

**UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS**

IN RE SONUS NETWORKS, INC.  
SECURITIES LITIGATION-II

Civil Action No. 06-CV-10040 (MLW)

**STIPULATION OF SETTLEMENT**

This Stipulation and Agreement of Settlement (the “Stipulation”) is submitted pursuant to Rule 23 of the Federal Rules of Civil Procedure. Subject to the approval of the Court, this Stipulation is entered into, by and through their respective counsel, among the Court-appointed Lead Plaintiff, the Mississippi Public Employees’ Retirement System (“MPERS,” or “Lead Plaintiff”), on behalf of itself and the Settlement Class (as hereinafter defined) (Lead Plaintiff and the Settlement Class may be referred to herein collectively as “Plaintiffs”), and Defendants Sonus Networks, Inc. (“Sonus” or the “Company”), Hassan M. Ahmed, Michael G. Hluchyj, Stephen J. Nill, Gary A. Rogers, Jeffrey Mayersohn, Frank T. Winiarski, Rubin Gruber, Edward T. Anderson, and Anousheh Ansari (the “Individual Defendants”) (Sonus and the Individual Defendants may be referred to herein collectively as “Defendants”).

**WHEREAS:**

A. On January 6, 2006, a class action complaint alleging violations of federal securities laws, then captioned as State Universities Retirement System of Illinois v. Sonus Networks, Inc., et al., No. 1:06-CV-10040-MLW, was filed in this Court;

B. By Order dated December 27, 2006, the Court appointed MPERS as Lead Plaintiff and appointed Wolf Popper LLP as Lead Counsel (“Lead Counsel”) on behalf of Lead Plaintiff and the putative class pursuant to the Private Securities Litigation Reform

Act (“PSLRA”). In that Order, the Court also re-captioned the case as In re Sonus Networks, Inc. Securities Litigation-II, No. 1:06-CV-10040-MLW (the “Action”);

C. The Consolidated Class Action Complaint, filed in the Action on March 5, 2007 (the “Complaint”), alleges, among other things, that Defendants issued materially false and misleading statements and failed to disclose material facts in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, during the putative class period, defined in the Complaint as December 11, 2000 through January 16, 2002, inclusive;

D. The Complaint further alleges that Lead Plaintiff and other purchasers of Sonus common stock during the putative class period suffered damages as a result of purchasing Sonus stock at prices that were artificially inflated as a result of the misconduct alleged in the Complaint;

E. On April 19, 2007, Defendants moved to dismiss the Complaint and submitted a memorandum and affidavit in support of that motion. On June 11, 2007, Lead Plaintiff filed a memorandum in opposition to the motion to dismiss, and on July 9, 2007, Defendants filed a reply memorandum in further support of their motion. On April 28, 2008, Lead Plaintiff filed a motion for leave to file supplemental authority in further opposition to Defendants’ motion to dismiss, which leave was granted by Order dated July 10, 2008. On September 11, 2008, Lead Plaintiff filed a supplemental affidavit in further opposition to Defendants’ motion to dismiss;

F. By Order dated July 10, 2008, the Court set a scheduling conference pursuant to Rule 16(b) of the Federal Rules of Civil Procedure and Local Rule 16.1, for September 18, 2008. In that Order, the Court also notified the Parties that it would hear

oral argument on Defendants' motion to dismiss on that date. The Court later rescheduled the scheduling conference and oral argument to September 26, 2008;

G. On September 4, 2008, Lead Plaintiff and Defendants (referred to herein collectively as "Parties") filed a joint submission pursuant to Local Rule 16.1, setting forth their positions on scheduling and other matters, as required by the Court's July 10, 2008 Order;

H. On September 24, 2008, the Parties filed a joint motion notifying the Court that they had reached an agreement in principle to settle the Action in its entirety;

I. Prior to reaching an agreement in principle to settle the Action, the Parties engaged in informal merits discovery and extensive arm's-length settlement negotiations. Sonus also made presentations to Lead Plaintiff concerning the relative merits of the claims alleged in the Complaint. Lead Plaintiff retained a financial consultant (Financial Markets Analysis, LLC) which provided Lead Plaintiff with its views as to the theoretical range of possible damages to the putative class based on the allegations in the Complaint. Lead Plaintiff used this information in its negotiations with Defendants;

J. Lead Plaintiff, through Lead Counsel, carefully considered and analyzed the applicable legal precedents governing loss causation, scienter, the statute of limitations applicable to the alleged claims, and class certification, based on the allegations in the Complaint. Lead Plaintiff, through Lead Counsel, reviewed all publicly available information, and information uncovered through the course of its investigation in connection with the preparation of the Complaint, to determine the factual information in support of its claims. Lead Plaintiff further reviewed documents produced informally by Sonus concerning Sonus's operating results and financial performance during the

putative class period. In consultation with its financial expert, Lead Plaintiff considered the amount of damages possibly suffered by the putative class and the relative strength of the evidence available in support of its theory of loss causation. Lead Plaintiff then evaluated the legal and factual strengths and weakness of its claims;

K. Lead Plaintiff, through Lead Counsel, also considered other factors, including the risks of continuing to prosecute the case through trial (and possible appeals), and the difficulties in obtaining relevant evidence due to the significant passage of time since the occurrence of the events alleged in the Complaint;

L. Lead Plaintiff has experience serving as the lead plaintiff in a number of class actions alleging violations of the federal securities laws. The Office of the Attorney General of the State of Mississippi (including various duly authorized assistant and special assistant attorneys general) provides legal representation to MPERS in connection with supervising and monitoring the litigation of this matter, consistent with the PSLRA. The text of this Stipulation and exhibits hereto have been internally reviewed and approved by representatives of Lead Plaintiff and by the Office of the Attorney General of the State of Mississippi, who strongly recommend and endorse this Stipulation of Settlement as being fair, reasonable and in the best interests of the Settlement Class (as defined herein);

M. The principal terms of the Parties' settlement in principle were embodied in a Memorandum of Understanding dated October 3, 2008 (the "MOU"). The settlement reflected in the MOU was subject to additional document discovery, depositions of witnesses, including certain of the Individual Defendants, and final approval by the Court after notice to the Settlement Class;

N. That additional discovery taken by Lead Plaintiff included the review of approximately 7,500 pages of largely confidential documentary materials (including electronic mail) produced by Defendants. Those documents addressed the key allegations in the Complaint. After reviewing those documents, Lead Plaintiff took the sworn deposition testimony of three of Sonus's current and former senior officers: Defendant Hassan M. Ahmed, who during the Settlement Class Period (as defined herein) was Sonus's CEO, President and a member of the Board of Directors; Defendant Jeffrey Mayersohn, Sonus's Vice President of Customer Support and Professional Services during the Settlement Class Period; and Stephen Collins, Sonus's Vice President, North American Sales;

O. Defendants vigorously deny any wrongdoing or liability whatsoever and this Stipulation shall in no event be construed as or deemed to be evidence of, or an admission or concession on the part of any Defendant with respect to, any claim or allegation, or of any fault or liability or wrongdoing or damage whatsoever, or any infirmity in the defenses that Defendants have or could have asserted. Defendants assert that the claims and allegations in the Complaint are without merit, but recognize the risks, expense and length of continued proceedings necessary to defend the Action through trial and any appeals. Therefore Defendants state that, in order to avoid the further expense and burden of protracted litigation, it is desirable that the Action and any other current or future potential actions that relate in any way to the allegations raised by the Plaintiffs be settled upon the terms and conditions set forth herein;

P. The Parties to this Stipulation recognize that the litigation has been prosecuted by Plaintiffs and defended by Defendants in good faith and with adequate

basis in fact under Rule 11 of the Federal Rules of Civil Procedure, that the litigation is being voluntarily settled after advice of counsel, and that the terms of the settlement are fair, adequate and reasonable to the Settlement Class; and

Q. Based upon their investigation and discovery as set forth above, Lead Counsel and Lead Plaintiff have concluded that the terms and conditions of this Stipulation are fair, reasonable and adequate to Lead Plaintiff and the Settlement Class, and in their best interests, and have agreed to settle the claims raised in the Action pursuant to the terms and provisions of this Stipulation, after considering (a) the substantial benefits that Lead Plaintiff and the members of the Settlement Class will promptly receive from settlement of the Action, (b) the attendant risks as to liability and damages, (c) the anticipated proof otherwise required in connection with prosecuting the Action, and (d) the problems and substantial expenses resulting from the delays inherent to litigation.

**NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED**, by and among the Parties to this Stipulation, through their respective attorneys, subject to approval of the Court pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, in consideration of the benefits flowing to the Parties hereto from the Settlement, that all Settled Claims (as defined below) as against the Released Parties (as defined below) and all Settled Defendants' Claims (as defined below) shall be compromised, settled, released and dismissed with prejudice, upon and subject to the following terms and conditions:

**CERTAIN DEFINITIONS**

1. As used in this Stipulation, the following terms shall have the following meanings:

(a) “Authorized Claimant” means a Settlement Class Member who submits a timely and valid Proof of Claim form to the Claims Administrator.

(b) “Claims Administrator” means the Claims Administrator designated pursuant to paragraph 6(c) below.

(c) “Defendants” means Sonus and the Individual Defendants.

(d) “Defendants’ Counsel” means the law firms of Wilmer Cutler Pickering Hale and Dorr LLP and Skadden, Arps, Slate, Meagher & Flom LLP.

(e) “Effective Date” means the date upon which the Settlement contemplated by this Stipulation shall become effective, as set forth in paragraph 21 below.

(f) “Final Approval” means approval of the Settlement, such that the Effective Date has occurred, as set forth in paragraph 21 below.

(g) “Gross Settlement Fund” means the Settlement Amount upon receipt into the Settlement Account. Any income or interest on the Settlement Amount shall become part of the Gross Settlement Fund.

(h) “Individual Defendants” means Hassan M. Ahmed, Michael G. Hluchyj, Stephen J. Nill, Gary A. Rogers, Jeffrey Mayersohn, Frank T. Winiarski, Rubin Gruber, Edward T. Anderson and Anousheh Ansari.

(i) “Initial Distribution” means the first distribution of the Net Settlement Fund to all Authorized Claimants pursuant to the Settlement Class Distribution Order as defined in paragraph 14 below.

(j) “Lead Counsel” means the law firm of Wolf Popper LLP.

(k) “MOU” or “Memorandum of Understanding” means the document reflecting the principal terms of the Settlement, agreed to and executed by the Parties on October 3, 2008.

(l) “Net Settlement Fund” has the meaning defined in paragraph 6(a) hereof.

(m) “Order and Final Judgment” means the proposed order to be entered approving the Settlement substantially in the form attached hereto as Exhibit B.

(n) “Order for Notice and Hearing” means the proposed order preliminarily approving the Settlement and directing notice thereof to the Settlement Class substantially in the form attached hereto as Exhibit A.

(o) “Parties” means Lead Plaintiff and Defendants.

(p) “Person” or “Persons” means any individual or entity, including any corporation (and any division or subsidiary thereof), partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association or government or any political subdivision or agency thereof, or other type of legal entity, and their heirs, agents, executors, administrators, predecessors, successors or assigns, and their personal representatives, all in their capacities as such.

(q) “Plaintiffs” means Lead Plaintiff and the Settlement Class.

(r) “Plaintiffs’ Counsel” means all counsel authorized to represent Lead Plaintiff and the Settlement Class.

(s) “Publication Notice” means the summary notice of proposed Settlement and hearing for publication substantially in the form attached as Appendix 3 to Exhibit A.

(t) “Released Parties” means any and all Defendants and their past, present or future subsidiaries, parents, affiliates, successors and predecessors, assigns, acquirers,

divisions, representatives, heirs, officers, directors, shareholders, agents, employees, attorneys, auditors, accountants, underwriters, advisers, insurers, co-insurers, re-insurers, consultants, and any person, firm, trust, corporation, officer, director or other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any of the Defendants, and the legal representatives, heirs, predecessors, successors in interest or assigns of the Defendants and/or any members of the immediate family of any Defendant, including, without limitation, National Union Fire Insurance Co. of Pittsburgh, PA, and its past or present subsidiaries, parents, affiliates, successors and predecessors, reinsurers, officers, directors, agents, employees, attorneys, legal representatives, successors in interest or assigns.

(u) “Settled Claims” means any and all direct, individual, representative, or class claims, debts, demands, rights or causes of action or liabilities whatsoever (including, but not limited to, any claims for compensatory damages, punitive damages, interest, attorneys’ fees (except as provided in paragraph 8 herein), expert or consulting fees (except as provided in paragraph 8 herein), and any other costs, expenses, amounts, or liability or relief, monetary, injunctive, or otherwise), whether based on federal, state, local, statutory or common law, foreign, international or any other law, rule or regulation, whether fixed or contingent, accrued or un-accrued, liquidated or un-liquidated, at law or in equity, matured or un-matured, whether class or individual in nature, direct or derivative, including both known claims and Unknown Claims (as defined below) (i) that have been asserted in the Action against any of the Released Parties; (ii) that could have been, were, or could in the future be asserted in the Action or in any forum by the Lead Plaintiff, Settlement Class Members or any of them, or by their affiliates, heirs, agents,

attorneys, executors, administrators, beneficiaries, predecessors, successors or assigns (in their capacities as such), against any of the Released Parties, which are in connection with, arise out of, are based upon, or are related in any way to the subject matters, claims, allegations, acts, transactions, facts, agreements, negotiations, events, matters or occurrences, disclosures, representations, or omissions, including any public statement by any Defendant during the Settlement Class Period, involved, described, set forth, or referred to in the Complaint; (iii) that are in connection with, arise out of, are based upon, or are related in any way to the subject matters, claims, allegations, acts, transactions, facts, events, matters or occurrences, disclosures, representations or omissions involved, described, set forth, or referred to in the Action and/or the Complaint; or (iv) that arise out of or relate in any way to the defense or settlement of the Action (except for claims to enforce the Settlement).

(v) “Settled Defendants’ Claims” means any and all claims, rights or causes of action or liabilities whatsoever, whether based on federal, state, local, statutory or common law or any other law, rule or regulation, including both known claims and Unknown Claims, that have been or could have been asserted in the Action or any forum by Defendants or any of them, or their heirs, agents, executors, administrators, beneficiaries, predecessors, successors or assigns (in their capacities as such), against any of the Lead Plaintiff, Settlement Class Members or their attorneys, which arise out of or relate in any way to the institution, prosecution, or settlement of the Action, except for claims to enforce the Settlement.

(w) “Settlement” means the settlement contemplated by this Stipulation.

(x) “Settlement Account” means account or accounts at a banking or investment institution established by Lead Counsel, as sole escrow agent, for the benefit of the Settlement Class, to hold the Settlement Amount, Gross Settlement Fund and Net Settlement Fund.

(y) “Settlement Amount” means the amount specified in paragraph 4 hereof.

(z) “Settlement Benefit” means the Settlement Amount plus the \$100,000 (one hundred thousand dollars) to be paid on behalf of all Defendants by Sonus and advanced to Lead Plaintiff to pay for costs of the Settlement Notice, as described in paragraph 5 hereof.

(aa) “Settlement Class” means all Persons who purchased Sonus common stock during the Settlement Class Period of December 11, 2000 to January 16, 2002, inclusive, and who suffered damages thereby. Excluded from the Settlement Class are Defendants; members of the immediate family of any Individual Defendant; the affiliates and subsidiaries of Sonus and the officers and directors of Sonus and its affiliates and subsidiaries; any entity in which any excluded Person has a controlling interest; and the legal representatives, heirs, controlling Persons, successors, and assigns of any excluded Person. Also excluded from the Settlement Class are any Persons and/or entities who provide notice to the Parties of their determination to exclude themselves from the Settlement Class by filing a request for exclusion in response to, and in accordance with the requirements set forth in, the Notice of Settlement and whose requests for exclusion are granted by the Court. The Settlement Class to be certified pursuant to this Stipulation, or any exhibits hereto, shall be certified for settlement purposes only.

(bb) “Settlement Class Member” means a member of the Settlement Class.

(cc) “Settlement Class Period” means the period of time between December 11, 2000 and January 16, 2002, inclusive.

(dd) “Settlement Notice” means the Notice of Proposed Settlement of Class Action, Motion for Attorneys’ Fees and Settlement Fairness Hearing, which is to be sent to members of the Settlement Class in substantially the form attached hereto as Appendix 1 to Exhibit A.

(ee) “Sonus” means Sonus Networks, Inc., and its past and present subsidiaries, parents, affiliates, predecessors, and their respective officers, directors, agents, employees, attorneys, legal representatives, successors in interest or assigns.

(ff) “Unknown Claims” means any and all Settled Claims which Lead Plaintiff or any Settlement Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Parties, and any Settled Defendants’ Claims which any Defendant does not know or suspect to exist in his, her or its favor, which if known by him, her or it might have affected his, her or its decision(s) with respect to the Settlement. With respect to any and all Settled Claims and Settled Defendants’ Claims, the Parties stipulate and agree that upon the Effective Date, the Lead Plaintiff and the Defendants shall expressly waive, and each Settlement Class Member shall be deemed to have waived, and by operation of the Order and Final Judgment shall have expressly waived, any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to Cal. Civ. Code § 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Lead Plaintiff and Defendants acknowledge, and Settlement Class Members by operation of law shall be deemed to have acknowledged, that the inclusion of “Unknown Claims” in the definition of Settled Claims and Settled Defendants’ Claims was separately bargained for and was a material element of the Settlement.

**SCOPE AND EFFECT OF SETTLEMENT**

2. The obligations incurred pursuant to this Stipulation shall be in full and final disposition of the Action, the Complaint, and any and all Settled Claims as against all Released Parties, and any and all Settled Defendants’ Claims.

3. (a) Upon the Effective Date of this Settlement, Lead Plaintiff and all members of the Settlement Class, on behalf of themselves, and their respective affiliates, heirs, agents, attorneys, executors, administrators, beneficiaries, predecessors, successors and assigns, and any Persons they represent (in their capacities as such), shall, by operation of the Order and Final Judgment, with respect to each and every Settled Claim, release and be deemed to release with prejudice and forever discharge, and shall forever be enjoined from prosecuting, any Settled Claims against any of the Released Parties. By entering into this Stipulation, Lead Plaintiff warrants that it has not designated, hypothecated, transferred, or otherwise granted any interest in the Settled Claims, or any of them, to any other Person.

(b) Upon the Effective Date of this Settlement, each of the Defendants, on behalf of themselves and their respective affiliates, heirs, agents, attorneys, executors, administrators, beneficiaries, predecessors, successors and assigns, and any Persons they represent (in their capacities as such), shall release with prejudice and forever discharge each and every of the Settled Defendants’ Claims, and shall forever be enjoined from

prosecuting the Settled Defendants' Claims against Lead Plaintiff, all Settlement Class Members, and their respective counsel.

#### **THE SETTLEMENT CONSIDERATION**

4. Sonus, on behalf of all Defendants, will pay (or cause to be paid) into the Settlement Account the sum of \$9,500,000 (nine million five hundred thousand US dollars) in cash (the "Settlement Amount") within ten (10) business days after entry of the Order for Notice and Hearing, substantially in the form attached hereto as Exhibit A. Except as set forth in paragraph 5 herein, in the event the Settlement is not finally approved, or is terminated for any other reason, the Settlement Amount will be repaid to Sonus or its designee within fifteen (15) business days of the date upon which the Settlement is not finally approved, or is terminated for any other reason. Prior to the entry of an Order and Final Judgment, the Settlement Account shall be an escrow account and Lead Counsel shall serve as the sole escrow agent of that account. Lead Counsel may not assign any of its rights and responsibilities as escrow agent without prior written approval of Sonus or its counsel. Lead Counsel shall cause the monies deposited in the Settlement Account to be held in securities issued or guaranteed by the United States. Any interest earned on the funds deposited in the Settlement Account shall accrue to the benefit of the Settlement Class. Upon the request of Sonus' counsel, Lead Counsel, as escrow agent, shall submit to Sonus' counsel a statement of receipts and disbursements and property on hand pertaining to the Gross Settlement Fund or the Net Settlement Fund.

5. In addition to the Settlement Amount, Sonus will pay on behalf of all Defendants and advance to Lead Plaintiff the full costs of notice to the Settlement Class; provided,

however, that (i) if the Settlement is finally approved by the Court, Sonus shall be responsible for no more than \$100,000 of the costs of notice, to be credited against any amount Sonus will have paid and advanced toward payment of the costs of notice, with the balance of any such costs to be reimbursed to Sonus out of the Gross Settlement Fund; (ii) if the Settlement is not finally approved or is otherwise terminated, all notice costs advanced by Sonus shall be borne by Sonus, and shall not be reimbursed; and (iii) if the Settlement is finally approved by the Court, all costs of settlement administration shall borne by and paid out of the Gross Settlement Fund.

6. (a) The Gross Settlement Fund, net of any Taxes (as defined below) on the income thereof, shall be used (i) to repay Sonus any costs of Notice to the Settlement Class in excess of \$100,000, as required by the Order for Notice and Hearing and in light of the terms provided in paragraph 5 herein; (ii) to pay the attorneys' fee and expense award referred to in paragraph 8(a) herein; and (iii) to pay any case contribution award to Lead Plaintiff as provided in paragraph 8(b) herein. The balance of the Gross Settlement Fund shall be the "Net Settlement Fund." All funds held in the Settlement Account shall remain subject to the jurisdiction of the Court until such time as the funds shall be distributed to Authorized Claimants or returned to Sonus pursuant to this Stipulation and/or further order of the Court. The monies deposited in the Settlement Account shall be invested in securities issued or guaranteed by the United States, and the Gross Settlement Fund, as deposited in the Settlement Account, shall collect all interest accrued thereon and reinvest such interest thereon in the same manner.

(b) Any additional costs of Notice to the Settlement Class, over and above the amounts as required by the Order for Notice and Hearing, and fees of accountants

retained by Lead Counsel or the Claims Administrator to prepare tax returns with respect to the Gross Settlement Fund, may be paid from the Settlement Account prior to the Effective Date.

(c) Lead Counsel shall designate the Claims Administrator. All (i) taxes on or with respect to the Gross Settlement Fund (including any taxes on the income of the Gross Settlement Fund and any interest or penalties owed to a taxing authority), and (ii) expenses and costs incurred in connection with the taxation of the Gross Settlement Fund (including, without limitation, expenses of any tax attorneys and accountants and all income, withholding, and any other taxes imposed on or measured by income which is attributable to income from the Gross Settlement Fund) (collectively “Taxes”) shall be timely paid out of the Gross Settlement Fund by the Claims Administrator or other agent appointed by Lead Counsel, without prior Order of the Court. The Parties hereto agree that the Gross Settlement Fund is intended to be a Qualified Settlement Fund within the meaning of Treasury Regulation §§ 1.468B-1 through 1.468B-5, 26 C.F.R. §§ 1.468B-1 through 1.468B-5. The Parties shall treat the Gross Settlement Fund as a Qualified Settlement Fund for all reporting purposes under the federal tax laws. The Claims Administrator is hereby designated as administrator of the Gross Settlement Fund within the meaning of Treasury Regulation § 1.468B-2(k)(3) and shall be responsible for filing all tax returns for the Gross Settlement Fund, paying from the Gross Settlement Fund any Taxes owed with respect to the Gross Settlement Fund, and otherwise complying with the Treasury Regulations applicable to Qualified Settlement Funds. Unless funds are returned to Sonus because the Settlement is terminated or not finally approved, Defendants, Released Parties and Defendants’ Counsel shall have no responsibility or

liability for payment of any Taxes owed with respect to the Gross Settlement Fund or any reporting requirements that may relate to such Taxes, including requirements concerning the timely filing, preparation or distribution of any return or other document relating to any Taxes. If funds are returned to Sonus because the Settlement is terminated or not finally approved, Sonus shall be liable for all Taxes owed or due on said funds after their return. The Parties hereto agree that the Gross Settlement Fund, upon funding, shall be treated as a Qualified Settlement Fund from the earliest date possible, and agree to any relation-back election required to treat the Gross Settlement Fund as a Qualified Settlement Fund from the earliest date possible. After written request by the Claims Administrator, Sonus agrees to provide promptly to the Claims Administrator the statement described in Treasury Regulation § 1.468B-3(e).

7. None of the Defendants, the Released Parties or their respective counsel shall have any responsibility for or liability whatsoever, and Lead Counsel shall indemnify and hold Defendants and their counsel in the Action harmless, with respect to: (i) any act, omission or determination of Lead Counsel, the Claims Administrator, or any of their respective designees or agents, in connection with the administration of the Settlement or otherwise; (ii) the management, investment or distribution of the Gross Settlement Fund; (iii) the Plan of Allocation; (iv) the determination, administration, calculation or payment of any claims asserted against the Gross Settlement Fund; (v) any losses suffered by, or fluctuations in the value of, the Gross Settlement Fund; or (vi) the payment or withholding of any Taxes, expenses and/or costs incurred in connection with the taxation of the Gross Settlement Fund or the filing of any returns.

## **ATTORNEYS' FEES AND EXPENSES**

8. (a) Lead Counsel will apply to the Court for (i) an award of attorneys' fees in an amount not to exceed 17% of the Settlement Benefit, and (ii) reimbursement of reasonable expenses (including expert and consultant fees), from the Gross Settlement Fund. Such amounts as are awarded by the Court shall be payable, no earlier than the Effective Date, from the Gross Settlement Fund, including any interest accrued thereon from the time of payment of the Settlement Amount into the Settlement Account up to the Effective Date. Notice of such application shall be included in the Settlement Notice.

(b) Lead Counsel currently intends to apply to the Court to award from the Gross Settlement Fund a case contribution award to the Lead Plaintiff, of up to forty-thousand dollars (\$40,000), for the reasonable costs and expenses (including lost wages) directly relating to its representation of the Settlement Class, including its participation in and supervision of the litigation and the settlement negotiations. Notice of such application shall be included in the Settlement Notice.

(c) Defendants have no reversionary interest in the Gross Settlement Fund or the Net Settlement Fund upon final approval of the Settlement. Accordingly, Defendants will take no position on the fees, expenses or awards requested to be paid from the Gross Settlement Fund or the Net Settlement Fund.

(d) Lead Counsel will have sole and complete discretion in the allocation of any fees, costs and expenses among Plaintiffs' Counsel. Such allocation of fees and expenses shall not affect the amount or timing of the distribution to the Authorized Claimants.

## ADMINISTRATION

9. The Claims Administrator shall administer the Settlement subject to the jurisdiction of the Court. The Claims Administrator, in accordance with the terms and conditions specified below, shall process the Proofs of Claim and, after entry of the Settlement Class Distribution Order (as defined in paragraph 14 below), distribute the Net Settlement Fund to the Authorized Claimants. Except for Sonus' obligation to pay the Settlement Amount, Defendants and other Released Parties, including their respective insurers, shall have no liability, obligation or responsibility for or in connection with the administration of the Settlement or disbursement of the Net Settlement Fund.

10. For purposes of determining the extent, if any, to which a Settlement Class Member shall be entitled to be treated as an Authorized Claimant, the following conditions shall apply:

(a) Each Settlement Class Member shall be required to submit a Proof of Claim (see Appendix 2 attached to Exhibit A), supported by such documents as are designated therein, including proof of the transactions claimed, or such other documents or proof as the Claims Administrator, in its discretion, may deem acceptable;

(b) All Proofs of Claim must be submitted by the date specified in the Notice unless such period is extended by Order of the Court. Any Settlement Class Member who fails to submit a Proof of Claim by such date shall be forever barred from receiving any payment pursuant to this Stipulation, unless, by Order of the Court, a later submitted Proof of Claim by such Settlement Class Member is approved, but shall in all other respects be bound by all of the terms of this Stipulation and the Settlement including the terms of the Order and Final Judgment to be entered in the Action and the releases

provided for herein, and will be barred from bringing any action against the Released Parties concerning the Settled Claims. Provided that it is received before the motion for the Settlement Class Distribution Order (defined in paragraph 14, below) is filed, a Proof of Claim shall be deemed to have been submitted when posted, if received with a postmark indicated on the envelope and if mailed by first-class mail and addressed in accordance with the instructions thereon. In all other cases, the Proof of Claim shall be deemed to have been submitted when actually received by the Claims Administrator;

(c) Each Proof of Claim shall be submitted to and reviewed by the Claims Administrator, who shall determine in accordance with this Stipulation and the approved Plan of Allocation the extent, if any, to which each claim shall be allowed, subject to review by the Court pursuant to subparagraph 10(f) below;

(d) Lead Counsel shall have the right, but not the obligation, to advise the Claims Administrator to waive what Lead Counsel deem to be formal or technical defects in any Proofs of Claim submitted, in the interests of achieving substantial justice;

(e) Proofs of Claim that do not meet the submission requirements may be rejected. Prior to rejection of a Proof of Claim, the Claims Administrator shall communicate with the claimant in order to attempt to remedy any curable deficiencies in the Proofs of Claim submitted. The Claims Administrator shall notify, in a timely fashion and in writing, each claimant whose Proof of Claim the Claims Administrator proposes to reject in whole or in part, setting forth the reasons therefor, and shall indicate in such notice that the claimant whose claim is to be rejected has the right to a review by the Court if the claimant so desires and complies with the requirements of subparagraph 10(f) below; and

(f) If any claimant whose claim has been rejected in whole or in part desires to contest such rejection, the claimant must, within twenty (20) days after the date of mailing of the notice required in subparagraph 10(e) above, serve upon the Claims Administrator a notice and statement of reasons indicating the claimant's grounds for contesting the rejection along with any supporting documentation, and requesting a review thereof by the Court. If a dispute concerning a claim cannot be otherwise resolved, Lead Counsel shall thereafter present the request for review to the Court.

11. Each Authorized Claimant shall be allocated a *pro rata* share of the Net Settlement Fund based on his, her or its Recognized Loss (as defined in the Plan of Allocation described in the Notice annexed hereto as Appendix 1 to Exhibit A, or in such other plan of allocation as the Court approves) compared to the total Recognized Losses of all Authorized Claimants. The Claims Administrator shall make such determinations and the Defendants shall have no involvement in reviewing or challenging claims.

12. All proceedings with respect to the administration, processing and determination of claims described by paragraphs 10 and 11 of this Stipulation, and the determination of all controversies relating thereto, including disputed questions of law and fact with respect to the validity of claims, shall be subject to the jurisdiction of the Court.

13. Each claimant shall be deemed to have submitted to the jurisdiction of the Court with respect to the claimant's claim, and the claim will be subject to investigation and discovery under the Federal Rules of Civil Procedure, provided that such investigation and discovery shall be limited to that claimant's status as a Settlement Class Member and the validity and amount of the claimant's claim. No discovery shall be allowed on the merits of the Action or Settlement in connection with processing of the Proofs of Claim.

14. Lead Counsel will apply to the Court, on notice to Defendants' Counsel, for an order (the "Settlement Class Distribution Order") approving the Claims Administrator's administrative determinations concerning the acceptance and rejection of the claims submitted herein, and, if the Effective Date has occurred, directing the Initial Distribution of the Net Settlement Fund to all Authorized Claimants.

15. The Net Settlement Fund shall be distributed to Authorized Claimants by the Claims Administrator only after the Effective Date and, unless the Court otherwise orders, only after: (i) all claims have been processed, and all claimants whose claims have been rejected or disallowed, in whole or in part, have been notified and provided the opportunity to be heard concerning such rejection or disallowance; (ii) all objections with respect to all rejected or disallowed claims have been resolved by the Court, and all appeals from such matters have been resolved or the time for such appeals has expired; (iii) all matters with respect to attorneys' fees, costs, and disbursements have been resolved by the Court, and all appeals therefrom have been resolved or the time therefor has expired; and (iv) all costs of administration have been paid.

16. If any funds remain in the Net Settlement Fund by reason of un-cashed distributions or otherwise, then, after the Claims Administrator has made reasonable and diligent efforts to have Authorized Claimants who are entitled to participate in the distribution of the Net Settlement Fund cash their distributions, any balance remaining in the Net Settlement Fund one (1) year after the Initial Distribution of such funds shall be re-distributed to Settlement Class Members who have cashed their initial distributions and who would receive at least \$25.00 from such redistribution, after payment of any unpaid costs or fees incurred in administering the Net Settlement Fund for such re-

distribution. If after six months after such re-distribution any funds remain in the Net Settlement Fund, then such balance shall be contributed to one or more non-sectarian, not-for-profit, 501(c)(3) organization(s) to be designated by, and not affiliated with, Lead Counsel.

17. Payment pursuant to this Stipulation shall be deemed final and conclusive against all Settlement Class Members. All Settlement Class Members whose claims are not approved by the Court, and who do not validly request exclusion from the Settlement in accordance with the requirements set forth in the Notice, shall be barred from participating in distributions from the Net Settlement Fund, but otherwise shall be bound by all of the terms of this Stipulation and the Settlement, including the terms of the Order and Final Judgment to be entered in the Action and the releases provided for herein, and will be barred from bringing any action against the Released Parties concerning the Settled Claims.

**TERMS OF ORDER FOR NOTICE AND HEARING**

18. Promptly after this Stipulation has been fully executed, Lead Counsel shall apply to the Court for entry of the Order for Notice and Hearing, substantially in the form annexed hereto as Exhibit A.

19. Sonus will undertake best efforts to provide to the Claims Administrator records reflecting the names and addresses of the record or beneficial owners of its common stock during the Settlement Class Period, including records to be obtained from its transfer agent, within ten (10) days after entry of the Order for Notice and Hearing.

## **TERMS OF ORDER AND FINAL JUDGMENT**

20. If the Settlement contemplated by this Stipulation is approved by the Court, counsel for the Parties shall request that the Court enter an Order and Final Judgment, substantially in the form annexed hereto as Exhibit B (with only such non-material changes as may be agreed to by Lead Counsel and the Defendants). The Parties hereto agree that they will seek entry of the Order and Final Judgment as soon as practicable following the Court's approval.

## **EFFECTIVE DATE OF SETTLEMENT OR TERMINATION**

21. The "Effective Date" of Settlement shall be the date when all the following shall have occurred:

- (a) entry of the Order for Notice and Hearing;
- (b) approval by the Court of the Settlement, following notice to the Settlement Class and a hearing, as prescribed by Rule 23 of the Federal Rules of Civil Procedure; and entry by the Court of an Order and Final Judgment, substantially in the form set forth in Exhibit B annexed hereto (with only such non-material changes as may be agreed to by Lead Counsel and the Defendants), and the expiration of any time for appeal or review of such Order and Final Judgment, or, if any appeal is filed and not dismissed, after such Order and Final Judgment is upheld on appeal in all material respects and is no longer subject to review;
- (c) upon appeal or review by writ of certiorari, or, in the event that the Court enters an Order and Final Judgment in a form other than that provided for in paragraph 20 ("Alternative Judgment") and none of the Parties hereto elect to terminate this

Settlement, the date that such Alternative Judgment is upheld on appeal in all material respects and is no longer subject to review upon appeal or review by writ of certiorari.

22. Any proceeding, order, or appeal pertaining solely to the Plan of Allocation and/or application for attorneys' fees, costs or awards, shall not in any way delay or preclude the Effective Date.

23. If Settlement Class Members who purchased shares in excess of a number of shares, to be agreed upon by the Parties in a separate "Supplemental Agreement" to be considered a material term of this Stipulation, validly request exclusion from the Settlement Class, Defendants may, at their option, terminate the Settlement pursuant to the Supplemental Agreement. The Order for Notice and Hearing shall provide that requests for exclusion must be mailed to Lead Counsel at least twenty (20) calendar days prior to the date set for hearing on Final Approval. Lead Counsel shall provide Defendants' Counsel with copies of any requests for exclusion no later than fifteen (15) calendar days prior to the date set for hearing on Final Approval.

24. Defendants' Counsel or Lead Counsel shall have the right to terminate the Settlement and this Stipulation by providing written notice of their election to do so ("Termination Notice") to all other Parties hereto within thirty (30) days of: (a) the Court's declining to enter the Order for Notice and Hearing in any material respect; (b) the Court's refusal to approve this Stipulation or any material part of it, other than the amount of attorneys' fees to be awarded Plaintiffs' Counsel; (c) the Court's declining to enter the Order and Final Judgment in any material respect; (d) the date upon which the Order and Final Judgment is modified or reversed in any material respect.

25. Except as otherwise provided herein, in the event the Settlement is terminated, then the Parties to this Stipulation shall be deemed to have reverted to their respective status in the Action as it existed as of October 3, 2008, the date of the MOU, and, except as otherwise expressly provided, the Parties shall proceed in all respects as if this Stipulation and any related orders had not been entered, and any portion of the Settlement Amount previously paid by Sonus on behalf of all Defendants, together with any interest earned thereon, less (i) any costs paid or incurred by the Gross Settlement Fund as of the date of the Termination Notice to provide Notice to the Settlement Class, as required by the Order for Notice and Hearing and (ii) any Taxes paid or due with respect to such income, shall be returned to Sonus within fifteen (15) business days of the date upon which the Settlement is terminated. Sonus shall remain liable for all reasonable costs and expenses incurred for and in connection with distribution of the Settlement Notice and publication of the Publication Notice (as set forth in paragraph 5 herein).

**NO ADMISSION OF WRONGDOING**

26. This Stipulation, whether or not consummated, and any proceedings taken pursuant to it:

(a) shall not be offered or received against the Defendants or any other Released Party as evidence of or construed as or deemed to be evidence of any presumption, concession, or admission by any of the Defendants or the Released Parties with respect to the truth of any fact alleged by the Lead Plaintiff or any other plaintiff or the validity of any claim that has been or could have been asserted in the Action or in any litigation, or the deficiency of any defense that has been, could have been or could be

asserted in the Action or in any proceeding, or of any liability, negligence, fault, or wrongdoing of Defendants or the Released Parties;

(b) shall not be offered or received against Defendants or the Released Parties as evidence of a presumption, concession or admission of any fault, misrepresentation or omission with respect to any statement or written document approved or made by any Defendant or any of the Released Parties;

(c) shall not be offered or received against Defendants or the Released Parties as evidence of a presumption, concession or admission with respect to any liability, negligence, fault or wrongdoing, or in any way referred to for any other reason as against any of Defendants or Released Parties, in any other civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of this Stipulation; provided, however, that if this Stipulation is approved by the Court, Defendants or Released Parties may refer to it to effectuate the liability protection granted them hereunder;

(d) shall not be construed against Defendants or the Released Parties as an admission or concession that the consideration to be given hereunder represents the amount which could be or would have been recovered after trial or of the validity of any claims in the Action or of any wrongdoing; and

(e) shall not be construed as or received in evidence as an admission, concession or presumption against Lead Plaintiff or any of the Settlement Class Members that any of their claims are without merit, or that any defenses asserted by Defendants or any other Released Party have any merit, or that damages recoverable under the Complaint would not have exceeded the Gross Settlement Fund.

## **MISCELLANEOUS PROVISIONS**

27. All of the exhibits attached hereto are hereby incorporated by reference as though fully set forth herein.

28. If there is a conflict between this Stipulation and any exhibit to this Stipulation, the language of this Stipulation shall be controlling.

29. Sonus agrees to warrant, as to any payment it makes contributing to the Settlement Amount, that at the time of such payment Sonus is not insolvent nor will such payment render Sonus insolvent within the meaning and/or for the purposes of the United States Bankruptcy Code, including §§ 101 and 547 thereof.

30. In the event that, prior to the occurrence of the Initial Distribution of the Net Settlement Fund to Authorized Claimants, a case is commenced in respect of Sonus (or any insurer contributing funds to the Settlement Amount on its behalf) under Title 11 of the United States Code (Bankruptcy), or a trustee, receiver or conservator is appointed under any similar law, and in the event of the entry of a final order of a court of competent jurisdiction determining the transfer of money to the Gross Settlement Fund or any portion thereof by or on behalf of Sonus to be a preference, voidable transfer, fraudulent transfer or similar transaction, and the Initial Distribution of the Net Settlement Fund has not been made and such Net Settlement Fund is still held in escrow and is required to be returned, and no other Person voluntarily elects to promptly deposit such amount to the Gross Settlement Fund on Defendants' behalf, then, at the election of Lead Plaintiff and Lead Counsel, the Parties shall jointly move the Court to vacate and set aside the releases given and Judgment entered in favor of the Defendants pursuant to this Stipulation, which releases and Judgment shall be null and void, and the Settlement

shall be terminated, and the Parties shall be restored to their respective positions in the litigation as of October 3, 2008 and any amounts in the Gross Settlement Fund shall be returned as provided in paragraph 25 above.

31. The Parties to this Stipulation intend the Settlement to be a final and complete resolution of all disputes asserted or which could be asserted by the Lead Plaintiff and any Settlement Class Members against the Released Parties with respect to the Settled Claims. Accordingly, Lead Plaintiff and Defendants agree not to assert in any forum that the litigation was brought by Plaintiffs or defended by Defendants in bad faith or without a reasonable basis. The Parties hereto shall assert no claims of any violation of Rule 11 of the Federal Rules of Civil Procedure relating to the prosecution, defense, or settlement of the Action. The Parties agree that the amount paid and the other terms of the Settlement were negotiated at arm's length in good faith by the Parties, and reflect a settlement that was reached voluntarily after consultation with experienced legal counsel.

32. In accordance with paragraph 14 of the Stipulation and Confidentiality Agreement, dated October 17, 2008, all Confidential Information and all copies thereof shall be destroyed or returned to counsel for the producing party within thirty (30) days after the Order and Final Judgment is entered in the Action and the compulsory time to appeal that Order and Final Judgment has expired, unless otherwise agreed to by the Parties.

33. The Plan of Allocation proposed in the Notice is not a necessary term of this Stipulation and it is not a condition of this Stipulation that any particular plan of allocation be approved. The Defendants and the Released Parties take no position and will have no responsibility with respect to such Plan of Allocation as the Court approves.

34. This Stipulation may not be modified or amended, nor may any of its provisions be waived except by a writing signed by all Parties hereto or their successors-in-interest.

35. The headings herein are used for the purpose of convenience only and are not meant to have legal effect.

36. The administration and consummation of the Settlement as embodied in this Stipulation shall be under the authority of the Court and the Court shall retain jurisdiction for the purpose of entering orders providing for awards of attorneys' fees and expenses to Lead Counsel and any case contribution award to Lead Plaintiff, and enforcing the terms of this Stipulation.

37. The waiver by one party of any breach of this Stipulation by any other party shall not be deemed a waiver of any other prior or subsequent breach of this Stipulation.

38. This Stipulation and its exhibits constitute the entire agreement among the Parties hereto concerning the Settlement of the Action, and no representations, warranties, or inducements have been made by any party hereto concerning this Stipulation and its exhibits other than those contained and memorialized in such documents.

39. This Stipulation may be executed in one or more counterparts. All executed counterparts and each of them shall be deemed to be one and the same instrument.

40. This Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the Parties hereto.

41. The construction, interpretation, operation, effect and validity of this Stipulation, and all documents necessary to effectuate it, shall be governed by the internal laws of the Commonwealth of Massachusetts without regard to conflicts of laws, except to the extent that federal law requires that federal law governs.

42. This Stipulation shall not be construed more strictly against one party than another merely by virtue of the fact that it, or any part of it, may have been prepared by counsel for one of the Parties, it being recognized that it is the result of arm's-length negotiations between the Parties and all Parties have contributed substantially and materially to the preparation of this Stipulation.

43. All counsel and any other Person executing this Stipulation and any of the exhibits hereto, or any related settlement documents, warrant and represent that they have the full authority to do so and that they have the authority to take appropriate action required or permitted to be taken pursuant to the Stipulation to effectuate its terms.

44. If any provision or term of this Stipulation is held to be illegal, invalid, or unenforceable, such provision or term shall be fully severable; this shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised part of the Stipulation; and the remaining provisions shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance. Furthermore, in lieu of each such illegal, invalid, or unenforceable provision or term, there shall be added automatically as part of the Stipulation, as the case may be, another provision or term as similar to the illegal, invalid, or unenforceable provision as may be possible and that is legal, valid, and enforceable.

45. If any claims that are or would be subject to the releases of the Settled Claims or Defendants' Settled Claims, as defined herein, are asserted against any Party in any court prior to final approval of the Settlement, the Parties shall join, at the request of the Party such claim is brought against, in any motion made to dismiss or stay such proceeding.

46. Lead Counsel and Defendants' Counsel agree to cooperate fully with one another in seeking Court approval of the Order for Notice and Hearing, the Stipulation and the Settlement, and to promptly agree upon and execute all such other documentation as may be reasonably required to obtain Final Approval.

DATED: January 14, 2009

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