the Compensation Consultant

The duties of the compensation consultant we engage are generally to evaluate executive compensation, perform an analysis on realized pay alignment with financial and stock performance, discuss general compensation trends, provide competitive market practice data and benchmarking, participate in the design and implementation of certain elements of the executive compensation program and assist our CEO in developing compensation recommendations to present to the Compensation Committee for the executive officers other than himself. The compensation consultant provides the Compensation Committee with advice, consultation and market information on a regular basis, as requested, throughout the year. The Compensation Committee may accept, reject or modify any recommendations by compensation consultants or other outside advisors. The compensation consultant does not make specific recommendations on individual amounts for the executive officers or the independent directors, nor does the consultant determine the amount or form of executive and director compensation.

From 2010 to May 2014, the Compensation Committee engaged Pearl Meyer & Partners LLC ("Pearl Meyer") as its independent compensation consultant. The Compensation Committee conducted an assessment of Pearl Meyer's independence relative to standards prescribed by the SEC and determined that no conflicts existed.

Effective May 22, 2014, the Compensation Committee replaced Pearl Meyer with Frederic W. Cook & Co., Inc. ("FW Cook") as its compensation consultant because the Compensation Committee's lead partner at Pearl Meyer moved to FW Cook. Pursuant to its amended charter, the Compensation Committee considered various factors before replacing its compensation consultant, including: (i) the provision of other services to the Company by the firm employing the compensation advisor; (ii) the amount of fees received from the Company by the person that employs the compensation advisor as a percentage of the total revenue of the person that employs the compensation advisor; (iii) the policies or procedures of the person employing the compensation advisor that are designed to prevent conflicts of interest; (iv) any business or personal relationship of the compensation advisor with a member of the Compensation Committee; (v) any stock of the Company owned by the compensation advisor; and (vi) any business or personal relationship of the compensation advisor or the person employing the compensation advisor with an executive officer of the Company. The Compensation Committee conducted an assessment of FW Cook's independence relative to standards prescribed by the SEC and determined that no conflicts existed.

Roles of the Chief Executive Officer, the Chief Administrative Officer and the Vice President of Human Resources

The CEO, in consultation with the Compensation Committee's compensation consultant, develops compensation recommendations for the Compensation Committee to consider. The CEO considers various factors when making individual compensation recommendations, including the relative importance of the executive's position within the organization, the individual tenure and experience of the executive, and the executive's individual performance and contributions to the Company's results.

The Chief Administrative Officer and the Vice President of Human Resources work with the CEO to monitor existing compensation plans and programs applicable to NEOs and other executives, to recommend financial and other targets to be achieved under those plans and programs, to prepare analyses of financial data, peer comparisons and other briefing materials for the Compensation Committee to aid in making its decisions and, ultimately, to implement the decisions of the Compensation Committee.

The Compensation Committee considers, but is not bound by, recommendations made by Company management.

Compensation Philosophy and Practices

Our compensation philosophy and practices are an important part of our business strategy. We have a rigorous performance and compensation management system and we believe our compensation processes and programs are aligned to provide strong incentive for success while appropriately balancing risk. Our overall executive compensation program is founded on three guiding principles:

- We offer competitive compensation packages to attract executives from larger telecommunications companies that offer significantly greater cash compensation, and from smaller private telecommunications companies that offer greater perceived equity growth potential;
- We offer incentive compensation to motivate our executives to transform Sonus from a media gateway company in a declining market into a profitable company in growing SBC, DSC and SDN markets; and
- We seek to retain our key executives in the face of other opportunities.

We seek to accomplish these objectives by providing independent Board oversight; avoiding being overly rigid, formulaic or short-term oriented; encouraging and rewarding outstanding initiative, achievement, teamwork and a shared success environment; and reinforcing critical measures of performance derived from our business strategy and key success factors. These objectives, and our general compensation philosophy, are reviewed on an annual basis and updated as appropriate.

What the Executive Compensation Program is Designed to Reward

Our executive compensation program is designed to reward Company performance, which is measured in part by overall Company results as we seek to transform our Company from a media gateway provider in a declining market into a profitable company in growing SBC, DSC and SDN markets. Each year, our Compensation Committee decides whether or not to grant annual cash incentives to our corporate executives, including the NEOs.

Competitive Benchmarking

The Compensation Committee, with the assistance of FW Cook, reviews market compensation data, including the compensation practices of selected similar companies (the "peer group"). The peer group consists of publicly traded industrial companies that are in the information technology and related sub-industries with market capitalization and revenue in similar range to that of the Company. FW Cook reviewed the business descriptions of potential peer companies to identify businesses generally in the telecommunications and/or networking industries. The Compensation Committee also considers factors such as executive talent and business-line competitors, global scope and complexity, research and development expenses, and market capitalization-to-revenue multiples when selecting peers. During 2014, the peer group was updated to remove (i) Digi International, Inc. because of its focus on hardware development and revenue size; (ii) Harmonic Inc. because of its focus on hardware and international sales; and (iii) and Oplink Communications, Inc. because of its different business model. After a review to determine if there were any additional companies that would be appropriate to add to the 2014 peer group, the Compensation Committee decided to replace these three companies with: F5 Networks, Inc., Mavenir Systems, Inc., Palo Alto Networks, Inc., and QLogic Corporation. Compared to our 2013 peer group, the 14 peer group companies noted below represent a broader cross section of sizes within the information technology industry and none are overly focused on hardware development.

The Compensation Committee believes that the 2014 peer group is relevant for purposes of benchmarking executive pay because the component companies are similar to us with respect to business model profile and size in terms of revenue and market capitalization. The 2014 peer group used for evaluating 2014 compensation decisions consisted of the companies below. FW Cook compiled compensation information from the peer group based on the publicly filed documents of each member of the peer group.*

	Data at Time of Peer Group Roster Selection	
Company	Last Twelve Months Revenue ($ Millions)	Market Capitalization ($ Millions)
ADTRAN, Inc.	$ 660	$1,278
Aruba Networks, Inc.	$ 679	$2,144
BroadSoft, Inc.	$ 183	$ 764
Calix, Inc.	$ 378	$ 424
Extreme Networks, Inc.	$ 447	$ 559
F5 Networks, Inc.	$1,662	$8,293
Infinera Corporation	$ 562	$1,112
Ixia	$ 467	$1,023
Mavenir Systems, Inc.	$ 108	$ 420
Palo Alto Networks, Inc.	$ 532	$4,899
QLogic Corporation	$ 461	$1,111
Riverbed Technology, Inc.	$1,060	$3,164
Ruckus Wireless, Inc.	$ 281	$ 996
ShoreTel, Inc.	$ 337	$ 537
Sonus Networks, Inc.	$ 296	$ 877
Sonus Networks, Inc. Percentile Position	21st	44th

* All data was compiled by FW Cook, who obtained peer company financial market intelligence from S&P Capital IQ. The data generally represents revenue and operating income for the most recent four quarters available to FW Cook at the time it compiled the data in September 2014. The income statement metrics reflect trailing 12 month data, generally as of June 2014 and market capitalization as of June 30, 2014 (or, in the case of Sonus, June 27, 2014, the last day of its second fiscal quarter).

Compensation Components

The Compensation Committee annually reviews the total fixed, cash incentive and equity incentive compensation received by our NEOs, including base salary, annual and long-term incentives, equity awards, and total equity in the Company. Our executive compensation program has four major components that support the Company's compensation objectives, each of which is discussed in detail below. The Compensation Committee reviews the executive compensation program on an annual basis.

Compensation Mix. A significant portion of our executive officers' total direct compensation (which includes base salary, cash bonus and equity-based incentives) opportunity is attributable to variable compensation—that is, the amount our executives earn is dependent upon Company performance. The equity-based component of each NEO's compensation package consists primarily of stock options, which vest over time, and therefore, the value of which is tied to the Company's stock performance. These variable elements are intended to align the executives' performance and interests with Company performance and long-term stockholder value.

The table below generally summarizes the elements of our compensation program for our NEOs:

Element	Form of Compensation	Purpose	Link to Company Performance
Base Salaries	Cash, except our CEO who has elected to receive his base salary in the form of restricted shares of common stock that are subject to forfeiture	Provide competitive, fixed compensation to attract and retain exceptional executive talent	Moderate to High for the CEO; Low for all other executives
Annual Cash Incentives	Generally in cash, except that our NEOs each elected to receive their target bonus, if any, in the form of shares of common stock in 2014 and 2015.	Provide a direct incentive to achieve strong operating results	High
Long-Term Equity Incentives	Stock options and restricted shares of common stock	Encourage executive officers to build and maintain a long-term equity ownership position in Sonus so that their interests are aligned with those of our stockholders	High
Health, Retirement and Other Benefits	Eligibility to participate in benefit plans generally available to our employees, including 401(k) plan, premiums paid on long-term disability and life insurance	Benefit plans are part of a broad-based employee benefits program Executives do not generally enjoy any nonqualified deferred compensation plans or perquisites*	Low

* Because Mr. Dolan elected to accept shares of restricted stock in lieu of base salary for the period January 1, 2014 to December 31, 2014, during 2014, we paid Mr. Dolan's share of the insurance premium relating to the benefit plans generally provided to employees of the Company in accordance with Company policy, currently including health insurance. This amount, totaling $5,455, is included with "All Other Compensation" for Mr. Dolan in the Summary Compensation Table.

We paid Mr. Greenquist's lodging expenses, totaling $17,395 for the period January 1, 2014 to December 31, 2014, during which he worked out of our Westford, Massachusetts corporate office, as Mr. Greenquist's current permanent residence is in New Jersey.

Each of these elements of pay is described below in further detail.

How Target Levels of Compensation are Determined. In determining the amount of compensation to pay our NEOs, the Compensation Committee considers factors such as the executive's role within the Company and the level of responsibility, skills and experiences required by the position, the executive's qualifications, our ability to replace such individual and the overall competitive environment for executive talent. The Compensation Committee also considers the Company's performance, the executive's performance, the Compensation Committee's view of internal equity and consistency and other considerations it deems relevant. In analyzing these factors, the Compensation Committee reviews competitive compensation data gathered in comparative surveys (benchmarking data). The Compensation Committee does not have a policy for allocating target compensation among the various elements in any particular ratio, but generally attempts to provide an allocation similar to that used by other companies with whom the Company competes for executive talent using the peer data provided by our outside compensation consultant. Of the elements of total direct compensation, only base salary is fixed compensation, while cash bonuses and equity-based awards are both performance-contingent and variable compensation.

2014 Compensation Payouts

The established targets for individual components and overall executive compensation are designed to be competitive in order to attract, motivate and retain the executives necessary to drive and achieve the Company's objectives. In some cases, individual components may be over or under market (in order to emphasize a particular element or if individual circumstances dictate), but the total compensation package is market competitive for executives with the backgrounds and skill sets we need. The Compensation Committee believes that the overall compensation program serves to balance both the mix of cash and equity compensation as well as the mix of short- and long-term compensation for our NEOs.

Base Salary. Base salaries are designed to reflect the scope of responsibilities, performance and competencies of the individual executives, and the relation of that position to other positions in the Company. Each NEO's salary and performance is reviewed annually as well as at the time of a promotion or other change in responsibilities. Increases in base salary, if any, are based upon an evaluation of the individual's performance and level of pay compared to benchmark data for similar positions at peer companies.

On January 2, 2014, Raymond P. Dolan, the Company's President and Chief Executive Officer, elected to accept shares of restricted stock in lieu of base salary for the period from January 1, 2014 through December 31, 2014. Accordingly, the Company granted Mr. Dolan 48,701 shares of restricted stock (the "2014 Dolan Salary Shares") on January 2, 2014. The number of shares granted was calculated by dividing an amount equal to 1.5 times Mr. Dolan's base salary for the period from January 1, 2014 through December 31, 2014 by $15.40, the closing price of the Company's common stock on the date of grant. The 2014 Dolan Salary Shares vested on December 31, 2014. These shares issued in lieu of cash to Mr. Dolan were ***elective*** and thus not awarded in the form of our standard equity grants, which are otherwise generally subject to vesting through the fourth anniversary of the grant date or the employee's commencement date, as applicable. If Mr. Dolan's employment was terminated by Mr. Dolan with Good Reason (as defined in his employment agreement, as amended) or his employment was terminated by the Company without Cause (as defined in his employment agreement, as amended) before December 31, 2014, a pro rata portion of the 2014 Dolan Salary Shares would have vested on the date of such termination. If Mr. Dolan terminated his employment without Good Reason or his employment was terminated by the Company for Cause before December 31, 2014, he would have forfeited the 2014 Dolan Salary Shares.

Mr. Dolan's base salary remained the same as when he was first hired by the Company in 2010 until the Compensation Committee determined to increase his annual base salary from $500,000 to $600,000, effective September 16, 2014. For the remainder of 2014, such increase was prorated and paid in cash pursuant to the Company's general payroll practices and was not subject to any stock-for-cash election. The Compensation Committee determined that Mr. Dolan earned an increase in his base salary because he has done an outstanding job in assembling and leading a team that has transformed the Company from a media gateway company in a declining market to a profitable company in growing SBC and DSC markets.

To further demonstrate his confidence in the Company, for seven of the eight times that Mr. Dolan's restricted stock has vested and taxes were due, Mr. Dolan has elected to pay his taxes in cash instead of allowing the Company to offset shares of its common stock to cover his tax withholding obligations. In 2014, Mr. Dolan put nearly all of his compensation at risk in these ways.

Effective December 9, 2014, the Compensation Committee determined to increase the base salary of Jeffrey M. Snider, the Company's Senior Vice President, Chief Administrative Officer, General Counsel and Secretary, from $300,000 per year to $350,000.

In 2014, with the exception of Messrs. Dolan and Snider, no changes were made to any NEO's base salary.

Cash Bonuses. The Company has one cash incentive plan—the Senior Management Cash Incentive Plan (the "SMCIP")—that covers all executive officers and certain other senior employees. Annual cash incentives provide named executive officers with the opportunity to earn additional annual compensation beyond base salary.

The eligibility for an annual cash bonus creates an incentive to achieve desired near-term corporate goals that are in furtherance of the Company's long-term objectives. The compensation program establishes target bonuses, set as a percentage of annual base salary, for each position. Cash bonuses are expected to represent a substantial part of total compensation for our executives if earned.

Bonus payments under the SMCIP for 2014 were determined pursuant to a fixed formula based on a single financial metric, net income, and were calculated by multiplying the percentage achievement of such performance metric by the bonus at target for each participant. These payments were then *reduced* by the Compensation Committee in the exercise of its discretion to reflect the overall financial performance of the Company.

The 2014 performance metrics for the SMCIP, as well as the actual results of these financial measurements in 2014, were as follows:

2014 Bonus Metrics (in millions)	
Bonus Payout	**Pre-Bonus Net Income**
200%	$44.9
100%	$23.6
50%	$12.9

2014 Actual Results (in millions, except percentages)	
Bonus Payout	**Pre-Bonus Net Income**
Actual Achievement	$29.41
% Achievement	127%
Actual Payout %*	Approximately 105%

* At the Compensation Committee's discretion, the payout percentage was *reduced* to reflect the overall financial performance of the Company.

On January 22, 2014, 21 executives of the Company, including Mr. Dolan, were given the choice to receive all or half of their fiscal year bonuses (the "2014 Bonus"), if any were earned, in the form of shares of the Company's common stock (the "2014 Bonus Shares"). Each executive could also elect not to participate in this program and to earn his or her 2014 Bonus, if any, in the form of cash. The amount of the 2014 Bonus was determined by application of the fixed formula that would have resulted in a cash bonus payout of 127%, but our Compensation Committee *reduced* this amount to approximately 105% in the exercise of its discretion to reflect the overall financial performance of the Company. The number of shares of the Company's common stock that were granted to those executives who elected to receive their 2014 Bonus entirely in the form of shares of common stock was calculated by dividing an amount equal to 1.5 times each executive's 2014 Bonus earned by $15.40, the closing price of the Company's common stock on January 2, 2014. The number of shares of the Company's common stock that were granted to those executives who elected to receive one-half of their 2014 Bonus in the form of shares of common stock was calculated by dividing an amount equal to 1.5 times one-half of each executive's 2014 Bonus by $15.40, with the cash portion equal to 50% of their respective 2014 Bonus earned. The 2014 Bonus Shares were fully vested on the date of grant, but executives who elected to receive common stock in lieu of cash were required to agree to not sell or otherwise dispose of the 2014 Bonus Shares until the first anniversary of the grant date. Of the eligible executives, 17 elected to receive their entire 2014 Bonus in shares of common stock and four elected to receive 50% of their 2014 Bonus in shares of common stock and 50% in cash. These shares issued in lieu of cash to Mr. Dolan and the other executives were ***elective*** and thus not awarded in the form of our standard equity grants, which are otherwise generally subject to vesting through the fourth anniversary of the grant date or the employee's commencement date, as applicable.

As described in greater detail above, we have a formal clawback policy with respect to our executive incentive compensation.

The following table summarizes the actions taken with respect to 2014 bonuses for our NEOs:

Named Executive Officer and Principal Position	Bonus Eligibility Under SMCIP	Full Year Bonus Payout as Determined by Compensation Committee(1)	Full Year Bonus with 1.5x Multiplier(2)	Number of Shares of Common Stock Issued for 2014 Bonus(3)
Raymond P. Dolan . . . . President and Chief Executive Officer	100% of base salary of $600,000	$633,000	$949,500	61,656
Mark T. Greenquist . . . . Chief Financial Officer	75% of base salary of $360,000	$284,850	$427,275	27,746
Peter Polizzi . . . . Vice President and General Manager, Global Services	50% of base salary of $290,000	$152,975	$229,463	14,901
Anthony Scarfo . . . . Executive Vice President	75% of base salary of $400,000	$316,500	$474,750	30,828
Jeffrey M. Snider . . . . Senior Vice President, Chief Administrative Officer and General Counsel	75% of base salary of $350,000(4)	$276,938	$415,406	26,975
Todd A. Abbott . . . . Former Executive Vice President, Strategy and Go-to-Market	(5)	(5)	(5)	(5)

(1) Represents approximately 105% of each NEO's bonus eligibility under the SMCIP, with 105% representing the payout amount of the 2014 bonus as determined by the Compensation Committee.

(2) The grant date fair values of the shares of common stock actually issued to the NEOs as reported in the "Stock Awards" column of the "2014 Summary Compensation Table" in the "Executive Compensation Tables" Section of this Proxy Statement are higher than the bonus amounts reported in the table above because the market price of the Company's common stock had increased between January 2, 2014 (the date that the number of shares of common stock actually issued was calculated) and July 9, 2014 (the date that the grant date criteria were met for accounting purposes and on which date the fair values of the awards were calculated).

(3) Represents 1.5 times each NEO's full year bonus at approximately 105% of target, divided by $15.40, the closing price of the Company's common stock on January 2, 2014. The shares were issued on February 20, 2015 and vested in full on that date.

(4) Mr. Snider's base salary and bonus eligibility under the SMCIP were originally determined pursuant to the terms of his employment agreement. In December 2014, Mr. Snider's base salary was increased from $300,000 per year to $350,000 per year. Therefore, Mr. Snider's bonus eligibility increased to 75% of a base salary of $350,000.

(5) On July 29, 2014, Mr. Abbott stepped down as Executive Vice President, Strategy and Go-to-Market and remained employed with the Company in an advisory role until October 17, 2014. Following his departure he was not eligible for a 2014 bonus under the SMCIP. Pursuant to the terms of his employment agreement, in connection with his departure Mr. Abbott received a lump sum bonus payment of $300,000, representing his target bonus of 75% of his annual base salary.

Equity-based Incentives. Equity-based incentives are provided to executives whose decisions and actions have a direct impact upon our performance and success. Stock options and restricted stock awards are granted to our executive officers in order to tie their compensation directly to our long-term success. The Compensation Committee believes that a significant portion of each NEO's target total direct compensation should be made in the form of equity compensation due to its strong long-term alignment with stockholder interests. In determining the size of the stock option and/or restricted stock awards granted to each executive officer, the Compensation Committee takes into account the executive officer's role, past performance, anticipated contribution to our long-term goals and market data for executive officers in similar roles at peer companies. Equity granted in prior years and existing levels of stock ownership are also taken into consideration. While the Compensation Committee considers the compensation of such peer group companies' senior executives, it does not benchmark a particular percentile for the total compensation of our NEOs or for any component thereof. The size of the awards is not determined by application of any formula, but rather reflects the Compensation Committee's subjective desire to encourage and reward high levels of performance.

A description of the types of equity awards that were granted in 2014 to our NEOs under the 2007 Plan follows:

Stock Option Grants

Stock options granted to NEOs generally become 25% exercisable one year after the grant date and the remaining 75% of the shares underlying the stock options generally vest in equal monthly increments for the following 36 months. The stock options are typically fully exercisable four years after the grant date, as long as the NEO is still employed by the Company. The Compensation Committee has the ability to establish the vesting schedule for new stock option grants within the parameters of the 2007 Plan. All the stock options are granted following the Compensation Committee's authorization, with an exercise price equal to the closing market price of a share of common stock on the date of grant and have a ten-year term under the 2007 Plan. Grant dates are generally on the 15th day of the month following the date of action by the Compensation Committee, consistent with grants generally made to our non-executive employees.

In connection with the Company's annual equity incentive grant, the Compensation Committee approved the following stock option grants in 2014 to our NEOs pursuant to the terms of the 2007 Plan:

Named Executive Officer and Principal Position	Option Grant Total(1)
Raymond P. Dolan President and Chief Executive Officer	200,000
Mark T. Greenquist Chief Financial Officer	20,000
Peter Polizzi Vice President and General Manager, Global Services	60,000
Anthony Scarfo Executive Vice President	100,000
Jeffrey M. Snider Senior Vice President, Chief Administrative Officer and General Counsel	60,000
Todd A. Abbott(2) Former Executive Vice President, Strategy and Go-to-Market	80,000

(1) The Compensation Committee annually considers an equity incentive grant for certain of our key employees, including executives, in connection with its annual review of employee and executive compensation. The annual equity incentive grant date is generally March 15 of each year, or the next business day following March 15

if March 15 falls on a weekend or a holiday. For 2014, the annual equity incentive grant date was Monday, March 17, 2014 and the exercise price of each option equaled the closing price on the date of grant, or $18.10 per share.

(2) On July 29, 2014, Mr. Abbott stepped down as Executive Vice President, Strategy and Go-to-Market and remained employed with the Company in an advisory role until October 17, 2014.

Restricted Stock Awards

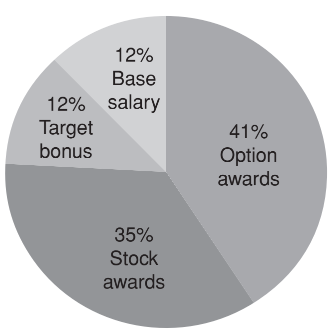
On September 16, 2014, Mr. Dolan received 100,000 shares of restricted stock under the 2007 Plan. 25% of these restricted shares will vest on September 16, 2015, and the remaining 75% of these restricted shares will vest in six equal increments semi-annually thereafter through the fourth anniversary of the grant date, subject to Mr. Dolan's continued employment with the Company. The Compensation Committee provided this grant to Mr. Dolan in recognition of the progress he has made transforming the Company from a media gateway company in a declining market to a profitable company in growing SBC and DSC markets, and in order to retain and motivate him to continue to drive the Company to greater financial and operational performance.

On December 15, 2014, Mr. Polizzi received 10,000 shares of restricted stock under the 2007 Plan. 25% of these restricted shares will vest on December 15, 2015, and the remaining 75% of these restricted shares will vest in six equal increments semi-annually thereafter through the fourth anniversary of the grant date, subject to Mr. Polizzi's continued employment with the Company.

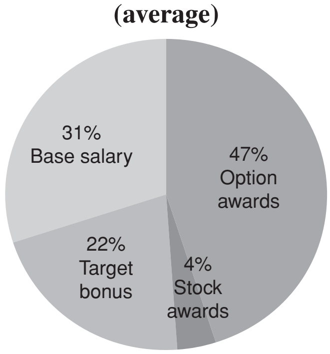
In 2014, our NEOs received two forms of equity compensation—grants of stock options and grants of restricted stock. The chart below illustrates the proportion of direct compensation comprised of cash and equity-related awards. The "Target bonus" components represent 100% of target bonus before any adjustments to account for the stock-for-cash bonus program:

2014 Target Compensation Components of CEO and Other Named Executive Officers (as a Percentage of Total Direct Compensation)(1)

CEO



Other NEOs (average)



(1) All components of our CEO's target compensation mix for 2014 were at risk, including the 2014 Dolan Salary Shares awarded in lieu of base salary, which were subject to a risk of loss before they vested and could have declined in value before the shares vested. Our "Other NEOs" chart reflects the average target compensation mix of Messrs. Greenquist, Polizzi, Scarfo and Snider. This chart does not reflect the compensation mix of Mr. Abbott, who stepped down as Executive Vice President, Strategy and Go-to-Market and ceased to be an executive officer effective July 29, 2014.

Stock Ownership Requirements

The Board believes that it is important to link the interests of our NEOs, among others, to those of our stockholders. Our stock ownership policy requires our directors, Chief Executive Officer and other Section 16 reporting officers to accumulate and hold a minimum number of shares of Company common stock within a certain number of years. As of the record date, each of our directors, Chief Executive Officer and the other Section 16 reporting officers of the Company has either satisfied these ownership guidelines or had time remaining to do so. The specific stock ownership requirements for our non-employee directors, Chief Executive Officer and other Section 16 reporting officers as a multiple of annual base salary are as follows:

Title	Multiple of Annual Base Salary
Chief Executive Officer	6 times annual base salary
Section 16 Reporting Officers	1 times annual base salary
Non-Employee Directors	5 times annual cash retainer

Each individual that is subject to this policy must maintain the applicable minimum amount of stock ownership throughout his or her employment or tenure as a director of the Company. The value of each such individual's stock ownership will be measured periodically by the Compensation Committee.

Benefits and Other Compensation

Benefit Plans

We have various broad-based employee benefit plans. We do not typically offer perquisites or employee benefits to executive officers that are not also made available to employees on a broad basis. Our executive officers are eligible for the same benefits that are available to all employees, which include group health insurance, life and disability insurance, and paid holidays. With the exception of our CEO, who began to accrue four weeks of vacation per year upon his date of hire, all other employees begin accruing three weeks of vacation per year upon date of hire. We offer a 401(k) plan, which allows our employees to invest in a wide array of funds, and the ability to purchase shares of our common stock under our Amended and Restated 2000 Employee Stock Purchase Plan, as amended (the "ESPP"). We do not provide pension arrangements or post-retirement health coverage for our NEOs. We also enter into executive agreements with certain of our executive officers providing for certain severance benefits that may be triggered as a result of the termination of such officer's employment under certain circumstances. We have entered into indemnification agreements with our executive officers and directors.

Because Mr. Dolan elected to accept shares of restricted stock in lieu of base salary for the period January 1, 2014 to December 31, 2014, the Company paid Mr. Dolan's share of the insurance premium relating to the benefit plans generally provided to employees of the Company in accordance with Company policy, currently including health insurance. This amount, totaling $5,455, is included with "All Other Compensation" for Mr. Dolan in the Summary Compensation Table.

We paid Mr. Greenquist's lodging expenses, totaling $17,395 for the period January 1, 2014 to December 31, 2014, during which he worked out of our Westford, Massachusetts corporate office as Mr. Greenquist's permanent residence is in New Jersey.

Severance Agreements

We have entered into severance agreements with each of our NEOs. The severance agreements generally provide that, upon termination of the executive officer's employment without cause, the NEO is entitled to severance payments equal to 100% of his or her base salary and target cash bonus (or

150% for our CEO), and continued health plan premium payments for up to 12 months (or 18 months for our CEO). The severance agreements also generally provide that, upon an involuntary termination in connection with a change in control, or upon a resignation for good reason in connection with a change in control, the executive officer is entitled to 150% of his or her base salary and target cash bonus (or 200% for our CEO), continued health plan premium payments for up to 18 months, and full vesting of all unvested restricted stock and stock options. None of our severance agreements provide for tax gross-ups in connection with severance benefits following a change-in-control. The Compensation Committee believes that these provisions are consistent with executive severance arrangements that are customary for public companies at our stage of development and were necessary in order to hire and/or retain the executives.

On July 29, 2014, Mr. Abbott stepped down as Executive Vice President, Strategy and Go-to-Market and ceased to be an executive officer. He remained employed with the Company in an advisory role until October 17, 2014. Please see the “Potential Payments Upon Termination or Upon Change in Control” section below for information regarding amounts Mr. Abbott received in connection with his termination.

On February 23, 2015, we entered into a letter agreement (the “Restated Agreement”) with Mr. Dolan, which amended and restated the terms and conditions of his employment as originally set forth in his October 8, 2010 offer letter, as amended (the “Original Agreement”). Among other matters, the Restated Agreement confirmed that the provisions of the Original Agreement regarding the impact of an acquisition or termination in certain circumstances on Mr. Dolan’s options and restricted shares apply to all of Mr. Dolan’s equity awards (including performance-based share awards).

Transactions Involving Hedging, Monetization, Margin Accounts, Pledges, Puts, Calls and Other Derivative Securities

The Company’s insider trading policy contains stringent restrictions on transactions in Company common stock by directors and officers. All trades must be pre-approved by the Chief Financial Officer or the General Counsel. The Company intends to adopt a hedging policy once final rules are adopted with respect to the requirements under the Dodd-Frank Act. In the meantime, our current insider trading policy discourages all employees, officers and directors from engaging in transactions involving hedging, monetization, margin accounts, pledges, puts, calls and other derivative securities, and requires those who wish to enter into such an arrangement to first pre-clear the proposed transaction with either the Chief Financial Officer or the General Counsel. To date, no such transaction has been requested or approved.

Tax and Accounting Considerations

Accounting for Stock-Based Compensation. We account for stock-based compensation in accordance with ASC 718.

Incentive Stock Options. Options granted to employees through 2007 were intended to qualify as “incentive stock options” under Section 422 of the Code. Although the 2007 Plan allows for the granting of incentive stock options, the Company’s current practice is not to grant options to employees as incentive stock options. However, there are outstanding incentive stock options that were previously granted to employees that continue to be exercised and were exercisable at December 31, 2014. We make no representation or warranty as to the tax treatment to the optionee upon receipt or exercise of the option or sale or other disposition of the shares covered by the option. In addition, options will not be treated as incentive stock options for tax purposes to the extent that options covering in excess of $100,000 of stock (based upon fair market value of the stock as of the respective dates of grant of such options) become exercisable in any calendar year.

Policy on Deductibility of Executive Compensation. Section 162(m) of the Code generally disallows a tax deduction for compensation in excess of $1.0 million paid to our CEO and to each other officer (other than the Chief Financial Officer) whose compensation is required to be reported to our stockholders pursuant to the Exchange Act by reason of being among our three most highly paid executive officers. The Compensation Committee reviews the potential effect of Section 162(m) of the Code periodically and uses its judgment to authorize compensation payments that may be subject to the limit when the Compensation Committee believes such payments are appropriate and in our best interests and our stockholders' best interests, after taking into consideration changing business conditions and the performance of our employees.

Risk Management and Our Executive Compensation Program

The Compensation Committee monitors and manages our executive compensation program to help ensure that it does not encourage excessive risk taking. The Compensation Committee concluded that our programs do not encourage excessive or inappropriate risk taking by our executive officers for the following reasons, among others:

- with the exception of our CEO, we structure our pay to consist of both fixed and variable compensation, so that our executive officers' cash compensation is not entirely tied to financial results;
- the variable bonus compensation of our executive officers who are covered by the SMCIP is not tied to any individual metric;
- the stock ownership guidelines are applicable to our directors and executive officers to align their interests with those of our stockholders;
- our stock option awards generally vest over a period of four years and are only valuable if our stock price increases over time; and
- none of our incentive plans is based solely on bookings or revenue targets, which mitigates the risk of employees focusing exclusively on the short term.

The Compensation Committee believes that the Company's executive compensation program is market competitive and provides suitable incentives for the NEOs to achieve sustained value for the Company and its stockholders. The Compensation Committee remains committed to providing our NEOs with competitive compensation opportunities that allow for significant upside when the Company is performing well above its corporate objectives, and the Compensation Committee believes that the Company's executive compensation program and practices incorporate a pay-for-performance approach that also avoids compensation arrangements that encourage excessive risk taking. The Compensation Committee reviewed, analyzed and considered whether the Company's compensation policies and practices create risks that are reasonably likely to have a material adverse effect on Sonus Networks, and concluded that no such material risks exist.

Compensation Decisions for 2015

In response to stockholder feedback that we received regarding the 2014 Say-on-Pay proposal, we are providing disclosure in this Proxy Statement of the prospective performance metrics that are being utilized to determine executive bonus compensation for 2015.

For 2015, the Compensation Committee employed the same basic construct as in 2014, but made certain changes to the metrics so that the payout, if any, will better reflect the Company's total performance for the year. The Compensation Committee established metrics for our SMCIP that continue to reward growth in net income, but also added a revenue growth metric, and ascribed a percentage weighting to each of 60% and 40%, respectively.

In addition, on March 16, 2015, we issued annual grants to our Chief Executive Officer and his direct reports, 75% of which was in the form of time-vested restricted shares and 25% of which was in the form of performance-vested RSUs. In connection with this annual grant, our Chief Executive Officer was also granted stock options that vest and become exercisable over a three year period, whereby one-third of the shares will vest on the first anniversary of the grant date and the remaining two-thirds of the shares will vest monthly in equal increments thereafter through the third anniversary of the grant date. The time-vested restricted shares also vest and become exercisable over a three year period, whereby one-third of the shares will vest on the first anniversary of the grant date and the remaining two-thirds of the shares will vest in four equal increments semi-annually thereafter through the third anniversary of the grant date. In addition, the performance-based awards were granted by us for the first time since March 2012 and constitute a meaningful portion of the long-term equity incentive compensation for our Chief Executive Officer and his direct reports. These awards will vest, if at all, over three years, based on the Company's TSR relative to the TSR of each of the companies included in the NASDAQ Telecommunications Index at the time of grant.

We believe that our 2015 executive compensation program is responsive to the feedback we have received and is aligned with stockholder interests.

Conclusion

We believe that we have designed an executive compensation program that effectively links pay and performance and is in the best long-term interests of our stockholders. We will continue to re-evaluate our executive compensation program to ensure future alignment in our compensation program and practices. Stockholder input will continue to be an important consideration in our annual executive compensation evaluation process.

EXECUTIVE COMPENSATION TABLES

The following table sets forth, for the year ended December 31, 2014 and for the two years prior thereto, the compensation earned by our Chief Executive Officer, our Chief Financial Officer, the other three most highly compensated executive officers serving as executive officers at December 31, 2014, and one individual for whom disclosure would have been provided as one of our three most highly compensated executive officers but for the fact that he was not serving as an executive officer at December 31, 2014 (collectively, the "Named Executive Officers" or the "NEOs").

2014 Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	All Other Compensation ($)(4)	Total ($)
Raymond P. Dolan(5)	2014	$529,168	$ —	$3,162,797	$2,110,300	$ 21,008	$5,823,273
President and Chief Executive Officer	2013	$500,001	$675,002	$ —	$1,527,840	$ 25,863	$2,728,706
	2012	$500,001	$ —	$2,140,231	$ 980,625	$ 22,978	$3,643,835
Mark T. Greenquist(6)	2014	$360,000	$ 50,000	$ 497,755	$ 162,170	$ 32,948	$1,102,873
Chief Financial Officer	2013	$ 60,000	$ —	$ 680,000	$ 699,350	$ 3,397	$1,442,747
Peter Polizzi(7) Vice President and General Manager, Global Services	2014	$290,000	$ —	$ 448,814	$ 486,510	$ 15,508	$1,240,832
Anthony Scarfo(8)	2014	$400,000	$ —	$ 553,060	$ 810,850	$ 15,553	$1,779,463
Executive Vice President	2013	$336,667	$405,002	$ 408,000	$1,005,830	$ 21,199	$2,176,698
	2012	$300,897	$160,001	$ 210,168	$ 457,090	$ 24,355	$1,152,511
Jeffrey M. Snider(9)	2014	$303,237	$ —	$ 480,956	$ 486,510	$ 15,553	$1,286,256
Senior Vice President, Chief Administrative Officer and General Counsel	2013	$300,000	$303,752	$ 340,000	$ 479,900	$ 20,858	$1,444,510
Todd A. Abbott(10)	2014	$319,744	$ —	$ —	$ 648,680	$734,894	$1,703,318
Former Executive Vice President,	2013	$400,000	$405,002	$ —	$ 773,160	$ 21,374	$1,599,536
Strategy and Go-to-Market	2012	$378,750	$300,002	$ 936,228	$ 470,700	$ 20,874	$2,106,554

(1) The amounts shown in this column for 2013 represent the bonus amounts payable under our SMCIP with respect to 2013. These bonuses were paid in shares of restricted stock of the Company on February 18, 2014, which shares vested immediately. The amounts represent the bonus amounts payable based on a 90% achievement level, increased by 50% as the result of the bonuses being paid in shares of restricted stock. The number of shares granted to each NEO was determined by dividing the total bonus amount by $16.50, the closing price of our common stock on the date of grant, rounded up for fractional shares.

The amounts shown in this column for 2012 represent the grant date fair value of the bonuses approved by the Compensation Committee on February 15, 2013 in the form of restricted stock awards having a value equal to 100% of the target bonus of each NEO that received such an award, and subject to time vesting through February 15, 2014.

(2) The amounts shown in this column do not reflect compensation actually received by the Named Executive Officer. Instead, the amounts reflect the grant date fair value of each stock award granted to each Named Executive Officer. The grant date fair values of stock awards were calculated in accordance with ASC 718, except as indicated below.

A portion of the amounts reported in 2014 for Messrs. Dolan ($1,092,797) and Polizzi ($267,314) and all of the amounts reported in 2014 for Messrs. Greenquist, Scarfo and Snider represent the amounts payable under our SMCIP with respect to 2014, which were determined pursuant to a fixed formula based on a single financial metric, net income, and were calculated by multiplying the percentage achievement of such performance metric by the bonus at target for each participant. In early 2014, each NEO elected to receive his 2014 bonus, if any, under our SMCIP in the form of restricted stock. Payment based on the amount approved by the Compensation Committee was made in shares of restricted stock of the Company on February 20, 2015, which shares vested immediately. The amounts in the table above represent the fair values of the bonus shares as of the date that the grant date criteria were met for accounting purposes and accordingly, the fair values of the 2014 bonus shares reported in the table above differ from the actual calculated bonus amounts against which the number of shares granted to each NEO was calculated. The grant date fair values of these awards incorporate the one-year post-vest trading restriction. The number of shares actually issued to each NEO was based on an approximately 105% achievement level, and the number of such shares was increased by 50% as the result of the bonuses being paid in shares of restricted stock, as discussed above under the section entitled "Compensation Discussion and Analysis—2014 Compensation Payouts—Cash Bonuses". The number of shares granted to each NEO was determined by dividing the total bonus amount by $15.40, the closing price of our common stock on January 2, 2014, rounded up for fractional shares.

If the maximum level of performance conditions had been achieved under our SMCIP for 2014, the fair values of the bonus shares received by Messrs. Dolan, Greenquist, Polizzi, Scarfo and Snider would have been equal to $2,071,664, $943,592, $506,731, $1,048,461 and $911,757, respectively.

Following Mr. Abbott's departure he was not eligible for a 2014 bonus under our SMCIP. Pursuant to the terms of Mr. Abbott's employment agreement, however, in connection with his departure, the stock award that Mr. Abbott would have received for the bonus amounts payable under our SMCIP with respect to 2014 (the grant date fair value of which would have been equal to $553,060) was converted to a cash payment of $300,000, representing his target bonus of 75% of his annual base salary. This cash payment is included in the amount reported as "All Other Compensation" for Mr. Abbott for 2014 (see Note 10 below).

The amounts reported in 2012 for Messrs. Dolan, Abbott and Scarfo include amounts attributable to performance-based awards for which the Compensation Committee established performance conditions in 2012 but which did not have grant dates in 2012 for accounting purposes as a result of the level of discretion retained by the Compensation Committee in determining the final number of shares earned under these awards. For these awards, the amounts reported in the table above were calculated using the closing price of the Company's common stock on the date the performance conditions were communicated to the recipient, multiplied by the number of shares that would be earned at the target level of achievement, which is the performance level that the Company estimated would be achieved as of that date. $995,231, $571,228 and $210,168 of the amounts reported in 2012 for Messrs. Dolan, Abbott and Scarfo, respectively, related to these awards.

(3) The amounts shown in this column do not reflect compensation actually received by the NEO. Instead, the amounts reflect the grant date fair value of each option award granted to each NEO. The grant date fair values of option awards were estimated in accordance with ASC 718 using the Black-Scholes valuation model. The assumptions we use in calculating these amounts are discussed in Note 16 to our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014.

(4) The Company portions of health insurance premiums included in this column are also provided to all employees of the Company, with the amounts dependent upon the levels of health and group term life insurance coverage selected by each individual. Accordingly, the Company portion of premiums paid is not considered a perquisite but is reported as income earned for each NEO.

(5) On January 2, 2014, Mr. Dolan elected to receive restricted shares of the Company's common stock in lieu of his base salary for the period from January 1, 2014 through December 31, 2014 (the "2014 Dolan Salary Shares"). Mr. Dolan had previously not received any salary payments from the Company for this period. On January 2, 2014, the Company granted Mr. Dolan 48,701 shares of restricted common stock (having a total grant date fair value of $750,000, equal to 1.5 times Mr. Dolan's base salary for the year ending December 31, 2014). The number of shares was calculated by dividing an amount equal to 1.5 times Mr. Dolan's base salary for the period from January 1, 2014 through December 31, 2014 by $15.40, the closing price of the Company's common stock on the date of grant, rounded up for fractional shares. The 2014 Dolan Salary Shares vested on December 31, 2014. In addition, effective September 16, 2014, Mr. Dolan's base salary was increased to $600,000. For the remainder of 2014, such increase was prorated and paid in cash in an amount equal to $29,167 (the "Dolan Prorated Salary Cash Payment) pursuant to the Company's general payroll practices and was not subject to any stock-for-cash election. Accordingly, the amount reported for Mr. Dolan as "Salary" for 2014 in the table above represents the Dolan Prorated Salary Cash Payment plus the $500,000 in salary foregone by Mr. Dolan in exchange for the 2014 Dolan Salary Shares. In addition, the amount reported for Mr. Dolan as "Stock Awards" for 2014 in the table includes $250,000, which is the amount in excess of the salary foregone by Mr. Dolan in exchange for the 2014 Dolan Salary Shares.

On February 15, 2013, Mr. Dolan elected to receive restricted shares of the Company's common stock in lieu of his base salary for the period from January 1, 2013 through December 31, 2013 (the "2013 Dolan Salary Shares"). Mr. Dolan had previously not received any salary payments from the Company for this period. On February 15, 2013, the Company granted Mr. Dolan 36,764 shares of restricted common stock (having a total grant date fair value of $500,000, equal to Mr. Dolan's base salary for the year ending December 31, 2013). The number of shares was calculated by dividing Mr. Dolan's base salary for the year by $13.60, the closing price of the Company's common stock on the date of grant, rounded up for fractional shares. The 2013 Dolan Salary Shares vested in full on December 31, 2013. Accordingly, the amount reported for Mr. Dolan as "Salary" for 2013 in the table above represents the salary foregone by Mr. Dolan in exchange for the 2013 Dolan Salary Shares.

On August 7, 2012, Mr. Dolan elected to accept restricted shares of the Company's common stock in lieu of his base salary for the period from August 10, 2012 through December 31, 2012, and on August 10, 2012, the Company granted Mr. Dolan 21,679 shares of restricted stock (the "2012 Dolan Salary Shares"), which had a total grant date fair value equal to the balance of Mr. Dolan's base salary for the year ended December 31, 2012, calculated by dividing Mr. Dolan's remaining base salary for the year by $8.90, the closing price of the Company's common stock on the date of grant, rounded up for fractional shares. The 2012 Dolan Salary Shares vested in full on December 31, 2012. Accordingly, the amount reported for Mr. Dolan as "Salary" for 2012 in the table above is comprised of $307,053 of cash payments and $192,948 received in the form of restricted stock.

Mr. Dolan's 2014 "All Other Compensation" of $21,008 is related to health insurance and comprised of $15,553 for the Company's portion of his health insurance and $5,455 for the employee portion of his health insurance, which the Company paid on his behalf, as Mr. Dolan did not receive a cash salary in 2014 with the exception of $29,167 in cash paid to him in connection with his salary increase effective in September 2014. Mr. Dolan's 2013 "All Other Compensation" of $25,863 is related to health insurance and comprised of $20,408 for the Company's portion of his health insurance and $5,455 for the employee portion of his health insurance, which the Company paid on his behalf as Mr. Dolan did not receive a cash salary in 2013. Mr. Dolan's 2012 "All Other Compensation" of $22,978 is comprised of $18,123 related to health insurance, $3,500 for our 401(k) matching contribution and $1,355 related to group term life insurance.

(6) Mr. Greenquist's 2014 "All Other Compensation" of $32,948 is comprised of $15,553 related to health insurance and $17,395 for lodging expenses from January 1, 2014 to December 31, 2014, during which he worked out of our Westford, Massachusetts corporate office, as Mr. Greenquist's permanent residence is in New Jersey. Mr. Greenquist's 2013 "All Other Compensation" of $3,397 is comprised of $3,130 related to health insurance and $267 related to group term life insurance.

(7) Mr. Polizzi's 2014 "All Other Compensation" of $15,508 relates to health insurance.

(8) Mr. Scarfo's 2014 "All Other Compensation" of $15,553 relates to health insurance. Mr. Scarfo's 2013 "All Other Compensation" of $21,199 is comprised of $20,408 related to health insurance and $791 related to group term life insurance. Mr. Scarfo's 2012 "All Other Compensation" of $24,355 is comprised of $20,162 related to health insurance, $3,500 for our 401(k) matching contribution and $693 related to group term life insurance.

(9) Mr. Snider's 2014 "All Other Compensation" of $15,553 relates to health insurance. Mr. Snider's 2013 "All Other Compensation" of $20,858 is comprised of $20,408 related to health insurance and $450 related to group term life insurance.

(10) On July 29, 2014, Mr. Abbott stepped down as Executive Vice President, Strategy and Go-to-Market and remained employed with the Company in an advisory role until October 17, 2014. Mr. Abbott's 2014 "All Other Compensation" of $734,894 is comprised of $719,386 related to Mr. Abbott's separation compensation, as well as $15,508 related to health insurance paid during his employment. Mr. Abbott's 2013 "All Other Compensation" of $21,374 is comprised of $20,408 related to health insurance and $966 related to group term life insurance. Mr. Abbott's 2012 "All Other Compensation" of $20,874 is comprised of $19,666 related to health insurance and $908 related to group term life insurance.

Grants of Plan-Based Awards in 2014

The following table sets forth information about incentive plan awards made to the NEOs during the year ended December 31, 2014:

2014 GRANTS OF PLAN-BASED AWARDS

Name	Grant Date	Date of Compensation Committee Action(1)	Estimated Future Payouts Under Equity Incentive Plan Awards Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock And Option Awards ($)(2)
Raymond P. Dolan(3)(4)(5)	1/2/14	1/2/14				48,701			$ 750,002
	2/18/14	2/11/14				40,909			$ 675,002
	3/17/14	3/10/14					200,000	$18.10	$2,110,300
	7/9/14	2/11/14	29,221	58,442	116,884				$1,035,832
	9/16/14	9/16/14				100,000			$1,820,000
Mark T. Greenquist(5)	3/17/14	3/10/14					20,000	$18.10	$ 162,170
	7/9/14	2/11/14	13,150	26,299	52,598				$ 471,797
Peter Polizzi(5)	3/17/14	3/10/14					60,000	$18.10	$ 486,510
	7/9/14	2/11/14	7,062	14,124	28,247				$ 253,375
	12/15/14	12/8/14				10,000			$ 181,500
Anthony Scarfo(4)(5)	2/18/14	2/11/14				24,545			$ 405,002
	3/17/14	3/10/14					100,000	$18.10	$ 810,850
	7/9/14	2/11/14	14,611	29,221	58,442				$ 524,231
Jeffrey M. Snider(4)(5)	2/18/14	2/11/14				18,409			$ 303,752
	3/17/14	3/10/14					60,000	$18.10	$ 486,510
	7/9/14	2/11/14	12,785	25,569	51,137				$ 455,888
Todd A. Abbott(4)(5)(6)	2/18/14	2/11/14				24,545			$ 405,002
	3/17/14	3/10/14					80,000	$18.10	$ 648,680
	7/9/14	2/11/14	14,611	29,221	58,442				$ 524,231

(1) Date on which the Compensation Committee took action to approve the award or the performance metrics for achievement of such award, as applicable.

(2) Amounts reflect the grant date fair values of the restricted stock awards and stock option grants estimated in accordance with ASC 718 as of the respective grant dates.

(3) On January 2, 2014, Mr. Dolan elected to receive restricted shares of our common stock in lieu of his base salary for the period from January 1, 2014 through December 31, 2014 (the "2014 Dolan Salary Shares"). Mr. Dolan had previously not received any salary payments from the Company for this period. On January 2, 2014, the Company granted Mr. Dolan 48,701 shares of restricted common stock (having a total grant date fair value of $750,002, equal to 1.5 times Mr. Dolan's base salary for the year ending December 31, 2014). The number of shares was calculated by dividing an amount equal to 1.5 times Mr. Dolan's base salary for the period from January 1, 2014 through December 31, 2014 by $15.40, the closing price of the Company's common stock on the date of grant, rounded up for fractional shares. The 2014 Dolan Salary Shares vested on December 31, 2014.

(4) For 2013, bonus amounts payable under our SMCIP were paid in shares of restricted stock of the Company on February 18, 2014, which shares vested immediately. The number of shares granted to each NEO on this date represents the bonus amounts payable to the NEO based on a 90% bonus achievement level, increased by 50% as the result of the bonuses being paid in shares of restricted stock, and were determined by dividing the total bonus amount by $16.50, the closing price of our common stock on the date of grant, rounded up for fractional shares.

(5) For 2014, bonus amounts payable under our SMCIP in shares of restricted stock of the Company were determined pursuant to a fixed formula based on a single financial metric, net income, and were calculated by multiplying the percentage achievement of such performance metric by the bonus at target for each participant. The amounts reported for each NEO in the "Grant Date Fair Value of Stock And Option Awards" column of the table above corresponding to each of the July 9, 2014 grant dates represent (i), for Messrs. Abbott, Greenquist, Polizzi and Scarfo, the fair values of the bonus shares at target on July 9, 2014, the date that the grant date criteria were met for accounting purposes, and (ii), for Messrs. Dolan and Snider, the weighted average grant date fair values of the bonus shares at target on July 9, 2014, the date that the grant date criteria were met for accounting purposes, and the grant date fair values for any incremental shares granted as a result of subsequent salary increases to these individuals. The grant date fair values of these awards incorporate the one-year post-vest trading restriction. The number of shares reported for each NEO in the "Estimated Future Payouts Under Equity Incentive Plan Awards" column of the table above corresponding to each of the July 9, 2014 grant dates was determined by dividing the total bonus amount at each of threshold, target and maximum by $15.40, the closing price of our common stock on January 2, 2014, rounded up for fractional shares.

(6) On July 29, 2014, Mr. Abbott stepped down as Executive Vice President, Strategy and Go-to-Market and remained employed with the Company in an advisory role until October 17, 2014. Following Mr. Abbott's departure he was not eligible for a 2014 bonus under our SMCIP. Therefore, pursuant to the terms of Mr. Abbott's employment agreement, in connection with his departure, the amounts reported for Mr. Abbott corresponding to the July 9, 2014 grant date were converted to a cash payment of $300,000, representing his target bonus of 75% of his annual base salary.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth information concerning stock options and unvested stock awards held by the Named Executive Officers as of December 31, 2014:

OUTSTANDING EQUITY AWARDS AT 2014 FISCAL YEAR-END

	Option Awards					Stock Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable(1)**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock that Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)(2)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)**
Raymond P. Dolan	200,000	—	—	$16.90	10/12/20	15,000	$ 297,750	—	—
	85,938	39,062	—	$14.60	3/16/22	11,110	$ 220,534	—	—
	39,375	50,625	—	$12.55	3/15/23	100,000	$1,985,000	—	—
	33,750	56,250	—	$16.50	6/17/23	—	—	58,442	$1,160,074
	—	200,000	—	$18.10	3/17/24	—	—	—	—
Mark T. Greenquist	27,083	72,917	—	$13.60	11/15/23	37,500	$ 744,375	—	—
	—	20,000	—	$18.10	3/17/24	—	—	26,299	$ 522,035
Peter Polizzi	5,313	3,437	—	$12.00	12/15/21	3,125	$ 62,031	—	—
	709	625	—	$14.45	3/15/22	10,000	$ 198,500	—	—
	4,375	5,625	—	$12.55	3/15/23	—	—	14,124	$ 280,361
	7,500	12,500	—	$16.50	6/17/23	—	—	—	—
	—	60,000	—	$18.10	3/17/24	—	—	—	—
Anthony Scarfo	24,375	5,625	—	$11.90	9/15/21	5,625	$ 111,656	—	—
	13,750	6,250	—	$14.45	3/15/22	2,500	$ 49,625	—	—
	31,250	18,750	—	$11.25	6/15/22	18,750	$ 372,188	—	—
	17,500	22,500	—	$12.55	3/15/23	—	—	29,221	$ 580,037
	20,625	34,375	—	$16.50	6/17/23	—	—	—	—
	10,000	30,000	—	$14.55	12/16/23	—	—	—	—
	—	100,000	—	$18.10	3/17/14	—	—	—	—
Jeffrey M. Snider	29,750	—	—	$ 9.70	6/15/19	15,625	$ 310,156	—	—
	19,792	5,208	—	$11.40	10/17/21	—	—	25,569	$ 507,545
	7,161	3,255	—	$14.45	3/15/22	—	—	—	—
	13,125	16,875	—	$12.55	3/15/23	—	—	—	—
	13,125	21,875	—	$16.50	6/17/23	—	—	—	—
	—	60,000	—	$18.10	3/17/24	—	—	—	—
Todd A. Abbott(3)	16,667	—	—	$14.05	10/17/17	—	—	—	—
	17,500	—	—	$14.60	10/17/17	—	—	—	—
	14,584	—	—	$12.55	10/17/17	—	—	—	—
	16,043	—	—	$16.50	10/17/17	—	—	—	—
	31,667	—	—	$18.10	10/17/17	—	—	—	—

(1) Of Mr. Dolan's 39,062 unvested stock options, 2,604 will vest on the 16th of each month through March 16, 2016. Of Mr. Dolan's 50,625 unvested stock options, 1,875 will vest on the 15th of each month through March 15, 2017. Of Mr. Dolan's 56,250 unvested stock options, 1,875 will vest on the 17th of each month through June 17, 2017. Of Mr. Dolan's 200,000 unvested stock options, 50,000 vested on March 17, 2015 and, starting April 17, 2015, 4,167 will vest on the 17th of each month through March 17, 2018.

Of Mr. Greenquist's 72,917 unvested stock options, 2,083 will vest on the 15th of each month through November 15, 2017. Of Mr. Greenquist's 20,000 unvested stock options, 5,000 vested on March 17, 2015 and, starting April 17, 2015, 417 will vest on the 17th of each month through March 17, 2018.

Of Mr. Polizzi's 3,437 unvested stock options, 313 will vest on the last day of each month through November 30, 2015. Of Mr. Polizzi's 625 unvested stock options, 42 will vest on the 15th of each month through March 15, 2016. Of Mr. Polizzi's 5,625 unvested stock options, 2078 will vest on the 15th of each month through March 15, 2007. Of Mr. Polizzi's 12,500 unvested stock options, 417 will vest on the 17th of the month through June 17, 2017. Of Mr. Polizzi's 60,000 unvested stock options, 15,000 vested on March 17, 2015 and, starting April 17, 2015, 1,250 will vest on the 17th of each month through March 17, 2018.

Of Mr. Scarfo's 5,625 unvested stock options, 625 will vest on the 12th of each month through September 12, 2015. Of Mr. Scarfo's 6,250 unvested stock options, 417 will vest on the 15th of each month through March 15, 2016. Of Mr. Scarfo's 18,750 unvested stock options, 1,042 will vest on the 15th of each month through June 16, 2016. Of Mr. Scarfo's 22,500 unvested stock options, 833 will vest on the 15th of each month through March 15, 2017. Of Mr. Scarfo's 34,375 unvested stock options, 1,146 will vest on the 17th of each month through June 17, 2017. Of Mr. Scarfo's 30,000 unvested stock options, 833 will vest on the 16th of each month through December 16, 2017. Of Mr. Scarfo's 100,000 unvested stock options, 15,000 vested on March 17, 2015 and, starting April 17, 2015, 2,083 will vest on the 17th of each month through March 17, 2018.

Of Mr. Snider's 5,208 unvested stock options, 521 will vest on the 17th of each month through October 17, 2015. Of Mr. Snider's 3,255 unvested stock options, 217 will vest on the 15th of each month through March 16, 2016. Of Mr. Snider's 16,875 unvested stock options, 625 will vest on the 15th of each month through March 15, 2017. Of Mr. Snider's 21,875 unvested stock options, 729 will vest on the 17th of each month through June 17, 2017. Of Mr. Snider's 60,000 unvested stock options, 15,000 vested on March 17, 2015 and, starting April 17, 2015, 1,250 will vest on the 17th of each month through March 17, 2018.

(2) In accordance with SEC rules, the market value of unvested shares of restricted stock is determined by multiplying the number of such shares by $19.85, the closing market price of our common stock on December 31, 2014.

(3) On July 29, 2014, Mr. Abbott stepped down as Executive Vice President, Strategy and Go-to-Market and remained employed with the Company in an advisory role until October 17, 2014.

Option Exercises and Stock Vested

The following table summarizes for the Named Executive Officers in 2014 the number of shares acquired upon the exercise or vesting, as applicable, of stock options and restricted stock and the value realized, before payout of any applicable withholding tax. Of our Named Executive Officers, only Mr. Abbott, our former Executive Vice President, Strategy and Go-to-Market, exercised stock options during 2014.

2014 OPTION EXERCISES AND STOCK VESTED

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized On Vesting ($)**	**Number of Shares Acquired on Vesting (#)(1)**	**Value Realized on Vesting ($)(2)**
Raymond P. Dolan	—	—	178,532	$3,105,600
Mark T. Greenquist	—	—	12,500	$ 226,250
Peter Polizzi	—	—	1,875	$ 33,406
Anthony Scarfo	—	—	49,802	$ 837,582
Jeffrey M. Snider	—	—	34,401	$ 565,828
Todd A. Abbott(3)	153,332	$784,333	93,282	$1,496,103

(1) Mr. Dolan elected to pay the tax withholding obligation himself for 129,831 of his shares that vested and were released to him in 2014. With respect to the remaining 48,701 shares, which vested on December 31, 2014 and had been issued to Mr. Dolan in lieu of his base salary for the period from January 1, 2014 through December 31, 2014, Mr. Dolan elected to surrender 22,962 shares to us to satisfy the tax withholding obligation associated with the vesting of such shares.

Mr. Greenquist elected to pay the tax withholding obligation himself for the 12,500 shares that vested and were released to him in 2014.

Mr. Abbott elected to pay the tax withholding obligation himself for 14,237 of his shares that vested and released to him in 2014. Of the remaining 79,045 shares that vested and were released to Mr. Abbott in 2014, 36,389 shares were returned to us to satisfy the tax withholding obligation associated with the vesting of the shares.

Of Mr. Polizzi's 1,875 shares that vested and were released to him in 2014, 774 shares were returned to us to satisfy the tax withholding obligation associated with the vesting of the shares.

Of Mr. Scarfo's 49,802 shares that vested and were released to him in 2014, 19,431 shares were returned to us to satisfy the tax withholding obligation associated with the vesting of the shares.

Of Mr. Snider's 34,401 shares that vested and were released to him in 2014, 12,480 shares were returned to us to satisfy the tax withholding obligation associated with the vesting of the shares.

(2) In accordance with SEC rules, the aggregate dollar amount realized upon vesting of shares of restricted stock was determined by multiplying the number of shares by the closing market price of our common stock on the date of vesting.

(3) On July 29, 2014, Mr. Abbott stepped down as Executive Vice President, Strategy and Go-to-Market and remained employed with the Company in an advisory role until October 17, 2014.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2014 with respect to the shares of our common stock that may be issued under our existing equity compensation plans.

Plan Category	(A) Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	(B) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(C) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A)
Equity Compensation Plans Approved by Stockholders	6,671,129(1)	$16.83(2)	5,586,190(3)
Equity Compensation Plans Not Approved by Stockholders	850,303(4)	$13.65(5)	—(6)
Total	7,521,432		5,586,190

(1) Consists of options to purchase common stock of the Company, which do not have voting or other rights of ownership, under the 2007 Plan, or the Amended and Restated 1997 Stock Incentive Plan (the "1997 Plan"). Excludes purchase rights accruing under the ESPP.

(2) Represents the weighted average exercise price for the 5,920,126 outstanding options to purchase the Company's common stock under the 2007 Plan and 751,003 outstanding options to purchase the Company's common stock under the 1997 Plan.

(3) Consists of shares available for future issuance under the 2007 Plan and the ESPP. As of December 31, 2014, 3,446,366 shares of common stock were available for issuance under the 2007 Plan and 2,139,824 shares of common stock were available for issuance under the ESPP. In addition to being available for future issuance upon exercise of options that may be granted after December 31, 2014, the shares available under the 2007 Plan may also be issued in the form of restricted stock, RSUs, SARs, performance-based share awards or other equity-based awards. However, shares granted under the 2007 Plan in the form of awards other than options or SARs reduce the remaining available pool of shares at a ratio of 1:1.57 (or 1:1.61 if Proposal 2, amending the 2007 Plan, is approved by our stockholders at our 2015 annual meeting of stockholders).

(4) In connection with the Company's August 24, 2012 acquisition of NET, the Company assumed NET's 2008 Equity Incentive Plan and renamed it the 2008 Stock Incentive Plan (the "2008 Plan"). In connection with the Company's February 19, 2014 acquisition of PT, the Company assumed PT's 2001 Stock Option Plan (the "2001 Plan"), 2003 Omnibus Incentive Plan (the "2003 Plan") and 2012 Stock Incentive Plan (the "2012 Plan"). The amount reported here is comprised of options to purchase an aggregate of 653,336 shares of common stock under the 2008 Plan and options to purchase 196,967 shares of common stock in the aggregate under the 2001 Plan, 2003 Plan and 2012 Plan. These amounts include options that were either outstanding as of the respective dates of acquisition of NET and PT and assumed by the Company or granted under either the 2008 Plan or the 2012 Plan since the respective acquisition dates. At the time of the acquisition of PT, no future awards could be granted under either the 2001 Plan or the 2003 Plan. As of December 2, 2014, no future awards may be granted under either the 2008 Plan or 2012 Plan.

(5) Represents the weighted average exercise price for all options to purchase the Company's common stock outstanding under the 2008 Plan, 2001 Plan, 2003 Plan and 2012 Plan (see Note 4 above).

(6) At the Company's special meeting of stockholders on December 2, 2014, our stockholders approved amendments to the 2007 Plan that, among other matters, transferred all shares available for future issuance from each of the 2008 Plan and 2012 Plan to the 2007 Plan and provided that any outstanding awards under the 2008 Plan and 2012 Plan that expire, are terminated, cancelled, surrendered or forfeited, or are repurchased by the Company at their original issuance price pursuant to a contractual repurchase right under the 2008 Plan or 2012 Plan will be returned to the 2007 Plan.

2008 Plan

The purpose of the 2008 Plan is to encourage ownership in key personnel whose long-term employment or other service relationship with us is considered essential to our continued progress and, thereby, encourage recipients to act in the stockholders' interest and share in our success. Though this remains the purpose of the 2008 Plan, as of December 2, 2014, no new awards will be granted under the 2008 Plan; however, as of December 31, 2014, awards previously granted under the 2008 Plan remained outstanding.

The Board may terminate the 2008 Plan at any time, but the 2008 Plan does not have a set termination date. Any awards outstanding upon the termination of the 2008 Plan will continue to remain outstanding and exercisable in accordance with the terms and provisions of the instruments evidencing those grants. The Board may amend or modify the 2008 Plan, or any part thereof, at any time and for any reason, subject to the requirement that stockholder approval be obtained for any amendment to the 2008 Plan to the extent necessary to comply with applicable laws and that, unless approved by the stockholders of the Company, no amendment may be made that would reduce the minimum exercise price at which options may be granted or cancel outstanding options or stock appreciation rights ("SARs") in exchange for an award with an exercise price less than the exercise price of the original award. Generally, no amendment by the Board or stockholders may alter or impair any award previously granted under the 2008 Plan without the consent of the awardee.

The 2008 Plan is administered by our Board, by a committee appointed by our Board, and/or by other delegates approved by our Board consistent with applicable law (the "Plan Administrator"). Subject to the provisions of the 2008 Plan, the Plan Administrator has exclusive authority, with the ability to delegate such authority, to determine the terms of the awards. The Plan Administrator has the authority to establish rules and regulations for proper plan administration.

Stock Options: The exercise price of any option granted under the 2008 Plan may not be less than fair market value of the common stock on the date of grant. The Plan Administrator cannot cancel outstanding options and grant replacement options at a lower exercise price for the same or a different number of shares of common stock without stockholder approval (except in connection with a change of capitalization). The option exercise price may be paid to the Company in cash, in shares of common stock valued at fair market value on the exercise date (subject to any conditions or limitations that may be established by the Plan Administrator), broker-assisted sales acceptable to the Plan Administrator, and any other form of consideration permitted by applicable law (which may include a "net exercise" program), or any combination thereof. Options may be exercisable immediately or may become exercisable in cumulative increments over a period of months or years as determined by the Plan Administrator. The maximum period during which any option may remain outstanding may not exceed seven years. Generally, if an optionee's service to the Company terminates other than by reason of death or disability, vested options will remain exercisable for a period of three months following the optionee's termination. If an optionee dies or becomes disabled while an employee or director of, or a consultant or independent contractor to, the Company, or dies within three months following termination, the optionee's vested options will be exercisable for one year following death or disability, or if earlier, the expiration of the term of the option. The Plan Administrator may, in its discretion, either extend the exercise period for any option, but not beyond the expiration date, or accelerate the vesting of the option. Incentive stock options are not assignable or transferable other than by will or by the laws of inheritance and, during the optionee's lifetime, the option may be exercised only by the optionee. Other options are generally not assignable or transferable other than by will or by the laws of inheritance, though the Plan Administrator may in its discretion permit transfers that are not for consideration.

Stock Appreciation Rights: SARs become exercisable, in whole or in part, at such times as the Plan Administrator shall specify in the applicable stock award agreement. Upon exercise of a SAR, in whole or in part, the participant is generally entitled to a payment in an amount equal to the excess of the fair market value on the date of exercise over the fair market value on the grant date of the shares covered by the exercised portion of the SAR. The amount due to the participant upon exercise of a SAR may be paid in cash, shares or a combination thereof.

Grants of Stock: Depending on whether or not the shares of restricted stock are vested when issued, the awardee will have all rights of a stockholder as of the date of issuance, which will entitle the awardee to voting rights and the right to receive dividends. Unless otherwise provided by the Plan Administrator, upon termination of employment, the unvested shares of restricted stock will be surrendered to the Company for cancellation to the extent not purchased or earned (with Company having the right to repurchase unvested shares that have been purchased or earned) and the awardee will thereafter cease to have any rights in those shares so surrendered or repurchased. In its discretion, the Plan Administrator may waive, in whole or in part, the Company's cancellation of unvested restricted stock held by an employee at termination.

Adjustments Upon Changes in Capitalization: In the event of any stock split, reverse stock split, stock dividend, combination or reclassification of our common stock or any other change to the capital structure of the Company (effected without receipt of consideration by the Company), the Plan Administrator will make proportionate adjustments to (1) the number of shares of common stock covered by each outstanding award and (2) the price per share of common stock covered by each such outstanding award under the 2008 Plan.

Corporate Transactions: In the event of certain "Corporate Transactions" that constitute a "Change in Control" of Sonus (each as defined in the 2008 Plan), if outstanding options or stock awards are not assumed by the successor corporation or parent thereof or replaced by an equivalent option or stock award for the stock of the successor corporation, then, subject to any limitations imposed at the time of grant, the vesting of such awards will accelerate and become fully exercisable. In addition, the Plan Administrator has discretion, either in advance of or at the time of such a "Change in Control", to provide for the automatic acceleration of awards upon the occurrence of the Change in Control. Options held by an eligible officer will be automatically accelerated if the officer is terminated in conjunction with, or within one year after, the Change in Control.

Hostile Takeovers: Upon the occurrence of a Hostile Take-Over, each option in effect for at least six months will automatically be canceled and the optionee will be entitled to a cash payment as determined under the 2008 Plan.

2012 Plan

The purpose of the 2012 Plan is to encourage ownership in key personnel whose long-term employment or other service relationship with us is considered essential to our continued progress and, thereby, encourage participants to act in the stockholders' interest and share in our success. Though this remains the purpose of the 2012 Plan, as of December 2, 2014, no new awards will be granted under the 2012 Plan; however, as of December 31, 2014, awards previously granted under the 2012 Plan remained outstanding.

The Board may amend, alter or discontinue the 2012 Plan or any award agreement, subject to approval of our stockholders in the manner and to the extent required by applicable law. Subject to the limitations in the 2012 Plan, our Board may at any time unilaterally amend any unexercised, unearned or unpaid award, including, but not by way of limitation, awards earned but not yet paid, to the extent it deems appropriate; provided, however, that (i) any such amendment which, in the opinion of our Board, materially impairs the rights or materially increases the obligation of a participant under an outstanding award will be made only with the consent of the participant (or, upon the participant's death, the person having the right to exercise the award), except that amendments to implement administrative changes to the 2012 Plan that are deemed necessary or advisable by our Board for compliance with laws will not require participant consent, and (ii) no such amendment will cause a violation of Section 409A of the Code. The 2012 Plan was originally approved by the Board of Directors of PT on February 16, 2012, was approved by PT's stockholders and became effective on May 24, 2012.

Stock Options: All stock options under the 2012 Plan, except under certain circumstances contemplated in the 2012 Plan, have a vesting schedule not less than one year from the date of grant. The 2012 Plan requires all options to have an exercise price of not less than 100% of the fair market value of the shares subject to the option on the date of grant, as determined by our Board and specified in the applicable option agreement. The duration of the option is set forth in the applicable option agreement. The 2012 Plan requires that no option be granted with a term in excess of 10 years. Upon exercise, the exercise price of a stock option under the 2012 Plan may, at our Boards' discretion, be paid in cash (or equivalents), or by tendering, by either actual delivery of shares or by attestation, shares of common stock, by withholding shares otherwise issuable in connection with the exercise of the option (but only for non-qualified stock options issued under the 2012 Plan), a combination of the foregoing, or such other consideration as our Board may deem appropriate.

Stock Appreciation Rights: If a participant is expressly granted an SAR in tandem with an option: (i) the SAR will be exercisable to the extent, and only to the extent, that the related option is exercisable, and the "exercise price" of such SAR (the base from which the value of the SAR is measured at its exercise) will be the exercise price under the related option; (ii) upon exercise of a related option as to some or all of the shares covered by the award, the SAR will be canceled automatically to the extent of the number of shares covered by the option exercise; (iii) upon the exercise of a SAR as to some or all of the shares covered by the award, the related option will be canceled automatically to the extent of the number of shares covered by such exercise; and (iv) the SAR will expire upon the expiration of the related option. If the SAR was not expressly granted in tandem with an option: (a) the SAR will be exercisable in accordance with the terms and conditions and at the times and during the periods as may be determined by our Board; and (b) the SAR will expire not later than ten years from the effective date of such SAR's grant and generally has the same terms and conditions as options. Our Board may, by way of the award notice or otherwise, determine such other terms, conditions, restrictions and/or limitations, if any, of any SAR award, provided they are not inconsistent with the 2012 Plan. The 2012 Plan requires all SARs to have a grant price or exercise price of not less than 100% of the fair market value of our common stock on the date of grant, as specified in the applicable SAR agreement. In the event the SAR is paid in cash, the corresponding cash (or equivalents) thereof will be paid as of the date that the SAR is exercised.

Restricted Stock Awards: Our Board may modify or accelerate the delivery of the restricted stock award under such circumstances as it deems would be in the best interest of Sonus; provided, however, that such action would not cause a violation of Section 409A of the Code. Except as otherwise provided in the 2012 Plan, the period to achieve full vesting for freestanding restricted stock awards granted to participants is not shorter than three years. Notwithstanding the foregoing, restricted stock awards subject to performance vesting may have a minimum vesting period of one year. In addition, awards to new directors of Sonus or substitute awards made to new hires to replace forfeited awards from a prior employer are not subject to a minimum vesting period.

Major Corporate Events: If there is any change in the number of outstanding shares of common stock through the declaration of stock dividends, stock splits or the like, the number of shares available for awards, the shares subject to any award and the option prices or exercise prices of awards will be automatically adjusted. If there is any change in the number of outstanding shares of common stock through any change in our capital structure, or through a merger, consolidation, separation (including a spin-off or other distribution of stock or property), reorganization (whether or not such reorganization comes within the meaning of such term in Section 368(a) of the Code) or partial or complete liquidation, our Board will make appropriate adjustments and/or modifications to outstanding awards under the 2012 Plan as it, in its sole discretion, deems equitable. In the event of any other change in our capital structure or our common stock (including through payment of an extraordinary cash dividend), our Board will also make such appropriate adjustments and/or modifications to outstanding awards under the 2012 Plan as it, in its sole discretion, deems equitable.

Termination. The consequences of a termination of a participant's status with Sonus with respect an award under the 2012 Plan depends upon the type of award granted and the circumstances of such termination. Our Board has the authority to issue rules and regulations to determine the treatment of a participant under the 2012 Plan in the event of such participant's death, disability, retirement, termination for an approved reason and other termination.

Stock Option and Restricted Stock Grant Policy

We have six stock incentive plans—the 1997 Plan, the 2007 Plan; the 2008 Plan, the 2001 Plan, the 2003 Plan and the 2012 Plan (collectively, the "Plans"). At the Company's special meeting of stockholders on December 2, 2014, our stockholders approved amendments to the 2007 Plan that, among other matters, transferred all shares available for grant at the time from each of the 2008 Plan and 2012 Plan to the 2007 Plan and provided that any outstanding awards under each of the 2008 Plan and 2012 Plan that expire, are terminated, cancelled, surrendered or forfeited, or are repurchased by us at their original issuance price pursuant to a contractual repurchase right under either the 2008 Plan or 2012 Plan will be returned to the 2007 Plan.

We issued stock options and restricted stock pursuant to the 1997 Plan through November 2007, when the 1997 Plan expired. No shares are available for future issuance under the 1997 Plan due to the 1997 Plan's expiration; however, outstanding options are still being administered under this plan.

We assumed the 2008 Plan in connection with the acquisition of NET in August 2012. Pursuant to such NET acquisition, RSUs and in-the-money options issued under the 2008 Plan that were outstanding on August 24, 2012 were assumed by Sonus, together with the 2008 Plan. These outstanding awards continue to be subject to and governed by the 2008 Plan and have all the same terms and conditions, except that the awards became awards with respect to our common stock and the number of shares subject to the awards and the exercise prices (in the case of options) were adjusted to reflect the equity award exchange ratio in the acquisition. Any awards issued under the 2008 Plan after the August 24, 2012 acquisition date were required to be issued only to employees of NET who subsequently become employees of Sonus or other persons who were not performing services for us at the time of the merger, such as new employee hires after August 24, 2012. At the December 2, 2014 special meeting of stockholders, our stockholders approved the transfer of all shares available for grant at the time under the 2008 Plan to the 2007 Plan and provided that any outstanding awards under the

2008 Plan that expire, are terminated, cancelled, surrendered or forfeited, or are repurchased by us at their original issuance price pursuant to a contractual repurchase right under the 2008 Plan will be returned to the 2007 Plan. No future awards will be granted under the 2008 Plan.

We assumed the 2001 Plan, the 2003 Plan and the 2012 Plan (collectively, the "PT Plans") in connection with the acquisition of PT in February 2014. The 2001 Plan had expired for purposes of new options by its terms in May 2011 but was assumed by us solely for the purpose of administering any outstanding options under this plan. The 2003 Plan was also assumed by us solely for the purpose of administering any outstanding awards under such plan as of the PT acquisition date. The only awards assumed from the 2001 Plan and the 2003 Plan were non-qualified stock options, which outstanding options are subject to the terms and conditions of the plan under which they were granted. No future awards will be granted under either the 2001 Plan or the 2003 Plan. Pursuant to the PT merger, options issued under the 2012 Plan that were outstanding at the closing of the merger were assumed by us, along with the 2012 Plan. These outstanding awards continue to be subject to and governed by the 2012 Plan, and have all the same terms and conditions, except that the number of shares subject to the award and the exercise price were adjusted to reflect the equity award exchange ratio in the merger. Outstanding awards under the PT Plans continue to be subject to and governed by the applicable PT Plan and have all the same terms and conditions, except that the awards became awards with respect to our common stock and the number of shares subject to the awards and the exercise prices (in the case of options) were adjusted to reflect the equity award exchange ratio in the acquisition. Any awards issued under the 2012 Plan since the February 19, 2014 acquisition date were required to be issued only to employees of PT who subsequently become employees of Sonus or other persons who were not performing services for us at the time of the merger, such as new employee hires after February 19, 2014. At the December 2, 2014 special meeting of stockholders, our stockholders approved the transfer of all shares available for grant at the time under the 2012 Plan to the 2007 Plan and provided that any outstanding awards under the 2012 Plan that expire, are terminated, cancelled, surrendered or forfeited, or are repurchased by us at their original issuance price pursuant to a contractual repurchase right under the 2008 Plan will be returned to the 2007 Plan. No future awards will be granted under the 2012 Plan.

We have granted stock options under the Plans as a means of promoting the long-term success of our business because we believe that sharing ownership with our employees aligns their interests with our interests and the interests of our stockholders and encourages our employees to devote the best of their abilities and efforts to our company. Each stock option award specifies the exercise price that the employee must pay to purchase shares of common stock when the option is exercised. The exercise price per share is set at the closing market price of a share of our common stock on the date the option is granted. Employees receive value from their options only if the value of our shares has increased above their value on the date of grant of the options.

New Hire, Promotion and Adjustment Equity Grants

The Compensation Committee has delegated authority to our Chief Executive Officer, our Chief Administrative Officer and our Vice President of Human Resources to award new hire, promotion and adjustment stock option and RSU grants within certain established guidelines for the type and seniority of the position held by the recipient; provided, however, that only the Compensation Committee may approve: (i) any equity grants to any officer or executive officer of the Company; (ii) new hire equity grants with respect to more than 20,000 shares per person; (iii) new hire, promotion and adjustment stock option and RSU grants outside of established guidelines for the type and seniority of the position held by the recipient; (iv) any equity grants to consultants; and (v) all other types of equity grants other than stock option and RSU grants.

The Compensation Committee reviews all grants issued under the delegation of authority and, if appropriate, approves the grants of equity at a Compensation Committee meeting or by written consent. The actions taken at the meetings are documented in meeting minutes subsequently approved by the Compensation Committee. The list of proposed individual grants is provided in advance of the Compensation Committee meeting and is included in the meeting minutes.

Annual Equity Incentive Grants

The Compensation Committee annually considers an equity incentive grant for certain of our key employees, including executives, in connection with its annual review of employee and executive compensation. Typically, employee eligibility is based upon hire date with a required minimum of one year of service. Among the eligible employees, awards are allocated to employees based upon management's evaluation of employee performance and other business criteria, with a weighting towards the Company's strongest performers.

The proposed plan for each year includes overall parameters of the plan and a pool of shares to be allocated under the plan. The Compensation Committee discusses the plan with management and then requests that management provide the Compensation Committee with a specific list of individual grants for employees consistent with the Compensation Committee's guidance. The Compensation Committee determines specific grants for executives. Management then prepares a list of individual grants for employees and executives and submits to the Compensation Committee the list of individual grants for employees and executives. The Compensation Committee reviews and, if appropriate, approves the list of individual grants at a Compensation Committee meeting or by written consent. The actions taken at the meetings are documented in meeting minutes subsequently approved by the Compensation Committee.

The annual equity incentive grant date is generally March 15 of each year, or the next business day following March 15 if March 15 falls on a weekend or a holiday. Our annual equity incentive grant date for fiscal 2014 was March 17, 2014, on which date we granted a total of 2.0 million options to purchase our common stock, including 0.5 million options granted to our NEOs. The Compensation Committee retains the right to change the annual equity incentive grant date based on business events that might warrant using another date.

Promotion and Achievement Grants

From time to time, our management recommends to the Compensation Committee promotion or achievement grants to our employees, including our executives. If the proposed grants are outside the standing delegated authority granted by the Compensation Committee, the Compensation Committee must approve them at a Compensation Committee meeting or, if necessary, by written consent. The actions taken at the meetings are documented in meeting minutes, including all stock option grants approved. Promotion and achievement grants typically have a grant date of the 15^{th} day of the month following the Compensation Committee's approval of the grant, or the next business day if such 15^{th} day of the month is a weekend or a holiday.

Performance Stock Grants—Generally

Under the 2007 Plan, the Compensation Committee has the authority to approve grants of performance-vested restricted shares ("performance shares") to our employees and executives. The Compensation Committee, in its sole discretion, may establish the metrics and the vesting schedule underlying such shares. To date, the Compensation Committee has only granted performance shares to certain executive officers.

Any performance shares that do not vest are forfeited and the shares of common stock underlying the forfeited performance shares will again become available for the grant of awards pursuant to the terms of the respective Plans unless the Compensation Committee, in its sole discretion, elects to subject any unearned performance shares to further performance- and time-vesting conditions, as happened in February 2013 relative to the performance-based stock awards that were awarded between September 2011 and March 2012. The Compensation Committee did not grant any performance shares in 2014.

In March 2015, the Compensation Committee granted performance-vested RSUs under the 2007 Plan to our Chief Executive Officer and his direct reports. The units will vest, if at all, over three years, based on the Company's TSR relative to the TSR of each of the companies included in the NASDAQ Telecommunications Index at the time of grant for each of the fiscal years 2015, 2016 and 2017.

General Vesting of Stock Options and Restricted Stock

Under our Plans, provided that an employee continues his or her employment with us, on the applicable vesting date, (i) options will generally vest and become exercisable as follows: 25% of the shares vest on the first anniversary of the grant date or the employee's commencement date (as defined in the applicable notice of grant of stock options and option agreement) and the remaining 75% of the shares vest in equal increments of 2.0833% monthly thereafter through the fourth anniversary of such date; and (ii) restricted stock grants generally vest as follows: 25% of the shares vest on the first anniversary of the grant date or the employee's commencement date and the remaining 75% vest either in equal increments of 12.5% semi-annually through the fourth anniversary of such date or equal increments of 25% annually through the fourth anniversary of such date.

If Proposal 2, amending the 2007 Plan, is approved by our stockholders at our 2015 annual meeting of stockholders, there will be a one-year minimum vesting requirement for new awards granted under our 2007 Plan; provided, however, that this 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.

Termination

Under the 1997 Plan and the 2007 Plan, options typically expire on the tenth anniversary of the grant date (or the fifth anniversary of the grant date, if the optionee owns more than 10% of our common stock), provided that if an employee's employment relationship with us terminates, the option termination date is typically determined based upon the reason for employment termination as follows: (i) death or total and permanent disability of optionee (as defined in Section 22(e)(3) of the Code)—180 days thereafter; or (ii) termination for any other reason—30 days thereafter under the 1997 Plan or 90 days thereafter under the 2007 Plan, unless otherwise extended.

Under the 2008 Plan, options typically expire on the seventh anniversary of the grant date (or the fifth anniversary of the grant date, if the optionee owns more than 10% of our common stock); provided that if an employee's employment relationship with us terminates, the option termination date is typically based upon the reason for employment termination as follows: (a) death or disability—12 months following the termination of employment (or such other period as specified in the applicable option agreement); or (b) termination for any other reason—30 days following the termination of employment.

Under the 2012 Plan, options typically expire on the tenth anniversary of the grant date; provided, that if an employee's employment relationship with us terminates, the option termination date is typically based upon the reason for employment termination as follows: (a) death or disability—12 months following the termination of employment; (b) "retirement" (through a voluntary termination of employment at or after age 60) or for an approved reason—12 months following the termination of employment; (c) termination for any other reason—30 days thereafter; or (d) termination for cause—the right to exercise the option terminates immediately and is forfeited without consideration.

Under the 2003 Plan, options typically expire on the tenth anniversary of the grant date; provided, that if an employee's employment relationship with us terminates, the option termination date is typically based upon the reason for employment termination as follows: (a) death or disability—12 months following the termination of employment; (b) "retirement" (through a voluntary termination of employment at or after age 60) or for an approved reason—12 months following the termination of employment; or (c) termination for any other reason—30 days thereafter.

Under the 2001 Plan, options typically expire on the tenth anniversary of the grant date; provided, that if an employee's employment relationship with us terminates, the option termination date is typically based upon the reason for employment termination as follows: (a) death or disability—12 months following the termination of employment; or (b) termination for any other reason—30 days thereafter.

Shares of restricted stock granted under the Plans generally vest through the fourth anniversary of the grant date or the employee's commencement date, as applicable. If an employee's employment relationship with us terminates for any reason prior to the fourth anniversary of such date, then effective upon the cessation of his or her employment, the employee will automatically forfeit, without any action required on the part of the employee, all the unvested shares that the employee received under the award without the payment of any consideration by the Company. The forfeited shares of restricted stock revert back to the Company.

We have entered into agreements with certain executives providing for extended terms for stock option grants under the Plans following the executive's termination, as described under the section entitled "Executive, Severance and Change of Control Benefits" below.

Acceleration

Except as otherwise noted in an employment agreement, in the event of an acquisition of the Company as defined in the 2001 and 2007 Plans, or an Acquisition, or a Change in Control as defined in the 2008 Plan, our stock plan documents provide a pre-determined vesting schedule for such awards.

Except as otherwise noted in an employment agreement or as otherwise provided under either the 2008 Plan with respect to awards granted under the 2008 Plan prior to our acquisition of NET or the 2012 Plan with respect to awards granted under the 2012 Plan prior to our acquisition of PT, effective immediately prior to the occurrence of an Acquisition or Change in Control, (i) the lesser of the number of then unvested shares subject to a stock option award or 25% of the total number of shares subject to that stock option award will become vested, with the balance of the unvested shares subject to the award continuing to vest pursuant to the vesting schedule set forth in the award, except that the vesting schedule will be shortened by 12 months; and (ii) an additional 25% of the number of shares covered by the restricted stock award will become vested and the remaining unvested shares subject to the restricted stock award continuing to vest pursuant to the vesting schedule set forth in the award, except that the vesting schedule will be shortened by 12 months.

We have entered into agreements with certain executives providing for acceleration of the vesting of stock options, restricted stock and, in certain cases, performance shares, upon a change of control as described under the section entitled "Executive, Severance and Change of Control Benefits" below.

Executive, Severance and Change of Control Benefits

To attract and retain key executive officers, the Company has entered into executive agreements that include severance and change of control benefits. In the event, or threat, of a change of control transaction, these agreements reduce uncertainty and provide compensation for the significant levels of executive engagement and support required during an ownership transition that results in the termination of their employment. The severance agreements described in the "Compensation Discussion and

Analysis" section of this Proxy Statement generally provide that, upon termination of the executive officer's employment without cause, the executive officer is entitled to severance payments and continued health plan premium payments. The severance agreements for each of our Named Executive Officers, with the exception of Mr. Greenquist who had not yet joined us, were amended on February 15, 2013 to make the change of control provisions more uniform among the Company's executive team. Mr. Greenquist entered into an employment agreement with the Company, dated October 24, 2013, which contained similar severance provisions. The receipt of the severance benefits discussed below is contingent upon the execution of a release of all claims of any kind or nature in favor of the Company. The severance agreements, as amended, contain the following provisions:

	Mr. Dolan	Mr. Greenquist	Mr. Scarfo	Mr. Snider	Mr. Polizzi
Basic Severance Benefit					
Severance Payment (Multiple of Base Salary and Target Bonus)	1.5x	1.0x			
Accelerated Vesting of Equity	24 months for restricted stock and options(1)	12 months for restricted stock and options(2)		100% for restricted stock (and for performance shares to the extent specifically provided for in an individual grant agreement) and 12 months for options	12 months for restricted stock and options (and for performance shares to the extent specifically provided for in an individual grant agreement)
Health Benefit Continuation	18 months	12 months			
Change of Control(3) Benefit					
Accelerated Vesting of Equity	50% of unvested options and 50% of unvested restricted stock(4)			100% of unvested options and unvested restricted stock (and for performance shares to the extent specifically provided for in an individual grant agreement)	50% of unvested options and 50% of unvested restricted stock (and for performance shares to the extent specifically provided for in an individual grant agreement)
Severance Following Change of Control(3) Benefit					
Severance Payment (Multiple of Base Salary and Target Bonus)	2.0x	1.5x			1.0x
Accelerated Vesting of Equity	100% for options and restricted stock(5)				
Health Benefit Continuation	18 months				12 months
Other Agreement Provisions					
Non-Compete(6)	1 year				
Non-Solicitation(7)	1 year				
Non-Disclosure(8)	Indefinitely				

(1) With respect to performance-based awards held by Mr. Dolan, in the event of his termination all remaining performance criteria for such awards would be deemed achieved at the target performance level, and, of the resulting performance shares that could then time vest, vesting would be accelerated by 24 months.

(2) If a termination occurs during a performance period for a performance-based award held by Mr. Scarfo, the performance criteria for such award would be deemed achieved at the target performance level, and of the

resulting performance shares that could then vest, 25% would vest immediately and the remainder would have 12 months' accelerated vesting. With respect to performance-based awards held by Mr. Greenquist, there will be accelerated vesting to the extent provided for in an individual grant agreement.

(3) "Change in Control" or "Acquisition," as used in the employment agreements signed by the Named Executive Officers, means, in summary: (i) an acquisition of 50% or more of either the then-outstanding shares of common stock or the combined voting power of the then-outstanding voting securities excluding certain specified acquisitions; (ii) a change in the composition of the Board such that the individuals who constitute the Board at that point in time cease to constitute a majority of the Board; (iii) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of shares or assets of another Company excluding certain specified transactions; or (iv) the approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(4) If a "Change in Control" or "Acquisition," as used in the employment agreements signed by the Named Executive Officers, occurs, (i) with respect to performance-based awards held by Mr. Dolan, all performance criteria for such awards would be deemed achieved at the target performance level, and 50% of all unvested performance shares will vest immediately and the rest of the unvested performance shares will continue to time vest according to their terms, and (ii) (x) during a performance period for a performance-based award held by Mr. Scarfo, the performance criteria for such award would be deemed achieved at the target performance level, and 50% of all unvested performance shares will vest immediately and the rest of the unvested performance shares will vest in equal increments on the first, second, and third anniversaries of the date of the Change in Control or Acquisition and (y) after a performance period for a performance-based award held by Mr. Scarfo, the performance criteria for such award would be deemed achieved at the target performance level, and 50% of all unvested performance shares will vest immediately and the rest of the unvested performance shares will continue to time vest according to their terms. With respect to performance-based awards held by Mr. Greenquist, there will be accelerated vesting to the extent provided for in an individual grant agreement.

(5) With respect to performance-based awards held by Mr. Dolan or Mr. Scarfo, if termination occurs, all performance criteria for such awards would be deemed achieved at the target performance level and all of the resulting performance shares would vest immediately. With respect to performance-based awards held by Mr. Greenquist, Mr. Polizzi and Mr. Snider, if termination occurs, there will be accelerated vesting to the extent provided for in an individual grant agreement.

(6) To the extent not provided in a Noncompetition and Confidentiality Agreement previously entered into by the applicable Named Executive Officer with us, each of the employment agreements signed by the Named Executive Officers contains a provision that restricts the executive from performing any acts that advance the interests of any existing or prospective competitors of the Company during the period specified in the agreement.

(7) To the extent not provided in a Noncompetition and Confidentiality Agreement previously entered into by the applicable Named Executive Officer with us, each of the employment agreements signed by the Named Executive Officers contains a provision that restricts the executive from soliciting employees to terminate their relationship with the Company.

(8) To the extent not provided in a Noncompetition and Confidentiality Agreement previously entered into by the applicable Named Executive Officer with us, each of the employment agreements signed by the Named Executive Officers contains a provision that restricts the executive from disclosing confidential information as defined in the agreement.

On July 29, 2014, Mr. Abbott stepped down as Executive Vice President, Strategy and Go-to-Market and ceased to be an executive officer. However, he remained employed with the Company in an advisory role until October 17, 2014. In accordance with the terms of his employment agreement, as amended, on October 17, 2014, Mr. Abbott received one year of salary continuation of his base salary of $400,000; a lump sum bonus payment of $300,000, representing his target bonus of 75% of his annual base salary; continued medical and dental benefits for one year; and accelerated vesting of his unvested options and restricted stock awards such that any options and restricted stock that would have vested within twelve months from October 17, 2014 (Mr. Abbott's separation date from the Company) vested immediately on October 17, 2014. This resulted in the accelerated vesting of 87,500 options and 30,416 shares of restricted stock. All of the options for which the vesting was accelerated as of October 17, 2014 became immediately exercisable.

POTENTIAL PAYMENTS UPON TERMINATION OR UPON CHANGE IN CONTROL

The table below shows potential payments to the Named Executive Officers with severance or change in control arrangements upon termination or upon a change in control of our Company, with the exception of Mr. Abbott, who stepped down as Executive Vice President, Strategy and Go-to-Market effective July 29, 2014. The amounts shown assume that termination and/or change in control was effective as of December 31, 2014, the last day of our fiscal year, and are estimates of the amounts that would have been paid to or realized by the Named Executives Officers upon such a termination or change in control on such date. The actual amounts to be paid or realized can only be determined at the time of a Named Executive Officer's termination or following a change in control.

	Termination without Cause or for Good Reason(1)	Change in Control(2)	Termination without Cause or for Good Reason following Change in Control
Raymond P. Dolan			
Cash Severance(3)	$1,800,000	$ —	$2,400,000
Stock Options(4)	924,951	548,663	1,097,326
Stock Awards(5)	1,510,784	1,251,642	2,503,284
Health Benefits	24,395	—	24,395
	$4,260,130	$1,800,305	$6,025,005
Mark T. Greenquist			
Cash Severance(3)	$ 630,000	$ —	$ 945,000
Stock Options(4)	171,563	245,366	490,731
Stock Awards(6)	248,125	372,188	744,375
Health Benefits	13,940	—	20,910
	$1,063,628	$ 617,554	$2,201,016
Peter Polizzi			
Cash Severance(3)	$ 435,000	$ —	$ 435,000
Stock Options(4)	110,618	109,146	218,293
Stock Awards(7)	74,438	130,266	260,531
Health Benefits	16,219	—	24,329
	$ 636,275	$ 239,412	$ 938,153
Anthony Scarfo			
Cash Severance(3)	$ 700,000	$ —	$1,050,000
Stock Options(4)	427,844	426,563	853,125
Stock Awards(8)	161,281	558,648	1,117,297
Health Benefits	11,619	—	17,429
	$1,300,744	$ 985,211	$3,037,851
Jeffrey M. Snider			
Cash Severance(3)	$ 612,500	$ —	$ 918,750
Stock Options(4)	188,069	363,053	363,053
Stock Awards(9)	124,063	310,156	310,156
Health Benefits	16,263	—	24,395
	$ 940,895	$ 673,209	$1,616,354

(1) Assumes employment termination without a change in control. "Change in Control" or "Acquisition," as used in each of the employment agreements or executive severance and arbitration agreement, as applicable, signed by the Named Executive Officers, means, in summary: (i) an acquisition of 50% or more of either the then-outstanding shares of common stock or the

combined voting power of the then-outstanding voting securities excluding certain specified acquisitions; (ii) a change in the composition of the Board such that the individuals who constitute the Board at that point in time cease to constitute a majority of the Board; (iii) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of shares or assets of another Company excluding certain specified transactions; or (iv) the approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(2) If the Company is acquired, (i) 50% of all unvested stock options and 50% of unvested shares of restricted stock will vest immediately and the rest of the unvested stock options and shares of restricted stock will vest according to their terms, except that in the case of Mr. Snider all of his outstanding stock options and restricted stock would vest in full, (ii) with respect to performance-based awards held by Mr. Dolan, all performance criteria for such awards would be deemed achieved at the target performance level, and 50% of all unvested performance shares will vest immediately and the rest of the unvested performance shares will continue to time vest according to their terms and (iii) (x) during a performance period for a performance-based award held by Mr. Scarfo, the performance criteria for such award would be deemed achieved at the target performance level, and 50% of all unvested performance shares will vest immediately and the rest of the unvested performance shares will vest in equal increments on the first, second, and third anniversaries of the date of the Change in Control or Acquisition and (y) after a performance period for a performance-based award held by Mr. Scarfo, the performance criteria for such award would be deemed achieved at the target performance level, and 50% of all unvested performance shares will vest immediately and the rest of the unvested performance shares will continue to time vest according to their terms. With respect to performance-based awards held by Mr. Greenquist, Mr. Snider or Mr. Polizzi, if the Company is acquired, there will be accelerated vesting to the extent provided for in an individual grant agreement.

(3) Pursuant to Mr. Dolan's agreement, as amended, Mr. Dolan would be entitled to lump sum cash severance payments equal to 1.5 times his then-current base salary payable at the time of termination (or 2.0 times his then-current base salary if his termination follows an acquisition) and 1.5 times his then-target bonus payable at the time of termination (or 2.0 times his then-target bonus if a termination follows an acquisition).

Pursuant to the terms of their respective agreements, as amended, Messrs. Greenquist, Polizzi, Scarfo and Snider would be entitled to cash severance payments equal to their then-current base salary, less applicable state and federal withholdings, paid by the Company either in a lump sum or in accordance with the Company's usual payroll practices for a period of twelve months following the termination date (or, with the exception of Mr. Polizzi, if a termination follows an acquisition, in a lump sum or for a period of 18 months following the date of termination). The Company would pay Messrs. Greenquist, Polizzi, Scarfo and Snider their then-current annual target bonus at 100% of target, less applicable state and federal withholdings, in a lump sum (or, with the exception of Mr. Polizzi, their respective then-current annual target bonus at 150% of target if a termination follows an acquisition).

Each of Messrs. Dolan, Greenquist, Polizzi, Scarfo and Snider must sign a release of all claims of any kind or nature in favor of the Company before receipt of any such severance payments.

(4) These amounts represent the gains that would be realized on the stock options held by each of our Named Executive Officers that were in the money on December 31, 2014 related to the accelerated vesting of their stock options.

(5) Under Mr. Dolan's agreement, as amended, in the event of his termination without Cause or for Good Reason, the vesting of his restricted stock would be accelerated by 24 months, except that if such termination occurs in connection with a change of control the vesting of his restricted stock would be fully accelerated. With respect to performance-based awards held by Mr. Dolan, in the event of his termination all remaining performance criteria for such award would be deemed achieved at the target performance level, and, of the resulting performance shares that could then time vest, vesting would be accelerated by 24 months, except that if such termination occurs in

connection with a change of control the vesting of his performance shares would be fully accelerated.

(6) Under Mr. Greenquist's agreement, as amended, in the event of his termination without Cause or for Good Reason, the vesting of his restricted stock (and performance shares to the extent specifically provided for in an individual grant agreement) would be accelerated by 12 months, except that if such termination occurs in connection with a change of control the vesting of his restricted stock (and performance shares to the extent specifically provided for in an individual grant agreement) would be fully accelerated.

(7) Under Mr. Polizzi's agreement, as amended, in the event of his termination without Cause or for Good Reason, the vesting of his restricted stock (and performance shares to the extent specifically provided for in an individual grant agreement) would be accelerated by 12 months, except that if such termination occurs in connection with a change of control the vesting of his restricted stock (and performance shares to the extent specifically provided for in an individual grant agreement) would be fully accelerated.

(8) Under Mr. Scarfo's agreement, as amended, in the event of his termination without Cause or for Good Reason, the vesting of his restricted stock would be accelerated by 12 months, except that if such termination occurs in connection with a change of control the vesting of his restricted stock would be fully accelerated. If Mr. Scarfo is terminated without Cause during a performance period, the performance criteria for performance-based awards held by Mr. Scarfo would be deemed achieved at the target performance level, and of the resulting performance shares that could then vest, 25% would vest immediately and the remainder would have 12 months' accelerated vesting, except that if such termination occurs in connection with a change of control the vesting of his performance shares would be fully accelerated.

(9) Under Mr. Snider's agreement, as amended, in the event of his termination without Cause or for Good Reason, whether or not related to a change of control, 100% of the restricted shares (and performance shares to the extent specifically provided for in an individual grant agreement) to which he is entitled would vest immediately.

On July 29, 2014, Mr. Abbott stepped down as Executive Vice President, Strategy and Go-to-Market and ceased to be an executive officer. However, he remained employed with the Company in an advisory role until October 17, 2014. Pursuant to the terms of his employment agreement, as amended, Mr. Abbott received one year of salary continuation of his base salary of $400,000; a lump sum bonus payment of $300,000, representing his target bonus of 75% of his annual base salary; continued medical and dental benefits for one year; and accelerated vesting of his unvested options and restricted stock awards such that any options and restricted stock that would have vested within twelve months from October 17, 2014 (Mr. Abbott's separation date from the Company) vested immediately on October 17, 2014. This resulted in the accelerated vesting of 87,500 options with an aggregate grant date fair value of $677,970 and 30,416 shares of restricted stock, including performance-based shares for which the performance conditions had been previously satisfied and which were subject to time-vesting only, with an aggregate grant date fair value of $419,908. All of the options for which the vesting was accelerated as of October 17, 2014 became immediately exercisable.

STOCKHOLDER PROPOSALS FOR INCLUSION IN 2016 PROXY STATEMENT

To be considered for inclusion in the proxy statement relating to our annual meeting of stockholders to be held in 2016, stockholder proposals must be received at our principal executive offices no later than December 31, 2015, which is not less than 120 calendar days before the date of our proxy statement released to our stockholders in connection with the prior year's annual meeting of stockholders, and must otherwise comply with the rules promulgated by the SEC. If the date of next year's annual meeting is changed by more than 30 days from the anniversary date of this year's annual meeting on June 11, 2015, then the deadline is a reasonable time before we begin to print and mail proxy materials.

STOCKHOLDER PROPOSALS FOR PRESENTATION AT 2016 ANNUAL MEETING

According to our by-laws, we must receive other proposals of stockholders (including director nominations) intended to be presented at the 2016 annual meeting of stockholders but not included in the proxy statement by the close of business on March 13, 2016, but not before February 12, 2016, which is not later than the ninetieth (90^{th}) day nor earlier than the one hundred twentieth (120^{th}) day prior to the first anniversary of the date of the 2015 annual meeting of stockholders. Such proposals must be delivered to the Secretary of the Company at our principal executive office. However, in the event the 2016 annual meeting of stockholders is scheduled to be held on a date before May 12, 2016, or after August 20, 2016, which are dates 30 days before or 70 days after the first anniversary of our 2015 annual meeting of stockholders, then your notice must be received by us at our principal executive office not earlier than the close of business on the 120^{th} day prior to such annual meeting and not later than the close of business on the later of the 90^{th} day before the scheduled date of such annual meeting or the 10^{th} day after the day on which we first make a public announcement of the date of such annual meeting. Any proposals that are not made in accordance with the above standards may not be presented at the 2016 annual meeting of stockholders.

STOCKHOLDERS SHARING THE SAME ADDRESS

We have adopted a procedure called "householding." Under this procedure, we are delivering only one copy of the annual report and Proxy Statement to multiple stockholders who share the same address and have the same last name, unless we have received contrary instructions from an affected stockholder. Stockholders who participate in householding will continue to receive separate proxy cards.

We will deliver promptly upon written or oral request a separate copy of the annual report and the Proxy Statement to any stockholder at a shared address to which a single copy of either of those documents was delivered. To receive a separate copy of the annual report or Proxy Statement, please submit your request to Broadridge Financial Solutions by calling 1-800-579-1639 or by following the instructions on your notice of Internet availability of proxy materials to request delivery of paper copies through the Internet or by e-mail, or in writing addressed to Sonus Networks, Inc., 4 Technology Park Drive, Westford, MA 01886 Attn: Investor Relations.

If you are a holder of record and would like to revoke your householding consent and receive a separate copy of the annual report or Proxy Statement in the future, please contact Broadridge Householding Department, 51 Mercedes Way, Edgewood, NY 11717 or by calling 1-800-542-1061. You will be removed from the householding program within 30 days of receipt of the revocation of your consent.

Any stockholders of record who share the same address and currently receive multiple copies of our annual report and Proxy Statement who wish to receive only one copy of these materials per household in the future please contact Broadridge Householding Department at the contact information listed above to participate in the householding program.

A number of brokerage firms have instituted householding. If you hold your shares in "street name," please contact your bank, broker or other holder of record to request information about householding.

FORM 10-K

Our Annual Report on Form 10-K for the year ended December 31, 2014, which was filed with the SEC on February 25, 2015, is being delivered to stockholders in connection with this proxy solicitation. With the payment of an appropriate processing fee, we will provide copies of the exhibits to our Annual Report on Form 10-K. Please address all such requests to the Investor Relations department at our principal executive offices at 4 Technology Park Drive, Westford, MA 01886.

OTHER MATTERS

Our Board knows of no other matters to be submitted at the meeting and the deadline under our by-laws for submission of matters by stockholders has passed. If any other matters properly come before the meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares they represent as our Board may recommend.

We will pay the costs of soliciting proxies from stockholders. We have engaged Georgeson, Inc. as our proxy solicitor to help us solicit proxies from brokers, bank nominees and other institutions for a fee of $10,000, plus reasonable out-of-pocket expenses. In addition to soliciting proxies by mail, by telephone and via the Internet, our directors, executive officers and other employees may solicit proxies, either personally or by other electronic means, on our behalf, without additional compensation, other than the time expended and communications charges in making such solicitations. We will also request brokerage houses, custodians, nominees and fiduciaries to forward copies of the proxy material to those persons for whom they hold shares and request instructions for voting the proxies. We will reimburse such brokerage houses and other persons for their reasonable expenses in connection with this distribution.

By Order of the Board of Directors,

Mark T. Greenquist
Chief Financial Officer

Westford, Massachusetts
April 29, 2015

APPENDIX A

SONUS NETWORKS, INC.

Discussion of Non-GAAP Financial Measures

Sonus management uses a number of different financial measures, both GAAP and non-GAAP, in analyzing and assessing the overall performance of the business, making operating decisions, planning and forecasting future periods, and determining payments under compensation programs. Our annual financial plan is prepared both on a GAAP and non-GAAP basis, and the non-GAAP annual financial plan is approved by our Board of Directors. Continuous budgeting and forecasting for revenue and expenses are conducted on a non-GAAP basis (in addition to GAAP) and actual results on a non-GAAP basis are assessed against the annual financial plan. We consider the use of non-GAAP financial measures helpful in assessing the core performance of our continuing operations and liquidity, and when planning and forecasting future periods. By continuing operations we mean the ongoing results of the business excluding certain costs, including, but not limited to: cost of product revenue related to the fair value write-up of acquired inventory, stock-based compensation, amortization of intangible assets, impairment of intangible assets, acquisition-related costs, divestiture costs, restructuring and other income arising from the settlement of litigation related to prepaid royalties for software licenses. While our management uses these non-GAAP financial measures as a tool to enhance their understanding of certain aspects of our financial performance, our management does not consider these measures to be a substitute for, or superior to, GAAP measures. In addition, our presentations of these measures may not be comparable to similarly titled measures used by other companies. These non-GAAP financial measures should not be considered alternatives for, or in isolation from, the financial information prepared and presented in accordance with GAAP.

Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. In particular, many of the adjustments to Sonus' financial measures reflect the exclusion of items that are recurring and will be reflected in our financial results for the foreseeable future.

As part of the assessment of the assets acquired and liabilities assumed in connection with the PT acquisition, we were required to increase the aggregate fair value of acquired inventory by $1.8 million. The acquired inventory is being recorded as cost of product revenue through June 27, 2014. We believe that excluding the incremental cost of product revenue resulting from the fair value write-up of this acquired inventory facilitates the comparison of our operating results to our historical results and to other companies in our industry.

Stock-based compensation is different from other forms of compensation, as it is a non-cash expense. For example, a cash salary generally has a fixed and unvarying cash cost. In contrast, the expense associated with an equity-based award is generally unrelated to the amount of cash ultimately received by the employee, and the cost to us is based on a stock-based compensation valuation methodology and underlying assumptions that may vary over time. We believe that excluding non-cash stock-based compensation expense from our operating results facilitates the ability of readers of our financial statements to compare our financial results to our historical operating results and to other companies in our industry.

We exclude the amortization of acquired intangible assets from non-GAAP expense and income measures. These amortization amounts are inconsistent in frequency and amount and are significantly impacted by the timing and size of acquisitions. Although we exclude amortization of acquired intangible assets from our non-GAAP expenses, we believe that it is important for investors to understand that intangible assets contribute to revenue generation. We believe that excluding the non-cash amortization of intangible assets facilitates the comparison of our financial results to our historical operating results and to other companies in our industry as if the acquired intangible assets had been developed internally rather than acquired.

In the second quarter of 2013 we recorded $0.6 million of expense for the write-off of an intellectual property intangible asset which we determined was impaired as of June 28, 2013. We believe that excluding the impairment of intangible assets facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.

On June 20, 2014, we sold the Multi-Protocol Server business that we had acquired in connection with the acquisition of PT. We incurred $0.4 million of transaction costs related to this divestiture. We do not consider these divestiture costs to be related to our continuing operations. We believe that excluding divestiture costs facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.

We consider certain transition, integration and other acquisition-related costs to be unpredictable and dependent on a significant number of factors that may be outside of our control. We do not consider these acquisition-related costs to be related to the continuing operations of the acquired business or the Company. In addition, the size, complexity and/or volume of an acquisition, which often drives the magnitude of acquisition-related costs, may not be indicative of such future costs. We believe that excluding acquisition-related costs facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.

We have recorded restructuring expense to streamline operations and reduce operating costs by closing and consolidating certain facilities and reducing our worldwide workforce. We believe that excluding restructuring expense facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.

In the first quarter of 2014, we recorded $2.25 million of other income related to the settlement of a litigation matter in which we recovered a portion of our losses related to the impairment of certain prepaid royalties for software licenses which we had written off in fiscal 2012. We believe that excluding the other income arising from this settlement facilitates the comparison of our results to our historical results and other companies in our industry.

We believe that providing non-GAAP information to investors, in addition to the GAAP presentation, will allow investors to view the financial results in the way management views the operating results. We further believe that providing this information helps investors to better understand our financial performance and evaluate the efficacy of the methodology and information used by our management to evaluate and measure such performance.

SONUS NETWORKS, INC.
(in thousands, except percentages and per share amounts)
(unaudited)

	Year ended	
	December 31, 2014	December 31, 2013
GAAP gross margin	65.3%	62.3%
Stock-based compensation expense	0.6%	0.4%
Amortization of intangible assets	0.9%	0.9%
Fair value write-up of acquired inventory	0.6%	0.0%
NON-GAAP gross margin	67.4%	63.6%
GAAP net loss	$(16,855)	$(22,119)
Fair value write-up of acquired inventory	1,782	—
Stock-based compensation expense	23,914	17,873
Amortization of intangible assets	—	4,546
Impairment of intangible assets	4,597	600
Divestiture costs	435	—
Acquisition-related expense	1,558	93
Restructuring	5,625	5,411
Litigation settlement—prepaid licenses	(2,250)	—
Non-GAAP net income	$ 18,806	$ 6,404
Diluted earnings per share or (loss) per share		
GAAP	$ (0.34)	$ (0.40)
Non-GAAP	$ 0.37	$ 0.11
Shares used to compute diluted earnings per share or (loss) per share		
GAAP shares used to compute loss per share	50,245	55,686
Non-GAAP shares used to compute diluted earnings per share	50,996	56,145

APPENDIX B

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

1. Purpose.

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

2. Eligibility.

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

3. Administration and Delegation.

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

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

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

4. Stock Available for Awards.

(a) *Number of Shares.* Subject to adjustment under Section 9, the aggregate number of shares of common stock, $0.001 par value per share, of the Company (the “Common Stock”) reserved for Awards under the Plan is equal to ~~the sum of (i) 13,180,540 and (ii) such additional number of shares of Common Stock as is equal to the sum of the number of shares of Common Stock~~ 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 ~~the number of shares of Common Stock~~ (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). No more than 14,320,000 shares of Common Stock may be issued as Incentive Stock Options under the Plan. Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

(b) *Share Count.* Shares issued pursuant to Awards of Restricted Stock or Restricted Stock Units or Other Stock Unit Awards will count against the shares of Common Stock available for issuance under the Plan as 1.61 ~~1.57~~ shares for every one (1) share issued in connection with the Award. Shares issued pursuant to the exercise of Options will count against the shares available for issuance under the Plan as one (1) share for every one (1) share to which such exercise relates. The total number of shares subject to SARs that are settled in shares shall be counted in full against the number of shares available for issuance under the Plan, regardless of the number of shares actually issued upon settlement of the SARs. If Awards are settled in cash, the shares that would have been delivered had there been no cash settlement shall not be counted against the shares available for issuance under the Plan. If any Award expires or is terminated, surrendered or canceled without having been fully exercised, is forfeited in whole or in part (including as the result of shares of Common Stock subject to such Award being repurchased by the Company at the original issuance price pursuant to a contractual repurchase right), then the shares of Common Stock covered by such Award shall again become available for the grant of Awards under the Plan; provided that any one (1) share issued as Restricted Stock or subject to a Restricted Stock Unit Award or Other Stock Unit Award that is forfeited or terminated shall be credited as 1.61 ~~1.57~~ shares when determining the number of shares that shall again become available for Awards under the Plan. Shares that are exchanged by a Participant or withheld by the Company as full or partial payment in connection with any Award under the Plan, as well as any shares exchanged by a Participant or withheld by the Company to satisfy the tax withholding obligations related to any Award, shall not be available for subsequent Awards under the Plan. In the case of Incentive Stock Options (as hereinafter defined), the foregoing provisions shall be subject to any limitations under the Code. Shares of common stock issued pursuant to full value awards count against the shares of common stock available for issuance hereunder as 1.61 ~~1.57~~ 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.

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

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

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

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

5. Stock Options.

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

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

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

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

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

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

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

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

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

(4) to the extent permitted by applicable law and provided for in the applicable option agreement or approved by the Board, in its sole discretion, by (i) delivery of a promissory note of the Participant to the Company on terms determined by the Board or (ii) payment of such other lawful consideration as the Board may determine; or

(5) by any combination of the above permitted forms of payment.

(g) *Fair Market Value.* Fair Market Value of a share of Common Stock for purposes of the Plan will be determined as follows:

(1) if the Common Stock trades on a national securities exchange, the closing sale price (for the primary trading session) on the date of grant; or

(2) if the Common Stock does not trade on any such exchange, the average of the closing bid and asked prices as reported by the National Association of Securities Dealers, Inc. Automated Quotation System ("Nasdaq") for the date of grant; or

(3) if no such closing sale price information is available, the average of bids and asked prices that Nasdaq reports for the date of grant; or

(4) if there are no such closing bid and asked prices, the average of the bid and asked prices as reported by any other commercial service for the date of grant.

For any date that is not a trading day, the Fair Market Value of a share of Common Stock for such date will be determined by using the closing sale price or average of the bid and asked prices, as appropriate, for the immediately following trading day and with the timing in the formulas above adjusted accordingly. The Board can substitute a particular time of day or other measure of "closing sale price" or "bid and asked prices" if appropriate because of exchange or market procedures or can, in its sole discretion, use weighted averages either on a daily basis or such longer period as complies with Code Section 409A.

(h) *Limitation on Repricing.* Unless such action is approved by the Company's stockholders: (1) no outstanding Option granted under the Plan may be amended to provide an exercise price per share that is lower than the then-current exercise price per share of such outstanding Option (other than adjustments pursuant to Section 9), (2) the Board may not cancel any outstanding option (whether or not granted under the Plan) and grant in substitution therefore new Awards under the Plan covering the same or a different number of share of Common Stock and having an exercise price per share lower than the then-current exercise price per share of the cancelled option, and (3) no outstanding Option granted under the Plan may be purchased by the Company for cash.

6. Stock Appreciation Rights.

(a) *General.* The Board may grant Awards consisting of a SAR entitling the holder, upon exercise, to receive an amount in Common Stock or cash or a combination thereof (such form to be determined by the Board) determined in whole or in part by reference to appreciation, from and after the date of grant, in the Fair Market Value of a share of Common Stock over the exercise price established pursuant to Section 6(c). The date as of which such appreciation or other measure is determined shall be the exercise date.

(b) *Grants.* SARs may be granted in tandem with, or independently of, Options granted under the Plan.

(1) *Tandem Awards.* When SARs are expressly granted in tandem with Options, (i) the SAR will be exercisable only at such time or times, and to the extent, that the related Option is exercisable (except to the extent designated by the Board in connection with a Reorganization Event) and will be exercisable in accordance with the procedure required for exercise of the related Option; (ii) the SAR will terminate and no longer be exercisable upon the termination or exercise of the related Option, except to the extent designated by the Board in connection with a Reorganization Event and except that a SAR granted with respect to less than the full number of shares covered by an Option will not be reduced until the number of shares as to which the related Option has been exercised or has terminated exceeds the number of shares not covered by the SAR; (iii) the Option will terminate and no longer be exercisable upon the exercise of the related SAR; and (iv) the SAR will be transferable only with the related Option.

(2) *Independent SARs.* A SAR not expressly granted in tandem with an Option will become exercisable at such time or times, and on such conditions, as the Board may specify in the SAR Award.

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

(d) *Term.* The term of a SAR shall not be more than 10 years from the date of grant.

(e) *Exercise.* SARs may be exercised by delivery to the Company of a written notice of exercise signed by the proper person or by any other form of notice (including electronic notice) approved by the Board, together with any other documents required by the Board.

(f) *Limitation of Repricing.* Unless such action is approved by the Company's stockholders: (1) no outstanding SAR granted under the Plan may be amended to provide an exercise price per share that is lower than the then-current exercise price per share of such outstanding SAR (other than adjustments pursuant to Section 9), (2) the Board may not cancel any outstanding SAR (whether or not granted under the Plan) and grant in substitution therefor new Awards under the Plan covering the same or a different number of shares of Common Stock and having an exercise price per share lower than the then-current exercise price per share of the cancelled SAR, and (3) no outstanding SAR granted under the Plan may be purchased by the Company for cash.

7. Restricted Stock; Restricted Stock Units.

(a) *General.* The Board may grant Awards entitling recipients to acquire shares of Common Stock ("Restricted Stock"), subject to the right of the Company to repurchase all or part of such shares at their issue price or other stated or formula price (or to require forfeiture of such shares if issued at no cost) from the recipient in the event that conditions specified by the Board in the applicable Award are not satisfied prior to the end of the applicable restriction period or periods established by the Board for such Award. Instead of granting Awards for Restricted Stock, the Board may grant Awards entitling the recipient to receive shares of Common Stock or cash to be delivered at the time such Award vests ("Restricted Stock Units") (Restricted Stock and Restricted Stock Units are each referred to herein as a "Restricted Stock Award").

(b) *Terms and Conditions for all Restricted Stock Awards.* The Board shall determine the terms and conditions of a Restricted Stock Award, including the conditions for vesting and repurchase (or forfeiture) and the issue price, if any.

(c) *Additional Provisions Relating to Restricted Stock.*

(1) *Dividends.* Participants holding shares of Restricted Stock will be entitled to all ordinary cash dividends paid with respect to such shares, unless otherwise provided by the Board; provided, however, that dividends on Restricted Stock that are subject to performance conditions will either be accumulated or reinvested and paid upon vesting of the underlying Restricted Stock. Unless otherwise provided by the Board, if any dividends or distributions are paid in shares, or consist of a dividend or distribution to holders of Common Stock other than an ordinary cash dividend, the shares, cash or other property will be subject to the same restrictions on transferability and forfeitability as the shares of Restricted Stock with respect to which they were paid. Each dividend payment will be made no later than the end of the calendar year in which the dividends are paid to stockholders of that class of stock or, if later, the 15th day of the third month following the date the dividends are paid to stockholders of that class of stock.

(2) *Stock Certificates.* The Company may require that any stock certificates issued in respect of shares of Restricted Stock shall be deposited in escrow by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). At the expiration of the applicable restriction periods, the Company (or such designee) shall deliver the certificates no longer subject to such restrictions to the Participant or if the Participant has died, to the beneficiary designated, in a manner determined by the Board, by a Participant to receive amounts due or exercise rights of the Participant in the event of the Participant's death (the "Designated Beneficiary"). In the absence of an effective designation by a Participant, "Designated Beneficiary" shall mean the Participant's estate.

(d) *Additional Provisions Relating to Restricted Stock Units.*

(1) *Settlement.* Upon the vesting of and/or lapsing of any other restrictions (i.e., settlement) with respect to each Restricted Stock Unit, the Participant shall be entitled to receive from the Company one share of Common Stock or an amount of cash equal to the Fair Market Value of one share of Common Stock, as provided in the applicable Award agreement. The Board may, in its discretion, provide that settlement of Restricted Stock Units shall be deferred, on a mandatory basis or at the election of the Participant.

(2) *Voting Rights.* A Participant shall have no voting rights with respect to any Restricted Stock Units.

(3) *Dividend Equivalents.* To the extent provided by the Board, in its sole discretion, a grant of Restricted Stock Units may provide Participants with the right to receive an amount equal to any dividends or other distributions declared and paid on an equal number of outstanding shares of Common Stock ("Dividend Equivalents"); provided, however, that Dividend Equivalents on Restricted Stock Units that are subject to performance conditions will either we accumulated or reinvested and paid upon vesting of the underlying Restricted Stock Unit. Dividend Equivalents may be paid currently or credited to an account for the Participants, may be settled in cash and/or shares of Common Stock and may be subject to the same restrictions on transfer and forfeitability as the Restricted Stock Units with respect to which paid, as determined by the Board in its sole discretion, subject in each case to such terms and conditions as the Board shall establish, in each case to be set forth in the applicable Award agreement.

8. Other Stock Unit Awards.

Other Awards of shares of Common Stock, and other Awards that are valued in whole or in part by reference to, or are otherwise based on, shares of Common Stock or other property, may be granted hereunder to Participants ("Other Stock Unit Awards"), including without limitation Awards entitling recipients to receive shares of Common Stock to be delivered in the future. Such Other Stock Unit Awards shall also be available as a form of payment in the settlement of other Awards granted under the Plan or as payment in lieu of compensation to which a Participant is otherwise entitled. Other Stock Unit Awards may be paid in shares of Common Stock or cash, as the Board shall determine. Subject to the provisions of the Plan, the Board shall determine the terms and conditions of each Other Stock Unit Award, including any purchase price applicable thereto.

9. Adjustments for Changes in Common Stock and Certain Other Events.

(a) *Changes in Capitalization.* In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any dividend or distribution to holders of Common Stock other than an ordinary cash dividend, (i) the number and class of securities available under this Plan, (ii) the sub-limits set forth in Section 4(b), (iii) the number and class of securities and exercise price per share of each outstanding Option, (iv) the share- and per-share provisions and the exercise price of each SAR, (v) the number of shares subject to and the repurchase price per share subject to each outstanding Restricted Stock Award and (vi) the share- and per-share-related provisions and the purchase price, if any, of each outstanding Other Stock Unit Award, shall be equitably adjusted by the Company (or substituted Awards may be made, if applicable) in the manner determined by the Board. Without limiting the generality of the foregoing, in the event the Company effects a split of the Common Stock by means of a stock dividend and the exercise price of and the number of shares subject to an outstanding Option are adjusted as of the date of the distribution of the dividend (rather than as of the record date for such dividend), then an optionee who exercises an Option between the record date and the distribution date for such stock dividend shall be entitled to receive, on the distribution date, the stock dividend with respect to the shares of Common Stock acquired upon such Option exercise, notwithstanding the fact that such shares were not outstanding as of the close of business on the record date for such stock dividend.

(b) *Reorganization Events.*

(1) *Definition.* A "Reorganization Event" shall mean: (a) any merger or consolidation of the Company with or into another entity as a result of which all of the Common Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (b) any exchange of all of the Common Stock of the Company for cash, securities or other property pursuant to a share exchange transaction or (c) any liquidation or dissolution of the Company.

(2) *Consequences of a Reorganization Event on Awards Other than Restricted Stock Awards.* In connection with a Reorganization Event, the Board may take any one or more of the following actions as to all or any (or any portion of) outstanding Awards other than Restricted Stock Awards on such terms as the Board determines: (i) provide that Awards shall be assumed, or substantially equivalent Awards shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (ii) upon written notice to a Participant, provide that the Participant's unexercised Awards will terminate immediately prior to the consummation of such Reorganization Event unless exercised by the Participant within a specified period following the date of such notice, (iii) provide that outstanding Awards shall become exercisable, realizable, or deliverable, or restrictions applicable to an Award shall lapse, in whole or in part prior to or upon such Reorganization Event, (iv) in the event of a Reorganization Event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event (the "Acquisition Price"), make or provide for a cash payment to a Participant equal to the excess, if any, of (A) the Acquisition Price times the number of shares of Common Stock subject to the Participant's Awards (to the extent the exercise price does not exceed the Acquisition Price) over (B) the aggregate exercise price of all such outstanding Awards and any applicable tax withholdings, in exchange for the termination of such Awards, (v) provide that, in connection with a liquidation or dissolution of the Company, Awards shall convert into the right to receive liquidation proceeds (if applicable, net of the exercise price thereof and any applicable tax withholdings) and (vi) any combination of the foregoing. In taking any of the actions permitted under this Section 9(b), the Board shall not be obligated by the Plan to treat all Awards, all Awards held by a Participant, or all Awards of the same type, identically.

For purposes of clause (i) above, an Option shall be considered assumed if, following consummation of the Reorganization Event, the Option confers the right to purchase, for each share of Common Stock subject to the Option immediately prior to the consummation of the Reorganization Event, the consideration (whether cash, securities or other property) received as a result of the Reorganization Event by holders of Common Stock for each share of Common Stock held immediately prior to the consummation of the Reorganization Event (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); provided, however, that if the consideration received as a result of the Reorganization Event is not solely common stock of the acquiring or succeeding corporation (or an affiliate thereof), the Company may, with the consent of the acquiring or succeeding corporation, provide for the consideration to be received upon the exercise of Options to consist solely of common stock of the acquiring or succeeding corporation (or an affiliate thereof) equivalent in value (as determined by the Board) to the per share consideration received by holders of outstanding shares of Common Stock as a result of the Reorganization Event.

(3) *Consequences of a Reorganization Event on Restricted Stock Awards.* Upon the occurrence of a Reorganization Event other than a liquidation or dissolution of the Company, the repurchase and other rights of the Company under each outstanding Restricted Stock Award shall inure to the benefit of the Company's successor and shall, unless the Board determines otherwise, apply to the cash, securities or other property which the Common Stock was converted into or exchanged for pursuant to such Reorganization Event in the same manner and to the same extent as they applied to the Common Stock subject to such Restricted Stock Award. Upon the occurrence of a Reorganization Event involving the liquidation or dissolution of the Company, except to the extent specifically provided to the contrary in the instrument evidencing any Restricted Stock Award or any other agreement between a Participant and the Company, all restrictions and conditions on all Restricted Stock Awards then outstanding shall automatically be deemed terminated or satisfied.

(c) *Acquisition.* An "Acquisition" shall mean any (i) merger or consolidation in which the Company is a constituent party or a subsidiary of the Company is a constituent party and the Company issues shares of its capital stock pursuant to such merger or consolidation, which results in the voting securities of the Company outstanding immediately prior thereto representing immediately thereafter (either by remaining outstanding or by being converted into voting securities of the surviving or acquiring entity (the "Acquiror")) less than a majority of the combined voting power of the voting securities of the Company or the Acquiror outstanding immediately after such merger or consolidation or (ii) sale, transfer or other disposition of all or substantially all of the assets of the Company. The effect of an Acquisition on any Award granted under the Plan shall be specified in the agreement evidencing such Award.

10. General Provisions Applicable to Awards.

(a) *Transferability of Awards.* Awards (other than vested Restricted Stock Awards) shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an Incentive Stock Option, pursuant to a qualified domestic relations order, and, during the life of the Participant, shall be exercisable only by the Participant; provided, however, that the Board may permit or provide in an Award for the gratuitous transfer of the Award by the Participant to or for the benefit of any immediate family member, family trust or other entity established for the benefit of the Participant and/or an immediate family member thereof if, with respect to such proposed transferee, the Company would be eligible to use a Form S-8 for the registration of the sale of the Common Stock subject to such Award under the Securities Act of 1933, as amended; provided, further, that the Company shall not be required to recognize any such transfer until such time as the Participant and such permitted transferee shall, as a condition to such transfer, deliver to the Company a written instrument in form and substance satisfactory to the Company confirming that such transferee shall be bound by all of the terms and conditions of the Award. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees.

(b) *Documentation.* Each Award shall be evidenced in such form (written, electronic or otherwise) as the Board shall determine. Each Award may contain terms and conditions in addition to those set forth in the Plan.

(c) *Board Discretion.* Except as otherwise provided by the Plan, each Award may be made alone or in addition or in relation to any other Award. The terms of each Award need not be identical, and the Board need not treat Participants uniformly.

(d) *Termination of Status.* The Board shall determine the effect on an Award of the disability, death, termination of employment, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, or the Participant's legal representative, conservator, guardian or Designated Beneficiary, may exercise rights under the Award.

(e) *Withholding.* The Participant must satisfy all applicable federal, state, and local or other income and employment tax withholding obligations before the Company will deliver stock certificates or otherwise recognize ownership of Common Stock under an Award. The Company may decide to satisfy the withholding obligations through additional withholding on salary or wages. If the Company elects not to or cannot withhold from other compensation, the Participant must pay the Company the full amount, if any, required for withholding or have a broker tender to the Company cash equal to the withholding obligations. Payment of withholding obligations is due before the Company will issue any shares on exercise or release from forfeiture of an Award or, if the Company so requires, at the same time as is payment of the exercise price unless the Company determines otherwise. If provided for in an Award or approved by the Board in its sole discretion, a Participant may satisfy such tax obligations in whole or in part by delivery of shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their Fair Market Value; provided, however, except as otherwise provided by the Board, that the total tax withholding where stock is being used to satisfy such tax obligations cannot exceed the Company's minimum statutory withholding obligations (based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income). Shares surrendered to satisfy tax withholding requirements cannot be subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements.

(f) *Amendment of Award.* Subject to Section 10(h), the Board may amend, modify or terminate any outstanding Award, including but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or realization, and converting an Incentive Stock Option to a Nonstatutory Stock Option, provided either (i) that the Participant's consent to such action shall be required unless the Board determines that the action, taking into account any related action, would not materially and adversely affect the Participant or (ii) that the change is permitted under Section 9 hereof.

(g) *Conditions on Delivery of Stock.* The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously delivered under the Plan until (i) all conditions of the Award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and any applicable stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

(h) *Acceleration.* The Board may, at any time, provide that any Award shall become immediately exercisable in full or in part, free 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.

(i) *Performance Awards.*

(1) *Grants.* Restricted Stock Awards and Other Stock Unit Awards under the Plan may be made subject to the achievement of performance goals pursuant to this Section 10(i) ("Performance Awards"), subject to the limit in Section 4(b)(1) on shares covered by such grants.

(2) *Committee.* Grants of Performance Awards to any Covered Employee intended to qualify as "performance-based compensation" under Section 162(m) ("Performance-Based Compensation") shall be made only by a Committee (or subcommittee of a Committee) comprised solely of two or more directors eligible to serve on a committee making Awards qualifying as "performance-based compensation" under Section 162(m). In the case of such Awards granted to Covered Employees, references to the Board or to a Committee shall be deemed to be references to such Committee or subcommittee. "Covered Employee" shall mean any person who is a "covered employee" under Section 162(m)(3) of the Code.

(3) *Performance Measures.* For any Award that is intended to qualify as Performance-Based Compensation, the Committee shall specify that the degree of granting, vesting and/or payout shall be subject to the achievement of one or more objective performance measures established by the Committee, which shall be based on the relative or absolute attainment of specified levels of one or any combination of the following: (a) net income, (b) earnings before or after discontinued operations, interest, taxes, depreciation and/or amortization, (c) operating profit before or after discontinued operations and/or taxes, (d) sales, (e) sales growth, (f) earnings growth, (g) cash flow

or cash position, (h) gross margins, (i) stock price, (j) market share, (k) return on sales, assets, equity or investment, (l) improvement of financial ratings, (m) achievement of balance sheet or income statement objectives or (n) total stockholder return, and may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated. The Committee may specify that such performance measures shall be adjusted to exclude any one or more of (i) extraordinary items, (ii) gains or losses on the dispositions of discontinued operations, (iii) the cumulative effects of changes in accounting principles, (iv) the writedown of any asset, and (v) charges for restructuring and rationalization programs. Such performance measures: (i) may vary by Participant and may be different for different Awards; (ii) may be particular to a Participant or the department, branch, line of business, subsidiary or other unit in which the Participant works and may cover such period as may be specified by the Committee; and (iii) shall be set by the Committee within the time period prescribed by, and shall otherwise comply with the requirements of, Section 162(m). Awards that are not intended to qualify as Performance-Based Compensation may be based on these or such other performance measures as the Board may determine.

(4) *Adjustments.* Notwithstanding any provision of the Plan, with respect to any Performance Award that is intended to qualify as Performance-Based Compensation, the Committee may adjust downwards, but not upwards, the cash or number of Shares payable pursuant to such Award, and the Committee may not waive the achievement of the applicable performance measures except in the case of the death or disability of the Participant or a change in control of the Company.

(5) *Other.* The Committee shall have the power to impose such other restrictions on Performance Awards as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements for Performance-Based Compensation.

(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).

11. Miscellaneous.

(a) *No Right To Employment or Other Status.* No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan, except as expressly provided in the applicable Award.

(b) *No Rights As Stockholder.* Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed with respect to an Award until becoming the record holder of such shares.

(c) *Effective Date and Term of Plan.* The Plan shall become effective on the date the Plan is approved by the Company's stockholders (the "Effective Date"). No Awards shall be granted under the Plan after the completion of 10 years from the Effective Date, but Awards previously granted may extend beyond that date.

(d) *Amendment of Plan.* The Board may amend, suspend or terminate the Plan or any portion thereof at any time provided that (i) to the extent required by Section 162(m), no Award granted to a Participant that is intended to comply with Section 162(m) after the date of such amendment shall become exercisable, realizable or vested, as applicable to such Award, unless and until such amendment shall have been approved by the Company's stockholders if required by Section 162(m) (including the vote required under Section 162(m)); (ii) no amendment that would require stockholder approval under the rules of The NASDAQ Stock Market ("NASDAQ") may be made effective unless and until such amendment shall have been approved by the Company's stockholders; and (iii) if the NASDAQ amends its corporate governance rules so that such rules no longer require stockholder approval of "material amendments" to equity compensation plans, then, from and after the effective date of such amendment to the NASDAQ rules, no amendment to the Plan (A) materially increasing the number of shares authorized under the Plan (other than pursuant to Section 9), (B) expanding the types of Awards that may be granted under the Plan, or (C) materially expanding the class of participants eligible to participate in the Plan shall be effective unless stockholder approval is obtained. In addition, if at any time the approval of the Company's stockholders is required as to any other modification or amendment under Section 422 of the Code or any successor provision with respect to Incentive Stock Options, the Board may not effect such modification or amendment without such approval. Unless otherwise specified in the amendment, any amendment to the Plan adopted in accordance with this Section 11(d) shall apply to, and be binding on the holders of, all Awards outstanding under the Plan at the time the amendment is adopted, provided the Board determines that such amendment does not materially and adversely affect the rights of Participants under the Plan. No Award shall be made that is conditioned upon stockholder approval of any amendment to the Plan.

(e) *Provisions for Foreign Participants.* The Board may modify Awards or Options granted to Participants who are foreign nationals or employed outside the United States or establish subplans or procedures under the Plan to recognize differences in laws, rules, regulations or customs of such foreign jurisdictions with respect to tax, securities, currency, employee benefit or other matters.

(f) *Compliance With Code Section 409A.* No Award shall provide for deferral of compensation that does not comply with Section 409A of the Code, unless the Board, at the time of grant, specifically provides that the Award is not intended to comply with Section 409A of the Code. The Company shall have no liability to a Participant, or any other party, if an Award that is intended to be exempt from, or compliant with, Section 409A is not so exempt or compliant or for any action taken by the Board.

(g) *Governing Law.* The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, excluding choice-of-law principles of the law of such state that would require the application of the laws of a jurisdiction other than such state.

Sonus®

Form 10-K

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

FORM 10-K

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

For the fiscal year ended December 31, 2014

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

Commission File Number 001-34115

SONUS NETWORKS, INC.

(Exact name of Registrant as specified in its charter)

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

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

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

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

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

SONUS NETWORKS, INC.
FORM 10-K
YEAR ENDED DECEMBER 31, 2014
TABLE OF CONTENTS

Cautionary Note Regarding Forward-Looking Statements

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

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

PART I

Item 1. Business

Overview

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

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

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

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

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

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

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

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

Industry Background

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

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

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

Network Requirements and the Sonus Solutions

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

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

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

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

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

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

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

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

Sonus Products

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

Sonus Session Border Controllers

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

We currently offer eight unique SBC products:

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

Sonus GSX9000 Open Services Switch

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

Sonus Diameter Signaling Controllers

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

Sonus Signal Transfer Points

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

Sonus PSX Policy & Routing Server

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

Sonus Network Management Solutions

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

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

Sonus Global Services

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

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

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

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

Sonus Market Strategy

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

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

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

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

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

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

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

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

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

Sonus Customers

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

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

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

Sales and Marketing

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

Product Research and Development

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

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

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

Competition

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

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

Intellectual Property

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

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

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

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

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

Manufacturing

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

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

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

Backlog

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

Employees

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

Geographic and Segment Information

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

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

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

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

Additional Information

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

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

Item 1A. Risk Factors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

To compete effectively, we must deliver innovative products that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consolidation in the telecommunications industry could harm our business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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

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

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

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

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

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

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

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

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

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

Holders

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

Dividend Policy

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

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

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

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

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

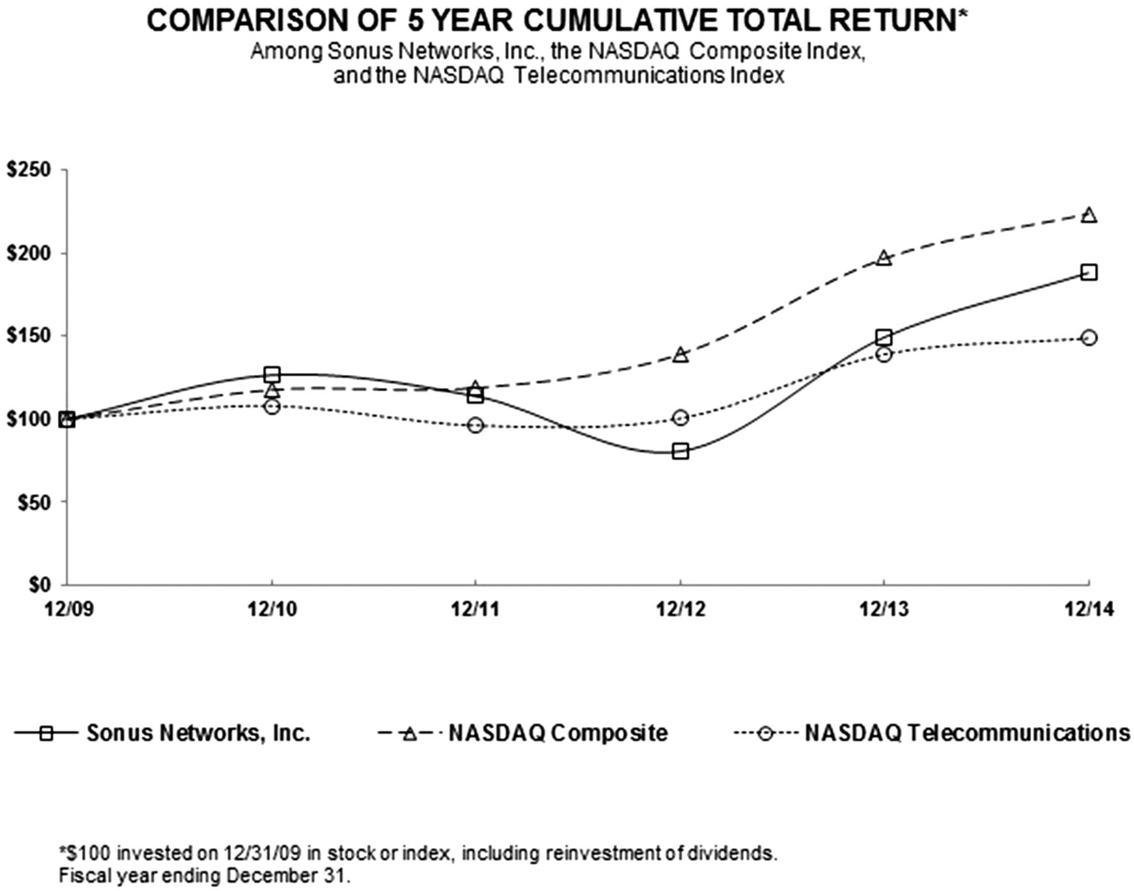
(2) Consists of purchases pursuant to a stock buyback program announced on July 29, 2013, under which our Board of Directors has authorized the repurchase of up to $100 million of our common stock from time to time on the open market or in privately negotiated transactions (the "2013 Buyback Program").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

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

Performance Graph

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

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



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

Item 6. Selected Financial Data

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

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

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

Consolidated Balance Sheet Data

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

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

Overview

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

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

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

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

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

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

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

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

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

On September 17, 2014, we entered into an amendment to our stockholder rights agreement, as amended (the "Rights

Plan"), to advance the final expiration date from June 26, 2015 to September 17, 2014. As a result of this amendment, effective as of the close of business on September 17, 2014, the Rights Plan terminated by its terms. The amendment was not in response to any acquisition proposal.

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

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

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

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

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

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

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

- assisting our customers' ability to differentiate themselves by offering a sophisticated application development platform and service creation environment;
- expanding our global sales distribution, marketing and support capabilities, including continued expansion of our indirect sales channel program;
- actively contributing to the SIP standards definition and adoption process;
- pursuing strategic transactions and alliances; and
- delivering sustainable profitability by continuing to improve our overall performance.

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

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

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

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

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

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

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

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

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

On January 2, 2014, Raymond P. Dolan, our President and Chief Executive Officer ("Mr. Dolan") elected to accept shares of restricted stock in lieu of base salary for the period from January 1, 2014 through December 31, 2014. Accordingly, we granted Mr. Dolan shares of restricted stock (the "2014 Dolan Salary Shares") on January 2, 2014, with the number of shares granted calculated by dividing an amount equal to 1.5 times Mr. Dolan's base salary for the period from January 1, 2014 through December 31, 2014 by the closing price of our common stock on the date of grant. The 2014 Dolan Salary Shares vested on December 31, 2014. Effective September 16, 2014, Mr. Dolan's annual base salary was increased from $500,000 to

$600,000. For the remainder of 2014, such increase was prorated and paid in cash and was not subject to any stock-for-cash election. We recorded stock-based compensation expense related to the 2014 Dolan Salary Shares ratably for the period of January 1, 2014 through December 31, 2014.

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

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

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

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

Critical Accounting Policies and Estimates

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

- Revenue recognition;
- Valuation of inventory;
- Loss contingencies and reserves;
- Stock-based compensation;

- Business combinations;
- Goodwill and intangible assets; and
- Accounting for income taxes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Results of Operations

Years Ended December 31, 2014 and 2013

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Years Ended December 31, 2013 and 2012

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Off-Balance Sheet Arrangements

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

Liquidity and Capital Resources

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

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

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

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

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

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

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

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

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

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

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

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

Contractual Obligations

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

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

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

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

Recent Accounting Pronouncements

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

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

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

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

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

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

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

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

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Sonus Networks, Inc. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

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

/s/ Deloitte & Touche LLP

Boston, Massachusetts
February 25, 2015

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

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

See notes to the consolidated financial statements.

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

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

See notes to the consolidated financial statements.

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

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

See notes to the consolidated financial statements.

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

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

See notes to the consolidated financial statements.

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

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

See notes to the consolidated financial statements.

(1) NATURE OF THE BUSINESS

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

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

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

BASIS OF PRESENTATION

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

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

Use of Estimates and Judgments

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

Business Combinations

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

Revenue Recognition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Instruments

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

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

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

Cash and Cash Equivalents

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

Restricted Cash

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

Foreign Currency Translation

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

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

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

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

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

Inventory

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

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

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

Property and Equipment

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

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

Intangible Assets and Goodwill

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

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

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

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

Other Assets

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

Stock-Based Compensation

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

Research and Development Costs

Research and development costs are expensed as incurred.

Software Development Costs

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

Concentrations of Credit Risk and Single Source Suppliers

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

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

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

Advertising Costs

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

Operating Segments

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

Loss Contingencies and Reserves

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

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

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

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

Accounting for Income Taxes

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

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

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

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

Recent Accounting Pronouncements

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

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

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

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

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

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

(3) BUSINESS ACQUISITIONS

Performance Technologies, Incorporated

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

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

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

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

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

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

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

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

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

Sale of Multi-Protocol Server Business

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

Network Equipment Technologies, Inc.

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

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

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

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

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

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

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

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

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

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

Pro Forma Results

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

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

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

Acquisition-Related Expenses

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

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

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

(4) EARNINGS (LOSS) PER SHARE

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

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

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

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

(5) CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

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

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

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

Fair Value Hierarchy

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

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

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

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

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

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

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

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

(6) ACCOUNTS RECEIVABLE, NET

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

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

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

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

(7) INVENTORY

Inventory consists of the following (in thousands):

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

(8) PROPERTY AND EQUIPMENT

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

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

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

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

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

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

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

(9) INTANGIBLE ASSETS AND GOODWILL

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

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

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

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

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

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

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

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

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

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

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

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

(10) ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

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

(11) RESTRUCTURING ACCRUAL

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

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

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

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

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

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

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

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

(12) DEBT

Credit Agreement

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

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

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

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

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

Assumed Debt - NET Acquisition

2007 Notes

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

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

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

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

1989 Debentures

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

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

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

(13) LONG-TERM LIABILITIES

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

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

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

(14) STOCKHOLDER RIGHTS PLAN

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

(15) COMMON STOCK REPURCHASES AND UNDERWRITTEN OFFERING

Stock Buyback Program

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

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

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

Underwritten Offering

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

(16) STOCK-BASED COMPENSATION PLANS

Reverse Stock Split

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

2007 Stock Incentive Plan

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

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

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

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

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

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

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

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

2008 Stock Incentive Plan

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

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

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

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

2012 Stock Incentive Plan

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

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

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

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

Executive and Board of Directors Equity Arrangements

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

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

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

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

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

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

Stock Options

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

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

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

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

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

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

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

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

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

Restricted Stock Grants - Restricted Stock Awards and Restricted Stock Units

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

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

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

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

Performance-Based Stock Awards

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

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

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

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

ESPP

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

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

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

Stock-Based Compensation

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

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

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

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

Common Stock Reserved

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

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

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

(17) EMPLOYEE DEFINED CONTRIBUTION PLAN

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

(18) INCOME TAXES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(19) MAJOR CUSTOMERS

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

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

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

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

(20) GEOGRAPHIC AND SEGMENT INFORMATION

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

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

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

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

(21) COMMITMENTS AND CONTINGENCIES

Leases

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

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

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

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

Litigation and Contingencies

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

(22) SUBSEQUENT EVENT

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

(23) QUARTERLY RESULTS (UNAUDITED)

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

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

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

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

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

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

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

Management's Annual Report on Internal Control over Financial Reporting

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

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

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

Changes in Internal Control over Financial Reporting

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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

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

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

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

/s/ Deloitte & Touche LLP

Boston, Massachusetts
February 25, 2015

Item 9B. Other Information

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

PART III

Item 10. Directors, Executive Officers and Corporate Governance

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

Item 11. Executive Compensation

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

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

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

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

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

Item 14. Principal Accounting Fees and Services

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

PART IV

Item 15. Exhibits, Financial Statement Schedules

1) Financial Statements

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

2) Financial Statement Schedules

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

3) List of Exhibits

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

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

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

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

EXHIBIT INDEX

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

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

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

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

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* Filed herewith.

\# Furnished herewith.

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

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

Important Information Regarding Forward-Looking Statements

This Annual Report and Proxy Statement contain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact contained in this Annual Report and Proxy Statement are forward-looking statements. Without limiting the foregoing, the words "anticipates", "believes", "could", "estimates", "expects", "intends", "may", "plans", "seeks", "projects" 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.

The forward-looking statements in this Annual Report and Proxy Statement are based on our expectations and assumptions regarding our business, the economy and other future conditions. Although we believe that our expectations and assumptions are reasonable, readers are cautioned that these forward-looking statements are only predictions and are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict, and our actual results may differ materially from those contemplated by the forward-looking statements as a result of various factors, including those discussed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" sections of the copy of our Form 10-K included as part of this Annual Report. Any forward-looking statement represents our views only as of the date such statement was made and should not be relied upon as representing our views as of any subsequent date. While we may elect to update forward-looking statements in the future, we specifically disclaim any obligation to do so.

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