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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2016

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

For the transition period from to

Commission File Number 001-34115

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

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

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

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

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

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

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

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

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

As of July 22, 2016, there were 49,392,197 shares of the registrant's common stock, $0.001 par value, outstanding.

SONUS NETWORKS, INC.
FORM 10-Q
QUARTERLY PERIOD ENDED JUNE 30, 2016
TABLE OF CONTENTS

Cautionary Note Regarding Forward-Looking Statements

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

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

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

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 36,261	$ 50,111
Marketable securities	52,505	58,533
Accounts receivable, net of allowance for doubtful accounts of $0 at June 30, 2016 and $10 at December 31, 2015	36,851	51,533
Inventory	20,674	23,111
Other current assets	13,763	11,853
Total current assets	160,054	195,141
Property and equipment, net	12,407	13,620
Intangible assets, net	22,368	26,087
Goodwill	40,310	40,310
Investments	53,942	33,605
Deferred income taxes	1,778	1,879
Other assets	5,207	2,249
	$ 296,066	$ 312,891
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 4,330	$ 5,949
Accrued expenses	20,949	31,963
Current portion of deferred revenue	38,148	38,716
Current portion of long-term liabilities	898	821
Total current liabilities	64,325	77,449
Deferred revenue	7,227	7,374
Deferred income taxes	2,631	2,282
Other long-term liabilities	1,829	2,760
Total liabilities	76,012	89,865
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Preferred stock, $0.01 par value per share; 5,000,000 shares authorized, none issued and outstanding	—	—
Common stock, $0.001 par value per share; 120,000,000 shares authorized; 49,391,336 shares issued and outstanding at June 30, 2016; 49,473,789 shares issued and outstanding at December 31, 2015	49	49
Additional paid-in capital	1,244,694	1,240,803
Accumulated deficit	(1,030,812)	(1,023,242)
Accumulated other comprehensive income	6,123	5,416
Total stockholders' equity	220,054	223,026
	$ 296,066	$ 312,891

See notes to the unaudited condensed consolidated financial statements.

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

	Three months ended		Six months ended	
	June 30, 2016	June 26, 2015	June 30, 2016	June 26, 2015
Revenue:				
Product	$ 35,349	$ 27,042	$ 70,118	$ 51,907
Service	25,508	27,659	49,890	52,939
Total revenue	60,857	54,701	120,008	104,846
Cost of revenue:				
Product	11,409	11,269	22,945	22,917
Service	9,220	9,018	18,432	18,285
Total cost of revenue	20,629	20,287	41,377	41,202
Gross profit	40,228	34,414	78,631	63,644
Operating expenses:				
Research and development	17,457	19,968	34,775	39,307
Sales and marketing	16,192	17,540	32,787	37,305
General and administrative	9,287	10,444	17,658	19,668
Acquisition-related	—	24	—	131
Restructuring	—	1,487	—	1,148
Total operating expenses	42,936	49,463	85,220	97,559
Loss from operations	(2,708)	(15,049)	(6,589)	(33,915)
Interest income (expense), net	217	(20)	381	8
Other income, net	10	5	113	50
Loss before income taxes	(2,481)	(15,064)	(6,095)	(33,857)
Income tax provision	(435)	(279)	(1,475)	(845)
Net loss	$ (2,916)	$ (15,343)	$ (7,570)	$ (34,702)
Loss per share:				
Basic	$ (0.06)	$ (0.31)	$ (0.15)	$ (0.70)
Diluted	$ (0.06)	$ (0.31)	$ (0.15)	$ (0.70)
Shares used to compute loss per share:				
Basic	49,423	49,484	49,453	49,454
Diluted	49,423	49,484	49,453	49,454

See notes to the unaudited condensed consolidated financial statements.

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

	Three months ended		Six months ended	
	June 30, 2016	June 26, 2015	June 30, 2016	June 26, 2015
Net loss	$ (2,916)	$ (15,343)	$ (7,570)	$ (34,702)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	262	(90)	435	(48)
Unrealized gain (loss) on available-for sale marketable securities, net of tax	37	(25)	272	80
Reclassification adjustment for losses included in net loss	—	—	18	—
Other comprehensive income (loss), net of tax	299	(115)	725	32
Comprehensive loss, net of tax	$ (2,617)	$ (15,458)	$ (6,845)	$ (34,670)

See notes to the unaudited condensed consolidated financial statements.

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

	Six months ended	
	June 30, 2016	June 26, 2015
Cash flows from operating activities:		
Net loss	$ (7,570)	$ (34,702)
Adjustments to reconcile net loss to cash flows provided by (used in) operating activities:		
Depreciation and amortization of property and equipment	3,970	6,902
Amortization of intangible assets	3,719	3,238
Stock-based compensation	9,056	11,629
Loss on disposal of property and equipment	26	22
Deferred income taxes	587	335
Changes in operating assets and liabilities:		
Accounts receivable	14,955	14,223
Inventory	844	(3,590)
Other operating assets	(2,566)	(1,389)
Accounts payable	(1,732)	(1,994)
Accrued expenses and other long-term liabilities	(11,182)	(13,466)
Deferred revenue	(888)	4,524
Net cash provided by (used in) operating activities	9,219	(14,268)
Cash flows from investing activities:		
Purchases of property and equipment	(2,636)	(4,524)
Business acquisition, net of cash acquired	(750)	(10,147)
Purchases of marketable securities	(59,138)	(3,737)
Maturities/sales of marketable securities	44,364	30,620
Net cash (used in) provided by investing activities	(18,160)	12,212
Cash flows from financing activities:		
Proceeds from sale of common stock in connection with employee stock purchase plan	632	1,668
Proceeds from exercise of stock options	15	1,739
Payment of tax withholding obligations related to net share settlements of restricted stock awards	(832)	(2,164)
Repurchase of common stock	(4,980)	(6,084)
Principal payments of capital lease obligations	(24)	(41)
Net cash used in financing activities	(5,189)	(4,882)
Effect of exchange rate changes on cash and cash equivalents	280	(91)
Net decrease in cash and cash equivalents	(13,850)	(7,029)
Cash and cash equivalents, beginning of year	50,111	41,157
Cash and cash equivalents, end of period	$ 36,261	$ 34,128
Supplemental disclosure of cash flow information:		
Interest paid	$ 19	$ 30
Income taxes paid	$ 596	$ 435
Income tax refunds received	$ 249	$ 311
Supplemental disclosure of non-cash investing activities:		
Capital expenditures incurred, but not yet paid	$ 256	$ 343
Property and equipment acquired under capital lease	$ 36	$ —

See notes to the unaudited condensed consolidated financial statements.

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

(1) BASIS OF PRESENTATION

Business

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

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.

Basis of Presentation

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

Interim results are not necessarily indicative of results for a full year or any future interim period. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2015 (the "Annual Report"), which was filed with the SEC on February 23, 2016.

For the year ended December 31, 2015, the Company reported 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. Accordingly, the Company's first quarter ended on March 27, 2015, the second quarter ended on June 26, 2015 and the third quarter ended on September 25, 2015. Effective January 1, 2016, the Company is reporting its first, second and third quarters on a month-end basis, such that the first quarter ended on March 31, 2016, the second quarter ended on June 30, 2016 and the third quarter will end on September 30, 2016. The Company's fiscal year will continue to end on December 31.

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

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

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

Significant Accounting Policies

The Company's significant accounting policies are disclosed in Note 2 to the Consolidated Financial Statements included in the Annual Report. There were no material changes to the significant accounting policies during either the three or six months ended June 30, 2016.

Principles of Consolidation

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

Use of Estimates and Judgments

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

Fair Value of Financial Instruments

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

Operating Segments

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

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instrument*s ("ASU 2016-13"), which adds an impairment model that is based on expected losses rather than incurred losses. Under ASU 2016-13, an entity recognizes as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. ASU 2016-13 is effective for the Company beginning January 1, 2020 for both interim and annual reporting periods, with early adoption permitted. The Company does not expect the adoption of ASU 2016-13 will have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"), which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for the Company beginning January 1, 2017 for both interim and annual reporting periods. The Company is currently assessing the potential impact of the adoption of ASU 2016-09 on its consolidated financial statements.

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842) Section A - Leases: Amendments to the FASB Accounting Standards Codification* ("ASU 2016-02"), its new standard on accounting for leases. ASU 2016-02 introduces a lessee model that brings most leases onto the balance sheet. The new standard also aligns many of the underlying principles of the new lessor model with those in Accounting Standards Codification ("ASC") 606, the FASB's new revenue recognition standard (i.e., those related to evaluating when profit can be recognized). Furthermore, ASU 2016-02 addresses other concerns related to the current leases model. For example, ASU 2016-02 eliminates the current GAAP requirement for an entity to use bright-line tests in determining lease classification. ASU 2016-02 also requires lessors to increase the transparency of their exposure to changes in value of their residual assets and how they manage that exposure. ASU 2016-02 is effective for the Company for both interim annual periods beginning January 1, 2020. The Company is currently assessing the potential impact of the adoption of ASU 2016-02 on its consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes* ("ASU 2015-17"), which requires entities to present deferred tax assets and deferred tax liabilities as noncurrent in the condensed consolidated balance sheet. Netting of deferred tax assets and deferred tax liabilities is still required under ASU 2015-17. The ASU is effective for the Company for its annual report of the year ending December 31, 2018 and for interim period reporting beginning January 1, 2019, with early adoption permitted. The Company elected to early-adopt ASU 2015-17 prospectively and accordingly, reclassified its net current deferred tax asset totaling $1.0 million to its noncurrent net deferred tax asset as of December 31, 2015. No prior periods were retrospectively adjusted. The early adoption of ASU 2015-17 did not have a material impact on the Company's consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments* ("ASU 2015-16"), which eliminates the requirement to restate prior periods to reflect adjustments made to provisional amounts recognized in a business combination. Under ASU 2015-16, an acquirer must recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, rather than retrospectively, as had previously been required. ASU 2015-16 also requires acquirers to present separately on the face of the income statement, or disclose in the notes, the portion of the amount recorded in current period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 was effective for the Company as of January 1, 2016. The adoption of ASU 2015-16 did not have a material impact on the Company's consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory* ("ASU 2015-11"). ASU 2015-11 simplifies the measurement of inventory by requiring entities to measure most inventory at the lower of cost and net realizable value, replacing the previous requirement to measure most inventory at the lower of cost or market. ASU 2015-11 does not apply to inventories that are measured by using either the last-in, first-out method or the retail inventory method. ASU 2015-11 is effective for the Company for both interim and annual reporting periods beginning January 1, 2017. The adoption of ASU 2015-11 is not expected to have a material impact on the Company's consolidated financial statements.

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

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

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

target will be met. ASU 2014-12 does not contain any new disclosure requirements. ASU 2014-12 was effective for the Company as of January 1, 2016. The adoption of ASU 2014-12 did not have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), its final standard on revenue from contracts with customers. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the revenue model to contracts within its scope, an entity identifies the contract(s) with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to the performance obligations in the contract and recognizes revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 applies to all contracts with customers that are within the scope of other topics in the FASB ASC. Certain of ASU 2014-09's provisions also apply to transfers of nonfinancial assets, including in-substance nonfinancial assets that are not an output of an entity's ordinary activities (i.e., property, plant and equipment; real estate; or intangible assets). Existing accounting guidance applicable to these transfers has been amended or superseded. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* ("ASU 2015-14"), which defers the original effective date of interim and annual reporting periods by one year. As a result, public entities would not be required to apply the new revenue standard until annual reporting periods beginning after December 15, 2017. In March 2016, the FASB issued ASU 2016-08, *Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net)* ("ASU 2016-08") to clarify certain aspects of the principal-versus-agent guidance in its new revenue recognition standard in response to feedback received from the FASB-IASB joint revenue recognition transition resource group. ASU 2016-08 clarifies the implementation guidance on principal-versus-agent considerations regarding how an entity determines whether it is a principal or an agent for each specified good or service promised to the customer and how an entity determines the nature of each specified good or service. ASU 2016-08 also provides clarification regarding the application of the principal-versus-agent guidance. In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* ("ASU 2016-10"), which amends certain aspects of the guidance in ASU 2014-09 on identifying performance obligations, including immaterial promised goods or services, shipping and handling activities and identifying when promises represent performance obligations; and licensing implementation guidance, including determining the nature of an entity's promise in granting a license, sales-based and usage-based royalties, restrictions of time, geographical location and use, and renewals of licenses that provide a right to use IP. In May 2016, the FASB issued ASU 2016-11, R*evenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815)* ("ASU 2016-11"), which rescinds certain SEC guidance from the Codification in response to announcements made by the SEC staff at the Emerging Issues Task Force's March 3, 2016 meeting, and which supersedes certain SEC observer comments on the topics of revenue and expense recognition for freight services in process, accounting for shipping and handling fees and costs, accounting for consideration given by a vendor to a customer and accounting for gas-balancing arrangements upon the adoption of ASU 2014-09. In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2016-12"), which amends certain aspects of ASU 2014-09, including regarding collectability, the presentation of sales tax and other similar taxes collected from customers, non-cash consideration, contract modifications and completed contracts at transition. ASU 2016-08, ASU 2016-10, ASU 2016-11 and ASU 2016-12 are effective at the same time as ASU 2014-09 (as amended by ASU 2015-14). The Company is currently assessing the potential impact of the adoption of these ASUs on its consolidated financial statements.

(2) BUSINESS ACQUISITION

Treq Labs, Inc.

On the Treq Asset Acquisition Date, the Company acquired from Treq the SDN Business. The SDN Business provides solutions that optimize networks for voice, video and UC for both enterprise and service provider customers. The Company believes that the acquisition of the SDN Business has helped the Company accelerate the delivery of its SDN strategy. In consideration for the acquisition of the SDN Business, Sonus paid $10.1 million in cash on the Treq Asset Acquisition Date, and an additional consideration payment of $750,000 on each of July 2, 2015 and January 4, 2016. The Company also entered into an Earn-Out Agreement, dated as of January 2, 2015, with Treq and Karl F. May, the seller representative in the transaction

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

(the "Earn-Out Agreement"), under which the Company agreed to issue up to an aggregate of 1.3 million shares of common stock over a three-year period subsequent to the Treq Asset Acquisition Date if aggregate revenue thresholds of at least $60 million are achieved by the SDN Business during that period, and up to an aggregate of an additional 2.2 million shares (3.5 million shares in total) if aggregate revenue thresholds of at least $150 million are achieved by the SDN Business during that period. If the initial revenue thresholds are not met, no shares will be issued. Based on historical and forecasted sales, no incremental contingent consideration was recorded either initially as of the Treq Asset Acquisition Date or through June 30, 2016. Any shares issued pursuant to the Earn-Out Agreement will be issued in reliance on the exemption from registration available under Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), and will be subsequently registered for resale under the Securities Act by the Company.

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

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

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

The valuation of the acquired intangible assets is inherently subjective and relies on significant unobservable inputs. The Company used an income approach to value the acquired in-process research and development and developed technology intangible assets. The valuation for each of these intangible assets was based on estimated projections of expected cash flows to be generated by the assets, discounted to the present value at discount rates commensurate with perceived risk. The valuation assumptions take into consideration the Company's estimates of technology attrition and revenue growth projections. During the three months ended March 31, 2016, the Company began to record amortization expense in connection with the in-process research and development intangible assets related to a product that became generally available in that quarter and accordingly, reclassified the asset with a cost basis of $1.6 million to its developed technology intangible assets. During the three months ended September 25, 2015, the Company began to record amortization expense in connection with certain of the in-process research and development intangible assets related to a product that became generally available in that quarter and accordingly, reclassified the asset with a cost basis of $7.5 million to its developed technology intangible assets. Accordingly, as of March 31, 2016, the Company no longer had an in-process research and development intangible asset. The Company is amortizing the identifiable intangible assets in relation to the expected cash flows from the individual intangible assets over their respective useful lives (see Note 6).

The Company has not disclosed the amount of revenue or earnings of the SDN Business since the Treq Asset Acquisition Date or pro forma financial information, as these amounts are not significant to the Company's consolidated financial statements.

Acquisition-Related Expenses

Acquisition-related expenses include those expenses related to acquisitions that would otherwise not have been incurred by the Company. These expenses include professional and services fees, such as legal, audit, consulting, paying agent and other fees, as well as cash payments to certain employees of acquired companies in connection with change of control agreements. The amounts recorded in the three and six months ended June 26, 2015 relate to professional fees in connection with the acquisition of the SDN Business. The Company did not record acquisition-related expenses in either the three or six months

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

ended June 30, 2016.

The component of acquisition-related expenses included in the Company's results of operations for the three and six months ended June 26, 2015 is as follows (in thousands):

	Three months ended June 26, 2015	Six months ended June 26, 2015
Professional and services fees	$ 24	$ 131

(3) EARNINGS (LOSS) PER SHARE

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

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

	Three months ended		Six months ended	
	June 30, 2016	June 26, 2015	June 30, 2016	June 26, 2015
Weighted average shares outstanding—basic	49,423	49,484	49,453	49,454
Potential dilutive common shares	—	—	—	—
Weighted average shares outstanding—diluted	49,423	49,484	49,453	49,454

Options to purchase the Company's common stock, unvested shares of restricted stock, unvested shares of performance-based stock and shares in connection with future purchases under the Company's Amended and Restated 2000 Employee Stock Purchase Plan, as amended (the "ESPP"), totaling 8.7 million shares for the three and six months ended June 30, 2016 and 8.9 million shares for the three and six months ended June 26, 2015 have not been included in the computation of diluted loss per share because their effect would have been antidilutive.

(4) CASH EQUIVALENTS AND INVESTMENTS

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

During the three months ended March 31, 2016, the Company sold $3.8 million of its available-for-sale securities and recognized gross losses aggregating $18,000, which are included as a component of Other income (expense), net, in the Company's condensed consolidated statement of operations for the six months ended June 30, 2016. The Company did not realize any gross gains on these sales. The Company did not sell any of its available-for-sale securities during the three months ended June 30, 2016 or during the three or six months ended June 26, 2015. Investments with continuous unrealized losses for one year or greater at June 30, 2016 were nominal. Since the Company currently does not intend to sell these securities and does not believe it will be required to sell any securities before they recover in value, it does not believe these declines are other-than-temporary.

On a quarterly basis, the Company reviews its marketable securities and investments to determine if there have been any events that could create a credit impairment. Based on its reviews, the Company does not believe that any impairment existed with its current holdings at June 30, 2016.

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

The amortized cost, gross unrealized gains and losses and fair value of the Company's marketable debt securities and investments at June 30, 2016 and December 31, 2015 were comprised of the following (in thousands):

	June 30, 2016			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Cash equivalents	$ 4,097	$ —	$ —	$ 4,097
Marketable securities				
Municipal obligations	$ 4,804	$ 8	$ —	$ 4,812
U.S. government agency notes	8,476	11	—	8,487
Corporate debt securities	39,193	23	(10)	39,206
	$ 52,473	$ 42	$ (10)	$ 52,505
Investments				
Municipal obligations	$ 1,114	$ 4	$ —	$ 1,118
U.S. government agency notes	26,949	52	(2)	26,999
Corporate debt securities	25,778	49	(2)	25,825
	$ 53,841	$ 105	$ (4)	$ 53,942

	December 31, 2015			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Cash equivalents	$ 7,122	$ —	$ —	$ 7,122
Marketable securities				
Municipal obligations	$ 3,910	$ —	$ (1)	$ 3,909
U.S. government agency notes	3,450	—	(2)	3,448
Corporate debt securities	46,736	2	(56)	46,682
Commercial paper	3,994	—	—	3,994
Certificates of deposit	500	—	—	500
	$ 58,590	$ 2	$ (59)	$ 58,533
Investments				
Municipal obligations	$ 2,165	$ —	$ (4)	$ 2,161
U.S. government agency notes	1,999	—	(13)	1,986
Corporate debt securities	29,541	2	(85)	29,458
	$ 33,705	$ 2	$ (102)	$ 33,605

The Company's available-for-sale debt securities classified as Investments in the condensed consolidated balance sheets at June 30, 2016 and December 31, 2015 had maturity dates after one year but within approximately 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:

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

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

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

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

The following table shows the fair value of the Company's financial assets at June 30, 2016 and December 31, 2015. These financial assets are comprised of the Company's available-for-sale debt securities and reported under the captions Cash and cash equivalents, Marketable securities and Investments in the condensed consolidated balance sheets (in thousands):

		Fair value measurements at June 30, 2016 using:		
	Total carrying value at June 30, 2016	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	$ 4,097	$ 4,097	$ —	$ —
Marketable securities				
Municipal obligations	$ 4,812	$ —	$ 4,812	$ —
U.S. government agency notes	8,487	—	8,487	—
Corporate debt securities	39,206	—	39,206	—
	$ 52,505	$ —	$ 52,505	$ —
Investments				
Municipal obligations	$ 1,118	$ —	$ 1,118	$ —
U.S. government agency notes	26,999	—	26,999	—
Corporate debt securities	25,825	—	25,825	—
	$ 53,942	$ —	$ 53,942	$ —

		Fair value measurements at December 31, 2015 using:		
	Total carrying value at December 31, 2015	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	$ 7,122	$ 7,122	$ —	$ —
Marketable securities				
Municipal obligations	$ 3,909	$ —	$ 3,909	$ —
U.S. government agency notes	3,448	—	3,448	—
Corporate debt securities	46,682	—	46,682	—
Commercial paper	3,994	—	3,994	—
Certificates of deposit	500	—	500	—
	$ 58,533	$ —	$ 58,533	$ —
Investments				
Municipal obligations	$ 2,161	$ —	$ 2,161	$ —
U.S. government agency notes	1,986	—	1,986	—
Corporate debt securities	29,458	—	29,458	—
	$ 33,605	$ —	$ 33,605	$ —

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

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 condensed consolidated financial statements and underlying estimates. Accordingly, the Company assesses the reasonableness of the valuations provided by the third-party pricing services by reviewing actual trade data, broker/dealer quotes and other similar data, which are obtained from quoted market prices or other sources.

(5) INVENTORY

Inventory at June 30, 2016 and December 31, 2015 consists of the following (in thousands):

	June 30, 2016	December 31, 2015
On-hand final assemblies and finished goods inventories	$ 17,416	$ 17,136
Deferred cost of goods sold	4,858	5,975
	22,274	23,111
Less current portion	(20,674)	(23,111)
Noncurrent portion (included in Other assets)	$ 1,600	$ —

(6) INTANGIBLE ASSETS AND GOODWILL

The Company's intangible assets at June 30, 2016 and December 31, 2015 consist of the following (dollars in thousands):

June 30, 2016	Weighted average amortization period (years)	Cost	Accumulated amortization	Net carrying value
Developed technology	6.45	$ 32,880	$ 13,497	$ 19,383
Customer relationships	5.57	10,030	7,045	2,985
Internal use software	3.00	730	730	—
	6.19	$ 43,640	$ 21,272	$ 22,368

December 31, 2015	Weighted average amortization period (years)	Cost	Accumulated amortization	Net carrying value
In-process research and development	*	$ 1,600	$ —	$ 1,600
Developed technology	6.42	31,280	10,415	20,865
Customer relationships	5.57	10,030	6,408	3,622
Internal use software	3.00	730	730	—
	6.19	$ 43,640	$ 17,553	$ 26,087

* An in-process research and development intangible asset has an indefinite life until the product is generally available, at which time such asset is reclassified to developed technology. As of June 30, 2016, all of the Company's in-process research and development intangible assets had been reclassified to developed technology and are being amortized over their respective estimated useful lives.

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

Amortization expense for intangible assets for the three and six months ended June 30, 2016 and June 26, 2015 was as follows (in thousands):

	Three months ended		Six months ended		
	June 30, 2016	June 26, 2015	June 30, 2016	June 26, 2015	Statement of operations classification
Developed technology	$ 1,455	$ 1,116	$ 3,082	$ 2,223	Cost of revenue - product
Customer relationships	318	415	637	894	Sales and marketing
Internal use software	—	60	—	121	Cost of revenue - product
	$ 1,773	$ 1,591	$ 3,719	$ 3,238	

The Company is recording amortization expense in connection with the in-process research and development intangible assets that arose from the acquisition of the SDN Business, of which $1.6 million had been reclassified to developed technology in the three months ended March 31, 2016 and $7.5 million had been reclassified to developed technology in the three months ended September 25, 2015, representing the cost basis of products that became generally available in the respective quarters. The Company has determined that the reclassified assets each have an estimated useful life of 7 years. 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. Estimated future amortization expense for the Company's intangible assets at June 30, 2016 is as follows (in thousands):

Years ending December 31,	
Remainder of 2016	$ 3,548
2017	7,265
2018	4,596
2019	3,571
2020	2,070
Thereafter	1,318
	$ 22,368

There were no changes in the carrying value of the Company's goodwill in the six months ended June 30, 2016. The balance of the Company's goodwill at June 30, 2016 is comprised of the following (in thousands):

Balance at June 30, 2016	
Goodwill	$ 43,416
Accumulated impairment losses	(3,106)
	$ 40,310

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

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

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

(7) ACCRUED EXPENSES

Accrued expenses at June 30, 2016 and December 31, 2015 consist of the following (in thousands):

	June 30, 2016	December 31, 2015
Employee compensation and related costs	$ 12,651	$ 22,180
Other	8,298	9,783
	$ 20,949	$ 31,963

(8) RESTRUCTURING ACCRUAL

To better align the Company's cost structure to its current revenue expectations, in April 2015, the Company announced a cost reduction review and restructuring initiative (the "2015 Restructuring Initiative"). A summary of the 2015 Restructuring Initiative accrual activity for the six months ended June 30, 2016 is as follows (in thousands):

	Balance at January 1, 2016	Initiatives charged to expense	Adjustments for changes in estimate	Cash payments	Balance at June 30, 2016
Severance	$ 749	$ —	$ —	$ (649)	$ 100

The Company expects that the remaining amounts accrued under the 2015 Restructuring Initiative will be paid by the end of 2016. At both June 30, 2016 and December 31, 2015, all of the restructuring accrual was included in Accrued expenses, as there was no long-term portion.

(9) DEBT

The Company entered into a credit agreement by and among the Company, as Borrower, Bank of America, N.A. ("Bank of America"), as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders from time to time party thereto on June 27, 2014 (the "Credit Agreement"), which agreement was amended by a First Amendment to Credit Agreement on June 26, 2015 (the "First Amendment") and further amended by a Second Amendment to Credit Agreement on June 13, 2016 (the "Second Amendment" and collectively with the Credit Agreement and the First Amendment, the "Amended Credit

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

Agreement"). Certain terms of the Credit Agreement have been amended by the Second Amendment, including, among other things: (i) an increase of the commitments from $15 million to $20 million; (ii) an extension of the maturity date from June 30, 2016 to June 30, 2017; (iii) a reduction to the aggregate amount of cash and cash equivalents that the Loan Parties (as defined below) are required to hold at any time from $85 million to $50 million; and (iv) a reduction of the commitment fee on the unused commitments available for borrowing from 0.15% to 0.1125%. The Amended Credit Agreement provides that the Company may select the interest rates under the credit facility from among the following options: (i) 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 (ii) 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 obligations of the Company under the Amended Credit Agreement are guaranteed by Sonus International, Inc., Sonus Federal, Inc. and Network Equipment Technologies, Inc. ("NET") (collectively 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 Amended 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 total revenues of the Loan Parties cannot be less than an aggregate of $50 million as of the last day of the Loan Parties' fiscal quarter, computed on a fiscal quarterly basis beginning with the fiscal quarter ended September 25, 2015. The credit facility will become due on June 30, 2017, 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 of warranties, bankruptcy and insolvency-related defaults, defaults relating to judgments, an ERISA Event (as defined in the Amended Credit Agreement), the failure to pay specified indebtedness and a change of control default.

The Company did not have any amounts outstanding under the Amended Credit Agreement at either December 31, 2015 or June 30, 2016.

(10) COMMON STOCK REPURCHASES

On July 29, 2013, the Company announced that its Board of Directors had authorized a stock buyback program to repurchase up to $100 million of the Company's common stock from time to time on the open market or in privately negotiated transactions. The timing and amount of any shares repurchased will be determined by the Company's management based on its evaluation of market conditions and other factors. The Company may elect to implement a 10b5-1 repurchase program, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws. The Company has not implemented such a 10b5-1 repurchase program to date. The stock buyback program may be suspended or discontinued at any time. The stock buyback program is being funded using the Company's working capital. During the six months ended June 30, 2016, the Company spent $5.0 million, including transaction fees, to repurchase and retire 0.6 million shares of its common stock under the stock buyback program. During the six months ended June 26, 2015, the Company spent $6.1 million, including transaction fees, to repurchase and retire 0.4 million shares of its common stock under the stock buyback program. At June 30, 2016, the Company had $10.0 million remaining under the stock buyback program for future repurchases.

(11) STOCK-BASED COMPENSATION PLANS

Stock Incentive Plan

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

At its 2016 annual meeting of stockholders held on June 9, 2016 (the "2016 Annual Meeting"), the Company's stockholders approved (i) changing the name of the 2007 Plan to the Amended and Restated Stock Incentive Plan (the "Stock Plan") and (ii) other amendments to the Stock Plan including, among other things, to:

- Increase the number of shares of the Company's common stock authorized for issuance under the Stock Plan by 800,000 shares;
- Extend the Stock Plan's termination date through the tenth anniversary of the 2016 Annual Meeting;
- Revise the rate at which RSAs, RSUs, PSAs and PSUs (collectively, full value awards) are counted against the shares of common stock available for issuance under the Stock Plan from 1.61 shares for every one share subject to such award to 1.50 shares for every one share subject to such award. Shares of common stock subject to full value awards that were granted under any prior ratio that applied at the time such awards were granted will continue to return to the Stock Plan upon forfeiture of such awards at the respective previous ratio of 1.50, 1.57 and 1.61, as applicable;
- Increase the maximum number of shares of the Company's common stock with respect to which awards may be granted to any participant under the Stock Plan to 1,000,000 shares per calendar year;
- Increase the maximum number of shares of the Company's common stock with respect to which awards may be granted under the Stock Plan to any director who is not an employee of the Company at the time of grant to 100,000 shares per calendar year; and
- Prohibit stock options and SARs granted under the Stock Plan from (i) providing for the payment or accrual of dividend equivalents or (ii) containing any provision entitling the grantee to the automatic grant of additional stock options or SARs, as applicable, in connection with the exercise of the original stock option or SAR, as applicable.

In June 2016, the Compensation Committee of the Company's Board of Directors (the "Compensation Committee") voted to change the standard vesting terms for awards of stock options, RSAs and RSUs granted after June 9, 2016 as follows:

- Stock options will generally vest over a period of three years, with one-third of the stock options vesting on the first anniversary of the grant date and the remaining two-thirds vesting in equal monthly increments thereafter through the third anniversary of the grant date.
- RSAs and RSUs (collectively, the "restricted stock grants") will generally vest over a period of three years, with one-third of the shares underlying the grant vesting on the first anniversary of the grant date an the remaining two-thirds vesting in equal increments semi-annually through the third anniversary of the grant date.

The Company neither adjusted nor intends to adjust the vesting schedules of stock options or restricted stock grants awarded prior to June 9, 2016 to reflect the new three-year vesting schedules.

Executive Equity Arrangements

On April 1, 2016, the Company granted an aggregate of 131,250 PSUs with both market and service conditions to six of its executives (the "2016 PSUs"). The terms of the 2016 PSUs are such that up to one-third of the shares subject to the 2016 PSUs will vest on each of the first, second and third anniversaries of the date of grant (collectively, the "2016 PSU Vesting Dates") to the extent of achievement of the Company's total shareholder return ("TSR") compared to the TSR of the companies included in the NASDAQ Telecommunications Index for the same fiscal year, measured by the Compensation Committee after each of the 2016, 2017 and 2018 fiscal years, respectively (as used in this paragraph, each, a "Performance Period"). The shares determined to be earned will vest on the anniversary of the grant date following each Performance Period. Shares subject to the 2016 PSUs that fail to be earned will be forfeited. The 2016 PSUs include a market condition that requires the use of a Monte Carlo simulation approach to model future stock price movements based upon the risk-free rate of return, the volatility of each entity, and the pair-wise covariance between each entity. These results were then used to calculate the grant

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

date fair values of the 2016 PSUs. Because the 2016 PSUs have market conditions, the Company is required to record expense for the 2016 PSUs through the final 2016 PSU Vesting Date of April 1, 2019, regardless of the number of shares that are ultimately earned. In June 2016, one executive separated from the Company and forfeited his unvested 2016 PSUs; these forfeited unvested 2016 PSUs are reported as such in the performance-based units table below.

On March 16, 2015, the Company granted an aggregate of 131,250 PSUs with both market and service conditions to eight of its executives (the "2015 PSUs"). In 2015, subsequent to the grant date, two executives separated from the Company and, in accordance with their respective employment agreements with the Company, the Company accelerated the vesting of certain unvested 2015 PSUs. The terms of the 2015 PSUs are such that up to one-third of the shares subject to the 2015 PSUs will vest on each of the first, second and third anniversaries of the date of grant (collectively, the "2015 PSU Vesting Dates") to the extent of achievement of the Company's TSR compared to the TSR of the companies included in the NASDAQ Telecommunications Index for the same Performance Period, measured by the Compensation Committee at the end of each of the 2015, 2016 and 2017 fiscal years, respectively (as used in this paragraph, each, a "Performance Period"). The shares determined to be earned will vest on the anniversary of the grant date following each Performance Period. Shares subject to the 2015 PSUs that fail to be earned will be forfeited. The 2015 PSUs include a market condition that required the use of a Monte Carlo simulation approach to calculate the grant date fair values of the 2015 PSUs. Because the 2015 PSUs have market conditions, the Company is required to record expense for the 2015 PSUs through the final 2015 PSU Vesting Date of March 16, 2018, regardless of the number of shares that are ultimately earned, if any. In February 2016, the Compensation Committee determined that the performance metrics for the 2015 PSUs were not achieved for the 2015 Performance Period. Accordingly, 37,081 shares in the aggregate, representing one-third of the 2015 PSUs held by the then-remaining six executives, were forfeited, and are reported as such in the performance-based units table below. In June 2016, one executive separated from the Company and forfeited his unvested 2015 PSUs; these forfeited unvested 2015 PSUs are reported as such in the performance-based units table below.

Stock Options

The activity related to the Company's outstanding stock options during the six months ended June 30, 2016 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, 2016	6,352,208	$ 15.99		
Granted	129,510	$ 8.30		
Exercised	(3,224)	$ 4.35		
Forfeited	(122,794)	$ 15.52		
Expired	(244,445)	$ 18.40		
Outstanding at June 30, 2016	6,111,255	$ 15.74	5.68	$ 492
Vested or expected to vest at June 30, 2016	5,978,629	$ 15.78	5.62	$ 457
Exercisable at June 30, 2016	4,739,687	$ 15.80	5.05	$ 337

The grant date fair values of options to purchase common stock granted in the three and six months ended June 30, 2016 were estimated using the Black-Scholes valuation model with the following assumptions:

	Three months ended June 30, 2016	Six months ended June 30, 2016
Risk-free interest rate	1.00% - 1.60%	1.00% - 1.60%
Expected dividends	—	—
Weighted average volatility	56.4%	55.6%
Expected life (years)	5.0 - 10.0	5.0 - 10.0

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

Additional information regarding the Company's stock options for the three and six months ended June 30, 2016 is as follows:

	Three months ended June 30, 2016	Six months ended June 30, 2016
Weighted average grant date fair value of stock options granted	$ 4.88	$ 4.58
Total intrinsic value of stock options exercised (in thousands)	$ 7	$ 11
Cash received from the exercise of stock options (in thousands)	$ 10	$ 15

Restricted Stock Awards and Units

The activity related to the Company's RSAs for the six months ended June 30, 2016 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested balance at January 1, 2016	1,512,783	$ 13.48
Granted	1,440,902	$ 7.73
Vested	(496,814)	$ 12.62
Forfeited	(280,597)	$ 10.30
Unvested balance at June 30, 2016	2,176,274	$ 10.28

The activity related to the Company's RSUs for the six months ended June 30, 2016 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested balance at January 1, 2016	95,361	$ 16.05
Granted	53,400	$ 7.58
Vested	(22,035)	$ 16.05
Forfeited	(2,425)	$ 16.05
Unvested balance at June 30, 2016	124,301	$ 12.41

The total fair value of shares of restricted stock granted under RSAs and RSUs that vested during the six months ended June 30, 2016 was $6.6 million.

Performance-Based Stock Units

The activity related to the Company's PSUs for the six months ended June 30, 2016 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested balance at January 1, 2016	111,250	$ 14.68
Granted	131,250	$ 10.25
Vested	—	$ —
Forfeited	(66,665)	$ 12.77
Unvested balance at June 30, 2016	175,835	$ 12.10

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

Employee Stock Purchase Plan

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

Stock-Based Compensation

The condensed consolidated statements of operations include stock-based compensation for the three and six months ended June 30, 2016 and June 26, 2015 as follows (in thousands):

	Three months ended		Six months ended	
	June 30, 2016	June 26, 2015	June 30, 2016	June 26, 2015
Product cost of revenue	$ 93	$ 83	$ 164	$ 157
Service cost of revenue	322	397	654	777
Research and development	1,210	1,445	2,389	2,803
Sales and marketing	1,224	1,852	2,244	2,868
General and administrative	1,792	3,032	3,605	5,024
	$ 4,641	$ 6,809	$ 9,056	$ 11,629

There is no income tax benefit for employee stock-based compensation expense for the six months ended June 30, 2016 or June 26, 2015 due to the valuation allowance recorded.

At June 30, 2016, there was $28.8 million, net of expected forfeitures, of unrecognized stock-based compensation expense related to unvested stock options, awards, units and ESPP shares. This expense is expected to be recognized over a weighted average period of approximately two years.

(12) MAJOR CUSTOMERS

The following customers contributed 10% or more of the Company's revenue in at least one of the three or six month periods ended June 30, 2016 and June 26, 2015:

	Three months ended		Six months ended	
	June 30, 2016	June 26, 2015	June 30, 2016	June 26, 2015
AT&T Inc.	16%	19%	14%	13%
Verizon Communications Inc.	13%	*	*	*
Level 3 Communications	*	*	11%	*

* Represents less than 10% of revenue

At June 30, 2016, one customer accounted for 10% or more of the Company's accounts receivable balance, representing approximately 21% of the Company's accounts receivable balance. At December 31, 2015, one customer accounted for 10% or more of the Company's accounts receivable balance, representing approximately 11% 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.

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

(13) GEOGRAPHIC INFORMATION

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

	Three months ended		Six months ended	
	June 30, 2016	June 26, 2015	June 30, 2016	June 26, 2015
United States	70%	71%	69%	67%
Europe, Middle East and Africa	13	12	13	13
Japan	8	9	11	13
Other Asia Pacific	6	4	5	4
Other	3	4	2	3
	100%	100%	100%	100%

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

(14) RELATED PARTY

H. Brian Thompson, who was an independent member of the Company's Board of Directors until the Company's 2016 Annual Meeting, is the Executive Chairman of GTT Communications, Inc., a leading global cloud networking provider to multinational clients ("GTT"). Howard Janzen is an independent member of the Company's Board of Directors and also serves as an independent director of GTT. In October 2015, GTT completed the acquisition of One Source Networks Inc., a provider of global data, Internet, SIP trunking and managed services ("One Source"). One Source is a customer of the Company. The Company had a well-established and ongoing business relationship with One Source prior to its acquisition by GTT. The Company did not recognize any revenue from One Source in the three months ended June 30, 2016, and recognized revenue aggregating approximately $23,000 from One Source in the six months ended June 30, 2016, pursuant to the terms of a contract between the parties, effective June 28, 2010. The Company believes the terms of this contract are consistent with third-party arrangements that provide similar services.

Since Mr. Thompson is no longer a member of the Company's Board of Directors, as of June 30, 2016 the Company's relationship with GTT will no longer trigger a related party transaction unless and until any of the Company's directors, executive officers or holders of 5% or more of any class of its capital stock or any member of their immediate family has a direct or indirect material interest in a transaction between the Company and GTT in which the amount involved exceeds or will exceed $120,000.

As a matter of corporate governance policy and practice, related party transactions are presented and considered by the Audit Committee of the Company's Board of Directors in accordance with the Company's Related Person Transaction Policy.

(15) INCOME TAXES

The Company's income tax provisions for the six months ended June 30, 2016 and June 26, 2015 reflect the Company's estimates of the effective rates expected to be applicable for the respective full years, adjusted for any discrete events, which are recorded in the period that they occur. These estimates are reevaluated each quarter based on the Company's estimated tax expense for the full year. The estimated effective rates for the six months ended June 30, 2016 and June 26, 2015 do not include any benefit for the Company's domestic losses, as the Company has concluded that a valuation allowance on any domestic benefit is required. Included in the Company's provision for the six months ended June 30, 2016 is a discrete charge of $0.7 million related to an uncertain tax position of the Company's subsidiary in France.

SONUS NETWORKS, INC.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

(16) COMMITMENTS AND CONTINGENCIES

On April 6, 2015, Ming Huang, a purported shareholder of the Company, filed a Class Action Complaint (Civil Action No. 3:15-02407), alleging violations of the federal securities laws (the "Complaint") in the United States District Court for the District of New Jersey (the "District of New Jersey"), against the Company and two of its officers, Raymond P. Dolan, the Company's President and Chief Executive Officer, and Mark T. Greenquist, the Company's former Chief Financial Officer (collectively, the "Defendants"). On September 21, 2015, in response to motions subsequently filed with the District of New Jersey by four other purported shareholders of the Company seeking status as lead plaintiff, the District of New Jersey appointed Richard Sousa as lead plaintiff (the "Plaintiff"). The Plaintiff claims to represent purchasers of the Company's common stock during the period from October 23, 2014 to March 24, 2015, and seeks unspecified damages. The principal allegation contained in the Complaint is that the Defendants made misleading forward-looking statements concerning the Company's fiscal first quarter of 2015 financial performance. On September 22, 2015, the Company filed a Motion to Transfer (the “Motion to Transfer”) this case to the United States District Court for the District of Massachusetts. The Plaintiff filed his opposition to the Motion to Transfer on October 5, 2015, and the Company filed a reply to the Motion to Transfer on October 13, 2015. On March 21, 2016, the District of New Jersey granted the Company's Motion to Transfer. Thus, this case will now be litigated in the United States District Court for the District of Massachusetts (Civil Action No. 1:16-cv-10657-GAO). On May 4, 2016, the Plaintiff filed an amended complaint (the "Amended Complaint"), which is now the operative complaint in this litigation. On June 20, 2016, the Company and the other Defendants filed a Motion to Dismiss the Amended Complaint (the "Motion to Dismiss") and on July 25, 2016, the Plaintiff filed an opposition to the Motion to Dismiss. The Company has until August 15, 2016 to file a reply to the Plaintiff's opposition to the Motion to Dismiss. The Company believes that the Defendants have meritorious defenses to the allegations made in the Amended Complaint and does not expect the results of this suit to have a material effect on its business or consolidated financial statements.

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

(17) SUBSEQUENT EVENTS

On July 27, 2016, the Company announced a restructuring program to further accelerate its investment in new technologies as the communications industry migrates to a Cloud-based architecture. The Company expects to record between $3 million and $4 million of restructuring expense over the next twelve months in connection with this action, resulting in expected annual savings of approximately $6 million to $8 million. The Company intends to utilize the entire savings to shift headcount towards new strategic initiatives (e.g., new products, expanded go-to-market footprint in selected geographies and discrete vertical markets).

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

The following discussion of the financial condition and results of operations of Sonus Networks, Inc. should be read in conjunction with the condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the audited financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2015, which was filed with the U.S. Securities and Exchange Commission on February 23, 2016.

Overview

We are a leading provider of networked solutions for communications service providers (e.g., telecommunications, wireless and cable service providers) and enterprises to help them advance, protect and unify their communications and improve collaboration. We help many of the world's leading communications service providers and enterprises embrace the next generation of Session Initiation Protocol ("SIP") and 4G/LTE (Long Term Evolution)-based solutions, including Voice over IP ("VoIP") video and Unified Communications ("UC") through secure, reliable and scalable Internet Protocol ("IP") networks. Our products include session border controllers ("SBCs"), diameter signaling controllers ("DSCs"), policy/routing servers, network intelligence applications ("VellOS") and are designed to provide network-wide security and other cloud network exchange services, media and signaling gateways and network analytics tools. Our 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 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 allowing disparate communications environments, commonplace in most enterprises today, to work seamlessly together. Likewise, our solutions facilitate the evolution to cloud-based delivery of UC solutions.

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

We have traditionally sold our products principally through a global direct sales force, with additional sales support from regional channel partners throughout the world. Our channel partner program, the Sonus Partner Assure Program, addresses service provider and enterprise market opportunities. We also have a two-tier distribution channel model.

For the year ended December 31, 2015, we reported our 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. Accordingly, our first quarter ended on March 27, 2015, our second quarter ended on June 26, 2015 and our third quarter ended on September 25, 2015. Effective January 1, 2016, we are reporting our first, second and third quarters on a month-end basis, such that our first quarter ended on March 31, 2016, our second quarter ended on June 30, 2016 and our third quarter will end on September 30, 2016. Our fiscal year will continue to end on December 31.

On January 2, 2015 (the "Treq Asset Acquisition Date"), we acquired from Treq Labs, Inc. ("Treq") certain assets related to its business of designing, developing, marketing, selling, servicing and maintaining software-defined networking ("SDN") technology, SDN controller software and SDN management software (the "SDN Business") for $10.1 million in cash on the Treq Asset Acquisition Date, and an additional consideration payment of $750,000 paid on each of July 2, 2015 and January 4, 2016. We also entered into an Earn-Out Agreement under which we agreed to issue to the sellers up to an aggregate of 1.3 million shares of common stock over a three-year period subsequent to the Treq Asset Acquisition Date if aggregate revenue thresholds of at least $60 million are achieved by the SDN Business during that period, and up to an aggregate of an additional 2.2 million shares (3.5 million shares in total) if aggregate revenue thresholds of at least $150 million are achieved by the SDN Business during that period. If the initial revenue thresholds are not met, no shares will be issued. Based on historical and forecasted sales, no incremental contingent consideration was recorded initially as of the Treq Asset Acquisition Date or through June 30, 2016. The SDN Business provides solutions that optimize networks for voice, video and UC for both enterprise and service provider customers. We believe that the acquisition of the SDN Business has helped us to accelerate the delivery of our SDN strategy. The financial results of the SDN Business are included in our condensed consolidated financial statements starting on the Treq Asset Acquisition Date.

On July 27, 2016, we announced Anthony Scarfo ("Mr. Scarfo") will step down as Executive Vice President, Services, Product Management and Corporate Development, effective immediately. Mr. Scarfo will remain with the Company in an advisory role to assist in the transition of his duties until October 3, 2016.

On June 9, 2016, Mark T. Greenquist ("Mr. Greenquist") tendered his resignation as our Chief Financial Officer, principal financial officer and principal accounting officer, effective June 15, 2016. Effective June 15, 2016, Susan M. Villare, our Vice President of Financial Planning and Analysis, has been fulfilling the roles of our Chief Financial Officer, principal financial officer and principal accounting officer on an interim basis, until a successor for Mr. Greenquist is identified.

On July 27, 2016, we announced a restructuring program to further accelerate our investment in new technologies as the communications industry migrates to a Cloud-based architecture. We expect to record between $3 million and $4 million of restructuring expense over the next twelve months in connection with this action, resulting in expected annual savings of approximately $6 million to $8 million. We intend to utilize the entire savings to shift headcount towards new strategic initiatives (e.g., new products, expanded go-to-market footprint in selected geographies and discrete vertical markets).

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

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

We reported losses from operations of $2.7 million for the three months ended June 30, 2016 and $15.0 million for the three months ended June 26, 2015. We reported losses from operations of $6.6 million for the six months ended June 30, 2016 and $33.9 million for the six months ended June 26, 2015.

We reported net losses of $2.9 million for the three months ended June 30, 2016 and $15.3 million for the three months ended June 26, 2015. We reported net losses of $7.6 million for the six months ended June 30, 2016 and $34.7 million for the six months ended June 26, 2015.

Our revenue was $60.9 million in the three months ended June 30, 2016 and $54.7 million in the three months ended June 26, 2015. Our revenue was $120.0 million in the six months ended June 30, 2016 and $104.8 million in the six months ended June 26, 2015.

Our gross profit was $40.2 million in the three months ended June 30, 2016 and $34.4 million in the three months ended June 26, 2015. Our gross profit was $78.6 million in the six months ended June 30, 2016 and $63.6 million in the six months ended June 26, 2015. Our gross profit as a percentage of revenue ("total gross margin") was 66.1% in the three months ended June 30, 2016 and 62.9% in the three months ended June 26, 2015. Our total gross margin was 65.5% in the six months ended June 30, 2016 and 60.7% in the six months ended June 26, 2015.

Our operating expenses were $42.9 million in the three months ended June 30, 2016, compared to $49.5 million in the three months ended June 26, 2015. Our operating expenses were $85.2 million in the six months ended June 30, 2016 and $97.6 million in the six months ended June 26, 2015.

We recorded stock-based compensation expense of $4.6 million in the three months ended June 30, 2016, compared to $6.8 million in the three months ended June 26, 2015, and $9.1 million in the six months ended June 30, 2016, compared to $11.6 million in the six months ended June 26, 2015. These amounts are included as components of both Cost of revenue and Operating expenses in our condensed consolidated statements of operations.

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

Critical Accounting Policies and Estimates

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

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

For a further discussion of our critical accounting policies and estimates, please refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. There were no significant changes to our critical accounting policies from December 31, 2015 through June 30, 2016.

Results of Operations

Three and six months ended June 30, 2016 and June 26, 2015

Revenue. Revenue for the three and six months ended June 30, 2016 and June 26, 2015 was as follows (in thousands, except percentages):

	Three months ended		Increase (decrease) from prior year	
	June 30, 2016	June 26, 2015	$	%
Product	$ 35,349	$ 27,042	$ 8,307	30.7 %
Service	25,508	27,659	(2,151)	(7.8)%
Total revenue	$ 60,857	$ 54,701	$ 6,156	11.3 %

	Six months ended		Increase (decrease) from prior year	
	June 30, 2016	June 26, 2015	$	%
Product	$ 70,118	$ 51,907	$ 18,211	35.1 %
Service	49,890	52,939	(3,049)	(5.8)%
Total revenue	$ 120,008	$ 104,846	$ 15,162	14.5 %

Product revenue is comprised of sales of our communication infrastructure products. The increase in product revenue in the three months ended June 30, 2016 compared to the three months ended June 26, 2015 was primarily the result of the growth in sales of our SBC product line, in particular, our SBC 7000 and SBC 5000 products. Sales of our SBC 7000 and SBC 5000 products increased approximately 44% in the aggregate in the three months ended June 30, 2016 compared to the three months ended June 26, 2015.

The increase in product revenue in the six months ended June 30, 2016 compared to the six months ended June 26, 2015 was primarily the result of the continued growth in the sales of our SBC products, in particular, our SBC 7000 and SBC 5000 products. Sales of our SBC 7000 and SBC 5000 products increased approximately 49% in the aggregate in the six months ended June 30, 2016 compared to the six months ended June 26, 2015.

In the three months ended June 30, 2016, approximately 25% of our total product revenue was from indirect sales through our channel partner program, compared to approximately 26% in the three months ended June 26, 2015. Approximately 23% of our total product revenue was from indirect sales through our channel partner program in the six months ended June 30, 2016, compared to approximately 25% in the six months ended June 26, 2015.

In the three months ended June 30, 2016, our product revenue from sales to enterprise customers was approximately 20% of our total product revenue, compared to approximately 22% in the three months ended June 26, 2015. Our product revenue from sales to enterprise customers was approximately 19% of our total product revenue in both the six months ended June 30, 2016 and the six months ended June 26, 2015. These sales were made both through our direct sales team and indirect sales channel partners.

We expect that our product revenue in 2016 will increase from 2015 levels, primarily due to our expanding product portfolio and continued focus on additional new product offerings to address the emerging UC and IP-based markets, such as SBC, in both the enterprise and service provider markets.

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

Service revenue for the three and six months ended June 30, 2016 and June 26, 2015 was comprised of the following (in thousands, except percentages):

	Three months ended		Increase (decrease) from prior year	
	June 30, 2016	June 26, 2015	$	%
Maintenance	$ 21,277	$ 23,511	$ (2,234)	(9.5)%
Professional services	4,231	4,148	83	2.0 %
	$ 25,508	$ 27,659	$ (2,151)	(7.8)%

	Six months ended		Decrease from prior year	
	June 30, 2016	June 26, 2015	$	%
Maintenance	$ 42,027	$ 43,594	$ (1,567)	(3.6)%
Professional services	7,863	9,345	(1,482)	(15.9)%
	$ 49,890	$ 52,939	$ (3,049)	(5.8)%

Our maintenance revenue decreased in the three months ended June 30, 2016 compared to the three months ended June 26, 2015, primarily due to customer mix, including customer renewals, and the timing of product shipments with related maintenance revenue. Our maintenance revenue decreased in the six months ended June 30, 2016 compared to the six months ended June 26, 2015, primarily due to customer mix, including customer renewals, and the timing of product shipments with related maintenance.

The slight increase in our professional services revenue in the three months ended June 30, 2016 compared to the three months ended June 26, 2015 is primarily due to revenue from projects completed in the quarter compared to the prior year quarter. The decrease in our professional services revenue in the six months ended June 30, 2016 compared to the six months ended June 26, 2015 primarily represents lower revenue from completed projects in the current year period.

The timing of the completion of projects for revenue recognition, customer payments and maintenance contracts may cause our service revenue to fluctuate from one period to the next. We expect that our service revenue in fiscal 2016 will decrease slightly from fiscal 2015 levels as a result of customer merger activities and lower project-related service work.

The following customers contributed 10% or more of our revenue in at least one of the three or six month periods ended June 30, 2016 and June 26, 2015:

	Three months ended		Six months ended	
Customer	June 30, 2016	June 26, 2015	June 30, 2016	June 26, 2015
AT&T Inc.	16%	19%	14%	13%
Verizon Communications Inc.	13%	*	*	*
Level 3 Communications	*	*	11%	*

* Represents less than 10% of revenue

International revenue was approximately 30% of revenue in the three months ended June 30, 2016 and approximately 29% of revenue in the three months ended June 26, 2015. International revenue was approximately 31% of revenue in the six months ended June 30, 2016 and approximately 33% in the six months ended June 26, 2015. 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 $9.0 million at June 30, 2016 and $12.5 million at December 31, 2015. Our deferred service revenue was $36.4 million at June 30, 2016 and $33.6 million at December 31, 2015. Our deferred revenue balance may fluctuate as a result of the timing of revenue recognition, customer payments, maintenance contract renewals, contractual billing rights and maintenance revenue deferrals included in multiple element arrangements.

Cost of Revenue/Gross Margin. Our cost of revenue consists primarily of amounts paid to third-party manufacturers for purchased materials and services, royalties, manufacturing and professional services personnel and related costs, and provision for inventory obsolescence. Our cost of revenue and gross margins for the three and six months ended June 30, 2016 and June 26, 2015 were as follows (in thousands, except percentages):

	Three months ended		Increase from prior year	
	June 30, 2016	June 26, 2015	$	%
Cost of revenue				
Product	$ 11,409	$ 11,269	$ 140	1.2%
Service	9,220	9,018	202	2.2%
Total cost of revenue	$ 20,629	$ 20,287	$ 342	1.7%
Gross margin				
Product	67.7%	58.3%		
Service	63.9%	67.4%		
Total gross margin	66.1%	62.9%		

	Six months ended		Increase from prior year	
	June 30, 2016	June 26, 2015	$	%
Cost of revenue				
Product	$ 22,945	$ 22,917	$ 28	0.1%
Service	18,432	18,285	147	0.8%
Total cost of revenue	$ 41,377	$ 41,202	$ 175	0.4%
Gross margin				
Product	67.3%	55.8%		
Service	63.1%	65.5%		
Total gross margin	65.5%	60.7%		

The increase in product gross margin in the three months ended June 30, 2016 compared to the three months ended June 26, 2015 was primarily due to higher product revenue against certain fixed manufacturing costs, coupled with lower variable costs in connection with our inventory valuation, which increased our product gross margin in the aggregate by approximately seven and one-half percentage points. Our product and customer mix in the current quarter, in particular, sales of our SBC 7000 and SBC 5000 products, increased our product gross margin by approximately two percentage points.

The increase in product gross margin in the six months ended June 30, 2016 compared to the six months ended June 26, 2015 was primarily due to higher product revenue against certain fixed manufacturing costs, coupled with lower variable costs in connection with our inventory valuation, which increased our product gross margin in the aggregate by approximately nine and one-half percentage points. Our product and customer mix, particularly sales of our SBC 7000 and SBC 5000 products, increased our product gross margin by approximately two percentage points in the six months ended June 30, 2016, compared to the six months ended June 26, 2015.

The decrease in service gross margin in the three months ended June 30, 2016 compared to the three months ended June 26, 2015 was primarily due to lower revenue against relatively fixed costs, which decreased our service gross margin by approximately three and one-half percentage points. The decrease in service gross margin in the six months ended June 30, 2016 compared to the six months ended June 26, 2015 was primarily due to lower revenue against relatively fixed costs, which decreased our service gross margin by approximately two and one-half percentage points.

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

Research and Development Expenses. Research and development expenses consist primarily of salaries and related personnel expenses and prototype costs related to the design, development, testing and enhancement of our products. Research and development expenses for the three and six months ended June 30, 2016 and June 26, 2015 were as follows (in thousands, except percentages):

	June 30, 2016	June 26, 2015	Decrease from prior year $	Decrease from prior year %
Three months ended	$ 17,457	$ 19,968	$ (2,511)	(12.6)%
Six months ended	$ 34,775	$ 39,307	$ (4,532)	(11.5)%

The decrease in research and development expenses in the three months ended June 30, 2016 compared to the three months ended June 26, 2015 is attributable to $1.8 million of lower depreciation expense, $0.8 million of lower product development (third-party development, prototype and equipment) costs, $0.3 million of lower facilities expense and $0.1 million of net reductions in other research and development expenses, partially offset by $0.5 million of higher employee-related expenses. The increase in employee-related expenses is attributable to $1.2 million of higher expense related to our Company-wide cash bonus program, partially offset by $0.5 million of lower salary and related expenses and $0.2 million of lower stock-based compensation expense. Our lower salary and related expenses are primarily due to reduced headcount in connection with our 2015 restructuring initiative.

The decrease in research and development expenses in the six months ended June 30, 2016 compared to the six months ended June 26, 2015 is attributable to $2.0 million of lower depreciation expense, $1.2 million of lower product development costs, $0.9 million of lower facilities costs and $0.4 million of lower employee-related expenses. The decrease in employee-related expenses is attributable to $2.3 million of lower salary and related expenses, $0.4 million of lower stock-based compensation expense and $0.1 million of lower employee travel, training and related expenses. These decreases were partially offset by $2.4 million of higher expense related to our Company-wide cash bonus program. Our lower salary and related expenses are primarily due to reduced headcount in connection with our 2015 restructuring initiative.

Some aspects of our research and development efforts require significant short-term expenditures, the timing of which may cause significant variability in our expenses. Rapid technological innovation is critical to our long-term success and we believe that we are tailoring our investments to meet the requirements of our customers and market. We anticipate that our research and development expenses for fiscal 2016 will decrease from fiscal 2015 levels due to our cost reduction initiatives, partially offset by our continued focus on new product development.

Sales and Marketing Expenses. Sales and marketing expenses consist primarily of salaries and related personnel costs, commissions, travel and entertainment expenses, promotions, customer trial and evaluations inventory and other marketing and sales support expenses. Sales and marketing expenses for the three and six months ended June 30, 2016 and June 26, 2015 were as follows (in thousands, except percentages):

	June 30, 2016	June 26, 2015	Decrease from prior year $	Decrease from prior year %
Three months ended	$ 16,192	$ 17,540	$ (1,348)	(7.7)%
Six months ended	$ 32,787	$ 37,305	$ (4,518)	(12.1)%

The decrease in sales and marketing expenses in the three months ended June 30, 2016 compared to the three months ended June 26, 2015 is attributable to $0.4 million of lower employee-related expenses, $0.4 million of lower consulting expense, $0.2 million of lower marketing and trade show expenses, $0.2 million of lower expense related to evaluation equipment at customer sites and $0.1 million of net reductions in other sales and marketing expenses. The decrease in employee-related expenses was the result of $0.6 million of lower stock-based compensation expense and $0.3 million of lower salary and commissions and related expenses, partially offset by $0.5 million of higher expense related to our Company-wide cash bonus program. Our lower salary and related expenses are primarily due to reduced headcount in connection with our 2015 restructuring initiative, partially offset by higher commissions expense.

The decrease in sales and marketing expenses in the six months ended June 30, 2016 compared to the six months ended June 26, 2015 is attributable to $2.9 million of lower employee-related expenses, $0.6 million of lower consulting expense, $0.5 million of lower marketing and trade show expenses, $0.5 million of lower expense related to evaluation equipment at customer sites and $0.3 million of lower expense related to the amortization of acquired intangible assets, partially offset by $0.3 million of net increases in other sales and marketing expenses. The decrease in employee-related expenses is attributable to $1.9 million of lower salary and commissions and related expenses, $1.6 million of lower employee travel, training and related expenses, and $0.6 million of lower stock-based compensation expense, partially offset by $1.2 million of higher expense related to our Company-wide cash bonus program. Our lower salary and related expenses are primarily due to reduced headcount in connection with our 2015 restructuring initiative, partially offset by higher commissions expense.

We believe that our sales and marketing expenses will decrease in fiscal 2016 from fiscal 2015 levels, primarily attributable to our cost reduction initiatives, partially offset by higher commissions expense driven by our anticipated higher revenue.

General and Administrative Expenses. General and administrative expenses consist primarily of salaries and related personnel costs for executive and administrative personnel, recruiting expenses and audit and professional fees. General and administrative expenses for the three and six months ended June 30, 2016 and June 26, 2015 were as follows (in thousands, except percentages):

	June 30, 2016	June 26, 2015	Decrease from prior year $	Decrease from prior year %
Three months ended	$ 9,287	$ 10,444	$ (1,157)	(11.1)%
Six months ended	$ 17,658	$ 19,668	$ (2,010)	(10.2)%

The decrease in general and administrative expenses in the three months ended June 30, 2016 compared to the three months ended June 26, 2015 is attributable to $0.9 million of lower employee-related expenses, $0.3 million of lower depreciation expense, $0.2 million of lower professional fees and $0.4 million of net reductions in other general and administrative expenses, partially offset by $0.6 million of higher expense related to patent litigation settlement costs. The decrease in employee-related expenses resulted from $1.2 million of lower stock-based compensation expense and $0.2 million of lower salary and related expenses, partially offset by $0.4 million of higher expense related to our Company-wide cash bonus program and $0.1 million of higher employee travel and related expenses. Our lower salary and related expenses are primarily due to reduced headcount in connection with our 2015 restructuring initiative.

The decrease in general and administrative expenses in the six months ended June 30, 2016 compared to the six months ended June 26, 2015 is attributable to $1.2 million of lower employee-related expenses, $0.5 million of lower depreciation expense, $0.2 million of lower expense related to foreign currency translation and $0.6 million of net reductions in other general and administrative expenses, partially offset by $0.5 million of higher expense related to patent litigation settlement costs. The decrease in employee-related expenses resulted from $1.4 million of lower stock-based compensation expense and $0.8 million of lower salary and related expenses, partially offset by $1.0 million of higher expense related to our Company-wide cash bonus program. Our lower salary and related expenses are primarily due to reduced headcount in connection with our 2015 restructuring initiative.

We believe that our general and administrative expenses will decrease in fiscal 2016 compared to fiscal 2015 levels, primarily due to our cost reduction initiatives.

Acquisition-Related Expenses. We recorded acquisition-related expenses of approximately $24,000 in the three months ended June 26, 2015 and approximately $131,000 in the six months ended June 26, 2015 for professional fees, primarily legal fees, in connection with the acquisition of the SDN Business. We did not record any acquisition-related expenses in either the three or six months ended June 30, 2016.

Restructuring Expense. Our restructuring expense of $1.5 million in the three months ended June 26, 2015 was comprised of $2.9 million of expense for severance and related costs in connection with reducing our workforce by approximately 150 positions, or 12.5% of our worldwide workforce, net of $1.4 million reversed in connection with a settlement with the landlord of our Fremont, California facility to vacate the facility without penalty or future payments.

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

We did not record restructuring expense in either the three or six months ended June 30, 2016.

We currently expect that the remaining restructuring accrual related to severance and related costs will be paid by the end of 2016.

Interest Income (Expense), Net. Interest income and interest expense for the three and six months ended June 30, 2016 and June 26, 2015 were as follows (in thousands, except percentages):

	Three months ended		Increase (decrease) from prior year	
	June 30, 2016	June 26, 2015	$	%
Interest expense	$ (10)	$ (90)	$ (80)	(88.9)%
Interest income	227	70	157	224.3 %
Interest income (expense), net	$ 217	$ (20)	$ 237	1,185.0 %

	Six months ended		Increase (decrease) from prior year	
	June 30, 2016	June 26, 2015	$	%
Interest expense	$ (19)	$ (166)	$ (147)	(88.6)%
Interest income	400	174	226	129.9 %
Interest income, net	$ 381	$ 8	$ 373	4,662.5 %

Interest expense primarily relates to the amortization of debt issuance costs in connection with our revolving credit facility. Interest income consists of interest earned on our cash equivalents, marketable securities and long-term investments.

Income Taxes. We recorded provisions for income taxes of $1.5 million in the six months ended June 30, 2016 and $0.8 million in the six months ended June 26, 2015. These amounts reflect our estimates of the effective rates expected to be applicable for the respective full fiscal years, adjusted for any discrete events, which are recorded in the period that they occur. These estimates are reevaluated each quarter based on our estimated tax rate for the full fiscal year. The estimated amounts recorded do not include any benefit for our domestic losses, as we have concluded that a valuation allowance on any domestic benefit is required. Included in our provision for the six months ended June 30, 2016 is a discrete charge of $0.7 million related to an uncertain tax position of our subsidiary in France.

Off-Balance Sheet Arrangements

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

Liquidity and Capital Resources

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

	Six months ended		
	June 30, 2016	June 26, 2015	Change
Net loss	$ (7,570)	$ (34,702)	$ 27,132
Adjustments to reconcile net loss to cash flows provided by operating activities	17,358	22,126	(4,768)
Changes in operating assets and liabilities	(569)	(1,692)	1,123
Net cash provided by (used in) operating activities	$ 9,219	$ (14,268)	$ 23,487
Net cash (used in) provided by investing activities	$ (18,160)	$ 12,212	$ (30,372)
Net cash used in financing activities	$ (5,189)	$ (4,882)	$ (307)

Our cash, cash equivalents, and short- and long-term investments totaled $142.7 million at June 30, 2016 and $142.2 million at December 31, 2015. We had cash and short-term investments held by our foreign subsidiaries aggregating approximately $5 million at June 30, 2016 and approximately $4 million at December 31, 2015. We do not intend to repatriate these funds and, as such, they are not available to fund our domestic operations. If we were to repatriate the funds, they would likely be treated as income for U.S. tax purposes, fully offset by our net operating losses. We do not believe this has a material impact on our liquidity.

We entered into a credit agreement by and among the Company, as Borrower, Bank of America, N.A. ("Bank of America"), as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders from time to time party thereto on June 27, 2014 (the "Credit Agreement"), which agreement was amended by a First Amendment to Credit Agreement on June 26, 2015 (the "First Amendment") and further amended by a Second Amendment to Credit Agreement on June 13, 2016 (the "Second Amendment" and collectively with the Credit Agreement and the First Amendment, the "Amended Credit Agreement"). Certain terms of the Credit Agreement have been amended by the Second Amendment, including, among other things: (i) an increase of the commitments from $15 million to $20 million; (ii) an extension of the maturity date from June 30, 2016 to June 30, 2017; (iii) a reduction to the aggregate amount of cash and cash equivalents that the Loan Parties (as defined below) are required to hold at any time from $85 million to $50 million; and (iv) a reduction of the commitment fee on the unused commitments available for borrowing from 0.15% to 0.1125%. The Amended Credit Agreement provides that we may select the interest rates under the credit facility from among the following options: (i) 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 (ii) 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%. Our obligations under the Amended Credit Agreement are guaranteed by Sonus International, Inc., Sonus Federal, Inc. and Network Equipment Technologies, Inc. ("NET") (collectively 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. We did not have any amounts outstanding under the Amended Credit Agreement at June 30, 2016.

On July 29, 2013, we announced that our Board of Directors had authorized a stock buyback program to repurchase up to $100 million of our common stock from time to time on the open market or in privately negotiated transactions. The stock buyback program is being funded using our working capital. During the six months ended June 30, 2016, we repurchased and retired 0.6 million shares under our stock buyback program for $5.0 million in the aggregate, including transaction fees. During the six months ended June 26, 2015, we repurchased and retired 0.4 million shares under our stock buyback program for $6.1 million in the aggregate, including transaction fees. These amounts are included in financing activities in our condensed consolidated statements of cash flows for the six months ended June 30, 2016 and June 26, 2015.

Our operating activities provided $9.2 million of cash in the six months ended June 30, 2016 and used $14.3 million of cash in the six months ended June 26, 2015.

Cash provided by operating activities in the six months ended June 30, 2016 was primarily the result of our non-cash operating expenses, partially offset by our net loss, and lower accounts receivable and inventory. These amounts were partially offset by an increase in other operating assets and decreases in accrued expenses and other long-term liabilities, accounts payable and deferred revenue. Our lower accounts receivable reflects our focused collections efforts coupled with our historically higher revenue in the fourth quarter of the prior year. The increase in our other operating assets primarily relates to higher prepaid expenses. The decrease in accrued expenses and other long-term liabilities was primarily related to employee compensation and related costs, including payments made in connection with our Company-wide cash bonus program and sales commissions, as well as payments made in connection with our previously recorded restructuring initiatives. Our net loss, adjusted for non-cash items such as depreciation, amortization and stock-based compensation, provided $9.8 million of cash.

Cash used in operating activities in the six months ended June 26, 2015 was primarily the result of our net loss, further impacted by lower accrued expenses and other long-term liabilities and accounts payable, coupled with increases in inventory and other operating assets. These amounts were partially offset by lower accounts receivable and higher deferred revenue. The decrease in accrued expenses and other long-term liabilities was primarily related to employee compensation and related costs, including payments made in connection with our Company-wide cash bonus program and restructuring payments. The increase in our inventory primarily reflected our reduced product sales in the six months ended June 26, 2015 compared to original projections. Our lower accounts receivable reflected collections on sales made in the year ended December 31, 2014, coupled with lower revenue recorded in the six months ended June 26, 2015. Our net loss, adjusted for non-cash items such as depreciation, amortization and stock-based compensation, used $12.6 million of cash.

Our investing activities used $18.2 million of cash in the six months ended June 30, 2016, comprised of $14.8 million of net purchases of marketable securities, $2.6 million of investments in property and equipment and $0.8 million of cash paid as the final consideration installment for the acquisition of the SDN Business.

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

Our financing activities used $5.2 million of cash in the six months ended June 30, 2016, comprised of $5.0 million, including transaction fees, for the repurchase of common stock, $0.8 million used to pay withholding obligations related to the net share settlement of restricted stock awards upon vesting and approximately $24,000 for payments on our capital leases for office equipment. These amounts were partially offset by $0.6 million of proceeds from the sale of our common stock in connection with our Amended and Restated 2000 Employee Stock Purchase Plan, as amended (the "ESPP") and approximately $15,000 of proceeds from the exercise of stock options.

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

Based on our current expectations, we believe our current cash, cash equivalents, marketable securities and long-term investments will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least twelve months, including any future stock repurchases under the aforementioned stock buyback program. It is difficult to predict future liquidity requirements with certainty. The rate at which we will consume cash will be dependent on the cash needs of future operations, including changes in working capital, which will, in turn, be directly affected by the successful implementation of our cost reduction initiatives, the levels of demand for our products, the timing and rate of expansion of our business, the resources we devote to developing our products and any litigation settlements. We anticipate devoting substantial capital resources to continue our research and development efforts, to maintain our sales, support and marketing, to improve our controls environment, for other general corporate activities and to vigorously defend against existing and potential litigation. See Note 16 to our condensed consolidated financial statements for a description of our contingencies.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instrument*s ("ASU 2016-13"), which adds an impairment model that is based on expected losses rather than incurred losses. Under ASU 2016-13, an entity recognizes as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. ASU 2016-13 is effective for us beginning January 1, 2020 for both interim and annual reporting periods, with early adoption permitted. We do not expect the adoption of ASU 2016-13 will have a material impact on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"), which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for us beginning January 1, 2017 for both interim and annual reporting periods. We are currently assessing the potential impact of the adoption of ASU 2016-09 on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842) Section A - Leases: Amendments to the FASB Accounting Standards Codification* ("ASU 2016-02"), its new standard on accounting for leases. ASU 2016-02 introduces a lessee model that brings most leases onto the balance sheet. The new standard also aligns many of the underlying principles of the new lessor model with those in Accounting Standards Codification ("ASC") 606, the FASB's new revenue recognition standard (i.e., those related to evaluating when profit can be recognized). Furthermore, ASU 2016-02 addresses other concerns related to the current leases model. For example, ASU 2016-02 eliminates the current GAAP requirement for an entity to use bright-line tests in determining lease classification. ASU 2016-02 also requires lessors to increase the transparency of their exposure to changes in value of their residual assets and how they manage that exposure. ASU 2016-02 is effective for us for both interim annual periods beginning January 1, 2020. We are currently assessing the potential impact of the adoption of ASU 2016-02 on our consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes* ("ASU 2015-17"), which requires entities to present deferred tax assets and deferred tax liabilities as noncurrent in the condensed consolidated balance sheet. Netting of deferred tax assets and deferred tax liabilities is still required under ASU 2015-17. The ASU is effective for us for our annual report of the year ending December 31, 2018 and for interim period reporting beginning January 1, 2019, with early adoption permitted. We elected to early-adopt ASU 2015-17 prospectively and accordingly, we reclassified our net current deferred tax asset totaling $1.0 million to our noncurrent net deferred tax asset as of December 31, 2015. No prior periods were retrospectively adjusted. The early adoption of ASU 2015-17 did not have a material impact on our consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments* ("ASU 2015-16"), which eliminates the requirement to restate prior periods to reflect adjustments made to provisional amounts recognized in a business combination. Under ASU 2015-16, an acquirer must recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, rather than retrospectively, as had previously been required. ASU 2015-16 also requires acquirers to present separately on the face of the income statement, or disclose in the notes, the portion of the amount recorded in current period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 was effective for us as of January 1, 2016. The adoption of ASU 2015-16 did not have a material impact on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory* ("ASU 2015-11"). ASU 2015-11 simplifies the measurement of inventory by requiring entities to measure most inventory at the lower of cost and net realizable value, replacing the previous requirement to measure most inventory at the lower of cost or market. ASU 2015-11 does not apply to inventories that are measured by using either the last-in, first-out method or the retail inventory method. ASU 2015-11 is effective for us for both interim and annual reporting periods beginning January 1, 2017. The adoption of ASU 2015-11 is not expected to have a material impact on our consolidated financial statements.

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

In June 2014, the FASB issued ASU 2014-12, *Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force)* (“ASU 2014-12”). ASU 2014-12 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 was effective for us as of January 1, 2016. The adoption of ASU 2014-12 did not have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), its final standard on revenue from contracts with customers. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the revenue model to contracts within its scope, an entity identifies the contract(s) with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to the performance obligations in the contract and recognizes revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 applies to all contracts with customers that are within the scope of other topics in the FASB ASC. Certain of ASU 2014-09's provisions also apply to transfers of nonfinancial assets, including in-substance nonfinancial assets that are not an output of an entity's ordinary activities (i.e., property, plant and equipment; real estate; or intangible assets). Existing accounting guidance applicable to these transfers has been amended or superseded. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* ("ASU 2015-14"), which defers the original effective date of interim and annual reporting periods by one year. As a result, public entities would not be required to apply the new revenue standard until annual reporting periods beginning after December 15, 2017. In March 2016, the FASB issued ASU 2016-08, *Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net)* ("ASU 2016-08") to clarify certain aspects of the principal-versus-agent guidance in its new revenue recognition standard in response to feedback received from the FASB-IASB joint revenue recognition transition resource group. ASU 2016-08 clarifies the implementation guidance on principal-versus-agent considerations regarding how an entity determines whether it is a principal or an agent for each specified good or service promised to the customer and how an entity determines the nature of each specified good or service. ASU 2016-08 also provides clarification regarding the application of the principal-versus-agent guidance. In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* ("ASU 2016-10"), which amends certain aspects of the guidance in ASU 2014-09 on identifying performance obligations, including immaterial promised goods or services, shipping and handling activities and identifying when promises represent performance obligations; and licensing implementation guidance, including determining the nature of an entity's promise in granting a license, sales-based and usage-based royalties, restrictions of time, geographical location and use, and renewals of licenses that provide a right to use IP. In May 2016, the FASB issued ASU 2016-11, *Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815)* ("ASU 2016-11"), which rescinds certain SEC guidance from the Codification in response to announcements made by the SEC staff at the Emerging Issues Task Force's March 3, 2016 meeting, and which supersedes certain SEC observer comments on the topics of revenue and expense recognition for freight services in process, accounting for shipping and handling fees and costs, accounting for consideration given by a vendor to a customer and accounting for gas-balancing arrangements upon the adoption of ASU 2014-09. In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2016-12"), which amends certain aspects of ASU 2014-09, including regarding collectability, the presentation of sales tax and other similar taxes collected from customers, non-cash consideration, contract modifications and completed contracts at transition. ASU 2016-08, ASU 2016-10, ASU 2016-11 and ASU 2016-12 are effective at the same time as ASU 2014-09 (as amended by ASU 2015-14). We are currently assessing the potential impact of the adoption of these ASUs on our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to a variety of market risks, including changes in interest rates affecting the return on our investments and foreign currency fluctuations. We do not believe that a hypothetical 10% adverse movement in interest rates and foreign currency exchange rates would have a materially different impact from what was disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2016.

Changes in Internal Control over Financial Reporting. There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

On April 6, 2015, Ming Huang, a purported shareholder of ours, filed a Class Action Complaint (Civil Action No. 3:15-02407), alleging violations of the federal securities laws (the "Complaint") in the United States District Court for the District of New Jersey (the "District of New Jersey"), against us and two of our officers, Raymond P. Dolan, our President and Chief Executive Officer, and Mark T. Greenquist, our former Chief Financial Officer (collectively, the "Defendants"). On September 21, 2015, in response to motions subsequently filed with the District of New Jersey by four other purported shareholders of ours seeking status as lead plaintiff, the District of New Jersey appointed Richard Sousa as lead plaintiff (the "Plaintiff"). The Plaintiff claims to represent purchasers of our common stock during the period from October 23, 2014 to March 24, 2015, and seeks unspecified damages. The principal allegation contained in the Complaint is that the Defendants made misleading forward-looking statements concerning our fiscal first quarter of 2015 financial performance. On September 22, 2015, we filed a Motion to Transfer (the “Motion to Transfer”) this case to the United States District Court for the District of Massachusetts. The Plaintiff filed his opposition to the Motion to Transfer on October 5, 2015, and we filed a reply to the Motion to Transfer on October 13, 2015. On March 21, 2016, the District of New Jersey granted our Motion to Transfer. Thus, this case will now be litigated in the United States District Court for the District of Massachusetts (Civil Action No. 1:16-cv-10657-GAO). On May 4, 2016, the Plaintiff filed an amended complaint (the "Amended Complaint"), which is now the operative complaint in this litigation. On June 20, 2016, the Company and the other Defendants filed a Motion to Dismiss the Amended Complaint (the "Motion to Dismiss") and on July 25, 2016, the Plaintiff filed an opposition to the Motion to Dismiss. The Company has until August 15, 2016 to file a reply to the Plaintiff's opposition to the Motion to Dismiss. We believe that the Defendants have meritorious defenses to the allegations made in the Amended Complaint and do not expect the results of this suit to have a material effect on our business or consolidated financial statements.

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 1A. Risk Factors

We have revised and updated our discussion of the risk factors affecting our business since those presented in our Quarterly Report on Form 10-Q, Part II, Item 1A. for the quarter ended March 31, 2016. The following discussion includes four revised risk factors: "Restructuring activities could adversely affect our ability to execute our business strategy",“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,” "Our Amended Credit Agreement contains financial and operating restrictions that may limit our access to credit. If we fail to comply with covenants in the Amended Credit Agreement, we may be required to repay any potential indebtedness thereunder, which may have an adverse effect on our liquidity" and "If we fail to hire and retain needed personnel, the implementation of our business plan could slow or our future growth could be jeopardized," which reflect material developments subsequent to the discussion of risk factors included in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016. Except for the four risk factors noted above, there have been no material changes in our assessment of our risk factors from those set forth in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016. For convenience, all of our risk factors are included below.

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

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

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

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

Equipment purchases by communications service providers and enterprises continue to be unpredictable. As with other telecommunications product suppliers, we typically recognize a portion of our revenue in a given quarter from sales booked and shipped in the last weeks of that quarter. As a result, delays in customer orders may result in delays in shipments and recognition of revenue beyond the end of a given quarter. Additionally, it can be difficult for us to predict the timing of receipt of major customer orders, and we are unable to control timing decisions made by our customers. Consequently, our quarterly operating results are difficult to predict even in the short 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 even if we meet 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 the first and second quarters of 2016, as well as in fiscal years 2015 and 2014. 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. One customer, AT&T, contributed more than 10% of our revenue in each of the past three years, representing approximately 13% of our revenue in 2015, 19% of our revenue in 2014 and 15% of our revenue in 2013. Factors that may affect our ability to grow our customer base include but are not limited to the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We recorded net restructuring expense of $13.2 million in the aggregate in 2015, 2014 and 2013, comprised of $12.5 million for severance and related costs, $0.5 million for the consolidation of certain facilities and $0.2 million for the write-off of assets associated with the headcount reduction and facilities consolidations. We initiated a restructuring plan in April 2015 pursuant to which we reduced our workforce by approximately 150 positions, or 12.5% of our worldwide workforce. We also announced, on July 27, 2016, that we are initiating a new restructuring program to further accelerate our investment in new technologies as the communications industry migrates to a Cloud-based architecture. We expect to record between $3 million and $4 million of restructuring expense over the next twelve months in connection with this action.

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 Business on a timely basis, or at all, our business and financial condition may be adversely affected.

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

- problems or delays in assimilating or transitioning to us the acquired assets, operations, systems, processes, controls, technologies, products or personnel;
- loss of acquired customer accounts;
- unanticipated costs associated with the acquisitions;
- failure to identify in the due diligence process or assess the magnitude of certain liabilities we assumed in the acquisitions, which could result in unexpected litigation or regulatory exposure, unfavorable accounting treatment, unexpected increases in taxes due, significant issues with product quality or development or other adverse effects on our business or consolidated financial statements;
- multiple or overlapping product lines as a result of the acquisitions that are offered, priced and supported differently, which could cause customer confusion and delays;
- higher than anticipated costs in continuing support and development of acquired products;
- diversion of management’s attention from our core business and the challenges of managing larger and more widespread operations from the acquisitions;
- adverse effects on existing business relationships of Sonus, PT and/or the SDN Business with respective suppliers, licensors, contract manufacturers, customers, distributors, resellers and industry experts;

- significant impairment, exit and/or restructuring charges if the products or technologies acquired in the acquisitions do not meet our sales expectations or are unsuccessful;
- insufficient revenue to offset increased expenses associated with the acquisitions;
- risks associated with entering markets in which we have no or limited prior experience;
- potential loss of the employees we acquired in the acquisitions or our own employees; and/or
- failure to properly integrate internal controls and financial systems of the combined companies.

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

Any future investments, mergers or acquisitions we make or enter into, as applicable, 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 merger or acquisition agreements. However, we may merge with or acquire additional businesses, products or technologies in the future. No assurance can be given that any future merger or acquisition will be successful or will not materially and adversely affect our business, operating results or financial condition. We continue to review opportunities to merge with or 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 enter into a merger or make acquisitions in the future, 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. Therefore, 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, restricted stock and other equity awards 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 2007 Plan. Our stockholders approved amendments to the 2007 Plan in June 2010, June 2013, December 2014 and June 2015. At our 2016 annual meeting of stockholders, our stockholders approved an amendment and restatement of the 2007 Plan (as amended and restated, the "Stock Plan") that, among other things, increased the aggregate number of shares of our common stock authorized for issuance under the Stock Plan by 800,000 new shares, from 15,676,713 shares to 16,476,713 shares. However, our stockholders did not approve the proposed stock option exchange program that, if implemented, would have returned shares of our common stock to the Stock Plan that would then be available for future issuance under the Stock Plan.

Since only one of these proposals was approved at our 2016 annual meeting of stockholders, we may not have sufficient shares for our needs in the near future. If our stockholders do not approve any other future amendments that we determine are needed to the Stock 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 slow 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 and slow economic growth during the current post-recessionary global economy, we believe that customers have tried to maintain or improve profitability through cost control and constrained capital spending, which places additional pressure on IT departments to demonstrate acceptable return on investment. Some of our current or prospective customers may cancel or delay spending on the development or roll-out of capital and technology projects with us due to economic uncertainty and, consequently, our results of operations may be adversely affected. In addition, current uncertain worldwide economic and political environments make it increasingly difficult for us, our customers and our suppliers to accurately forecast future product demand, which could result in an inability to satisfy demand for our products and a loss of market share. Our revenues are likely to decline in such circumstances and our profit margins could erode, or we could incur significant losses.

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

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

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

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

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

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

To compete effectively, we must deliver innovative products that:

- provide extremely high reliability and quality;
- deploy and scale easily and efficiently;
- interoperate with existing network infrastructures and multivendor solutions;
- provide effective network management;
- are accompanied by comprehensive customer support and professional services;
- provide a cost-effective and space-efficient solution for enterprises and 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 and loss of customers and revenues, and our operating results could be adversely affected.

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

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

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

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

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

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

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

- addition or loss of any major customer;
- continued significant declines in customer spending in the media gateway trunking business;
- consolidation and competition in the telecommunications industry;
- changes in the financial condition or anticipated capital expenditure purchases of any existing or potential major customer;
- economic conditions for the telecommunications, networking and related industries;
- quarterly variations in our bookings, revenues and operating results;
- changes in financial estimates by securities analysts;
- speculation in the press or investment community;
- announcements by us or our competitors of significant contracts, new products or acquisitions, distribution partnerships, joint ventures, mergers 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.

Furthermore, 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 Amended Credit Agreement contains financial and operating restrictions that may limit our access to credit. If we fail to comply with covenants in the Amended Credit Agreement, we may be required to repay any potential indebtedness thereunder, which may have an adverse effect on our liquidity.

The Amended Credit Agreement provides us with a revolving credit facility of up to $20 million. Provisions in the Amended Credit Agreement impose limitations on our ability to, among other things:

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

In addition, we are required to meet certain financial covenants customary for financings of this type. Our failure to comply with these covenants may result in the declaration of an event of default, which could cause us to be unable to borrow under the Amended Credit Agreement or result in the acceleration of the maturity of indebtedness outstanding under the Amended Credit Agreement at such time. If the maturity of our indebtedness is accelerated, we may not have sufficient funds available for repayment or we may not have the ability to borrow or obtain sufficient funds to replace the accelerated indebtedness on terms acceptable to us, or at all. We are also subject to a 0.1125% commitment fee on any unused commitments available for borrowing.

Furthermore, while we had no amounts outstanding under the Credit Agreement as of June 30, 2016, we may wish to draw on this facility in the future.

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, especially in these foreign jurisdictions. If competitors are able to use our technology, our ability to compete effectively could be harmed.

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

Substantial litigation over intellectual property rights exists in the telecommunications industry. We expect that we could be increasingly subject to third-party infringement claims as our revenue increases, the number of competitors grows and/or the functionality of products and technology in different industry segments overlaps. Third parties may currently have, or may eventually be issued, patents on which our current or future products or technologies may allegedly 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 allegedly 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 third party's claim of infringement against us in a particular patent litigation is successful, 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. We are currently subject to a purported class action litigation alleging violations of the federal securities laws in federal district court against us and two of our officers, Raymond P. Dolan, our President and Chief Executive Officer, and Mark T. Greenquist, our former Chief Financial Officer (collectively, the "Defendants"). The plaintiff in the case claims to represent purchasers of our common stock during the period from October 23, 2014 and March 24, 2015, and seeks unspecified damages. The principal allegation contained in the complaint is that the Defendants made misleading forward-looking statements concerning our first quarter of 2015 financial performance.

In the past, we have also been named as a defendant in other securities class action and derivative lawsuits. We are generally obliged, to the extent permitted by law, to indemnify our current and former directors and officers who are named as defendants in these lawsuits. Defending against litigation may require significant attention and resources of management. Regardless of the outcome, such litigation could result in significant legal expenses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We and our contract manufacturers currently purchase several key components of our products, including commercial digital signal processors, from single or limited sources. Single-source and limited source manufacturing arrangements are of a nature that ordinarily accompanies the type of business we conduct. Nevertheless, depending upon the component, there may or may not be alternative sources of substitutes. We purchase these components on a purchase order basis. If we overestimate our component and finished goods requirements, we could have excess inventory, which would increase our costs. If we underestimate our requirements, we may not have an adequate supply, which could interrupt manufacturing of our products and result in delays in shipments and revenues. Additionally, if any of our contract manufacturers underestimates our requirements, they may not have an adequate supply, which could interrupt manufacturing of our products and result in delays in shipments and revenues. 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 excess 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 the first half of 2016: the departure of our Chief Financial Officer, and we are currently searching for a permanent replacement for this role. We had five executive departures in 2015: the departures of our Vice President, Finance, Controller and Principal Accounting Officer; our Vice President and General Manager, Products; our Vice President and General Manager, Global Services; our Chief Information Officer; and our Vice President, Global Marketing. We had one executive departure in 2014: the departure of our Executive Vice President of Strategy and Go-to-Market. While we have since hired replacements and/or promoted certain individuals, there is always a risk of uncertainty and instability relating to our ability to find highly qualified successors for certain executive positions and to transition the duties and responsibilities of any departing key executive in an orderly manner.

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

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

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

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

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

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

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

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

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

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

A majority of NET's government sales involve products that have or will soon reach the end of their life cycles, and such government sales for these older products have declined substantially in recent periods. While governmental agencies have purchased and are evaluating some of our new products for broader deployment, this new line of business may not develop quickly, if at all, or be sufficient to offset future declines in sales of these legacy products. Spending by government customers fluctuates based on budget allocations and the timely passage of the annual federal budget.

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

The Department of Defense ("DOD") has issued specific requirements for IP networking products for features and interoperability. In order for a vendor's product to be used to connect to the DOD network, that product must pass a series of significant tests and be certified by the Joint Interoperability Test Command (“JITC”). Certain of our products are already certified by JITC, including the Sonus SBC 5110 and the Sonus SBC 5210 session border controllers, as well as the 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.

Consolidation in the telecommunications industry could harm our business.

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

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

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

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

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

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

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

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

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

States and other countries and create further uncertainties or otherwise materially harm our business and consolidated financial statements. Likewise, events such as work stoppages or widespread blackouts could have similar negative impacts. Such disruptions or uncertainties could result in delays or cancellations of customer orders or the manufacture or shipment of our products and have a material adverse effect on our business and consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

Under generally accepted accounting principles, we review our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Our intangible assets increased by approximately $11 million in 2015 as a result of our acquisition of the SDN Business, $17 million in 2014 as a result of our acquisition of PT and

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

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

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

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

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

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

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

We have a material office in Bangalore, India. 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 regulations regarding the use of conflict minerals may disrupt our operations and harm our operating results.

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

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

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

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

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

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

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

(c) Issuer Purchases of Equity Securities

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

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (3)
April 1, 2016 to April 30, 2016	65,648	$ 8.20	65,000	$ 12,943,681
May 1, 2016 to May 31, 2016	278,204	$ 8.61	274,000	$ 10,581,822
June 1, 2016 to June 30, 2016	69,138	$ 8.97	68,500	$ 9,966,766
Total	412,990	$ 8.61	407,500	$ 9,966,766

(1) Upon vesting of restricted stock awards, our employees are permitted to return to us a portion of the newly vested shares to satisfy the tax withholding obligations that arise in connection with such vesting. During the second quarter of 2016, 5,490 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 shares repurchased pursuant to a stock buyback program announced on July 29, 2013 (the "2013 Buyback Program"). Under the 2013 Buyback Program our Board of Directors has authorized the repurchase of up to $100 million of our common stock from time to time on the open market or in privately negotiated transactions. The timing and amount of any shares repurchased will be determined by our management based on its evaluation of market conditions and other factors. We may elect to implement a 10b5-1 repurchase program, which would permit shares to be repurchased when we might otherwise be precluded from doing so under insider trading laws. The 2013 Buyback Program may be suspended or discontinued at any time. The 2013 Buyback Program is being funded using our working capital.

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

Item 5. Other Information

We held our 2016 annual meeting of stockholders on June 9, 2016. At the 2016 annual meeting of stockholders, our stockholders approved (i) changing the name of our 2007 Stock Incentive Plan, as amended, to the Amended and Restated Stock Incentive Plan (the "Stock Plan") and (ii) other amendments to the Stock Plan, including, among other things, to:

- Increase the number of shares of our common stock authorized for issuance under the Stock Plan by 800,000 shares;
- Extend the Stock Plan's termination date through the tenth anniversary of the 2016 annual meeting of stockholders;
- Revise the rate at which restricted common stock awards, restricted common stock units, performance-based stock awards and performance-based stock units (collectively, "full value awards") are counted against the shares of common stock available for issuance under the Stock Plan from 1.61 shares for every one share subject to such award to 1.50 shares for every one share subject to such award. Shares of common stock subject to full value awards that were granted under any prior ratio that applied at the time such awards were granted will continue to return to the Stock Plan upon forfeiture of such awards at the respective previous ratio of 1.50, 1.57 and 1.61, as applicable;
- Increase the maximum number of shares of our common stock with respect to which awards may be granted to any participant under the Stock Plan to 1,000,000 shares per calendar year;
- Increase the maximum number of shares of our common stock with respect to which awards may be granted under the Stock Plan to any director who is not an employee of ours at the time of grant to 100,000 shares per calendar year; and
- Prohibit stock options and stock appreciation rights ("SARs") granted under the Stock Plan from (i) providing for the payment or accrual of dividend equivalents or (ii) containing any provision entitling the grantee to the automatic grant of additional stock options or SARs, as applicable, in connection with the exercise of the original stock option or SAR, as applicable.

The Stock Plan had previously been approved by our Board of Directors, subject to shareholder approval.

The above description of the Stock Plan is qualified in its entirety by reference to the complete text of the Stock Plan, a copy of which is attached as Exhibit 10.1 to this Quarterly Report on Form 10-Q, and is incorporated herein by reference.

Item 6. Exhibits

Exhibit No.	Description
10.1 * +	Amended and Restated Stock Incentive Plan.
10.2 * +	Form of Nonstatutory Stock Option Award Agreement Granted under the Amended and Restated Stock Incentive Plan.
10.3 * +	Form of Restricted Stock Award Agreement Granted under the Amended and Restated Stock Incentive Plan.
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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.

+ Management contract or compensatory plan or arrangement.

Furnished herewith.

SIGNATURES

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

Date: July 29, 2016	SONUS NETWORKS, INC.
	By: /s/ Susan M. Villare
	Susan M. Villare Chief Financial Officer (Interim) (Principal Financial Officer and Principal Accounting Officer)

EXHIBIT INDEX

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SONUS NETWORKS, INC.
AMENDED AND RESTATED
STOCK INCENTIVE PLAN

1. *Purpose.*

The purpose of this Amended and Restated Stock Incentive Plan (as amended from time to time, 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”). The Plan is amended and restated effective as of and conditioned upon the approval of the Company’s stockholders at its 2016 annual meeting of stockholders (with the effective date of the Plan as amended being the “2016 Effective Date”).

2. *Eligibility.*

All of the Company’s employees, officers, and directors, as well as consultants and advisors to the Company (as the terms consultants and advisors are defined and interpreted for purposes of Form S-8 under the Securities Act of 1933, as amended (the “Securities Act”)), or any successor form) 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.* Subject to any requirements of applicable law (including as applicable Sections 152 and 157(c) of the General Corporation Law of the State of Delaware), 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, the maximum number of shares subject to Awards that the officers may grant, and the time period in which the Awards may be granted; and provided further, 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(f) 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 16,476,713, which amount includes the 1,096,173 shares of Common Stock (i) previously reserved for issuance under the Company’s 2008 Stock Incentive Plan and the Company’s 2012 Amended Performance Technologies, Incorporated Omnibus Incentive Plan (the “Acquired Plans”) that remained available for grant under the Acquired Plans as of December 2, 2014 and (ii) subject to awards granted under the Acquired Plans, which awards expire, terminate or are otherwise surrendered, cancelled, forfeited or repurchased by the Company at their original issuance price pursuant to a contractual repurchase right (subject, however, in the case of Incentive Stock Options (as hereinafter defined) to any limitations of the Code). No more than 16,476,713 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 (each as hereinafter defined) will count against the shares of Common Stock available for issuance under the Plan as 1.50 shares for every one (1) share issued in connection with the Award. Shares issued pursuant to the exercise of Options (as hereinafter defined) 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. Shares of Common Stock repurchased by the Company on the open market using the proceeds from the exercise of an Award shall not increase the number of shares available for the future grant of Awards. 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 1.50 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, the foregoing provisions shall be subject to any limitations under the Code.

(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 1,000,000 per calendar year. For purposes of the foregoing limit, the combination of an Option in tandem with a SAR shall be treated as a single Award. The per Participant limit described in this Section 4(c)(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)”). The fungible share counting rules in Section 4(b) shall not apply for purposes of this Section 4(c)(1) and instead, each share subject to any type of Award shall be counted as one share for purposes of this Section 4(c)(1).

(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 100,000 per calendar year. The fungible share counting rules in Section 4(b) shall not apply for purposes of

this Section 4(c)(2) and instead, each share subject to any type of Award shall be counted as one share for purposes of this Section 4(c)(2).

(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 sub-limits 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 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 with 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 Company, 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 Comp

any 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 in the manner determined by (or in a manner approved by) the Board, 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 sole 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 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 establishing the exercise price of each Option under Section 5(c) and the exercise price of each SAR under Section 6(c) 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 for the date of grant as reported by the principal market on which the Common Stock is then traded, or

(3) 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 shares 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.

(i) *No Reload Options*. No Option granted under the Plan shall contain any provision entitling the Participant to the automatic grant of additional Options in connection with the exercise of the original Option.

(j) *No Dividend Equivalents*. No Option shall provide for the payment or accrual of dividend equivalents.

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 (as hereinafter defined)) 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 Company, 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.

(g) *No Reload Rights*. No SAR granted under the Plan shall contain any provision entitling the grantee to the automatic grant of additional SARs in connection with the exercise of the original SAR.

(h) *No Dividend Equivalents*. No SAR shall provide for the payment or accrual of dividend equivalents.

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 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 such number of shares of Common Stock or an amount of cash equal to the value determined by (or in a manner approved by) the Board of such number of shares of Common Stock, as provided in the applicable Award agreement. The Board may, in its sole 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 will either we accumulated or reinvested and paid upon vesting of the underlying Restricted Stock Unit. Dividend Equivalents may be settled in cash and/or shares of Common Stock and will 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. Any dividend equivalents granted with respect to an Other Stock Unit Award shall be subject to the same vesting and forfeiture provisions as the underlying Award.

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 the Plan, (ii) the sub-limits set forth in Section 4(c), (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; 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. For the avoidance of doubt, nothing contained in this Section 10(a) shall be deemed to restrict a transfer to the Company.

(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 in the manner determined by (or in a manner approved by) the Board; 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), except that to the extent that the Company is able to retain shares of Common Stock having a value that exceeds the statutory minimum applicable withholding tax without attracting financial accounting charges or the Company is withholding in a jurisdiction that does not have a statutory minimum withholding tax, the Company may retain such number of shares of Common Stock (up to the number of shares having a value equal to the highest marginal applicable rate of tax) as the Company shall determine in its sole discretion to satisfy the tax liability associated with any Award. 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 Sections 5(h), 6(f) and 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(c)(1) on shares covered by such grants.

(2) *Committee.* Grants of Performance Awards to any Covered Employee (as hereinafter defined) 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, nonrecurring or unusual 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 by virtue of adoption or amendment of the Plan, 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 as amended shall become effective on the 2016 Effective Date. No Awards shall be granted under the Plan after completion of 10 years from the 2016 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.* Except as provided in individual Award agreements initially or by amendment, if and to the extent (i) any portion of any payment, compensation or other benefit provided to a Participant pursuant to the Plan in connection with his or her employment termination constitutes "nonqualified deferred compensation" within the meaning of Section 409A and (ii) the Participant is a specified employee as defined in Section 409A(a)(2)(B)(i) of the Code, in each case as determined by the Company in accordance with its procedures, by which determinations the Participant (through accepting the Award) agrees that he or she is bound, such portion of the payment, compensation or other benefit shall not be paid before the day that is six months plus one day after the date of "separation from service" (as determined under Section 409A) (the "New Payment Date"), except as Section 409A may then permit. The aggregate of any payments that otherwise would have been paid to the Participant during the period between the date of separation from service and the New Payment Date shall be paid to the Participant in a lump sum on such New Payment Date, and any remaining payments will be paid on their original schedule.

The Company makes no representations or warranty and shall have no liability to the Participant or any other person if any provisions of or payments, compensation or other benefits under the Plan are determined to constitute nonqualified deferred compensation subject to Section 409A but do not to satisfy the conditions of that section.

(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 Networks, Inc.
Amended and Restated Stock Incentive Plan

Non-Statutory Stock Option Award Agreement

This NON-STATUTORY STOCK OPTION AWARD AGREEMENT (the “Agreement”) is made effective as of (the “Grant Date”), between Sonus Networks, Inc., a Delaware corporation (the “Company”), and (the “Participant” or “you”).

RECITALS

WHEREAS, the Company has adopted the Sonus Networks, Inc. Amended and Restated Stock Incentive Plan (the “Plan”), which Plan is incorporated herein by reference and made a part of this Agreement (capitalized terms not otherwise defined herein shall have the same meanings as set forth in the Plan); and

WHEREAS, the Board has determined that it is in the best interests of the Company and its stockholders to grant to the Participant the option described herein pursuant to the Plan and the terms set forth below;

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

1. *Grant of Option.* The Company hereby grants to the Participant the right and option (the “Option”) to purchase, in whole or in part, an aggregate of shares of Common Stock (the “Shares”). The Option is intended to be a Non-Statutory Stock Option.

2. *Option Price.* The price per Share subject to the Option shall be per Share (the “Option Price”).

3. *Option Term.* The term of the Option shall be ten (10) years, commencing on the Grant Date. Unless earlier terminated as set forth herein or in the Plan, this Option shall automatically terminate at 5:00 p.m., Eastern Time, on the tenth anniversary of the Grant Date (the “Final Exercise Date”).

4. *Vesting Schedule.* Subject to the Participant’s continued service to the Company through the applicable vesting date, the Option shall vest and become exercisable as follows:

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The date on which the Option becomes fully vested is referred to as the “Final Vesting Date”.

5. *Acceleration of Vesting.* Notwithstanding Section 4 hereof and except as set forth in an employment agreement between the Company and the Participant, effective immediately prior to the consummation of an Acquisition (as defined in the Plan), the unvested portion of the Option that would vest within twelve (12) months following the date of such Acquisition shall immediately vest and become exercisable. Thereafter, the remaining unvested portion of the Option shall continue to vest in the monthly amount set forth in Section 4 above and the Final Vesting Date shall be accelerated by twelve (12) months.

6. *Exercise of Option.*

(a) *Notice of Exercise.* The Participant or the Participant's representative may exercise the vested portion of the Option or any part thereof prior to the Final Vesting Date by giving written notice to the Company in the form prescribed by the Company from time to time (the "Notice of Exercise"). The Notice of Exercise shall be signed by the person exercising such Option. In the event that such Option is being exercised by the Participant's representative, the Notice of Exercise shall be accompanied by proof (satisfactory to the Company) of such representative's right to exercise such Option.

(b) *Method of Exercise.* The Participant or the Participant's representative shall deliver to the Company, at the time the Notice of Exercise is given, payment for the full amount of the aggregate Option Price for the exercised Option in the manner provided in Section 5(f) of the Plan. The Participant or the Participant's representative may purchase less than the number of Shares covered hereby; provided that no partial exercise of this Option may be for any fractional share.

(c) *Issuance of Shares.* Provided that the Company receives a properly completed and executed Notice of Exercise and payment for the full amount of the aggregate Option Price, the Company shall promptly cause to be issued the Shares underlying the exercised Option, registered in the name of the person exercising the applicable Option.

(d) *Continuous Relationship with the Company Required.* Except as otherwise provided in this Section 6, this Option may not be exercised unless the Participant, at the time he or she exercises this Option, is and has been at all times since the Grant Date, an employee, officer or director of, or consultant or advisor to, the Company or any of its affiliates.

(e) *Termination of Relationship with the Company.* Upon a termination of the Participant's services for any reason, other than pursuant to Sections 6(f) and (g) below, any unvested portion of the Option shall immediately terminate and be forfeited without consideration and the vested portion of the Option shall remain exercisable until the earlier of ninety (90) days following such termination of service and (ii) the Final Exercise Date. Notwithstanding the foregoing, if the Participant, prior to the Final Exercise Date, breaches the terms of any agreement (including, without limitation, any confidentiality, non-competition or non-solicitation provision) between the Participant and the Company, the right to exercise this Option shall terminate upon such breach.

(f) *Exercise Period Upon Death or Disability.* Upon a termination of the Participant's service because the Participant dies or becomes disabled (within the meaning of Section 22(e)(3) of the Code), any unvested portion of the Option shall immediately terminate and be forfeited without consideration and the vested portion of the Option shall remain exercisable until the earlier of: (i) 180 days following such termination of service and (ii) the Final Exercise Date.

(g) *Termination for Cause.* Upon the effective date of a termination of the Participant's service by the Company for Cause (as defined below), the right to exercise this Option, including the vested portion of the Option, shall terminate immediately and be forfeited without consideration. If the Participant is party to an employment, consulting or severance agreement with the Company at the time of his or her termination of employment with the Company or any affiliate that contains a different definition of "cause" (or any derivation thereof), the definition in such agreement will control for purposes of this Agreement. Otherwise, "*Cause*" as used in this Agreement means the occurrence of any of the following: (1) gross negligence or willful misconduct by you in the performance of your duties that is likely to have a material adverse effect on the Company or its reputation; (2) your indictment for, formal admission to (including a plea of guilty or *non contendere* to), or conviction of (A) a felony, (B) a crime of moral turpitude, dishonesty, breach of trust or unethical business conduct, or (C) any crime involving the Company; (3) your commission of an act of fraud or dishonesty in the performance of your duties; (4) repeated failure by you to perform your duties, which are reasonably and in good faith requested in writing by the CEO or the Board of Directors of the Company; or (5) material breach of any written agreement between you and the Company, that you fail to remedy within ten (10) days following written notice from the Company.

7. *Withholding.* The Participant may be required to pay the Company or any of its affiliates and the Company shall have the right, and is hereby authorized, to withhold any applicable withholding taxes in respect of the Option, its exercise or transfer, and to take such other action as may be necessary in the opinion of the Board to satisfy all obligations for the payment of such withholding taxes.

8. *Transferability of Option.* Unless otherwise provided by the Board, the Option may not be sold, assigned, alienated, attached, transferred, pledged or otherwise encumbered by the Participant, either voluntarily or by operation of law, except by will or the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any of its affiliates; provided that, the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. No such permitted transfer of the Option to heirs or legatees of the Participant shall be effective to bind the Company unless the Board shall have been furnished with written notice thereof and a copy of such evidence as the Board may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions hereof. During the lifetime of the Participant, the Option shall be exercisable only by the Participant.

9. *Provisions of the Plan.* By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan; that the Option is subject to the provisions of the Plan; and that the terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

10. *Notices.* Any notification required by the terms of this Agreement shall be given in writing and shall be deemed effective upon personal delivery or within three (3) days of deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid. A notice shall be addressed to the Company, Attention: General Counsel, at its principal executive office and to the Participant at the address that he or she most recently provided to the Company.

11. *Adjustments of Shares.* In the event of a Reorganization Event (as defined in the Plan) or other transaction described in Section 9 of the Plan, the Shares and the other terms of this Agreement shall be adjusted in the manner provided for in Section 10 of the Plan.

12. *No Right to Continued Employment or Service.* The granting of the Option evidenced hereby and this Agreement shall impose no obligation on the Company or any of its affiliates to continue the employment or service of the Participant and shall not lessen or affect any right that the Company or any of its affiliates may have to terminate the service of such Participant.

13. *Securities Laws; Legends on Certificates.* The issuance and delivery of the Shares shall comply with (or be exempt from) all applicable requirements of law, including without limitation the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, state securities laws and regulations, and the regulations of any stock exchange or other securities market on which the Company's securities may then be traded. The Company shall not be obligated to file any registration statement under any applicable securities laws to permit the purchase or issuance of any Shares under the Plan or Awards and accordingly, any certificates for Shares or documents granting Awards may have an appropriate legend or statement of applicable restrictions endorsed thereon. If the Company deems it necessary to ensure that the issuance of Shares under the Plan is not required to be registered under any applicable securities laws, each Participant to whom such Shares would be issued shall deliver to the Company an agreement or certificate containing such representations, warranties and covenants as the Company may reasonable request which satisfies such requirements.

14. *Erroneously Awarded Compensation*. All Awards, if and to the extent subject to the Dodd-Frank Wall Street Reform and Consumer Protection Act, shall be subject to any incentive compensation policy established from time to time by the Company to comply with such Act.

15. *Entire Agreement.* This Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof. Notwithstanding the foregoing, to the extent that the Participant has entered into an employment agreement with the Company and the terms noted in such employment agreement are inconsistent with or conflicts with this Agreement, then the terms of the employment agreement will supersede the inconsistent or conflicting terms set forth herein as determined by the Board in accordance with Section 3(a) of then Plan. In all other respects, this Agreement shall remain in full force and effect.

16. *Waiver.* No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other or subsequent breach or condition whether of like or different nature.

17. *Successors and Assigns.* The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon the Participant, the Participant's assigns and the legal representatives, heirs and legatees of the Participant's estate, whether or not any such person shall have become a party to this Agreement and have agreed in writing to be joined herein and be bound by the terms hereof.

18. *Choice of Law.* This Agreement shall be governed by the law of the State of Delaware (regardless of the laws that might otherwise govern under applicable Delaware principles of conflicts of law) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies.

19. *No Guarantees Regarding Tax Treatment.* The Participant (or his or her beneficiaries) shall be responsible for all taxes with respect to the Option. The Board and the Company make no guarantees regarding the tax treatment of the Option. Neither the Board nor the Company has any obligation to take any action to prevent the assessment of any tax under Section 409A of the Code or Section 457A of the Code or otherwise and none of the Company, any of its affiliates, or any of their employees or representatives shall have any liability to the Participant with respect thereto.

20. *Amendment.* The Board may amend or alter this Agreement and the Option granted hereunder at any time, subject to the terms of the Plan.

21. *Severability.* The provisions of this Agreement are severable and if any one or more of the provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

22. *Signature in Counterparts.* This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement will not be binding on either party unless and until signed by both parties.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

SONUS NETWORKS, INC.

By: ______________________________
Name:
Title:

Agreed and acknowledged as
of the date first above written:

____
PARTICIPANT
EMPLOYEE IDENTIFIER
OPTION NUMBER

[Signature Page to Non-Statutory Stock Option Award Agreement]

Sonus Networks, Inc.
Amended and Restated Stock Incentive Plan

Restricted Stock Award Agreement

This RESTRICTED STOCK AWARD AGREEMENT (the "Agreement") is made effective as of (the "Grant Date"), between Sonus Networks, Inc., a Delaware corporation (the "Company"), and (the "Participant").

RECITALS

WHEREAS, the Company has adopted the Sonus Networks, Inc. Amended and Restated Stock Incentive Plan (the "Plan"), which Plan is incorporated herein by reference and made a part of this Agreement (capitalized terms not otherwise defined herein shall have the meanings as set forth in the Plan); and

WHEREAS, the Board has determined that it is in the best interests of the Company and its stockholders to grant to the Participant the restricted stock described herein pursuant to the Plan and the terms set forth below;

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

1. *Award of Restricted Stock*. Subject to the terms and conditions of the Plan and this Agreement and in consideration of employment services rendered and to be rendered by the Participant to the Company, the Company hereby grants to the Participant shares of Common Stock (the "Shares"). The Company shall issue the Shares to the Participant either by electronic record or by stock certificate issued in the name of the Participant. The Participant agrees that unvested Shares shall be subject to forfeiture as set forth in Section 2(c) of this Agreement and the restrictions on transfer set forth in Section 4 of this Agreement. The Shares shall be deposited in escrow in accordance with Section 5 of this Agreement.

2. *Vesting*.

(a) *Vesting Schedule.* Subject to the Participant's continued service through the vesting date, the Shares shall vest as follows:

Any fractional number of Shares resulting from the application of the foregoing percentages shall be rounded down to the nearest whole number of Shares. The Company may in its discretion accelerate the vesting schedule at any time.

(b) *Acceleration of Vesting.* Notwithstanding Section 2(a) hereof and except as set forth in an employment agreement between the Company and the Participant, effective immediately prior to the consummation of an Acquisition (as defined in the Plan), the unvested Shares that would vest within twelve (12) months following the date of such Acquisition shall immediately vest. Thereafter, the remaining unvested Shares shall continue to vest pursuant to the vesting schedule set forth above; provided that such vesting schedule shall be shortened by one year.

(c) *Termination of Service.* If the Participant's service with the Company is terminated for any reason, other than as described in Section 2(b) above, the Shares, to the extent not then-vested, shall be forfeited by the Participant without any consideration.

3. *Rights as a Stockholder*. The Participant shall have none of the rights of a stockholder of the Company until the Shares vest; provided, however, that the Participant shall have (a) the right to receive dividends on the Shares (the "Dividends"), subject to the remainder of this Section 3 and Section 7(c)(1) of the Plan and (b) voting rights with respect to such Shares. The Dividends, if any, shall be held by the Company and shall be subject to forfeiture until such time that the Shares on which the Dividends were distributed vest in accordance with Section 2 above.

4. *Restrictions on Transfer*. Unless otherwise provided by the Board, the Participant shall not, during the term of this Agreement, sell, assign, transfer, pledge, hypothecate or otherwise dispose of, by operation of law or otherwise (collectively "Transfer"), any of the Shares, or any interest therein, unless and until such Shares are no longer subject to risk of forfeiture. Notwithstanding the foregoing, the Participant may transfer:

(a) any or all of the Participant's Shares (i) to his or her parents, spouse, children, stepchildren, grandchildren, or siblings, or spouse of any such person (collectively, "Immediate Family"); (ii) to a trust established for the benefit of his or her Immediate Family or himself/herself; or (iii) to a limited liability company or limited partnership, the members or partners of which are members of his or her Immediate Family or himself/herself; or

(b) any or all of the Participant's Shares under such Participant's will; *provided* that all such Shares transferred under (a) or (b) shall remain subject to this Agreement (including without limitation the restrictions on transfer set forth in this Section 4 and the forfeiture provision in Section 2(c)) and such permitted transferee shall, as a condition to such transfer, deliver to the Company: (y) a written instrument confirming that such transferee shall be bound by all of the terms and conditions of this Agreement and (z) a copy of any such evidence as the Company may deem necessary to establish the validity of the transfer and acceptance by the transferee or transferees of the terms and conditions hereof. The Company shall not be required: (A) to transfer on its books any of the Shares which shall have been sold or transferred in violation of any of the provisions set forth in this Agreement, or (B) to treat as owner of such Shares or to pay Dividends to any transferee to whom any such Shares shall have been so sold or transferred.

5. *Escrow*. The Shares shall be deposited by the Participant in escrow either by electronic record or by stock certificate upon (or as promptly as practicable following) the execution of this Agreement and shall be held in escrow by the Company or its designee, as escrow agent (the "Escrow Agent"). Upon vesting of the Shares, the Escrow Agent shall release or electronically transfer to the Participant, upon request, those Shares which have vested (other than any withheld by the Company pursuant to Section 9). In the event the Shares are forfeited pursuant to Section 2(c) or withheld by the Company pursuant to Section 9, the Company shall give written notice to the Participant and to the Escrow Agent specifying the number of forfeited Shares or Shares to be withheld. The Participant and the Company authorize the Escrow Agent to take all necessary or appropriate actions consistent with the terms of this Agreement, including the delivery to the Company of those Shares and stock powers for the Shares being forfeited or withheld by the Company. The escrow shall terminate upon the earliest of (a) the vesting and lapse of forfeiture of all Shares awarded under this Agreement, (b) the election by the Company to waive forfeiture on all of the unvested Shares, or (c) the election by the Company to terminate this escrow. If at the time of such termination the Escrow Agent should have in its possession any Shares owed to the Participant, the Escrow Agent shall promptly deliver such Shares to the Participant and shall be discharged of all further obligations hereunder. The Escrow Agent shall be obligated only for the performance of such duties as are specifically set forth herein and may rely and shall be protected in relying or refraining from acting on any instrument reasonably believed by the Escrow Agent to be genuine and to have been signed or presented by the proper party or parties. The Escrow Agent

or the Company shall not be liable for any act or omission in good faith and in the exercise of reasonable judgment. It is understood and agreed that should any dispute arise with respect to the delivery and/or ownership or right of possession of the Shares held by the Escrow Agent hereunder, the Escrow Agent is authorized to retain such Shares in its possession without liability to anyone all until such dispute shall have been settled either by mutual written agreement of the parties concerned or by a final order, decree or judgment of a court of competent jurisdiction after the time for appeal has expired. All reasonable costs, fees and disbursements incurred by the Escrow Agent in connection with the performance of its duties hereunder shall be borne by the Company.

A certificate or certificates representing the Shares shall be issued by the Company and shall be registered in the name of the Participant on the stock transfer books of the Company promptly following the effective date of this Agreement, but shall remain in the physical custody of the Company or its designee at all times prior to the vesting of such Shares pursuant to Section 2 hereof. As a condition to the receipt of this Agreement, the Participant shall deliver to the Company a Stock Power in the form attached hereto as Exhibit A, duly endorsed in blank, relating to the Shares. Each certificate representing the Shares shall bear the following legend:

> *"The ownership and transferability of this certificate and these shares are subject to the terms and conditions (including forfeiture) of the Sonus Networks, Inc. Amended and Restated Stock Incentive Plan and a Restricted Stock Award Agreement entered into between the registered owner and Sonus Networks, Inc. Copies of such Plan and the Agreement are on file in the executive offices of Sonus Networks, Inc."*

If the Shares are issued to the Participant electronically rather than by a stock certificate, the electronic record reflecting the issuance of the Shares to the Participant shall bear such a legend or other notation.

As soon as administratively practicable, but not later than sixty (60) days, following the vesting of the Shares (as described in Section 2 hereof), and upon the satisfaction of all other applicable conditions, including, but not limited to, the payment by the Participant of all applicable withholding taxes, the Company shall deliver or cause to be delivered to the Participant, or in the case of the Participant's death, the Participant's beneficiary, a certificate or certificates for the applicable Shares, which shall not bear the legend described above, but may bear such other legends as the Company deems advisable pursuant to Section 6 below. If the Shares are issued to the Participant electronically rather than by a stock certificate, the legend described above shall be removed, but may bear such other legends as the Company deems advisable pursuant to Section 6 below.

6. *Adjustments of Shares*. In the event of a Reorganization Event (as defined in the Plan) or other transaction described in Section 9 of the Plan, the Shares and the other terms of this Agreement shall be adjusted in the manner provided for in Section 10 of the Plan.

7. *Compliance with Laws*. The obligations of the Company and the Participant under this Agreement are subject to all applicable laws, rules, and regulations, including all applicable federal and state securities laws and the obtaining of all such approvals by government agencies as may be deemed necessary or appropriate by the Board or the relevant committee of the Board.

8. *Tax Matters*.

(a) *Section 83(b) Election*. The Participant may elect under Section 83(b) of the Internal Revenue Code of 1986, as amended, to be taxed at the time the Shares are acquired on the Grant Date ("Section 83(b) Election"). A Section 83(b) Election must be filed with the Internal Revenue Service within thirty (30) days of the Grant Date and the Participant shall provide a copy of such form with the Company promptly following his or her filing. If the Participant elects, in accordance with Section 83(b), to recognize ordinary income in the year of acquisition of the Shares, the Company will require at the time of such election an additional payment by the Participant in an amount equal to any federal, state, local or other taxes of any kind required by law to be withheld with respect to the issuance of the Shares to the Participant. Moreover, the Participant acknowledges and he or she is solely responsible to file a timely election under Section 83(b) and the Company shall bear no responsibility for any consequence of the Participant making a Section 83(b) Election or failing to make a Section 83(b) Election.

(b) *Withholding Taxes*. The Participant may be required to pay the Company or any affiliate, and the Company shall have the right and is hereby authorized to withhold, any applicable withholding taxes in respect of the Shares, their vesting or transfer and to take such other action as may be necessary in the opinion of the Board to satisfy all obligations for the payment of such withholding taxes.

(c) *Tax Advice*. The Participant acknowledges that he or she is responsible for reviewing with his or her own tax advisors the federal, state, local and other tax consequences of this investment and the transactions contemplated by this Agreement. The Participant acknowledges that he or she is not relying on any statements or representations of the Company or any of its agents. The Participant understands that the Participant (and not the Company) shall be responsible for the Participant's own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement.

9. *No Right to Continued Employment or Service*. The granting of the Shares evidenced hereby and this Agreement shall impose no obligation on the Company or any of its affiliates to continue the employment or service of the Participant and shall not lessen or affect any right that the Company or any of its affiliates may have to terminate the service of such Participant. The Participant shall remain a Participant at will.

10. *Securities Laws; Legends on Certificates*. The issuance and delivery of the Shares shall comply with (or be exempt from) all applicable requirements of law, including without limitation the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, state securities laws and regulations, and the regulations of any stock exchange or other securities market on which the Company's securities may then be traded. The Company shall not be obligated to file any registration statement under any applicable securities laws to permit the purchase or issuance of any Shares under the Plan or Awards and accordingly, any certificates for Shares or documents granting Awards may have an appropriate legend or statement of applicable restrictions endorsed thereon. If the Company deems it necessary to ensure that the issuance of Shares under the Plan is not required to be registered under any applicable securities laws, each Participant to whom such Shares would be issued shall deliver to the Company an agreement or certificate containing such representations, warranties and covenants as the Company may reasonable request which satisfies such requirements.

11. *Notices*. Any notification required by the terms of this Agreement shall be given in writing and shall be deemed effective upon personal delivery or within three (3) days of deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid. A notice shall be addressed to the Company, Attention: General Counsel, at its principal executive office and to the Participant at the address that he or she most recently provided to the Company.

12. *Shares Subject to Plan.* By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan; the Shares are subject to the Plan; and the terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision

contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

13. *Severability*. The provisions of this Agreement are severable and if any one or more provisions are deemed to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

14. *Erroneously Awarded Compensation*. All Awards, if and to the extent subject to the Dodd-Frank Wall Street Reform and Consumer Protection Act, shall be subject to any incentive compensation policy established from time to time by the Company to comply with such Act.

15. *Choice of Law*. This Agreement will be governed by and interpreted and construed in accordance with the internal laws of the State of Delaware (without reference to principles of conflicts or choice of law) as to all matters, including, but not limited to, matters of validity, construction, effect, performance and metrics.

16. *Captions.* The captions of the sections of this Agreement are for reference only and will not affect the interpretation or construction of this Agreement.

17. *Successors.* This Agreement will bind and inure to the benefit of the parties and their respective successors, permitted assigns, heirs, devisees, and legal representatives.

18. *Entire Agreement.* Except as set forth herein, this Agreement and the Plan supersede all prior agreements, whether written or oral and whether express or implied, between the Participant and the Company relating to the subject matter of this Agreement. Notwithstanding the foregoing, to the extent that the Participant has entered into an employment agreement with the Company and the terms noted in such employment agreement are inconsistent with or conflicts with this Agreement, then the terms of the employment agreement will supersede the inconsistent or conflicting terms set forth herein as determined by the Board in accordance with Section 3(a) of then Plan. In all other respects, this Agreement shall remain in full force and effect.

19. *Amendments.* This Agreement may be amended or modified only by a written agreement signed by the Company and the Participant; provided, however, that the Board may amend or alter this Agreement and the Shares granted hereunder at any time, subject to the terms of the Plan.

20. *Signature in Counterparts*. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement will not be binding on either party unless and until signed by both parties.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

SONUS NETWORKS, INC.

By: ______________________________

Name:

Title:

Agreed and acknowledged as
of the date first above written:

____

PARTICIPANT

EMPLOYEE IDENTIFIER

GRANT NUMBER

[*Signature Page to Restricted Stock Award Agreement*]

Exhibit A

Stock Power[1]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto Sonus Networks, Inc. (the “Company”), ____________________________________ (__________) shares of common stock, par value $0.001 per share, of the Company standing in his/her/their/its name on the books of the Company represented by Certificate No. ______________________ herewith and does hereby irrevocably constitute and appoint ______________________ his/her/their/its attorney-in-fact, with full power of substitution, to transfer such shares on the books of the Company.

Dated: ____________________________________ Signature: ____________________________________

Print Name and Mailing Address:

____

____

____

____

Instructions: *Please do* *__not__* *fill any blanks other than the signature line and printed name and mailing address. Please print your name exactly as you would like your name to appear on the issued stock certificate(s). The purpose of this assignment is to enable the forfeiture of shares without requiring additional signatures on your part.*

[1] This stock power is not effective if executed in the State of New York.

Sonus Networks, Inc.
Amended and Restated Stock Incentive Plan

Restricted Stock Unit Award Agreement
(Performance-Based Vesting)

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (the "Agreement"), is made effective as of (the "Grant Date"), between Sonus Networks, Inc., a Delaware corporation (the "Company"), and (the "Participant").

RECITALS

WHEREAS, the Company has adopted the Sonus Networks, Inc. Amended and Restated Stock Incentive Plan (the "Plan"), which Plan is incorporated herein by reference and made a part of this Agreement (capitalized terms not otherwise defined herein shall have the meanings as set forth in the Plan); and

WHEREAS, the Board has determined that it is in the best interests of the Company and its stockholders to grant to the Participant the restricted stock units described herein pursuant to the Plan and the terms set forth below;

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

1. *Award of Restricted Stock Units.* Subject to the terms and conditions of the Plan and this Agreement and in consideration of employment services rendered and to be rendered by the Participant to the Company, the Company hereby grants to the Participant restricted stock units (the "Restricted Stock Units"). Each Restricted Stock Unit entitles the Participant to such number of shares of Company Common Stock, subject to continued employment, upon vesting as is determined pursuant to Section 2 hereof.

2. *Vesting of Restricted Stock Units.*

(a) Upon the vesting of the Award, as described in this Section and Schedule 1 attached hereto, the Company shall deliver for each Restricted Stock Unit that vests, the number of shares of Company Common Stock as is determined pursuant to Schedule 1. The Company Common Stock shall be delivered as soon as practicable following each Vesting Date (as defined in Schedule 1), but in any case within 30 days after such date.

(b) Subject to Section 2(c) and Section 3, the Restricted Stock Units shall vest in accordance with the terms set forth in Schedule 1 attached hereto.

(c) Notwithstanding Section 2(b), upon, as applicable, [(i) an Acquisition, (ii) the Participant's death or disability, (iii) the Participant's termination of employment by the Company other than for Cause or (iv) the Participant's resignation of employment with the Company for Good

Reason], the Award shall become subject to the acceleration of vesting [applicable to “performance shares”][applicable to “restricted shares”] under the terms of the Participant’s employment agreement with the Company, subject to any terms and conditions set forth in the Plan or imposed by the Compensation Committee of the Board of Directors (the “Committee”). The terms [“Acquisition”, “Cause” and “Good Reason”] used in this Section 2(c) are each as defined in the Participant’s employment agreement with the Company.

3. *Termination of Employment.* Subject to Section 2(c) and notwithstanding any other provision of the Plan to the contrary, upon the termination of the Participant’s employment with the Company and its subsidiaries, the Award, to the extent not yet vested, shall immediately and automatically terminate; provided, however, that the Committee may, in its sole and absolute discretion agree to accelerate the vesting of the Award, upon termination of employment or otherwise, for any reason or no reason, but shall have no obligation to do so.

For purposes of the Plan and the Award, a termination of employment shall be deemed to have occurred on the date upon which the Participant ceases to perform active employment duties for the Company or its subsidiaries following the provision of any notification of termination or resignation from employment, and without regard to any period of notice of termination of employment (whether expressed or implied) or any period of severance or salary continuation. Notwithstanding any other provision of the Plan, the Award, this Agreement or any other agreement (written or oral) to the contrary, the Participant shall not be entitled (and by accepting an Award, thereby irrevocably waives any such entitlement) to any payment or other benefit to compensate the Participant for the loss of any rights under the Plan as a result of the termination or expiration of an Award in connection with any termination of employment. No amounts earned pursuant to the Plan or any Award shall be deemed to be eligible compensation in respect of any other plan of the Company or any of its subsidiaries.

4. *No Assignment.* Except as expressly permitted under the Plan, this Agreement may not be assigned by the Participant by operation of law or otherwise.

5. *No Rights to Continued Employment.* The granting of this Award evidenced hereby and this Agreement shall impose no obligation on the Company or any of its affiliates to continue the employment or service of the Participant and shall not lessen or affect any right that the Company or any of its affiliates may have to terminate the service of such Participant. The Participant shall remain a Participant at will.

6. *Governing Law.* This Agreement will be governed by and interpreted and construed in accordance with the internal laws of the State of Delaware (without reference to principles of conflicts or choice of law) as to all matters, including, but not limited to, matters of validity, construction, effect, performance and metrics.

7. *Tax Obligations.* As a condition to the granting of the Award and the vesting thereof, the Participant acknowledges and agrees that he/she is responsible for the payment of income and employment taxes (and any other taxes required to be withheld) payable in connection with the vesting of an Award. Accordingly, the Participant agrees to remit to the Company or any applicable subsidiary an amount sufficient to pay such taxes. Such payment shall be made to the Company or the applicable subsidiary of the Company in a form that is reasonably acceptable to the Company, as the Company may determine in its sole discretion. Notwithstanding the foregoing, the Company

may retain and withhold from delivery at the time of vesting that number of shares of Company Common Stock having a fair market value equal to the taxes owed by the Participant, which retained shares shall fund the payment of such taxes by the Company on behalf of the Participant. The Participant acknowledges that he or she is responsible for reviewing with his or her own tax advisors the federal, state, local and other tax consequences of the transactions contemplated by this Agreement. The Participant acknowledges that he or she is not relying on any statements or representations of the Company or any of its agents.

8. *Notices.* Any notification required by the terms of this Agreement shall be given in writing and shall be deemed effective upon personal delivery or within three (3) days of deposit with the United States Postal Service or the local equivalent of the United States Postal Service, by registered or certified mail, with postage and fees prepaid. A notice shall be addressed to the Company, Attention: General Counsel, at its principal executive office and to the Participant at the address he or she most recently provided to the Company.

9. *Failure to Enforce Not a Waiver.* The failure of the Company to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

10. *Amendments.* This Agreement may be amended or modified only by a written agreement signed by the Company and the Participant; provided, however, that the Board may amend or alter this Agreement and the Award granted hereunder at any time, subject to the terms of the Plan.

11. *Authority.* The Committee has complete authority and discretion to determine Awards, and to interpret and construe the terms of the Plan and this Agreement. The determination of the Committee as to any matter relating to the interpretation or construction of the Plan or this Agreement shall be final, binding and conclusive on all parties.

12. *Successors.* This Agreement will bind and inure to the benefit of the parties and their respective successors, permitted assigns, heirs, devisees, and legal representatives.

13. *Entire Agreement*. Except as set forth herein, this Agreement and the Plan supersede all prior agreements, whether written or oral and whether express or implied, between the Participant and the Company relating to the subject matter of this Agreement. Notwithstanding the foregoing, to the extent that the Participant has entered into an employment agreement with the Company and the terms noted in such employment agreement are inconsistent with or conflicts with this Agreement, then the terms of the employment agreement will supersede the inconsistent or conflicting terms set forth herein as determined by the Board in accordance with Section 3(a) of the Plan. In all other respects, this Agreement shall remain in full force and effect.

14. *Rights as a Stockholder.* The Participant shall have no rights as a stockholder of the Company with respect to any shares of Common Stock of the Company underlying or relating to any Award until the issuance of a stock certificate to the Participant in respect of such Award.

15. *Erroneously Awarded Compensation*. All Awards, if and to the extent subject to the Dodd-Frank Wall Street Reform and Consumer Protection Act, shall be subject to any incentive compensation policy established from time to time by the Company to comply with such Act.

16. *Severability*. The provisions of this Agreement are severable and if any one or more provisions are deemed to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

17. *Captions*. The captions of the sections of this Agreement are for reference only and will not affect the interpretation or construction of this Agreement.

18. *Signature in Counterparts*. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement will not be binding on either party unless and until signed by both parties.

[*Signature Page Follows*]

IN WITNESS WHEREOF, this Agreement is effective as of the date first above written.

SONUS NETWORKS, INC.

By: ________________________
Name:
Title:

Agreed and acknowledged as
of the date first above written:

____
[PARTICIPANT]

Schedule 1

1. As illustrated in the chart below, up to 200% of one-third of the Restricted Stock Units subject to this Award shall vest, in accordance with the terms of this Schedule 1, upon each of the first, second and third anniversaries of the Grant Date (collectively, the "Vesting Dates"), provided that, subject to Sections 2(c) and 3 of the Agreement, the Participant is employed by the Company or a subsidiary of the Company on the applicable Vesting Date.

Restricted Stock Units	**Vesting Date**
Up to 200% of 1/3 of aggregate number of RSUs	(the "First Vesting Date")
Up to 200% of 1/3 of aggregate number of RSUs	(the "Second Vesting Date")
Up to 200% of 1/3 of aggregate number of RSUs	(the "Third Vesting Date")

2. The number of Restricted Stock Units that shall become vested on any Vesting Date shall be determined by the Committee following the end of the applicable Performance Period (as defined below) by reference to the Company's total shareholder return ("TSR") for the relevant Performance Period relative to the TSR of each of the companies included in the NASDAQ Telecommunications Index (the "Index") for the same Performance Period (the "Relative TSR"). Companies that enter the Index after the start of a Performance Period will be *excluded* from the Relative TSR measurement for such Performance Period. Companies that leave the Index after the start of a Performance Period, including, but not limited to, in the event of bankruptcy proceedings, will remain *included* in the Relative TSR measurement for such Performance Period.

   The Company's achievement will be measured on a linear sliding scale between the 25th and 75th percentiles of Relative TSR; provided, however, that there shall be no linear sliding scale for a Relative TSR that is less than the 25th percentile or greater than the 75th percentile. Upon achievement of:
   - Relative TSR at the 25th percentile, 50% of the Restricted Stock Units then subject to vesting shall vest;
   - Relative TSR at the 50th percentile ("Target Performance"), 100% of the Restricted Stock Units then subject to vesting shall vest;
   - Relative TSR at the 75th percentile, 150% of the Restricted Stock Units then subject to vesting shall vest; and
   - Relative TSR above the 75th percentile, 200% of the Restricted Stock Units then subject to vesting shall vest.

   Notwithstanding the foregoing, if the Company's TSR is negative for any Performance Period, the Restricted Stock Units then subject to vesting may not vest in excess of Target Performance, even if Relative TSR is above the 50th percentile for such Performance Period.

3. For the avoidance of doubt, the Restricted Stock Units that do not become vested, including after application of the acceleration of vesting provisions in the Participant's employment agreement with the Company in accordance with Section 2(c) of this Agreement, upon the applicable Vesting Date, if any, shall be immediately forfeited and terminated and the Participant shall have no further rights with respect thereto.

4. Definitions. For this purpose,

   a. “Performance Period” shall mean for the Restricted Stock Units subject to vesting on the First Vesting Date, the one-year period beginning on and ending on ; for the Restricted Stock Units subject to vesting on the Second Vesting Date, the one-year period beginning on and ending on ; for the Restricted Stock Units subject to vesting on the Third Vesting Date, the one-year period beginning on and ending on ; and

   b. “TSR” for each Performance Period, will be equal to (a) (i) the average closing price per share of Common Stock for the 30 trading days immediately prior to and including the *last* trading day of the applicable Performance Period minus (ii) the average closing price per share of Common Stock for the 30 trading days immediately prior to and including the *first* trading day of the applicable Performance Period (the “Beginning Stock Price”), plus (y) the amount of dividends, if any, paid on a per share basis cumulatively over the applicable Performance Period, divided by (z) the Beginning Stock Price. TSR will be calculated to the closest hundredth of a percent.

EXHIBIT 31.1

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

I, Raymond P. Dolan, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: July 29, 2016

/s/ Raymond P. Dolan

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

EXHIBIT 31.2

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

I, Susan M. Villare, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: July 29, 2016

/s/ Susan M. Villare

Susan M. Villare
Chief Financial Officer (Interim)
(Principal Financial Officer)

EXHIBIT 32.1

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

In connection with the Quarterly Report on Form 10-Q of Sonus Networks, Inc. (the "Company") for the period ended June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Raymond P. Dolan, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

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

Date: July 29, 2016

/s/ Raymond P. Dolan

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

EXHIBIT 32.2

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

In connection with the Quarterly Report on Form 10-Q of Sonus Networks, Inc. (the "Company") for the period ended June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Susan M. Villare, Chief Financial Officer (Interim) of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

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

Date: July 29, 2016

/s/ Susan M. Villare

Susan M. Villare
Chief Financial Officer (Interim)
(Principal Financial Officer)