SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2011-11-07** | Period of Report: **2011-09-30**
SEC Accession No. 0001193125-11-298708

(HTML Version on secdatabase.com)

FILER

TEKELEC

CIK:**790705**| IRS No.: **952746131** | State of Incorp.:**CA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-15135** | Film No.: **111182877**
SIC: **3663** Radio & tv broadcasting & communications equipment

Mailing Address
5200 PARAMOUNT PARKWAY
MORRISVILLE NC 27560

Business Address
5200 PARAMOUNT PARKWAY
MORRISVILLE NC 27560
919-460-5500

Copyright © 2014 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011

Or

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

Commission file number 0-15135

(Exact name of registrant as specified in its charter)

California	**95-2746131**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

5200 Paramount Parkway
Morrisville, North Carolina 27560
(Address and zip code of principal executive offices)

(919) 460-5500
(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 ☑ No ☐

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

Indicate by check mark 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.

Large accelerated filer ☑	Accelerated filer ☐

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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

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

As of October 21, 2011, there were 69,254,953 shares of the registrant' s common stock, without par value, outstanding.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

TEKELEC
TABLE OF CONTENTS
FORM 10-Q

		Page
	Part I − Financial Information	
Item 1.	Financial Statements	2
	Unaudited Condensed Consolidated Balance Sheets as of September 30, 2011 and December 31, 2010	2
	Unaudited Condensed Consolidated Statements of Operations for the Three and Nine Months ended September 30, 2011 and 2010	3
	Unaudited Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Months ended September 30, 2011 and 2010	4
	Unaudited Condensed Consolidated Statements of Cash Flows for the Nine Months ended September 30, 2011 and 2010	5
	Notes to Unaudited Condensed Consolidated Financial Statements	6
Item 2.	Management' s Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	38
Item 4.	Controls and Procedures	38
	Part II − Other Information	
Item 1.	Legal Proceedings	39
Item 1A.	Risk Factors	39
Item 5.	Other Information	40
Item 6.	Exhibits	41
Signatures		42
Exhibits		

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

PART I – FINANCIAL INFORMATION

Item 1. ***Financial Statements***

TEKELEC
Unaudited Condensed Consolidated Balance Sheets

	September 30, 2011	December 31, 2010
	(Thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 270,456	$ 220,938
Accounts receivable, net	117,305	165,019
Inventories	17,709	28,221
Income taxes receivable	11,447	3,098
Deferred income tax asset, current	21,773	19,906
Deferred costs and prepaid commissions	30,879	43,652
Prepaid expenses	7,990	8,527
Other current assets	3,761	3,687
Total current assets	481,320	493,048
Property and equipment, net	35,831	37,169
Deferred income tax asset, net, noncurrent	75,957	72,854
Other assets	1,410	1,507
Goodwill	135,620	135,564
Intangibles assets, net	64,284	92,245
Total assets	$ 794,422	$ 832,387
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 13,650	$ 17,823
Accrued expenses	38,607	20,344
Accrued compensation and related expenses	16,980	22,680
Current portion of deferred revenues	110,644	145,291
Total current liabilities	179,881	206,138
Deferred income tax liabilities, noncurrent	1,752	7,430
Long-term portion of deferred revenues	4,184	6,812
Other long-term liabilities	15,212	5,422
Total liabilities	201,029	225,802
Commitments and Contingencies (Note 10)		
Shareholders' equity:		
Common stock, without par value, 200,000,000 shares authorized; 69,253,624 and 68,617,232 shares issued and outstanding, respectively	359,143	351,309
Retained earnings	235,131	256,829
Accumulated other comprehensive income (loss)	(881)	(1,553)
Total shareholders' equity	593,393	606,585
Total liabilities and shareholders' equity	$ 794,422	$ 832,387

See notes to unaudited condensed consolidated financial statements.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

TEKELEC

Unaudited Condensed Consolidated Statements of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Thousands, except per share data)			
Revenues	$106,179	$108,305	$310,738	$333,803
Cost of sales:				
Cost of goods sold	34,236	40,773	115,570	115,963
Amortization of intangible assets	8,087	7,594	23,029	13,094
Total cost of sales	42,323	48,367	138,599	129,057
Gross profit	63,856	59,938	172,139	204,746
Operating expenses:				
Research and development	23,772	24,094	72,965	68,666
Sales and marketing	16,951	20,192	55,673	55,858
General and administrative	11,738	13,219	35,971	39,176
Amortization of intangible assets	1,779	1,613	5,329	2,864
Restructuring and other	5,191	0	28,532	0
Acquisition-related expenses	0	407	0	2,891
Total operating expenses	59,431	59,525	198,470	169,455
Income (loss) from operations	4,425	413	(26,331)	35,291
Other income (expense), net	(1,112)	(1,073)	(2,760)	(2,932)
Income (loss) before income taxes	3,313	(660)	(29,091)	32,359
Provision for (benefit from) income taxes	2,551	(526)	(7,393)	9,353
Net income (loss)	$762	$(134)	$(21,698)	$23,006
Earnings (loss) per share:				
Basic	$0.01	$0.00	$(0.31)	$0.34
Diluted	0.01	0.00	(0.31)	0.33
Weighted average number of shares outstanding:				
Basic	69,215	68,526	69,013	68,179
Diluted	69,360	68,526	69,013	68,856

See notes to unaudited condensed consolidated financial statements.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

TEKELEC

Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Thousands)			
Net income (loss)	$762	$(134)	$(21,698)	$23,006
Other comprehensive income (loss):				
Foreign currency translation adjustments	(6,225)	9,501	672	(928)
Comprehensive income (loss)	$(5,463)	$9,367	$(21,026)	$22,078

See notes to unaudited condensed consolidated financial statements.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Table of Contents

TEKELEC

Unaudited Condensed Consolidated Statements of Cash Flows

	Nine Months Ended September 30,	
	2011	2010
	(Thousands)	
Cash flows from operating activities:		
Net income (loss)	$(21,698)	$23,006
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Gain on investments carried at fair value, net	0	(118)
Provision for (recovery of) doubtful accounts and returns	(1,039)	1,934
Provision for (reduction of) warranty	1,550	(1,305)
Inventory write downs	5,810	3,164
Loss on disposal of fixed assets	377	51
Depreciation	13,030	12,383
Amortization of intangible assets	28,358	15,958
Amortization, other	239	612
Deferred income taxes	(10,648)	6,925
Stock-based compensation	7,813	9,914
Excess tax benefits from stock-based compensation	(12)	(872)
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable	46,911	20,112
Inventories	4,767	(5,660)
Deferred costs	13,246	15,889
Prepaid expenses	546	56
Other current assets	(275)	545
Accounts payable	(4,319)	(16,461)
Accrued expenses	24,139	(10,118)
Accrued compensation and related expenses	(5,642)	(20,062)
Deferred revenues	(35,952)	(39,079)
Income taxes receivable	(8,470)	1,617
Income taxes payable	2,606	1,711
Total adjustments	83,035	(2,804)
Net cash provided by (used in) operating activities	61,337	20,202
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	0	92,975
Purchase of acquired business, net of cash acquired	0	(161,953)
Purchases of property and equipment	(12,039)	(14,060)
Net cash provided by (used in) investing activities	(12,039)	(83,038)
Cash flows from financing activities:		
Proceeds from issuances of common stock	1,265	10,892
Payments of net share-settled payroll taxes related to equity awards	(1,244)	(2,914)
Excess tax benefits from stock-based compensation	12	872
Net cash provided by (used in) financing activities	33	8,850
Effect of exchange rate changes on cash	187	(558)
Net change in cash and cash equivalents	49,518	(54,544)

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Cash and cash equivalents, beginning of period	**220,938**	**277,259**
Cash and cash equivalents, end of period	**$270,456**	**$222,715**

See notes to unaudited condensed consolidated financial statements.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

TEKELEC

Notes to Unaudited Condensed Consolidated Financial Statements

Note 1 − Basis of Presentation and Changes in Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Tekelec and our wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The accompanying unaudited condensed consolidated financial statements have been prepared on substantially the same basis as the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2010. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to the instructions for Form 10-Q and Article 10 of Regulation S-X.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of our consolidated financial condition and consolidated results of operations. The results of operations for the current interim period are not necessarily indicative of results for the current year.

We operate under a thirteen-week calendar quarter. For financial statement presentation purposes, the reporting periods are referred to as ended on the last calendar day of the quarter. The accompanying unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2011 and 2010 are for the thirteen and thirty-nine weeks ended September 30, 2011 and October 1, 2010, respectively.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2010 and the notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2010.

Recent Accounting Pronouncements

Testing Goodwill for Impairment. In September, 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-08, "Testing Goodwill for Impairment (the revised standard)." The revised standard is intended to reduce the cost and complexity of the annual goodwill impairment test by providing both public and nonpublic entities with the option of performing a "qualitative" assessment to determine whether further impairment testing is necessary. The revised standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. However, an entity can choose to early adopt the revised standard even if its annual test date is before September 15, 2011 (the date on which the revised standard was issued), provided that the entity has not yet issued its financial statements for the period that includes its annual test date. We do not expect adoption of this ASU to have a material impact on our results of operations, financial position or cash flow.

Presentation of Comprehensive Income. In June 2011, the FASB issued ASU No. 2011-05, "Comprehensive Income: Presentation of Comprehensive Income," which amends current comprehensive income guidance. This ASU eliminates the option to present the components of other comprehensive income as part of the statement of shareholders' equity. Instead, it requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. Under the two-statement approach, the first statement would include components of net income, which is consistent with the income statement format used today, and the second statement would include components of other comprehensive income ("OCI"). The ASU does not change the items that must be reported in OCI. ASU 2011-05 will be effective for public companies during the interim and annual periods beginning after December 15, 2011 with early adoption permitted. We do not expect adoption of this ASU to have a material impact on our results of operations, financial position or cash flow.

Fair Value Measurements and Disclosures. In May 2011, the FASB issued ASU 2011-04 "Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS." The ASU is the result of joint efforts by the FASB and the International Accounting Standards Board ("IASB") to develop a single, converged fair value framework. While the ASU is largely consistent with existing fair value measurement principles in U.S. GAAP, it expands existing

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

disclosure requirements for fair value measurements and makes other amendments. Key additional disclosures include quantitative disclosures

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

about unobservable inputs in Level 3 measures, qualitative information about sensitivity of Level 3 measures and valuation process, and classification within the fair value hierarchy for instruments where fair value is only disclosed in the footnotes but carrying amount is on some other basis. For public companies, the ASU is effective for interim and annual periods beginning after December 15, 2011. We do not expect adoption of this ASU to have a material impact on our results of operations, financial position or cash flow.

Note 2 − Acquisitions

In the second quarter of 2010 we completed the acquisitions of Camiant, Inc. (“Camiant”) and Blueslice Networks, Inc. (“Blueslice”) for cash consideration of $127.0 million and $35.0 million, respectively, for an aggregate of $162.0 million. We have included the results of operations of Camiant and Blueslice in our consolidated results from the date of acquisition.

Select Pro-Forma Financial Information

The following represents our unaudited condensed pro-forma financial results as if the acquisitions of Camiant and Blueslice had occurred as of the beginning of the earliest period presented during the year of acquisition. Unaudited condensed pro-forma results were based upon accounting estimates and judgments that we believe are reasonable. The unaudited condensed pro-forma results are not necessarily indicative of the actual results of our operations, nor does it purport to represent the results of operations for future periods.

	Nine Months Ended September 30, 2010
Revenues	$ 342,269
Net Income	$ 22,415
Basic earnings per share	$ 0.33
Diluted earnings per share	$ 0.33

Note 3 − Restructuring and Other Costs

In January 2011, we entered into an employment severance agreement with our former President and Chief Executive Officer in connection with his resignation as an executive officer and employee effective January 4, 2011. In April 2011, we entered into a termination agreement with our former Executive Vice President, Global Sales, in connection with his resignation as an executive officer and employee effective April 29, 2011. In connection with these agreements, we incurred approximately $2.5 million and $1.6 million with respect to our former President and Chief Executive Officer and our former Executive Vice President, Global Sales, respectively, in severance costs that will be paid during 2011 and 2012.

During 2010 and continuing through 2011, demand for our Eagle 5, performance monitoring and other established solutions has continued to decline as service providers shift their investments to data, video, and other broadband services. Further, while demand for our next-generation solutions has continued to grow, the growth has not offset the decline in demand for our Eagle 5, performance monitoring and other established products. As a result, certain of our key operating metrics, such as total orders, total revenue, gross margin, operating margin and revenue per employee, declined from our historical levels.

In response to this decline, in the first quarter of 2011, we initiated a restructuring plan (the “Plan”) as part of our efforts to better align our operating cost structure with our current and expected business opportunities. Under the Plan we have initiated the following actions:

a reduction of our overall headcount in the U.S and the consolidation of positions from various global locations and, subject to employee information and consultation processes, further reductions in positions in foreign countries, which overall workforce reduction is expected to be approximately 15% to 20% of our workforce;

a reduction of the discretionary portion of our operating costs through various cost control initiatives, including: (i) reducing advertising expenditures; (ii) delaying salary merit increases and modifying

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

incentive compensation plans; (iii) reducing capital expenditures; and (iv) reducing other discretionary expenditures, such as costs related to outside consultants, travel and recruiting; and

consolidation of certain facilities and the abandonment of certain assets in connection with the consolidation of facilities.

Included in our results from operations for the three and nine months ended September 30, 2011 are pre-tax restructuring charges of $5.2 million and $28.5 million, respectively. These costs consist of severance costs under our existing severance policies, including the amounts related to our former officers discussed above and are included in "Restructuring and other" in the accompanying unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2011. Based on the actions taken to date, we anticipate that during 2011 we will incur total restructuring costs of between $30.0 million and $35.0 million. The Plan and the associated costs are based on our current best estimates which could change materially, including without limitation as a result of (i) the ongoing review of our operations and the potential for further restructuring activities in 2011, and (ii) the employee information and consultation processes conducted in international jurisdictions associated with our restructuring activities.

Subject to complying with and undertaking any necessary individual and collective employee information and consultation obligations required by local law, we expect the majority of these activities to occur and associated employee expenses to be incurred by the end of 2011. We may incur additional charges after December 31, 2011 related to facilities and other costs as we exit certain locations internationally.

The following table provides a summary of our restructuring activities and the remaining obligations as of September 30, 2011 (in thousands):

	Severance Costs and Related Benefits
Restructuring obligations, June 30, 2011	$18,819
2011 Restructuring and related expenses	5,191
Cash payments	(2,699)
Effect of exchange rate changes	(19)
Restructuring obligations, September 30, 2011	$21,292

	Severance Costs and Related Benefits
Restructuring obligations, December 31, 2010	$441
2011 Restructuring and related expenses(1)	28,288
Cash payments	(7,436)
Effect of exchange rate changes	(1)
Restructuring obligations, September 30, 2011	$21,292

(1) Excludes a non-cash charge of $0.2 million associated with certain computer and research and development lab equipment.

Restructuring obligations are included in "Accrued expenses" and "Other long-term liabilities" in the accompanying unaudited consolidated balance sheets. We anticipate settling the majority of our remaining severance obligations during 2011 and 2012. This is based on our current estimate, which could change if actual activity differs from what is currently expected.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 4 − Other Income and Expense

The components of "Other income (expense), net" were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Other income (expense), net:				
Interest income	$37	$28	$103	$297
Interest expense	(11)	(64)	(248)	(185)
Gain on investments carried at fair value, net	0	0	0	118
Foreign currency gain (loss), net	(913)	(790)	(1,751)	(2,230)
Other, net	(225)	(247)	(864)	(932)
Total other income (expense), net	$(1,112)	$(1,073)	$(2,760)	$(2,932)

Note 5 − Fair Value of Financial Instruments

Recurring Measurements

We measure certain financial assets and liabilities at fair value on a recurring basis. The fair value of our cash, cash equivalents, accounts receivable and accounts payable approximate their respective carrying amounts based on the liquidity and short-term nature of these instruments. The following table sets forth our financial instruments carried at fair value (in thousands):

	Financial Instruments Carried at Fair Value	
	September 30, 2011	December 31, 2010
Assets:		
Cash and cash equivalents	$ 270,456	$ 220,938

The fair value of our financial instruments as of September 30, 2011 is based on quoted prices in active markets for identical items and fall under Level 1 of the fair value hierarchy as defined in the authoritative guidance.

Derivative Instruments

Our derivative instruments, which consist primarily of foreign currency forward contracts, are recognized as assets or liabilities at fair value. These forward contracts are not formally designated as hedges. The fair value of these contracts is based on market prices for comparable contracts. Our foreign currency forward contracts are structured to expire on the last day of each quarter, and we immediately enter into new contracts if necessary. Therefore, our derivative instruments outstanding at period end are outstanding less than one full day when the reporting period ends. Because of the short duration of these contracts, their fair value was not significant as of September 30, 2011 or December 31, 2010.

Nonrecurring Measurements

We measure certain assets, accounted for under the cost method, at fair value on a nonrecurring basis. These assets are recognized at fair value when they are deemed to be other than temporarily impaired.

We measure the fair value of our nonfinancial assets and liabilities, including but not limited to, intangible assets, goodwill and restructuring obligations that are accounted for under the authoritative guidance for exit or disposal cost obligations. As of September 30, 2011, we do not have any nonrecurring measurement disclosure for these nonfinancial assets.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 6 − Derivative Instruments and Hedging Activities

We operate internationally and thus are exposed to potential adverse changes in currency exchange rates. We use derivative instruments (principally forward contracts to exchange foreign currency) as a means of reducing our exposure to foreign currency rate changes on receivables and other net monetary assets denominated in foreign currencies. The foreign currency forward contracts require us to exchange currencies at rates agreed upon at the contract' s inception. In addition to these foreign exchange contracts, certain of our customer contracts contain provisions that require our customers to assume the foreign currency exchange risk related to the applicable transactions. The objective of these contracts is to reduce or eliminate, and efficiently manage, the economic impact of currency exchange rate movements on our operating results as effectively as possible. These contracts reduce the exposure to fluctuations in exchange rate movements because the gains and losses associated with foreign currency balances and transactions are generally offset with the gains and losses on the related contracts.

Derivative instruments are recognized as either assets or liabilities and are measured at fair value. The accounting for changes in the fair value of a derivative instrument depends on the intended use of the derivative instrument and the resulting designation. We do not designate our foreign currency exchange contracts as accounting hedges as defined by authoritative guidance for derivatives and hedging, and, accordingly, we adjust these contracts to fair value through operations (i.e., included in "Other income (expense), net"). We do not hold or issue financial instruments for speculative or trading purposes.

We continually monitor our exposure to fluctuations in foreign currency exchange rates. As we have expanded internationally, a significant portion of our revenues, costs and operating expenses are denominated in foreign currencies, resulting in an increase in our foreign currency exchange rate exposure. We enter into multiple forward contracts throughout a given month to mitigate our changing exposure to foreign currency exchange rate fluctuations principally related to receivables generated from sales denominated in non-functional currencies and our remeasurements of international subsidiaries. Our exposure fluctuates as we generate new sales in non-functional currencies and as existing receivables related to sales in non-functional currencies are collected. Additionally, our exposure related to remeasurements of our subsidiaries' financial statements fluctuates with the underlying activity in those entities. Our foreign currency forward contracts generally will have terms of one month or less and typically mature on the last day of any given period. We then immediately enter into new foreign currency forward contracts, if necessary.

Principal currencies of our foreign currency forward contracts include the Euro, Indian rupees, Brazilian reals, Malaysian ringgits, Taiwan dollars, and Canadian dollars. As of September 30, 2011, the total notional amounts of the outstanding foreign currency forward contracts were $13.2 million and $33.2 million, purchased and sold in U.S. dollar equivalents, respectively. As of December 31, 2010, the total notional amounts of the outstanding foreign currency forward contracts were $8.6 million and $56.8 million, purchased and sold in U.S. dollar equivalents, respectively.

Average total notional amounts of foreign exchange forward contracts outstanding during the three months ended September 30, 2011 were $12.7 million and $31.9 million, purchased and sold in U.S. dollar equivalents, respectively. Average total notional amounts of foreign exchange forward contracts outstanding during the nine months ended September 30, 2011 were $13.9 million and $38.0 million, purchased and sold in U.S. dollar equivalents, respectively.

As of September 30, 2011, all of our derivative instruments are maintained with Wells Fargo Bank, and potentially subject us to a concentration of credit risk, which may result in credit related losses in the event of the bank' s nonperformance. We mitigate this risk by monitoring Wells Fargo' s credit ratings published by major rating firms (Fitch, Standard & Poor' s, and Moody' s).

As discussed above, our foreign currency forward contracts are structured to expire on the last day of the accounting period, and we immediately enter into new contracts if necessary. Therefore, our derivative instruments outstanding at period end are outstanding less than one full day when the reporting period ends and, accordingly, their fair value was not significant as of September 30, 2011 or December 31, 2010.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The tables below provide a summary of the effect of derivative instruments on the unaudited condensed consolidated statements of operations (in thousands):

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Results of Operations	Amount of Gain (Loss) Recognized in Results of Operations	
		Three months ended September 30,	
		2011	2010
Foreign currency forward contracts	Other income (expense), net	$ (1,119)	$ 2,568

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Results of Operations	Amount of Gain (Loss) Recognized in Results of Operations	
		Nine months ended September 30,	
		2011	2010
Foreign currency forward contracts	Other income (expense), net	$ 840	$ (2,498)

The above gains or losses on the derivative instruments include the cost of entering into the contracts (i.e., forward points), and are generally offset by a corresponding foreign currency gain or loss on the underlying hedged transaction (e.g., customer accounts receivable). The gain or loss on both the derivative instrument and the corresponding hedged transaction are reflected in "Other income (expense), net" in the accompanying unaudited condensed consolidated statements of operations.

Note 7 − Financial Statement Details

Accounts Receivable, net

Accounts receivable, net consists of the following (in thousands):

	September 30, 2011	December 31, 2010
Accounts receivable	$ 125,872	$ 175,486
Less: Allowance for doubtful accounts and sales returns	8,567	10,467
	$ 117,305	$ 165,019

Inventories

Inventories consist of the following (in thousands):

	September 30, 2011	December 31, 2010
Raw materials	$ 12,410	$ 21,851
Finished goods	5,299	6,370
Total inventories, net	$ 17,709	$ 28,221

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Accrued Expenses

Accrued expenses consist of the following (in thousands):

	September 30, 2011	December 31, 2010
Accrued installation and professional services costs	$ 4,524	$ 3,612
Deferred rent	3,233	2,532
Accrued restructuring	14,106	441
Accrued property, sales and other taxes	2,843	2,790
Accrued losses on customer contracts	1,210	840
Accrued foreign currency contract settlements	1,037	0
Accrued warranty costs	2,593	1,185
Accrued professional fees and legal accrual	1,778	1,839
Accrued other	7,283	7,105
Total	$ 38,607	$ 20,344

Other long-term liabilities

Other long-term liabilities consist of the following (in thousands):

	September 30, 2011	December 31, 2010
Accrued restructuring	$ 7,186	$ 0
Other long-term liabilities	8,026	5,422
Total	$ 15,212	$ 5,422

Note 8 − Intangible Assets and Goodwill

Intangible Assets

The following table represents the details of intangible assets (in thousands):

September 30, 2011	Gross	Accumulated Amortization	Net
Intangible assets with finite lives:			
Purchased technology	$98,870	$ (50,535)	$48,335
Customer relationships	18,800	(7,306)	11,494
Contract backlog	7,500	(7,195)	305
Non-compete agreements	4,380	(3,058)	1,322
IPR&D, with finite lives	2,450	(516)	1,934
Trademarks and trade names	1,240	(577)	663
Effect of exchange rate changes	(694)	464	(230)
Total intangible assets with finite lives	132,546	(68,723)	63,823
IPR&D, with indefinite lives	461		461
Total intangible assets	$133,007	$ (68,723)	$64,284

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

December 31, 2010	Gross	Accumulated Amortization	Net
Intangible assets with finite lives:			
Purchased technology	$98,870	$(30,126)	$68,744
Customer relationships	18,800	(3,929)	14,871
Contract backlog	7,500	(4,879)	2,621
Non-compete agreements	4,380	(1,415)	2,965
IPR&D, with finite lives	2,450	(148)	2,302
Trademarks and trade names	1,240	(267)	973
Effect of exchange rate changes	(766)	74	(692)
Total intangible assets with finite lives	132,474	(40,690)	91,784
IPR&D, with indefinite lives	461		461
Total intangible assets	$132,935	$(40,690)	$92,245

During the first quarter of 2011 we evaluated the remaining useful lives of purchased technology intangible assets associated with our 2004 Steleus and 2005 iptelorg acquisitions. Based on current technological trends and our related expected business opportunities, we shortened the useful lives of these assets from a remaining weighted average life of 3.75 years at the time the evaluation was performed to an estimated life of approximately one year.

The estimated future amortization expense of purchased intangible assets with finite lives as of September 30, 2011 is as follows:

For the Years Ending December 31,	(Thousands)
2011 (remaining three months)	$ 9,255
2012	19,680
2013	14,560
2014	14,408
2015	5,920
Total	$ 63,823

Goodwill

As required by the authoritative guidance for intangibles and goodwill, we do not amortize our goodwill balances, but instead test our goodwill for impairment annually on October 1st, which is in the fourth quarter of 2011, and more frequently upon the occurrence of certain events in accordance with the provisions of the authoritative guidance for intangibles and goodwill. We expect to complete this testing during the fourth quarter of 2011. In the first quarter of 2011, due to the fact that our net book value exceeded our market capitalization, we performed an interim goodwill impairment analysis in accordance with the provisions of the authoritative guidance for intangible assets and goodwill. Our analysis indicated that the fair value of the reporting unit exceeded its net book value by over 20%, and thus no impairment existed as of March 31, 2011. There were no additional indicators of impairment during the nine months ended September 30, 2011. As of September 30, 2011, no impairment losses were recognized with respect to goodwill.

The changes in the carrying amount of goodwill for the nine months ended September 30, 2011 are as follows (in thousands):

Balance at December 31, 2010	$135,564
Effect of exchange rate changes	56
Balance at September 30, 2011	$135,620

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 9 − Income Taxes

As part of the process of preparing our unaudited condensed consolidated financial statements, we are required to estimate our full-year income and the related income tax expense in each jurisdiction in which we operate. Changes in the geographical mix or estimated level of annual pretax income can impact our effective tax rate or income taxes as a percentage of pretax income (the "Effective Rate"). This process involves estimating our current tax liabilities in each jurisdiction in which we operate, including the impact, if any, of additional taxes resulting from tax examinations, as well as making judgments regarding the recoverability of deferred tax assets. Our provision for income taxes is subject to volatility and could be adversely impacted by earnings being lower than anticipated in countries that have lower tax rates and higher than anticipated in countries that have higher tax rates.

Tax liabilities can involve complex issues and may require an extended period to resolve. To the extent that the recovery of deferred tax assets does not reach the threshold of "more likely than not" based on our estimate of future taxable income in each jurisdiction, a valuation allowance is established. The assessment of the amount and timing of future taxable income involves significant estimates and management judgment. While we have considered future taxable income and the existence of prudent and feasible tax planning strategies in assessing the need for a valuation allowance, in the event we were to determine that we would not be able to realize all or part of our net deferred tax assets in the future, we would charge to income an adjustment resulting from the establishment of a valuation allowance in the period such a determination was made and such adjustment may be material. For the three months ended September 30, 2011, a $0.3 million valuation allowance was recorded against certain state tax credits that we do not anticipate will be utilized prior to expiration. This is in addition to the valuation allowance established in the second quarter of 2011 of $0.9 million for certain foreign tax credits.

We conduct business globally, and as a result, one or more of our subsidiaries file income tax returns in various domestic and foreign jurisdictions. In the normal course of business we are subject to examination by taxing authorities throughout the world. During 2008, the Internal Revenue Service ("IRS") completed an examination of tax years 2004 through 2006; therefore, our U.S. federal income tax returns for tax years prior to 2007 are generally no longer subject to adjustment. In the first quarter of 2011, the IRS commenced its examination of tax years 2007 through 2009 as a result of a refund claim filed in 2010 that related to a capital loss generated in 2009. As a result, we have extended the statute of limitations for our 2007 tax year. With respect to our U.S. state tax returns, we are generally no longer subject to examination of tax years prior to 2007 in our primary state tax jurisdictions, other than the state of North Carolina' s re-examination of our 2006 tax year as a result of a refund claim filed during 2010. During the second quarter of 2011 we favorably settled an examination by the state of North Carolina relating to a refund claim filed with respect to our 2007 and 2008 tax years. Our foreign income tax returns are generally no longer subject to examination for tax periods prior to 2004. Additionally, we have recently been notified that the French tax authorities will begin an examination of the corporate tax returns for tax years 2008 through 2010. Although it is possible that certain tax examinations, including the IRS examination, could be resolved during the next 12 months, the timing and outcomes are uncertain.

With respect to tax years that remain open to federal, state and foreign examination, we believe that we have made adequate provision in the accompanying unaudited condensed consolidated financial statements for any potential adjustments the IRS or other taxing authority may propose with respect to income tax returns filed. We may, however, receive an assessment related to an audit of our U.S. federal, state or foreign income tax returns that exceeds amounts provided for by us. In the event of such an assessment, there exists the possibility of a material adverse impact on our results of operations for the period in which the matter is ultimately resolved or an unfavorable outcome is determined to be more likely than not to occur.

For the three and nine months ended September 30, 2011, our effective tax rate was 77% and 25%, respectively. For the three months ended September 30, 2011, the effective rate of 77% differs from the statutory rate of 35% primarily due to a shift in our jurisdictional forecasts. The effect of this shift is amplified in the effective tax rate calculation due to the relatively low pre-tax income for the third quarter of 2011. For the nine months ended September 30, 2011, the effective rate of 25% differs from the statutory rate of 35% primarily due to the tax benefit of our overall forecasted loss for the year as well as a discrete benefit relating to the recognition of certain previously unrecognized tax benefits resulting from the completion of studies related to our global transfer pricing policies. These benefits are partially offset by the recognition of $3.6 million in discrete tax expense resulting from the expiration and vesting of employee stock-based compensation and the

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

required tax treatment under the authoritative guidance.

For the three months ended September 30, 2010 we had a tax benefit of ($0.5) million or an effective tax benefit of 80%. For the nine months ended September 30, 2010 we had tax expense of $9.4 million or an effective tax rate of 29%. The effective rate for the three months ended September 30, 2010 differs from the statutory rate of 35% primarily due to a higher percentage of our projected income for the full year being derived from international locations with lower tax rates than the U.S. coupled with the cumulative effect of the change in estimate of the jurisdictional split of taxable income. While the impact in terms of absolute dollars of shifting additional income to jurisdictions with lower tax rates was insignificant, due to the low amount of taxable income this shift had a disproportional impact on our overall effective tax rate, resulting in the unusually high effective tax benefit of 80% during the third quarter of 2010.

For the nine months ended September 30, 2010, the effective rate differs from the statutory rate of 35% primarily due to the international impact discussed above as well as a discrete tax benefit of $1.0 million recognized as the result of certain amended state tax filings, offset by tax expense resulting from nondeductible expenses related to our acquisitions of Camiant and Blueslice and incurred during the second quarter of 2010.

We no longer have a "pool of windfall tax benefits" as defined by the authoritative guidance for stock-based compensation. As a result, future cancellations or exercises that result in a tax deduction that is less than the related deferred tax asset recognized under the authoritative guidance will negatively impact our effective tax rate and increase its volatility, resulting in a reduction of our earnings. The authoritative guidance for stock-based compensation requires that the impact of such events be recorded as discrete items in the quarter in which the event occurs. For the three and nine months ended September 30, 2011, we recorded a discrete tax expense of $0.4 million and $3.6 million, respectively, as compared to $0.3 million and $1.4 million recorded for the three and nine months ended September 30, 2010, respectively, associated with our stock compensation plans.

Note 10 − Commitments and Contingencies

Indemnities, Commitments, Contingencies and Guarantees

In the normal course of our business, we make certain indemnities, commitments and guarantees under which we may be required to make payments in relation to certain transactions. These indemnities, commitments and guarantees include, among others, intellectual property indemnities to our customers in connection with the sale of our products and licensing of our technology, indemnities for liabilities associated with the infringement of other parties' technology based upon our products and technology, guarantees of timely performance of our obligations, guarantees and indemnities related to the reliability and performance of our equipment, and indemnities to our directors and officers to the maximum extent permitted by law. The duration of these indemnities, commitments and guarantees varies, and, in certain cases, is indefinite. Many of these indemnities, commitments and guarantees do not provide for any limitation of the maximum potential future payments that we could be obligated to make. We have not recorded a liability for these indemnities, commitments or guarantees in the accompanying balance sheets because future payment is not probable.

From time to time, various claims and litigation are asserted or commenced against us arising from or related to contractual matters, intellectual property matters, product warranties and personnel and employment disputes. As to such claims and litigation, including those described below, we can give no assurance that we will prevail.

On January 6, 2011, a purported class action complaint was filed against us and certain of our current and former officers in the U.S. District Court for the Eastern District of North Carolina alleging claims under Section 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder. On June 30, 2011, an amended complaint was filed alleging the same causes of action. The case purports to be brought on behalf of a class of purchasers of our stock during the period February 11, 2010 to August 5, 2010. The amended complaint generally alleges violations of federal securities laws based on, among other things, claimed misstatements or omissions regarding our business and prospects in India and for certain signaling products. The amended complaint seeks unspecified damages, interest, attorneys' fees, costs, and expenses. As we are in the very early stages of this potential litigation, we are unable to predict the outcome of this case or estimate a range of potential loss related to this matter. Although the Company denies the allegations in the amended complaint and intends to vigorously pursue its defense, we are unable to predict the outcome of

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

this case. An adverse court determination in the purported class action lawsuit against us could result in significant liability and could have a material adverse effect on our business, results of operations and financial condition.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

On February 7, 2011, a shareholder derivative complaint was filed in the California Superior Court of Santa Clara County against certain current and former officers and directors. The suit alleges that named parties breached their fiduciary duties to the Company by, among other things, making statements between February, 2010 and August, 2010 which plaintiffs claim were false and misleading and by allegedly failing to implement adequate internal controls and means of supervision at the Company. On March 3, 2011, a nearly identical shareholder derivative complaint was filed in the U.S. District Court for the Central District of California. These suits seek an unspecified amount of damages from the named parties and modifications to the Company' s corporate governance policies. The allegations in the complaints are similar to the purported class action complaint discussed above. The individual defendants intend to vigorously defend the suits and the Company, on whose behalf these claims purport to be brought, intends to move to dismiss the shareholder derivative complaints on the grounds that the derivative plaintiffs did not file the claims in accordance with applicable laws governing the filing of derivative suits. As we are in the very early stages of these litigations, we are unable to predict the outcome of these cases or estimate a range of potential costs related to these matters.

Note 11 − Stock-Based Compensation

Stock-Based Compensation Expense

Total stock-based compensation expense recognized in our unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2011 and 2010 is as follows (in thousands):

Income Statement Classifications	Option and SAR Grants and Stock Purchase Rights	RSUs	Total
Three months ended September 30, 2011			
Cost of goods sold	$ 20	$148	$168
Research and development	55	321	376
Sales and marketing	124	745	869
General and administrative	310	757	1,067
Total	$ 509	$1,971	$2,480
Three months ended September 30, 2010			
Cost of goods sold	$ 70	$313	$383
Research and development	55	429	484
Sales and marketing	110	993	1,103
General and administrative	218	783	1,001
Total	$ 453	$2,518	$2,971

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Income Statement Classifications	Option and SAR Grants and Stock Purchase Rights	RSUs	Total
Nine months ended September 30, 2011			
Cost of goods sold	$ 107	$640	$747
Research and development	187	1,108	1,295
Sales and marketing	405	2,281	2,686
General and administrative	584	2,501	3,085
Total	$ 1,283	$6,530	$7,813
Nine months ended September 30, 2010			
Cost of goods sold	$ 226	$822	$1,048
Research and development	199	1,025	1,224
Sales and marketing	329	2,453	2,782
General and administrative	891	3,969	4,860
Total	$ 1,645	$8,269	$9,914

Stock-based compensation expense was recorded net of estimated forfeitures for the three and nine months ended September 30, 2011 and 2010 such that expense was recorded only for those stock-based awards that are expected to vest.

Note 12 − Operating Segment Information

We currently consider ourselves to be in a single reportable segment under the authoritative guidance for segment reporting, specifically the development and sale of signaling telecommunications solutions and related value added applications and services.

Enterprise-Wide Disclosures

The following tables set forth, for the periods indicated, revenues from external customers by type (product, warranty and support, and services), as well as revenues by domestic versus international regions (in thousands):

	For the Three Months Ended September 30,	
	2011	2010
Product revenues	$72,550	$67,709
Warranty and support revenues	22,487	23,020
Professional and other services revenues	11,142	17,576
Total revenues	$106,179	$108,305

	For the Nine Months Ended September 30,	
	2011	2010
Product revenues	$207,202	$219,137
Warranty and support revenues	67,907	63,713
Professional and other services revenues	35,629	50,953
Total revenues	$310,738	$333,803

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

	Revenues from External Customers By Geographic Region			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
United States	$47,463	$44,638	$121,827	$125,261
International	58,716	63,667	188,911	208,542
Total revenues from external customers	$106,179	$108,305	$310,738	$333,803

For the three months ended September 30, 2011, revenues from AT&T, Carso Global Telecom, and Verizon represented 16%, 12%, and 11% of our total revenues, respectively. For the nine months ended September 30, 2011, revenues from AT&T and Verizon represented 15% and 13% of our total revenues, respectively. For the three months ended September 30, 2010, revenues from AT&T and Verizon represented 22% and 10% of our total revenues, respectively. For the nine months ended September 30, 2010, revenues from AT&T represented 17% of our total revenues.

For the three months ended September 30, 2011, revenues from Brazil accounted for 15% of our total revenues, and for the nine months ended September 30, 2011, revenues from Brazil and India accounted for 12% and 10% of our total revenues, respectively. For the three and nine months ended September 30, 2010, revenues from India accounted for 14% and 12% of our total revenues, respectively.

The following table sets forth, for the periods indicated, our long-lived assets including net property and equipment, and other assets by geographic region (in thousands):

	Long-Lived Assets By Geographic Region	
	September 30, 2011	December 31, 2010
United States	$ 29,987	$ 30,836
Other	7,254	7,840
Total long-lived assets	$ 37,241	$ 38,676

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

[Table of Contents](#)

Note 13 − Earnings Per Share

The following table provides a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the three and nine months ended September 30, 2011 and 2010 (in thousands, except per share amounts):

	Income from Operations (Numerator)	Shares (Denominator)	Per-Share Amount
For the Three Months Ended September 30, 2011:			
Basic income (loss) from operations per share	$ 762	69,215	$ 0.01
Effect of dilutive securities	0	145	
Diluted income (loss) from operations per share	$ 762	69,360	$ 0.01
For the Three Months Ended September 30, 2010:			
Basic income (loss) from operations per share	$ (134)	68,526	$ (0.00)
Effect of dilutive securities	0	0	
Diluted income (loss) from operations per share	$ (134)	68,526	$ (0.00)
For the Nine Months Ended September 30, 2011:			
Basic income (loss) from operations per share	$ (21,698)	69,013	$ (0.31)
Effect of dilutive securities	0	0	
Diluted income (loss) from operations per share	$ (21,698)	69,013	$ (0.31)
For the Nine Months Ended September 30, 2010:			
Basic income (loss) from operations per share	$ 23,006	68,179	$ 0.34
Effect of dilutive securities	0	677	
Diluted income (loss) from operations per share	$ 23,006	68,856	$ 0.33

The computation of diluted earnings per share excludes unexercised stock options and unvested restricted stock units that are anti-dilutive. The following common stock equivalents were excluded from the earnings per share computation, as their inclusion would have been anti-dilutive (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Weighted average number of stock options, SARs and RSUs, calculated using the treasury stock method, that were excluded due to the exercise/threshold price exceeding the average market price of our common stock during the period	3,541	4,305	3,995	3,972
Weighted average number of stock options, SARs and RSUs excluded due to the reporting of a net loss for the period	0	334	172	0
Total common stock equivalents excluded from diluted net income (loss) per share computation	3,541	4,639	4,167	3,972

There were no transactions subsequent to September 30, 2011, which, had they occurred prior to the end of our third quarter, would have changed materially the number of shares in the basic or diluted earnings per share computations.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 14 − Subsequent Events

On November 6, 2011, we entered into a definitive agreement to be acquired by an affiliate of Siris Capital Group, LLC ("Siris") for approximately $780.0 million. Our Board of Directors approved the transaction, which is subject to customary closing conditions, including approval by our shareholders and regulatory approvals. If the transaction is approved by our shareholders, the Siris affiliate would acquire all of the outstanding shares of common stock of Tekelec for $11.00 per share in cash with an expected closing in the first quarter of 2012.

A special meeting of Tekelec' s shareholders will be held after the preparation and filing of a proxy statement with the Securities and Exchange Commission and subsequent mailing of the proxy statement to shareholders. Upon completion of the proposed acquisition, Tekelec would become a private company, wholly owned by the affiliate of Siris.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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

The following discussion is designed to provide a better understanding of our unaudited condensed consolidated financial statements, including a brief discussion of our business and products, key factors that impacted our performance, and a summary of our operating results. The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in Item 1 of this Quarterly Report on Form 10-Q, and the consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2010. Historical results are not necessarily indicative of trends in operating results for any future periods.

Overview of Our Business and Products

We are a leading global provider of communication core network solutions. Our solutions help connect people and devices to the mobile Internet. In general terms, our product portfolio adds a layer of network intelligence designed to allow service providers to both manage and monetize the exponential growth in mobile web, video, and applications traffic. In addition, these solutions are designed to provide our customers' telecommunications networks with an effective and robust intelligence layer with which to offer their subscribers improved customer experiences through optimization, personalization, mobility and security. Our customers predominantly include mobile (or "wireless") providers and, to a lesser extent, fixed (or "wireline") and cable service providers (collectively, "service providers"). We have more than 300 customers in over 100 countries, including sixteen out of the top twenty wireless groups.

Our products also assist our customers in meeting the demands of their subscribers and the challenges of deploying a multimedia network in competitive communications environments. Our portfolio is designed to enable service providers to rely on real-time network metrics for improved levels of network decision making. In turn, service providers can dynamically manage their networks, prioritize traffic, and prevent network disruptions. This portfolio of products includes our Voice- and Text-Centric Products which are the Eagle 5, performance management and messaging products. Our Eagle 5 is one of the most widely deployed standalone signaling application platforms in the telecommunications industry that provides full signal transfer point ("STP") capabilities and number portability solutions. In addition to these products, our Data- and Video-Centric Products (which are enabled by our XG middleware platform) include next generation session, policy and subscriber data management products that are applicable to today's evolving networks.

Finally, our solutions are designed to address the fundamental challenge facing service providers: network capacity requirements growing more rapidly than service provider revenues. Our solutions are engineered to cost-effectively scale relative to service provider capacity requirements and the corresponding increase in application transactions. Service providers utilize our solutions to manage their most valuable assets: customer experience, subscriber profiles, and network resources to create innovative services while optimizing their investments. We are known for efficiently and securely enabling connections for IP and mobile data networks, and are one of the few players in the industry with a portfolio solely focused on scaling the intelligence layer of all-IP networks. Our solutions are comprised of elements from our portfolio of proprietary software which are increasingly being integrated with commercial hardware, operating systems and database technologies. Complementing our intelligence layer solutions with advances in technology, such as multi-core processors, virtualization software and browser-based cloud computing, enables our software and systems to deliver intelligence at layers four to seven of our customers' IP networks. We believe that our core network solutions are cost-effective for our customers and enable them to provide value to their subscribers.

We derive our revenues from the sale or licensing of these core network solutions and the related professional services (for example, installation and training services) and customer support, including customer post-warranty services. Payment terms in contracts with our customers are negotiated with each customer and are based on a variety of factors, including the customer's credit standing and our history with the customer.

Our corporate headquarters are located in Morrisville, North Carolina, and we have research and development facilities, sales offices and customer support facilities located throughout the world.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Internal Control and Corporate Governance

We consider our internal control over financial reporting a high priority and continually review all aspects of and make improvements in our internal control. Our executive management is committed to ensuring that our internal control over financial reporting is complete, effective and appropriately documented. In the course of our evaluation of our internal control, we seek to identify material errors or control problems and to confirm that the appropriate corrective actions, including process improvements, are being undertaken. We also seek to deal with any control matters in this evaluation, and in each case if a problem is identified, we consider what revision, improvement or correction to make in accordance with our ongoing procedures. Our continued objective is to maintain our internal control as a set of dynamic systems that change (including improvements and corrections) as conditions warrant.

In addition to striving to maintain an effective system of internal control over financial reporting, we also strive to follow the highest ethical and professional standards in measuring and reporting our financial performance. Specifically, we have adopted a code of conduct for all of our employees and directors that requires a high level of professionalism and ethical behavior. We believe that our accounting policies are prudent and provide a clear view of our financial performance. We utilize our internal audit function to help ensure that we follow these accounting policies and to independently test our internal control. Further, our Disclosure Committee, composed primarily of senior financial and legal personnel, helps ensure the completeness and accuracy of the reporting of our financial results and our other disclosures. In performing its duties, the Disclosure Committee consults with and obtains relevant information from key functional areas such as operations, finance, customer service and sales, and utilizes an internal certification process that solicits responses from these functional areas. Prior to the release of our financial results, key members of our management review our operating results and significant accounting policies and estimates with our Audit Committee, which consists solely of independent members of our Board of Directors.

Operating Environment and Key Factors Impacting our Results

In order to better understand the trends within our business, we believe it is important to understand the varying dynamics across geographical regions, particularly between developed and emerging markets. Within developed markets (i.e., the U.S. and Western Europe), we believe our customers are shifting their investments from 2G and 3G networks to investments in their next-generation networks, such as Long Term Evolution (“LTE”) and IP Multimedia Subsystem (“IMS”). We believe this shift in investment focus is primarily the result of the slowing growth of voice and text messaging traffic, coupled with substantial growth of data and the associated network capacity requirements, which is outpacing service provider revenues. While the shift in our customers’ focus has accelerated the decline in orders for our Voice- and Text-Centric Products, it has resulted in an increase in orders for our Data- and Video-Centric Products.

Within emerging markets (e.g., India, Brazil, Middle East and Africa, the Caribbean, South and Central America, including Mexico), service providers are continuing to invest in their 2G and 3G networks to a greater extent than service providers in developed markets. Based on our historical mix of demand for our Voice- and Text-Centric Products, we expect that emerging markets may represent a larger market opportunity for our Voice- and Text-Centric Products than developed markets in the short- to mid-term. Accordingly, we expect that emerging markets will represent an increasing percentage of our orders for these products.

Our orders were down 16% in the third quarter of 2011, and down 3% in the first nine months of 2011 as compared to the same periods of 2010. Orders for both our Voice- and Text-Centric and Data- and Video-Centric products were down during the third quarter of 2011 compared to the same period in 2010. For the first nine months of 2011, our Voice- and Text-Centric products declined by 11% compared to the same period in 2010, consistent with previous trends for these products and for the reasons discussed further below.

Orders for the first nine months of 2011 for our Data- and Video-Centric products increased by $12.5 million, or 45%, primarily due to orders for our Diameter Signaling Router (“DSR”) product. DSR is one of the primary solutions in our session management portfolio. Diameter is the session protocol used predominantly in operators’ all-data networks for policy, charging, mobility management and certain IMS functions. We continue to expect quarterly orders for our Data- and Video-Centric products to be volatile based on the timing of customer purchase decisions for these next-generation products.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Orders for our Voice- and Text-Centric products declined by 6% in the third quarter of 2011 and by 11% in the first nine months of 2011 as compared to the same periods of 2010. We believe service providers continue to

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

shift their investment focus to their next-generation networks. Based on the current trends discussed previously, we expect a year-over-year order decline of nearly 20% for our Voice- and Text-Centric Products.

Because we completed the acquisitions of Camiant and Blueslice in May of 2010, our orders for the first four months of 2010 exclude orders during this period from the solutions obtained in these acquisitions. Camiant and Blueslice orders were approximately $5.1 million for the 2010 period prior to our acquisition in May of 2010.

Although there are indications that the demand for our Data- and Video-Centric Products is beginning to partially offset the sharp decline in demand for our Voice- and Text-Centric Products, this demand did not offset the decline during first nine months of 2011 or the full year of 2010. Because our orders on average do not convert into revenues for a period of nine to fifteen months after receipt of the order, trends within our orders are not realized in revenues until a corresponding time period has elapsed. Accordingly, in 2010 and 2011, certain of our key operating metrics, such as total revenues, gross margin, operating margin and revenues per employee, declined from our historical levels.

In response to the changing market dynamics and the decline in orders of our Voice- and Text-Centric Products, we implemented a restructuring and reorganization plan (“the Plan”) during the first nine months of 2011 to better align our operating cost structure with our current and expected business opportunities. Upon completion of the Plan, we expect to reduce our annual operating expenses by $25.0 million to $30.0 million. The post restructuring run rate is inclusive of an anticipated shift in investments from our established products to our next-generation solutions.

In addition, as part of this Plan, we are reorganizing our operations into two business units, Global Signaling Solutions (“GSS”) and Broadband Network Solutions (“BNS”). Our GSS business unit will be comprised of our Eagle 5 signaling, performance management and mobile messaging solutions (our Voice- and Text-Centric Products) and will focus on addressing the voice and text demands of service providers within their 2G and 3G networks. Further, given the market trends discussed previously, we expect the GSS business unit to focus its efforts on maximizing its profitability and cash flows, while making very selective investments to support new customer wins in certain markets. This business unit supports over 300 global customers.

The second business unit, Broadband Networks Solutions, will consist of our next-generation session, policy, and subscriber data management solutions (our Data- and Video-Centric Products) and is focused on developing solutions that manage and monetize mobile data for our service provider customers. We expect to continue to make the majority of research and development investments in these products. Given the potential market opportunity, our BNS business unit is focused on driving top-line growth for our data and video portfolio and achieving profitability as soon as practicable.

We are currently in the process of transitioning to this new business unit structure and expect to complete the business reorganization by the end of the fourth quarter of 2011.

Despite the decline in our operations, we continue to operate a cash flow positive business, as we generated $12.8 million of cash flow from operations in the third quarter of 2011 and $61.3 million of cash flow from operations in the first nine months of 2011. Given the current restructuring activities, we expect cash flows from operations for the fourth quarter of 2011 to be negative, principally due to the settlement of restructuring liabilities and reduced collections as a result of lower billings driven by declining orders through the first nine months of 2011. We had $270.5 million in cash and no debt at the end of the third quarter of 2011.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

[Table of Contents](#)

Summary of Operating Results and Key Financial Metrics

The following is a summary of our performance relative to certain key financial metrics for our operations as of and for the three and nine months ended September 30, 2011 compared to the three and nine months ended September 30, 2010 (in thousands, except earnings per share):

	Three Months Ended September 30,			
	2011	2010	Year-Over-Year Change	
Statement of operations statistics:				
Orders	$ 67,927	$ 81,103	$ (13,176)	(16)%
Backlog	$ 225,230	$ 253,623	$ (28,393)	(11)%
Revenues	$ 106,179	$ 108,305	$ (2,126)	(2)%
Operating income (loss)	$ 4,425	$ 413	$ 4,012	971 %
Diluted earnings (loss) per share	$ 0.01	$ −	$ 0.01	N/A

	Nine Months Ended September 30,			
	2011	2010	Year-Over-Year Change	
Statement of operations statistics:				
Orders	$ 202,745	$ 209,895	$ (7,150)	(3)%
Revenues	$ 310,738	$ 333,803	$ (23,065)	(7)%
Operating income (loss)	$ (26,331)	$ 35,291	$ (61,622)	(175)%
Diluted earnings (loss) per share	$ (0.31)	$ 0.33	$ (0.64)	(194)%

Orders decreased by 16% in the third quarter of 2011 from $81.1 million in the third quarter of 2010 to $67.9 million in the third quarter of 2011, and by 3% from $209.9 million in the first nine months of 2010 to $202.7 million in the first nine months of 2011. The decline in the third quarter was due to declines in demand for both our Voice- and Text-Centric Products and our Data- and Video-Centric Products. The year-to-date decrease was principally due to a decline in demand for our Voice- and Text-Centric Products which was not offset by the increase in orders for our Data- and Video-Centric Products.

Backlog decreased by $113.6 million, or 34%, from December 31, 2010 to September 30, 2011. This decrease was primarily due to a decline in year-to-date orders, as well as the seasonal nature of our orders, as revenues typically exceed orders during the first nine months of the year. Backlog decreased by $28.4 million, or 11%, from September 30, 2011 to September 30, 2011, primarily due to lower 2011 orders for the reasons discussed previously. During the nine months ended September 30, 2011 foreign exchange fluctuations and other adjustments resulted in a $5.6 million decrease in backlog.

Revenues decreased by 2% to $106.2 million in the third quarter of 2011 from $108.3 million in the third quarter of 2010, and by 7% on a year-to-date basis from $333.8 million during the first nine months of 2010 to $310.7 million during the first nine months of 2011. Revenues for the third quarter of 2011 declined due to a decline in revenues from our Data- and Video-Centric Products. This decline was principally due to receiving an acceptance in the third quarter of 2010 on a multi-million dollar next-generation session management product which was not repeated in the third quarter of 2011. The decline in revenues from our Data- and Video-Centric Products was partially offset in the third quarter of 2011 by a year-over-year increase in revenues of $4.0 million from our Eagle 5 product.

Our revenues for the first nine months of 2011 were negatively impacted by a lower backlog available at the beginning of 2011, which was caused by a decline in annual orders in 2010. This decrease in backlog and resulting decrease in revenues during the nine months ended September 30, 2011 is primarily within our Eagle 5 revenues and is due to the decrease in orders for the reasons discussed previously. The decrease in revenues for the first nine months of 2011 was partially offset by higher revenues from our next generation Data- and Video-Centric products revenues, and revenue contribution of $8.1 million in the first four months of 2011 from the Camiant and Blueslice acquisitions completed in May 2010. Camiant and Blueslice revenues were approximately $8.5 million for the 2010 period prior to our acquisition in May 2010.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Operating Income (Loss) increased by $4.0 million from $0.4 million of operating income in the third quarter of 2010 to $4.4 million of operating income in the third quarter of 2011, due primarily to an improvement in gross margins as a result of a favorable product and geographical mix and lower operating expenses as a result of the 2011 restructuring and cost control initiatives.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

On a year-to-date basis, during the first nine months of 2011 we incurred an operating loss of $26.3 million, as compared to operating income of $35.3 million during the first nine months of 2010, caused primarily by (i) a reduction in gross margins of $32.6 million due to lower revenues as discussed above and an increase in amortization expense of $9.6 million as a result of acquiring Camiant and Blueslice in the second quarter of 2010, as well as the revision of the useful lives of intangible assets related to our 2004 Steleus and 2005 iptelorg acquisitions, and (ii) restructuring charges of $28.5 million.

Diluted Earnings (Loss) per Share remained comparable increasing from $0.00 in the third quarter of 2010 to $0.01 in the third quarter of 2011. On a year-to-date basis, diluted earnings per share decreased from $0.33 in the first nine months of 2010 to a loss of $0.31 per share the first nine months of 2011, primarily due to the decrease in operating income discussed above.

Results of Operations

Revenues

Revenues decreased by 2% and 7% in the third quarter and first nine months of 2011 as compared to the third quarter and first nine months of 2010, respectively, due primarily to the fact that we entered 2011 with $34.8 million less in backlog than the backlog at the beginning of 2010. The following discussion provides a more detailed analysis of changes in revenues by type (product, warranty and support, and services).

Revenues by Type

In order to provide a better understanding of the year-over-year changes and the underlying trends in our revenues, we have provided a discussion of revenues by type (in thousands, except percentages):

	For the Three Months Ended September 30,		Change	
	2011	2010	2010 to 2011	
Product revenues	$72,550	$67,709	$4,841	7 %
Warranty and support revenues	22,487	23,020	(533)	(2)%
Professional and other services revenues	11,142	17,576	(6,434)	(37)%
Total revenues	$106,179	$108,305	$(2,126)	(2)%

	For the Nine Months Ended September 30,		Change	
	2011	2010	2010 to 2011	
Product revenues	$207,202	$219,137	$(11,935)	(5)%
Warranty and support revenues	67,907	63,713	4,194	7 %
Professional and other services revenues	35,629	50,953	(15,324)	(30)%
Total revenues	$310,738	$333,803	$(23,065)	(7)%

Product Revenues

Our product revenues increased by $4.8 million, or 7%, in the third quarter of 2011 compared with the third quarter of 2010, due primarily to the increase in revenue from our Eagle 5 product revenues in our North American region. This increase in Eagle 5 revenues was primarily due to an increase in unanticipated short-term demand for this product.

Product revenues for the first nine months of 2011 decreased by $11.9 million, or 5%, as compared to the same period in 2010 due to the decrease in our Voice- and Text-Centric Product revenues. As we mentioned above, we believe orders and revenues for our Eagle 5 products will continue to decline as the market shifts from focusing on voice and text solutions to those focused on mobile data and video. This decrease was partially offset by higher Data- and Video-Centric Product revenues. These year-over-year revenue changes are a result of the order trends discussed previously.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Warranty and Support Revenues

Warranty and support revenues include revenues from (i) our standard warranty coverage, which is typically provided at no charge for the first year but is allocated a portion of the arrangement fee in accordance with the authoritative guidance for revenue recognition and (ii) our extended warranty and support offerings. After the first year warranty, our customers typically purchase warranty and support services for periods of up to a year in advance, which we reflect in deferred revenues. We recognize the revenue associated with our warranty services ratably over the term of the warranty arrangement based on the number of days the contract is outstanding during the period.

Warranty and support revenues remained comparable, decreasing by 2%, in the third quarter of 2011 compared to the third quarter of 2010, and increased by 7% for the first nine months of 2011 versus the first nine months of 2010. This year-over-year increase was principally due to the increase in warranty revenues associated with our increasing installed base of global customers. The majority of the increase in our installed base of customer has occurred as a result of our international expansion and the growing customer base for our products.

The timing of recognition of our warranty and support revenues may be impacted by, among other factors: (i) delays in receiving purchase orders from our customers; (ii) the inability to recognize any revenue, including revenue associated with the first year warranty, until the delivery of all product deliverables associated with an order is complete; and (iii) receipt of cash payments from the customer in cases where the customer is deemed a credit risk.

Professional and Other Services Revenues

Professional and other services revenues primarily consist of installation services, database migration and training services. Substantially all of our professional service arrangements are billed on a fixed-fee basis. We typically recognize the revenue related to our fixed-fee service arrangements upon completion of the services, as these services are relatively short-term in nature (typically several weeks, or in limited cases, several months). Our professional and other services are typically initiated and provided to the customer within a three to nine month period after the shipment of the product, with the timing depending on, among other factors, the customer' s schedule and site availability.

Professional and other services revenues for the third quarter of 2011 decreased by $6.4 million, or 37%, as compared to the third quarter of 2010. On a year-to-date basis, professional and other services revenues declined by $15.3 million, or 30%, compared to the first nine months of 2010. This decrease is primarily due to a decline in services related revenues for our Eagle 5 and performance management products as we continue to sell fewer initial deployments to new customers, which are generally more services intensive than existing customers. This decline was partially offset by higher year-over-year professional and other services revenues for our Data- and Video-Centric Products.

Regardless of the mix of products purchased, new customers require a greater amount of installation, training and other professional services at the initial stages of deployment of our products. As our customers gain more knowledge of our products, typically the voice and text products, the follow-on orders generally do not require the same levels of services and training, as our customers tend to either: (i) perform the services themselves; (ii) require limited services, such as installation only; or (iii) require no services, and, in particular, no database migration or training services.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Cost of Sales

In order to better understand our cost structure, we analyze and present our costs and expenses in the categories discussed below:

Cost of goods sold

Cost of goods sold includes: (i) materials, labor, and overhead costs incurred internally and paid to contract manufacturers to produce our products; (ii) personnel and other costs incurred to install our products; and (iii) customer service costs to provide continuing support to our customers under our warranty offerings. Cost of goods sold in dollars and as a percentage of revenues for the three and nine months ended September 30, 2011 and 2010 were as follows (in thousands, except percentages):

	For the Three Months Ended September 30,		Change	
	2011	2010	2010 to 2011	
Cost of good sold	$34,236	$40,773	$(6,537)	(16)%
Revenues	106,179	108,305	(2,126)	(2)%
Cost of good sold as a percentage of revenues	32 %	38 %		

	For the Nine Months Ended September 30,		Change	
	2011	2010	2010 to 2011	
Cost of good sold	$115,570	$115,963	$(393)	(0)%
Revenues	310,738	333,803	(23,065)	(7)%
Cost of good sold as a percentage of revenues	37 %	35 %		

Cost of goods sold decreased in absolute dollars and as a percentage of revenues in the third quarter of 2011 as compared to the same period in 2010 primarily due to a higher percentage of our revenues being derived from extension orders of our Eagle 5 products versus initial systems. Also contributing to the decrease is a favorable shift in geographic mix to developed markets from emerging markets. Cost of goods sold remained comparable in absolute dollars but increased as a percentage of revenues for the nine months ended September 30, 2011 as compared to the same period in 2010. The increase as a percentage of revenues is primarily due to (i) approximately $4.3 million of warranty-related costs and inventory write-offs that were incurred during the first nine months of 2011 related to hardware transitions and delivery requirements associated with our policy and subscriber data management products, (ii) a $2.0 million write-off of deferred costs related to a customer in the Middle East due to collectability concerns and therefore our ability to recover these costs, and (iii) an increase in customer services costs required to deliver the associated services revenue and in support of deployments and customer trials of our session, policy and subscriber data management solutions.

Amortization of Intangible Assets

Amortization of intangible assets for the three and nine months ended September 30, 2011 and 2010 was as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
Amortization of intangible assets related to:				
Camiant	$ 2,988	$ 5,233	$ 8,966	$ 7,187
mBalance	1,709	1,103	5,099	2,893
Steleus	2,111	483	5,257	1,447
Blueslice	632	653	2,103	1,209
iptelorg	635	111	1,569	339
Other	12	11	35	19

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Total	$ 8,087	$ 7,594	$ 23,029	$ 13,094

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The increase in amortization on a year-to-date basis in 2011 is due in part to having amortization associated with Camiant and Blueslice intangible assets acquired in May 2010 for the full period in 2011. Additionally, during the first quarter of 2011 we evaluated the remaining useful lives of purchased technology intangible assets associated with our 2004 Steleus and 2005 iptelorg acquisitions. Based on current technological trends and our related expected business opportunities, we shortened the useful lives of these assets with the resulting increase in amortization reflected in our 2011 cost of sales. The shortened useful lives of these assets are the primary reason for the increase in amortization expense during the three and nine month periods in 2011 as compared to the same periods in 2010.

Research and Development Expenses

Research and development expenses include costs associated with the development of new products, enhancements of existing products and quality assurance activities. These costs consist primarily of employee salaries and benefits, occupancy costs, consulting costs and the cost of development equipment and supplies. The following sets forth our research and development expenses in dollars and as a percentage of revenues for the three and nine months ended September 30, 2011 and 2010 (in thousands, except percentages):

	For the Three Months Ended September 30,		Change	
	2011	2010	2010 to 2011	
Research and development	$ 23,772	$ 24,094	$(322)	(1)%
Percentage of revenues	22 %	22 %		

	For the Nine Months Ended September 30,		Change	
	2011	2010	2010 to 2011	
Research and development	$ 72,965	$ 68,666	$4,299	6 %
Percentage of revenues	23 %	21 %		

The following is a summary of the year-over-year fluctuations in our research and development expenses during the three and nine months ended September 30, 2011 as compared to the three and nine months ended September 30, 2010 (in thousands):

	Three Months Ended September 30, 2010 to 2011	Nine Months Ended September 30, 2010 to 2011
Increase (decrease) in:		
Salaries, benefits and incentive compensation	$ 521	$ 3,714
Stock-based compensation	(108)	71
Integration-related compensation	(243)	(223)
Consulting and professional services	(493)	(286)
Facilities and depreciation	314	852
Other	(313)	171
Total	$ (322)	$ 4,299

The decrease in research and development expenses for the three months ended September 30, 2011 as compared to the same period in 2010 is principally due to decreases in integration-related compensation and consulting and professional services expenses. The integration and consulting costs related to employee retention and integration related programs associated with our May 2010 acquisitions of Camiant and Blueslice. Other expenses also decreased, primarily as a result of lower spending on hardware and materials to support our Data- and Video-Centric products. Partially offsetting the above decreases were increases in salaries, benefits and

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

incentive compensation expenses and facilities and depreciation expenses as a result of additions to our employee base supporting our Data- and Video-Centric products.

The increase in research and development expenses for the nine months ended September 30, 2011 as compared to the same period in 2010 is principally due to an increase of $6.5 million of expenses associated with

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

our acquisitions of Camiant and Blueslice, as these acquisitions were completed in May of 2010 and were not fully included in our expense profile in the first nine months of 2010. We continue to invest in the Data- and Video-Centric Products, given the significant opportunity we see developing in the market. Increases in investments in these products were partially offset by a decrease in investment in our Voice- and Text-Centric products, as we continue to reduce our investments in these products commensurate with the decline in related orders.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of costs associated with our sales force and marketing personnel, including: (i) salaries, commissions and related costs; (ii) outside contract personnel costs; (iii) facilities costs; (iv) advertising and other marketing costs, such as tradeshows; and (v) travel and other costs. The following table sets forth our sales and marketing expenses in dollars and as a percentage of revenues for the three and nine months ended September 30, 2011 and 2010 (in thousands, except percentages):

	For the Three Months Ended September 30,		Change	
	2011	2010	2010 to 2011	
Sales and marketing expenses	$ 16,951	$ 20,192	$(3,241)	(16)%
Percentage of revenues	16 %	19 %		

	For the Nine Months Ended September 30,		Change	
	2011	2010	2010 to 2011	
Sales and marketing expenses	$ 55,673	$ 55,858	$(185)	(0)%
Percentage of revenues	18 %	17 %		

The following is a summary of the year-over-year fluctuation in our sales and marketing expenses during the three and nine months ended September 30, 2011 as compared to the three and nine months ended September 30, 2010 (in thousands):

	Three Months Ended September 30, 2010 to 2011	Nine Months Ended September 30, 2010 to 2011
Increase (decrease) in:		
Salaries, benefits and incentive compensation	$ (440)	$ 2,399
Stock-based compensation	(234)	(97)
Integration-related compensation	(1,157)	(1,359)
Sales commissions	263	513
Marketing and advertising	(104)	(39)
Travel	(764)	(308)
Other	(805)	(1,294)
Total	$ (3,241)	$ (185)

The decrease in sales and marketing expenses in the third quarter of 2011 as compared to the same period of 2010 was primarily attributable to (i) 2010 including expenses for certain integration-related compensation that were not repeated in 2011, (ii) lower other expenses due to reduced third party contractor fees and 2010 including certain acquisition related consulting services not repeated in 2011, and (iii) reduced travel expenses as a result of our cost control initiatives.

On a year-to-date basis, sales and marketing expenses remained comparable to the same period of 2010, as decreases in integration-related compensation, travel and other expenses discussed above were offset by increases in employee compensation related expenses. Salaries, benefits and incentive compensation increased due primarily to additional sales and marketing personnel costs

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

associated with our May 2010 acquisitions of Camiant and Blueslice. Sales commission expenses increased due to increases in third party commissions which are typically paid at much higher rates than those to our direct sales force.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

General and Administrative Expenses

General and administrative expenses are composed primarily of costs associated with our executive and administrative personnel (e.g., legal, business development, finance, information technology and human resources personnel) and consist of: (i) salaries and related compensation costs; (ii) consulting and other professional services (e.g., litigation and other outside counsel fees, and audit fees); (iii) facilities and insurance costs; and (iv) travel and other costs. The following table sets forth our general and administrative expenses in dollars and as a percentage of revenues for the three and nine months ended September 30, 2011 and 2010 (in thousands, except percentages):

	For the Three Months Ended September 30,		Change	
	2011	2010	2010 to 2011	
General and administrative expenses	$ 11,738	$ 13,219	$(1,481)	(11)%
Percentage of revenues	11 %	12 %		

	For the Nine Months Ended September 30,		Change	
	2011	2010	2010 to 2011	
General and administrative expenses	$ 35,971	$ 39,176	$(3,205)	(8)%
Percentage of revenues	12 %	12 %		

The following is a summary of the year-over-year fluctuation in our general and administrative expenses during the three and nine months ended September 30, 2011 as compared to the three and nine months ended September 30, 2010 (in thousands):

	Three Months Ended September 30, 2010 to 2011	Nine Months Ended September 30, 2010 to 2011
Increase (decrease) in:		
Salaries, benefits and incentive compensation	$ (513)	$ (971)
Stock-based compensation	66	(1,775)
Integration-related compensation	(202)	(540)
Consulting and professional services	366	1,624
Facilities and depreciation	(260)	(205)
Bad debt expense	(692)	(821)
Other	(246)	(517)
Total	$ (1,481)	$ (3,205)

General and administrative expenses decreased in the three and nine months ended September 30, 2011 as compared to the three and nine months ended September 30, 2010, primarily as a result of decreases in employee compensation related expenses. Employee related compensation expenses decreased primarily as a result of reductions in headcount, as well as cancellations of certain outstanding equity grants as a result of employee terminations associated with the 2011 restructuring. Bad debt expense decreased, reflecting improved cash collections on accounts receivable, and other expenses decreased primarily as a result of our ongoing cost control initiatives. These decreases were partially offset by an increase in consulting and professional services costs as a result of additional legal fees associated with patent and litigation related items.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Amortization of Intangible Assets

As a result of our acquisitions, we have recorded various intangible assets including trademarks, customer relationships and non-compete agreements. Amortization of intangible assets related to our acquisitions is as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
Camiant	$ 1,262	$ 1,261	$ 3,784	$ 1,997
mBalance	423	273	1,261	715
Blueslice	94	79	284	152
Total	$ 1,779	$ 1,613	$ 5,329	$ 2,864

Restructuring and Other Costs

In January 2011, we entered into an employment severance agreement with our former President and Chief Executive Officer in connection with his resignation as an executive officer and employee effective January 4, 2011. In April 2011, we entered into a termination agreement with our former Executive Vice President, Global Sales, in connection with his resignation as an executive officer and employee effective April 29, 2011. In connection with these agreements, we incurred approximately $2.5 million and $1.6 million with respect to our former President and Chief Executive Officer and our former Executive Vice President, Global Sales, respectively, in severance costs that will be paid during 2011 and 2012.

During 2010 and continuing through 2011, demand for our Voice- and Text-Centric Products has continued to decline as service providers shift their investments to data and other broadband services. Further, while demand for Data- and Video-Centric Products has continued to grow, the growth has not offset this decline. As a result, certain of our key operating metrics, such as total orders, total revenue, gross margin, operating margin and revenue per employee, declined from our historical levels.

In response to this decline, in the first quarter of 2011, we initiated a restructuring plan (the "Plan") as part of our efforts to better align our operating cost structure with our current and expected business opportunities. Under the Plan we have initiated the following actions:

a reduction of our overall headcount in the U.S and the consolidation of positions from various global locations and, subject to employee information and consultation processes, further reductions in positions in foreign countries, which overall workforce reduction is expected to be approximately 15% to 20% of our workforce;

a reduction of the discretionary portion of our operating costs through various cost control initiatives, including: (i) reducing advertising expenditures; (ii) delaying merit salary increases and modifying incentive compensation plans; (iii) reducing capital expenditures; and (iv) reducing other discretionary expenditures, such as costs related to outside consultants, travel and recruiting; and

consolidation of certain facilities and the abandonment of certain assets in connection with the consolidation of facilities.

Included in our results from operations for the three and nine months ended September 30, 2011 are pre-tax restructuring charges of $5.2 million and $28.5 million, respectively. These costs consist of severance costs under our severance policies, including the amounts related to our former officers discussed above and are included in "Restructuring and other" in the accompanying unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2011. Based on the actions taken to date, we anticipate that during 2011 we will incur total restructuring costs of between $30.0 million and $35.0 million. The Plan and the associated costs are based on our current best estimates which could change materially, including without limitation as a result of (i) the ongoing review of our operations and the potential for further restructuring activities in 2011, and (ii) the employee information and consultation processes conducted in local jurisdictions associated with our restructuring activities.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Subject to complying with and undertaking any necessary individual and collective employee information and consultation obligations required by local law, we expect the majority of these activities to occur and associated employee expenses to be incurred by the end of 2011. We may incur additional charges after December 31, 2011 related to facilities and other costs as we exit certain locations internationally. The Plan and the associated costs are based on our current best estimates which could change materially if activity, such as but not limited to the results of employee information and consultation processes conducted in international jurisdictions, differ from our expectations.

Upon completion of the restructuring, we expect to reduce our annual operating expenses by $25.0 million to $30.0 million. The post restructuring run rate is inclusive of an anticipated shift in investments from our established products to our next-generation solutions.

Given that many of the positions potentially affected by this restructuring activity are in international locations, and are subject to notification and consultation processes, the majority of these annualized savings are not expected to be realized until 2012 and beyond.

The following table provides a summary of our restructuring activities and the remaining obligations as of September 30, 2011 (in thousands):

	Severance Costs and Related Benefits
Restructuring obligations, June 30, 2011	$18,819
2011 Restructuring and related expenses	5,191
Cash payments	(2,699)
Effect of exchange rate changes	(19)
Restructuring obligations, September 30, 2011	$21,292

	Severance Costs and Related Benefits
Restructuring obligations, December 31, 2010	$441
2011 Restructuring and related expenses[(1)]	28,288
Cash payments	(7,436)
Effect of exchange rate changes	(1)
Restructuring obligations, September 30, 2011	$21,292

(1) Excludes a non-cash charge of $0.2 million associated with certain computer and research and development lab equipment.

Restructuring obligations are included in “Accrued expenses” and “Other long-term liabilities” in the accompanying unaudited condensed consolidated balance sheets. We anticipate settling the majority of our restructuring obligations during 2011 and 2012.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Other Income and Expense

For the three and nine months ended September 30, 2011 and 2010, other income and expenses were as follows (in thousands, except percentages):

	For the Three Months Ended September 30,		Change
	2011	2010	2010 to 2011
Interest income	$ 37	$ 28	$ 9
Interest expense	(11)	(64)	53
Foreign currency gain (loss), net	(913)	(790)	(123)
Other, net	(225)	(247)	22
Total other income (expense), net	$ (1,112)	$ (1,073)	$ (39)

	For the Nine Months Ended September 30,		Change
	2011	2010	2010 to 2011
Interest income	$ 103	$ 297	$ (194)
Interest expense	(248)	(185)	(63)
Gain on investments carried at fair value, net	0	118	(118)
Foreign currency gain (loss), net	(1,751)	(2,230)	479
Other, net	(864)	(932)	68
Total other income (expense), net	$ (2,760)	$ (2,932)	$ 172

Interest income and expense. Interest income decreased during the nine months ended September 30, 2011 due to lower interest bearing cash balances in 2011 as a result of our purchase of Camiant and Blueslice in May 2010. In addition, the first nine months of 2010 included investments in auction rate securities that earned a higher rate of interest income. These auction rate securities were fully redeemed at the end of the second quarter of 2010.

Foreign currency gain (loss), net. Foreign currency loss, net and other for the three and nine months ended September 30, 2011 and 2010 consists primarily of (i) the net cost of our hedging program related to foreign currency risk, including the gains and losses on forward contracts on foreign currency exchange rates used to hedge our exposure to foreign currency risks, (ii) foreign currency gains and losses associated with the underlying hedged item (principally accounts receivable), and (iii) remeasurement adjustments from consolidating our international subsidiaries. The loss on foreign currency decreased in the first nine months of 2011 from that of the first nine months of 2010 primarily due to lower hedging costs and improved hedging efficiency.

Provision for Income Taxes

The income tax provisions for the three months ended September 30, 2011 and 2010 were $2.6 million and ($0.5) million respectively resulting in income tax expense (benefit) as a percentage of pre-tax income, or an effective tax rate, of 77% and 80%, respectively. The income tax provisions for the nine months ended September 30, 2011 and 2010 were ($7.4) million and $9.4 million, respectively, resulting in income tax expense (benefit) as a percentage of pre-tax income, or an effective tax rate, of 25% and 29%, respectively.

The differences in the effective rates for the three and nine months ended September 30, 2011, as compared to the same periods in 2010, are largely due to the jurisdictional allocation of earnings between countries with lower tax rates and the U.S. In addition, the tax rates for both periods are being significantly impacted by discrete items. For the first nine months of 2011, we recorded charges relating to stock based compensation and a valuation allowance for certain tax credits, partially offset by the recognition of previously unrecognized tax benefits related to transfer pricing and tax benefits related to the filing of our 2010 tax returns in the U.S. and various

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

foreign jurisdictions. For the first nine months of 2010, discrete items included a charge relating to stock based compensation and expense relating to nondeductible acquisition expenses offset by a tax benefit resulting from amended state tax filings.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

We have not provided for all U.S. federal income and foreign withholding taxes on the undistributed earnings of our foreign subsidiaries because we intend to reinvest such earnings indefinitely. Should we decide to remit this income to the U.S. in a future period, our provision for income taxes may increase materially in that period.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax law and regulations in a multitude of jurisdictions. Although the guidance on the accounting for uncertainty in income taxes prescribes the use of a recognition and measurement model, the determination of whether an uncertain tax position has met those thresholds will continue to require significant judgment by management. If the ultimate resolution of tax uncertainties is different from what is currently estimated, a material impact on income tax expense could result.

As of September 30, 2011 and 2010, unrecognized tax benefits were $14.0 million and $13.8 million, respectively, which if recognized would impact the effective tax rate. Interest and penalties related to unrecognized tax benefits were $0.1 million and $0.3 million, respectively, and are recognized in the provision for income taxes. The results and timing of the resolution of tax audits is highly uncertain and we are unable to estimate the range of possible changes to the balance of unrecognized tax benefits over the next 12 months though we do not anticipate a material change. Although we are currently under examination by the IRS for tax years 2007 through 2009, we believe we have made adequate provision in the accompanying unaudited condensed consolidated financial statements for any potential adjustments the IRS may propose with respect to income tax returns filed.

Please refer to Note 9 of the accompanying unaudited condensed consolidated financial statements for an additional discussion related to income taxes and a comparison to the statutory tax rate.

Liquidity and Capital Resources

Key measures of our liquidity are as follows (in thousands, except percentages):

	September 30, 2011	December 31, 2010	Change 2010 to 2011	
Balance sheet statistics:				
Cash and cash equivalents	$270,456	$220,938	$49,518	22%
Working capital	$301,439	$286,910	$14,979	5%

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	Change 2010 to 2011	
Cash provided by (used in) operating activities	$61,337	$20,202	$41,135	204%
Cash provided by (used in) investing activities	$(12,039)	$(83,038)	$70,999	(86)%
Cash provided by (used in) financing activities	$33	$8,850	$(8,817)	(100)%

Liquidity

We derive our liquidity and capital resources primarily from our cash flows from operations and from our working capital. The significant components of our working capital are liquid assets such as cash and cash equivalents, accounts receivable, and deferred costs and commissions, reduced by trade accounts payable, accrued expenses, accrued compensation and related expenses, and the current portion of deferred revenues.

Our working capital was $301.4 million as of September 30, 2011, compared to $286.9 million as of December 31, 2010. The increase in working capital in the first nine months of 2011 was primarily attributable to the increase in net income for the period before amortization, depreciation, stock-based compensation and other non-cash charges. Our cash and cash equivalents were $270.5 million and $220.9 million as of September 30, 2011 and December 31, 2010, respectively.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

As of September 30, 2011, we had a $75.0 million line of credit facility, which includes a sub-limit for letters of credit, with Wells Fargo Bank, National Association. The line of credit is unsecured except for our pledge of 65% of the outstanding stock of certain subsidiaries. As of September 30, 2011, there were no outstanding borrowings under the line of credit facility, other than approximately $2.6 million of outstanding letters of credit.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

We believe that our current working capital position, available line of credit and anticipated cash flow from operations will be adequate to meet our cash needs for our daily operations and capital expenditures for at least the next 12 months. Additionally, we believe these resources will allow us to continue to invest in further development of our technology and, when necessary or appropriate, make selective acquisitions to continue to strengthen our product portfolio. Our liquidity could be negatively impacted by a decrease in orders resulting from a decline in demand for our products or a reduction of capital expenditures by our customers.

Operating Activities

Net cash provided by operating activities was $61.3 million and $20.2 million for the nine months ended September 30, 2011 and 2010, respectively. The increase in our cash flows from operations was primarily due to higher cash collections of accounts receivable and improved inventory management. The improved management of working capital items offsets the decline in earnings on a year-over-year basis.

Our cash flows from operations were primarily derived from: (i) our earnings from ongoing operations prior to non-cash expenses such as stock-based compensation, depreciation, amortization, bad debt, write-downs of inventory, warranty reserve charges, and deferred income taxes; and (ii) changes in our working capital, which are primarily composed of changes in accounts receivable, inventories, deferred revenue and associated deferred costs, accounts payable, accrued expenses and accrued payroll and related expenses.

Our ability to generate future positive cash flows from operations could be negatively impacted by, among other factors, a decrease in demand for our products, which are subject to technological changes and increasing competition, or a reduction of capital expenditures by our customers should they continue to remain cautious with their spending.

Investing Activities

Net cash used in investing activities was ($12.0) million and ($83.0) million for the nine months ended September 30, 2011 and 2010, respectively. Our cash flows from investing activities primarily relate to (i) strategic acquisitions; (ii) purchases and sales of investments; and (iii) purchases of property and equipment.

During the first nine months of 2011, our investing activities consisted of property and equipment purchases of $12.0 million. In the first nine months of 2010, acquisition related net cash outflows were $162.0 million for the purchase of Camiant and Blueslice. Our investment in property and equipment in the 2010 period was $14.1 million. Offsetting these investing cash outflows was $93.0 million in proceeds related to our former investments in auction rate securities (issuer calls and the exercise of the related UBS Put right to redeem these auction rate securities on June 30, 2010 at par value).

We continue to closely monitor our capital expenditures while making strategic investments in the development of our existing products and the replacement of certain older computer and information technology infrastructure to meet the needs of our workforce. For 2011, we expect our total capital expenditures to be at or below 2010 levels of approximately $18.0 million.

Financing Activities

Net cash provided by (used in) financing activities was $33,000 and $8.9 million for the nine months ended September 30, 2011 and 2010, respectively. For the nine months ended September 30, 2011, our financing activities primarily consisted of proceeds of $1.3 million from net issuances of common stock pursuant to the exercise of employee stock options and purchases under our employee stock purchase plan, including the excess tax benefit on those exercises, offset by $1.2 million of employee withholding tax payments made as a result of net share settlements of equity awards. For the nine months ended September 30, 2010, our financing activities primarily consisted of proceeds of $11.8 million from net issuances of common stock pursuant to the exercise of employee stock options and purchases under our employee stock purchase plan, including the excess tax benefit on those exercises, partially offset by $2.9 million of employee withholding tax payments made as a result of net share settlements of equity awards.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Critical Accounting Policies and Estimates

For information about our critical accounting policies and estimates, see the "Critical Accounting Policies and Estimates" section of "Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations" in our 2010 Form 10-K.

Recent Accounting Pronouncements

Testing Goodwill for Impairment. In September, 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-08, "Testing Goodwill for Impairment (the revised standard)." The revised standard is intended to reduce the cost and complexity of the annual goodwill impairment test by providing both public and nonpublic entities with the option of performing a "qualitative" assessment to determine whether further impairment testing is necessary. The revised standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. However, an entity can choose to early adopt the revised standard even if its annual test date is before September 15, 2011 (the date on which the revised standard was issued), provided that the entity has not yet issued its financial statements for the period that includes its annual test date. We do not expect adoption of this ASU to have a material impact on our results of operations, financial position or cash flow.

Presentation of Comprehensive Income. In June 2011, the FASB issued ASU No. 2011-05, "Comprehensive Income: Presentation of Comprehensive Income," which amends current comprehensive income guidance. This ASU eliminates the option to present the components of other comprehensive income as part of the statement of shareholders' equity. Instead, it requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. Under the two-statement approach, the first statement would include components of net income, which is consistent with the income statement format used today, and the second statement would include components of other comprehensive income ("OCI"). The ASU does not change the items that must be reported in OCI. ASU 2011-05 will be effective for public companies during the interim and annual periods beginning after December 15, 2011 with early adoption permitted. We do not expect adoption of this ASU to have a material impact on our results of operations, financial position or cash flow.

Fair Value Measurements and Disclosures. In May 2011, the FASB issued ASU 2011-04 "Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS." The ASU is the result of joint efforts by the FASB and the International Accounting Standards Board ("IASB") to develop a single, converged fair value framework. While the ASU is largely consistent with existing fair value measurement principles in U.S. GAAP, it expands existing disclosure requirements for fair value measurements and makes other amendments. Key additional disclosures include quantitative disclosures about unobservable inputs in Level 3 measures, qualitative information about sensitivity of Level 3 measures and valuation process, and classification within the fair value hierarchy for instruments where fair value is only disclosed in the footnotes but carrying amount is on some other basis. For public companies, the ASU is effective for interim and annual periods beginning after December 15, 2011. We do not expect adoption of this ASU to have a material impact on our results of operations, financial position or cash flow.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

The statements that are not historical facts contained in this Management' s Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Quarterly Report on Form 10-Q are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "may," "will," "intend," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "project," "predict," "potential," and variations of these words and similar expressions are sometimes used to identify forward-looking statements. These statements reflect the current belief, expectations, estimates, forecasts or intent of our management and are subject to and involve certain risks and uncertainties. There can be no assurance that our actual future performance will meet management' s expectations. As discussed in our Annual Report on Form 10-K for the year ended December 31, 2010 and our other filings with the Securities and Exchange Commission, our future operating results are difficult to predict and subject to significant fluctuations. Factors that may cause future results to differ materially from management' s current expectations include, among others:

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

the effects on our revenue performance based on our recent trend in orders and the increasing portion of our orders that are for newer products with longer order-to-revenue conversion cycles and lower margins

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

on initial sales;

our increasing dependence on next-generation products with which we have less experience forecasting, building, and selling and for which the markets are less mature and more subject to demand and technology changes and increased competition;

a decrease in our gross margins due to (i) an increase in the proportion of our revenues derived from initial system orders for our next-generation session, policy and data management solutions, (ii) an increase in the number of lab systems for these same next-generation products, as the lab systems are typically provided at little to no charge to the customer, and (iii) an increase in service related costs to the support of customer deployments and trials of these systems;

the occurrence of any event or proceeding that could give rise to the termination of the merger agreement under which the Company is proposed to be acquired by an affiliate of Siris Capital Group, LLC;

the parties' inability to complete the merger if the closing conditions are not satisfied;

the possibility that our management may be preoccupied with merger-related considerations and may be diverted from the day-to-day operations of our business and the pursuit of our strategic initiatives;

the negative impact that the pendency of the merger may have on our relationships with our key managers and other employees, as well as with our customers and suppliers;

the risk that we may experience detrimental effects, such as employee distraction and litigation, from our 2011 restructuring activities, or may not realize the benefits of such activities, including as a result of delays resulting from our complying with and undertaking, or our noncompliance with, any necessary individual and collective employee information and consultation obligations;

the effect of the recent economic crisis on overall spending by our customers, including increasing pressure from our customers for us to lower prices for our products and warranty services, access to credit markets by our customers and the impact of tightening credit on capital spending, and further changes in general economic, social, or political conditions in the countries in which we operate;

the risk that management will not be able to transition the business model to one that effectively supports a software- and services- centric product portfolio; the continued decline in sales of our Eagle 5 related products, including the ability of carriers to utilize excess capacity of signaling infrastructure and related products in their networks;

our ability to compete, particularly on price, with other manufacturers that have lower cost bases than ours and/or are partially supported by foreign government subsidies or employ unfair trade practices;

risks related to our international sales, markets and operations, including but not limited to: import regulations, limited intellectual property protection (including limited protection of our software source code), withholding taxes and their effect on cash flow timing, and increased costs and potential liabilities related to compliance with current and future security provisions in customer contracts and government regulations, including in particular those imposed by the government of India;

exposure to increased bad debt expense and product and service disputes as a result of general economic conditions and the uncertain credit markets worldwide;

the timely development and acceptance of our new products and services, including the timing of demand for integrated next-generation signaling solutions, the training of our employees on new products, our product mix and the geographic mix of our revenues and the associated impact on gross margins and operating expenses, and the effect of any product that fails to meet one customer's expectations on the sale of that or any other products to that or other customers;

uncertainties related to the timing of revenue recognition due to the increasing percentage of next-generation solutions in our backlog, as we have a limited history of the order-to-revenue conversion cycle;

the onerous terms and conditions, including liability provisions, imposed by our customers in connection with new product deployments;

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

our ability to gain the benefits we anticipate from our acquisitions, including our acquisitions of Camiant and Blueslice and including expected sales of new products and synergies between the companies' products and operations;

continuing financial weakness in the telecommunications equipment sector, resulting in pricing pressure on our products and services, as certain of our competitors consolidate, reduce their prices, lengthen their payment terms and enter into terms and/or conditions that are generally less favorable to them;

the risk that continued service provider consolidation or outsourcing of network maintenance and operations functions will insert a potential competitor between us and our customers and/or erode our level of service to such service providers and/or negatively affect our margins;

the risk that our future financial results will not meet our expectations;

the lengthy sales cycles for our products, particularly for our new or acquired products;

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

- the availability and success or failure of advantageous strategic and vendor relationships;
- litigation, including patent-related litigation, any adverse outcome from or effects of the securities litigations we currently have filed against us, and regulatory matters and the costs and expenses associated therewith; and
- other risks described in our Annual Report on Form 10-K for the year ended December 31, 2010 and in our other Securities and Exchange Commission filings.

Many of these risks and uncertainties are outside of our control and are difficult for us to forecast or mitigate. Actual results may differ materially from those expressed or implied in such forward-looking statements. We do not assume any responsibility for updating or revising these forward-looking statements. Undue emphasis or reliance should not be placed on any forward-looking statements contained herein or made elsewhere by or on behalf of us.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

For quantitative and qualitative disclosures about market risk, see Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," included in our Annual Report on Form 10-K for the year ended December 31, 2010. Our exposures to market risk have not changed materially since December 31, 2010 other than as discussed in Note 5 "Fair Value of Financial Instruments" to the accompanying unaudited condensed consolidated financial statements and under the caption "Critical Accounting Policies and Estimates" in Part I, Item 2 of this Form 10-Q.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Based on our management' s evaluation (with the participation of our Chief Executive Officer and Chief Financial Officer), as of the end of the quarter covered by this report, our Chief Executive Officer and Chief Financial Officer have concluded that 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")), are effective in that they provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and our Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting are or will be capable of preventing or detecting all errors and all fraud. Any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system' s objectives will be met. The design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

PART II − OTHER INFORMATION

Item 1. *Legal Proceedings*

There have been no material developments in the description of material legal proceedings as reported in Part I, Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2010, apart from as described in Note 10 "Commitments and Contingencies" to the accompanying unaudited consolidated financial statements.

Item 1A. *Risk Factors*

There have been no material changes from the risk factors as previously disclosed in Part 1, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2010 other than the following:

There are risks and uncertainties associated with our proposed merger with and acquisition by an affiliate of Siris Capital Group, LLC.

On November 6, 2011, we entered into an agreement and plan of merger (the "Merger Agreement"} providing for the acquisition of the Company by a newly formed affiliate of Siris Capital Group, LLC ("Siris"). Pursuant to the terms of the Merger Agreement and subject to the conditions thereof, the Siris affiliate will merge with and into the Company, and the Company will become a private company, wholly owned by the Siris affiliate.

There are a number of risks and uncertainties relating to the merger. For example, the merger may not be consummated or may not be consummated as currently anticipated, as a result of several factors. There can be no assurance that approval of our shareholders and requisite regulatory approvals will be obtained, that the other conditions to the closing of the merger will be satisfied or waived or that other events will not intervene to delay, or result in the termination of, the merger.

Our business could be adversely impacted as a result of uncertainty related to the proposed merger.

The proposed merger with and acquisition by an affiliate of Siris could cause disruptions in our business relationships and business generally, which could have an adverse effect on our business, financial condition, results of operations and cash flows. For example:

- the attention of our management may be directed to transaction-related considerations and may be diverted from the day-to-day operations of our business and the pursuit of our strategic initiatives;
- our key managers and other employees may experience uncertainty about their future roles at the Company, which might adversely affect our ability to retain and hire key managers and other employees; and
- customers and suppliers may experience uncertainty about the Company' s future and seek alternative business relationships with third parties or seek to alter their business relationships with the Company.

Under the Merger Agreement, we are subject to certain restrictions on the conduct of our business prior to completing the proposed merger, which restrictions could adversely affect our ability to realize certain of our business strategies or pursue opportunities that may arise prior to the closing of the merger.

In addition, we have incurred, and will continue to incur, significant costs, expenses and fees for professional services and other transaction costs in connection with the proposed merger, and we must pay many of these fees and costs regardless of whether or not we consummate the merger.

Failure to complete the proposed merger could negatively impact our business, financial condition, results of operations and stock price.

The completion of the proposed merger is subject to a number of conditions, and there can be no assurance that the conditions to the completion of the proposed merger will be satisfied or that the proposed merger will otherwise occur. If the proposed merger is not completed, we will be subject to several risks, including:

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

the current price of our common stock may reflect a market assumption that the proposed merger will occur, meaning that a failure to complete the proposed merger could result in a decline in the price of our common stock;

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

we may be required to pay a termination fee of $15.0 million if the Merger Agreement is terminated under certain circumstances, and any such payment would negatively affect our liquidity;

we expect to incur substantial transaction costs in connection with the proposed merger, whether or not it is completed; and

we would not realize any of the anticipated benefits of having completed the proposed merger.

Item 5. *Other Information*

Our policy governing transactions in our securities by our directors, executive officers and certain other employees permits such persons from time to time to adopt stock trading plans pursuant to Rule 10b5-1 promulgated by the Securities and Exchange Commission under the Exchange Act. Ronald J. de Lange, our President and Chief Executive Officer, has adopted a Rule 10b5-1 stock trading plan that was in effect as of September 30, 2011. The Company does not undertake any obligation to disclose, or to update or revise any disclosure regarding, any such plans and specifically does not undertake to disclose the adoption, amendment, termination or expiration of any such plans.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Item 6. ***Exhibits***

Exhibit	Description
10.1	2011 Officer Severance Plan(1)
10.2	Employment Separation Agreement effective July 20, 2011 between the Company and Yusun Kim Riley(2)
10.3	Consulting Agreement effective July 20, 2011 between the Company and Yusun Kim Riley(3)
10.4	Form of Indemnification Agreement between the Company and each of its directors and executive officers(4)
31.1	Certification of Chief Executive Officer of Tekelec pursuant to Rule 13a-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(1)
31.2	Certification of Chief Financial Officer of Tekelec pursuant to Rule 13a-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(1)
32.1	Certifications of Chief Executive Officer and Chief Financial Officer of Tekelec pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(1)
101.1	The following financial information from the Registrant’ s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 (filed with the Securities and Exchange Commission on November 7, 2011), is formatted in Extensible Business Reporting Language (XBRL) and electronically submitted herewith: (i) unaudited condensed consolidated balance sheets as of September 30, 2011 and December 31, 2010, (ii) unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2011 and 2010, (iii) unaudited condensed consolidated statements of comprehensive income for the three and nine months ended September 30, 2011 and 2010, (iv) unaudited condensed consolidated statements of cash flows for the nine months ended September 30, 2011 and 2010, and (v) notes to unaudited condensed consolidated financial statements (5)

(1) Filed herewith.

(2) Incorporated by reference to Exhibit 10.5 to the Registrant’ s Quarterly Report on Form 10-Q (File No. 0-15135) for the quarter ended June 30, 2011, as filed with the Commission on August 4, 2011.

(3) Incorporated by reference to Exhibit 10.6 to the Registrant’ s Quarterly Report on Form 10-Q (File No. 0-15135) for the quarter ended June 30, 2011, as filed with the Commission on August 4, 2011.

(4) Incorporated by reference to Exhibit 10.1 to the Registrant’ s Current Report on Form 8-K (File No. 0-15135) dated September 12, 2011, as filed with the Commission on September 13, 2011.

(5) The XBRL information in Exhibit 101.1 shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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.

TEKELEC

Date: November 7, 2011	/s/ RONALD J. DE LANGE
	Ronald J. de Lange
	President and Chief Executive Officer
Date: November 7, 2011	/s/ GREGORY S. RUSH
	Gregory S. Rush
	Senior Vice President and Chief Financial Officer
	(Principal Financial and Accounting Officer)
Date: November 7, 2011	/s/ PAUL J. ARMSTRONG
	Paul J. Armstrong
	Vice President and Corporate Controller

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT INDEX

Exhibit No.	Description
10.1	2011 Officer Severance Plan
31.1	Certification of Chief Executive Officer of Tekelec pursuant to Rule 13a-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer of Tekelec pursuant to Rule 13a-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certifications of Chief Executive Officer and Chief Financial Officer of Tekelec pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.1	The following financial information from the Registrant' s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 (filed with the Securities and Exchange Commission on November 7, 2011), is formatted in Extensible Business Reporting Language (XBRL) and electronically submitted herewith: (i) unaudited condensed consolidated balance sheets as of September 30, 2011 and December 31, 2010, (ii) unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2011 and 2010, (iii) unaudited condensed consolidated statements of comprehensive income for the three and nine months ended September 30, 2011 and 2010, (iv) unaudited condensed consolidated statements of cash flows for the nine months ended September 30, 2011 and 2010, and (v) notes to unaudited condensed consolidated financial statements(1)

(1) The XBRL information in Exhibit 101.1 shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 10.1

2011 OFFICER SEVERANCE PLAN

1. Purpose.

The Tekelec 2011 Officer Severance Plan (this "Plan") is intended to provide severance benefits to certain salaried officers of Tekelec ("Tekelec" or the "Company") who shall become eligible for benefits under this Plan. The purpose of this Plan is to provide certain benefits to Eligible Officers during the transition period following involuntary loss of employment under circumstances outlined in this Plan. The provisions herein are being offered and provided at the sole discretion of the Company. This Plan is effective as of May 13, 2011 (the "Effective Date") and shall serve as a successor to the Company' s 2007 Officer Severance Plan, as amended (the "2007 Plan"), other than for those individuals designated as Eligible Officers by the Board under the 2007 Plan prior to the Effective Date of this Plan with the terms and conditions of such 2007 Plan governing the severance benefits of such individuals.

2. Definitions.

As used herein, the terms identified below shall have the meanings indicated:

(a) "Administrator" means the Compensation Committee of the Board of Directors of the Company (or such other committee as may be appointed by the Board to administer this Plan); and, in the absence of any such committee, shall mean the Board of Directors of the Company.

(b) "Annual Compensation" means the Eligible Officer' s highest regular rate of annual base salary paid by the Company during the calendar year in which the Termination Date occurs (or such other date specified herein) plus the Eligible Officer' s target bonus amount, if any, for the bonus year in which the Termination Date occurs but excluding all other compensation including, but not limited to, commissions, incentive compensation, automobile allowances, pension payments, 401(k) matching contributions, gains realized in connection with the exercise of a stock option or participation in a stock option or stock purchase program, employer contributions for benefits, relocation payments, expense reimbursements, noncash compensation, and other similar payments.

(c) "Base Salary" means the Eligible Officer' s highest regular rate of annual base salary paid by the Company during the calendar year in which the Termination Date occurs and excluding all other forms of compensation including, but not limited to, any bonus or target bonus amounts, commissions, incentive compensation, automobile allowances, pension payments, 401(k) matching contributions, gains realized in connection with the exercise of a stock option or participation in a stock purchase program, employer contributions for benefits, relocation payments, expense reimbursements, noncash compensation, and similar payments.

(d) "Board" means the Board of Directors of the Company.

(e) "Cause" Termination by Tekelec of an Eligible Officer' s employment for "Cause" means termination as a result of:

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(i) willful refusal or failure to follow one or more important Company policies;

(ii) any conduct amounting to gross incompetence;

(iii) any absence (excluding vacations, illnesses or leaves of absence) from work for more than five consecutive work days or chronic absences from work (also excluding vacations, illnesses or leaves of absence), all of which are neither authorized, justified nor excused;

(iv) refusal or failure, after written notice and reasonable time to comply, to perform material, appropriate duties;

(v) refusal, after written notice and reasonable time to comply, to obey any lawful resolution of the Board;

(vi) embezzlement, misappropriation of any property or other asset of the Company (other than de minimis properties or assets) or misappropriation of a corporate opportunity of the Company;

(vii) offer, payment, solicitation or acceptance in violation of Company policy or law of any bribe, kickback or item of value with respect to the Company' s business;

(viii) conviction of the Eligible Officer for or the entering of a plea of nolo contendere with respect to any felony whatsoever or for any misdemeanor involving moral turpitude;

(ix) any act or failure to act by the Eligible Officer that is widely reported in the general or trade press or otherwise and which achieves a general notoriety and which act or failure to act involves conduct that is illegal or generally considered immoral or scandalous;

(x) any willful material breach of the Eligible Officer' s obligations to the Company under any nondisclosure or proprietary agreement with or on behalf of the Company or any material unauthorized disclosure of any important and confidential information of the Company;

(xi) unlawful use (including being under the influence) or possession of illegal drugs on Company premises; or

(xii) death or long-term disability.

(f) "Change in Control" A "Change in Control" of the Company shall be deemed to have occurred at such time as (i) any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934 (the "Exchange Act")) becomes after the Effective Date of this Plan the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company' s then outstanding securities; (ii) during any period of 12 consecutive months, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by the Company' s shareholders, of each new director was approved by a vote of at least a majority of the directors then still in office who were directors at the beginning of the period; (iii) the closing of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; (iv) the shareholders of the Company approve a plan of liquidation of the Company; or (v) the closing of the sale or disposition (other than in the ordinary course of business) by the Company of all or substantially all of the Company' s assets (or any transaction having essentially the same effect); provided, however, that each such event constitutes a "change in the ownership or effective control of a corporation" or a "change in the ownership of a substantial portion of the assets of a corporation" as such terms are defined in Code Section 409A.

(g) "Change in Control Severance Allowance" means the aggregate gross amount of severance payments determined in accordance with Section 6(c) of this Plan to be paid to an Eligible Officer who is entitled to receive such severance benefits under this Plan.

(h) "Change in Control Severance Period" means the period of time designated in Section 6(f) herein.

(i) "Code" means the Internal Revenue Code of 1986, as amended.

(j) "Code Section 409A" shall mean Section 409A of the Code, as amended, and the regulations and official guidance promulgated thereunder.

(k) "Eligible Officers" mean only those duly elected or appointed officers of the Company that: (i) are expressly designated as 'Eligible Officers' by the Board for the purposes of this Plan on or after the Effective Date pursuant to resolutions duly adopted by the Board, (ii) receive written notice of their status as designated Eligible Officers under the Plan, and (iii) provide service in their capacity as officers of the Company on or following the Effective Date of the Plan.

(l) "Employment Period" means the aggregate period of time during which an individual has been employed as a duly elected or appointed officer (other than solely as Chairman of the Board, Secretary and/or Assistant Secretary) by the Company prior to the Termination Date.

(m) "General Severance Allowance" means the aggregate gross amount of severance payments determined in accordance with Section 4(a) of this Plan to be paid to an Eligible Officer who is entitled to receive such severance benefits under this Plan.

(n) "General Severance Period" means the period of time designated in Section 4(b) herein.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(o) "Good Reason" means, without the express written consent of the Eligible Officer, the occurrence after, or concurrently in connection with, a Change in Control of the Company of any of the following materially adverse conditions, provided the Eligible Officer provides notice to the Company of the existence of the condition within 90 days of the initial existence of the condition and the Company fails to remedy the condition within 30 days of receipt of such notice:

(i) a reduction by the Company (or the surviving and controlling company if other than the Company (the "Acquiror")) in the Eligible Officer' s annual base salary as in effect on the date immediately prior to the Change in Control of the Company;

(ii) the Company or the Acquiror requiring the Eligible Officer to be based for six months or more at a Company office more than 50 miles from the Company' s offices at which such Eligible Officer was principally employed immediately prior to the date of the Change in Control of the Company except for required and appropriate travel on the Company' s or the Acquiror' s business to an extent substantially consistent with the Eligible Officer' s business travel obligations immediately prior to the Change in Control of the Company;

(iii) the assignment to the Eligible Officer of duties substantially inconsistent with the position in the Company that such Eligible Officer held immediately prior to the Change in Control of the Company, or a significantly adverse change in the nature or status of the officer' s responsibilities or the conditions of the Eligible Officer' s employment from those in effect immediately prior to such Change in Control;

(iv) the failure by the Company or the Acquiror to continue in effect any compensation or benefit plan or perquisites in which the Eligible Officer participates immediately prior to the Change in Control of the Company which is material to the Eligible Officer' s total compensation, unless an at least equally beneficial arrangement (embodied in an ongoing, substitute or alternative plan) has been made with respect to such plan, or the failure by the Company or the Acquiror to continue such Eligible Officer' s participation therein (or in such ongoing, substitute or alternative plan) on a basis at least as favorable, both in terms of the amount of benefits provided and the level of the Eligible Officer' s participation relative to comparably situated participants, as existed immediately prior to such Change in Control;

(v) the failure by the Company or the Acquiror to continue to provide the Eligible Officer with benefits substantially similar to those enjoyed by such Eligible Officer under any of the Company' s life insurance, medical, dental, accident, or disability plans in which the Eligible Officer was participating immediately prior to such Change in Control of the Company or the taking

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

of any action by the Company or the Acquiror which would directly or indirectly materially reduce any such benefits; or

(vi) failure of the Acquiror to offer employment to the Eligible Officer at least ten days prior to a Change in Control on terms and conditions generally no less favorable than the terms and conditions of the Eligible Officer' s employment in effect with the Company immediately prior to the Change in Control.

(p) "Specified Employee" means a key employee (as defined in Code Section 416(i) without regard to Code Section 416(i)(5)) determined in accordance with the meaning of such term under Code Section 409A. The Company shall determine whether an Eligible Officer is a Specified Employee by applying reasonable, objectively determinable identification procedures for Specified Employees as set forth in a resolution of the Board regarding such determination procedures as may be amended from time to time. In the event such procedures are not so established, the identification date for purposes of determining the Company' s key employees shall be December 31.

(q) "Termination Date" means the date on which an Eligible Officer has a separation from service with the Company.

3. Eligibility.

(a) Eligible Officers. Only Eligible Officers designated by the Board as eligible to participate in this Plan on or after the Effective Date shall be eligible to receive benefits under this Plan.

(b) Qualifying Terminations. Tekelec will pay severance benefits under Section 4 of this Plan on account of the termination of an Eligible Officer' s employment with Tekelec only if the conditions set forth in Section 5 are fulfilled, the termination is non-temporary and attributable to one of the following conditions, and in the case of the conditions described in Sections 3(b)(v) - (vii), below, the Eligible Officer provides notice to the Company of the existence of the condition within 90 days of the initial existence of the condition and the Company fails to remedy the condition within 30 days of receipt of such notice:

(i) the result of a reduction in force (an involuntary separation without Cause and due to elimination of position or a layoff of personnel);

(ii) the result of Tekelec' s belief that the Eligible Officer is unable to fulfill or is not fulfilling the requirements of or should not hold an officer position for a reason other than for Cause;

(iii) the result of such Eligible Officer' s having submitted to the Company his/her written resignation or offer of resignation (even if such indicates that such resignation is "voluntary") upon and in accordance with (A) the request by the Board in writing or pursuant to a duly adopted resolution of the Board or (B) with respect to all Eligible Officers other than the Chief Executive

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Officer of the Company, the written request of the Chief Executive Officer of the Company;

(iv) the result of a divestment by Tekelec of the operating unit in which such Eligible Officer works and which unit is sold, conveyed or transferred to another corporation or entity (whether in connection with a sale of assets, stock or other form of transaction) and the Eligible Officer is not offered employment by the acquiring corporation or entity on substantially the same or comparable terms and conditions as his/her employment with Tekelec;

(v) the result of an otherwise voluntary separation following the Company requiring the Eligible Officer to be based more than 50 miles from the Company' s offices at which such Eligible Officer was principally employed and such Eligible Officer declines to relocate except for required and appropriate travel on the Company' s business consistent with the Eligible Officer' s prior business travel obligations;

(vi) the result of an otherwise voluntary separation within 30 days following a greater than 10% reduction by the Company of the Eligible Officer' s annual base salary as in effect from time to time;

(vii) solely with respect to severance benefits to be provided to the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), or an Executive Vice President ("EVP") as a result of such Eligible Officer' s termination due to "Good Reason" as defined in Section 2(o) above; or

(viii) for the convenience of Tekelec or otherwise for any reason other than one or more of the reasons set forth in Section 3(c).

(c) Nonqualifying Terminations. Notwithstanding Section 3(b), Tekelec will not be obligated to pay severance benefits to an Eligible Officer if the termination is the result of:

(i) voluntary separation (a separation, including retirement, initiated by the Eligible Officer), other than a voluntary separation by an Eligible Officer pursuant to Section 3(b)(iii), and (v)-(vi) hereof or separation by the CEO, CFO, or an EVP pursuant to Section 3(b)(vii) hereof;

(ii) voluntary retirement, whether early retirement, retirement at normal retirement age or retirement following normal retirement age;

(iii) the Company having terminated such Eligible Officer' s employment for Cause; or

(iv) the removal of an Eligible Officer from one or more officer positions but such Eligible Officer is offered and accepts (and continuing to work at the Company in such new officer position shall, among other methods, be a

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

method of acceptance) one or more other officer positions (other than merely Secretary or Assistant Secretary) at the Company.

4. Amount and Payment of Benefits.

(a) General Severance Compensation. Unless otherwise provided in Section 6 herein, an Eligible Officer who is entitled to receive severance benefits under this Plan shall receive a General Severance Allowance in an amount equal to the product of (i) such Eligible Officer' s Base Salary and (ii) a percentage determined in accordance with the following table:

Officer Position Held at Termination	General Percentage	
CEO	200	%
CFO and EVPs	150	%
All Other Officer Positions	100	%

(b) Method of Payment. Any General Severance Allowance will be paid in equal monthly installments, less all applicable withholding taxes, over the Eligible Officer' s General Severance Period as determined in accordance with the following table:

Officer Position Held at Termination	General Severance Period
CEO	24 months
CFO and EVPs	18 months
All Other Officer Positions	12 months

The installment payments will commence on the sixtieth (60) day following the Termination Date provided the terminated Eligible Officer has timely executed and not revoked the Agreement required under Section 5 of this Plan. Notwithstanding the preceding sentence, if the terminated Eligible Officer is a Specified Employee, any payment which would otherwise occur within the first six months following the Eligible Officer' s Termination Date shall be made in a lump sum, with interest accruing at a reasonable rate from the Termination Date, on the first day of the seventh month immediately following the Termination Date to the extent necessary for the Eligible Officer to avoid adverse tax consequences under Code Section 409A.

(c) Health Care Coverage Continuation. For a period of eighteen (18) months in case of the CEO, CFO, and EVPs and twelve (12) months for all other officer positions, Tekelec will reimburse premiums paid by a terminated Eligible Officer for health care continuation coverage under Tekelec' s group health plan pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") for the terminated Eligible Officer and the terminated Eligible Officer' s immediate family members who elect coverage as "Qualified Beneficiaries" as such term is defined in COBRA. All reimbursements for COBRA premium payments shall be made as soon as possible following the terminated Eligible Officer' s submission to Tekelec of proof of timely COBRA premium payments; provided, however, all such claims for COBRA reimbursements shall be

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

submitted by the terminated Eligible Officer and paid by Tekelec no later than 2 1/2 months following the end of the year in which COBRA premiums were paid. In the event the Eligible Officer and his or her family members become eligible for group health care coverage elsewhere on terms generally no less favorable to the terminated Eligible Officer during the applicable COBRA reimbursement period set forth above, the terminated Eligible Officer shall provide notice to Tekelec, and Tekelec reserves the right to discontinue reimbursing COBRA premiums under Tekelec' s group health plans. Upon exhaustion of the applicable COBRA reimbursement period set forth above, or after Tekelec ceases paying for coverage (if applicable), such terminated Eligible Officer may elect coverage under a conversion health plan available under Tekelec' s group health plan(s) from the Company' s health insurance carrier if and to the extent the Eligible Officer is entitled to do so as a matter of right under federal or state law. Any expense associated with the continuation of any health care coverage beyond the maximum applicable COBRA reimbursement period pursuant to this Section 4(c) will be the sole responsibility of the terminated Eligible Officer.

(d) Other Benefit Plans. Except as otherwise expressly provided in this Section 4 or as required by applicable law, a terminated Eligible Officer shall have no right to continue his/her participation in any Tekelec benefit plan following such Eligible Officer' s termination. Without limiting the generality of the foregoing, a terminated Eligible Officer shall not be entitled to participate in the Company' s 401(k) Plan or any similar plan following the Eligible Officer' s Termination Date.

(e) Vacation Pay. A terminated Eligible Officer will be promptly paid for accrued and unused vacation entitlement on and through the Termination Date.

5. Condition Precedent to Severance Benefits.

(a) Separation Agreement. Notwithstanding anything herein to the contrary and in consideration for and as a condition precedent to the payment of severance or any other benefits under this Plan, an Eligible Officer otherwise entitled to receive payments or benefits under this Plan shall, following the Eligible Officer' s Termination Date, execute and deliver to the Company a written separation agreement (the "Agreement"), in substantially the form attached hereto as Attachment I. Except as otherwise provided in the last sentence of Section 5(b), an Eligible Officer shall not have any rights whatsoever to receive severance benefits under this Plan unless the Eligible Officer timely executes and delivers to the Company the Agreement and does not revoke said Agreement. The obligations set forth in the Agreement shall be in addition to any existing and continuing duties that such Eligible Officer may otherwise have under law to the Company as a result of the Eligible Officer' s former capacity as an officer, employee, director, shareholder or otherwise.

(b) Waiver. Not later than 20 days after an Eligible Officer' s Termination Date, the Company shall provide such Eligible Officer with the Agreement for execution. Unless such Agreement is duly executed and returned by the Eligible Officer to the Company within 21 days after the Eligible Officer receives it or the Eligible Officer lodges a bona fide dispute or challenge with the Company' s determination of the severance payments payable under this Plan and has made a timely claim in accordance with Section 8(a) hereof, such Eligible Officer shall be deemed to have

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

waived and forfeited his/her rights to severance payments and benefits under this Plan and the Company shall have no further obligations whatsoever to such Eligible Officer under this Plan. If the Company shall not provide the Agreement to the Eligible Officer within 20 days after such Eligible Officer' s Termination Date, the Company shall be deemed to have waived the condition set forth in this Section 5 and the Eligible Officer shall not be required to execute the Agreement as a condition to receiving any severance payments or other benefits under this Plan.

6. Change in Control Provisions.

(a) Eligibility. In the event of a Change in Control of the Company, this Section 6 will apply in lieu of all the provisions contained in Section 4 herein. However, in the event that an Eligible Officer' s employment with the Company is terminated for any reason prior to the Change in Control of the Company, and subsequently a Change in Control of the Company occurs, such Eligible Officer shall not be entitled to any benefits under this Section 6 unless such termination was within two (2) months of said Change in Control and was in connection with or otherwise directly because of such anticipated Change in Control.

(b) Qualifying Termination. In the event that a Change in Control of the Company shall occur, Tekelec will pay the severance benefits provided in this Section 6 to an Eligible Officer (CEO, CFO, EVP, or all other officers) who (i) elects to terminate his/her employment within eighteen months of such Change in Control for "Good Reason" as defined in Section 2(o) above or (ii) is terminated by the Company (or the Acquiror) without Cause within 18 months following the Change in Control of the Company.

(c) Change in Control Severance Compensation. An Eligible Officer who is entitled to receive severance benefits under Section 6(b) of this Plan shall receive, subject to Section 6(h), a Change in Control Severance Allowance in an amount equal to the product of (i) such Eligible Officer' s Annual Compensation and (ii) a percentage determined in accordance with the following table:

Officer Position Held at Termination	Change in Control Percentage	
CEO	200	%
CFO and EVPs	150	%
All Other Officer Positions	100	%

(d) Method of Payment. Any Change in Control Severance Allowance will be paid in a lump sum, less all applicable withholding taxes, on the sixtieth (60) day following the Termination Date provided the terminated Eligible Officer has timely executed and not revoked the Agreement required under Section 5 of this Plan. Notwithstanding the preceding sentence, if the terminated Eligible Officer is a Specified Employee, payment shall be made in a lump sum, with interest accruing at a reasonable rate, on the first day of the seventh month immediately following the Termination Date to the extent necessary for the Eligible Officer to avoid adverse tax consequences under Code Section 409A.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(e) Health Care Insurance Continuation. If the terminated Eligible Officer and the Eligible Officer' s family members who qualify as "Qualifying Beneficiaries" under COBRA elect to continue coverage under Tekelec' s group health plan(s) pursuant to COBRA, Tekelec will reimburse the Eligible Officer for applicable premium payments to continue such coverage for a period of up to twenty-four (24) months with respect to the CEO, up to eighteen (18) months with respect to the CFO or an EVP, and up to twelve (12) months for all other officer positions. All reimbursements for COBRA premium payments shall be made as soon as possible following the terminated Eligible Officer' s submission to the Company of proof of timely payments; provided, however, all such claims for reimbursement shall be submitted by the terminated Eligible Officer and paid by Tekelec no later than 2 1/2 months following the end of the year in which such premiums were timely paid. Any expense associated with the continuation of any health care coverage beyond the Eligible Officer' s health care coverage reimbursement period provided herein shall be the sole responsibility of the terminated Eligible Officer. A terminated Eligible Officer (at the Eligible Officer' s expense) may elect coverage under a conversion health plan available under Tekelec' s group health plan(s) from the Company' s health insurance carrier if and to the extent the Eligible Officer is entitled to do so as a matter of right under federal or state law.

(f) Acceleration of Vesting.

(i) If within the period commencing two (2) months prior to, and ending eighteen (18) months after, a Change in Control of the Company, (i) an Eligible Officer' s employment with the Company (or the Acquiror) is terminated by the Company (or the Acquiror) without Cause or (ii) an Eligible Officer terminates his/her employment with the Company (or the Acquiror) for "Good Reason," then all of such Eligible Officer' s then unvested options, stock appreciation rights ("SARs"), restricted stock units ("RSUs") and other rights to purchase or acquire securities or other property of the Company or the Acquiror (including but not limited to any options or rights assumed by the Acquiror in connection with the Change in Control), other than any equity awards or grants subject to performance-based vesting provisions and any options or rights that were granted after the effective date of the Change in Control, shall automatically vest and become immediately exercisable in full, and all of such Eligible Officer' s options, SARs, RSUs and rights to purchase securities or other property of the Company and/or the Acquiror (other than equity awards subject to performance-based vesting provisions and such options and rights that were granted after the effective date of the Change in Control, which options and rights shall be governed by the terms thereof) shall be exercisable for a period of one year following the effective date of such Eligible Officer' s termination of employment with the Company or the Acquiror, as the case may be (notwithstanding any terms or provisions to the contrary in any applicable stock option plan, stock option agreement or other plan or agreement); provided, however, that any such option or other right shall not be exercisable after the expiration of the term of such option or other right set forth in the option agreement or other agreement evidencing such right.

(ii) If in connection with a Change in Control of the Company, an Eligible Officer is not offered, prior to the effective date of such Change in Control, employment with the Acquiror after the effective date of the Change in Control on terms and conditions generally no less favorable to the Eligible Officer than the terms and conditions of the Eligible Officer' s

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

employment in effect with the Company immediately prior to the effective date of the Change in Control, then all of such Eligible Officer' s unvested options, SARs, RSUs, and other rights to purchase or acquire the Company' s securities that are outstanding immediately prior to the effective date of the Change in Control (other than equity awards subject to performance-based vesting provisions) shall automatically vest and become immediately exercisable in full, and all of such Eligible Officer' s options, SARs, RSUs, and rights to purchase or acquire the Company' s securities that are outstanding immediately prior to the effective date of the Change in Control (other than equity awards subject to performance-based vesting provisions) shall be exercisable for a period of one year following the effective date of such Change in Control (notwithstanding any terms or provisions to the contrary in any applicable stock option plan, stock option agreement or other plan or agreement); provided, however, that any such option, SAR, RSU or other right shall not be exercisable after the expiration of the term of such option, SAR, RSU, or other right set forth in the option agreement or other agreement evidencing such right.

(iii) For the avoidance of doubt, the vesting and exercisability of equity awards or grants subject to performance-based vesting provisions shall be governed solely by the terms of the individual award or grant agreements evidencing such awards rather than the accelerated vesting and extended exercise rights provided in connection with a Change in Control pursuant to this Plan.

(g) 280G Modified Cap. In the event that any payment or benefits of any type by Tekelec to or for the benefit of an Eligible Officer, whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise, would exceed the statutory limit under Code Section 280G and result in an excise tax imposed on the Eligible Officer by Code Section 4999 (or any similar tax that may hereafter be imposed), then such Eligible Officer shall receive, subject to the conditions of this Plan and in full satisfaction of his or her rights under this Plan, (A) such payment and benefits, or (B) an amount equal to the product of 2.99 and the Eligible Officer' s "base amount" (as defined in Code Section 280G), whichever yields the highest after-tax benefit to the Eligible Officer. In the event the benefit described under the foregoing Section 6(h)(B) yields the highest after-tax benefit, such amount shall be paid in a lump sum, less all applicable withholding taxes, ten days after the effective date of the Agreement required under Section 5 of this Plan; however, if the terminated Eligible Officer is a Specified Employee, payment shall be made in a lump sum, with interest accruing at a reasonable rate of interest from the Eligible Officer' s Termination Date, on the first day of the seventh month immediately following the Termination Date to the extent necessary for the Eligible Officer to avoid adverse tax consequences under Code Section 409A. In the event the requirements of Section 5 of this Plan are waived, the phrase "effective date of the Agreement" in this Section 6(h) shall be replaced with "Termination Date."

(h) Overpayment. If, after the receipt by the Eligible Officer of an amount paid or advanced by Tekelec pursuant to this Section 6), the Eligible Officer becomes entitled to receive any refund with respect to such claim, the Eligible Officer shall promptly pay to Tekelec the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto).

(i) Other Benefit Plans. Except as otherwise expressly provided in this Section 6 or as required by applicable law, a terminated Eligible Officer shall have no right to continue his/her

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

participation in any Tekelec benefit plan following such officer' s termination. Without limiting the generality of the foregoing, a terminated Eligible Officer shall not be entitled to participate in the Company' s 401(k) Plan or any similar plan following his/her Termination Date.

(j) Vacation Pay. A terminated Eligible Officer will be promptly paid for accrued and unused vacation entitlement on and through the Termination Date.

7. Administration of this Plan.

This Plan is a top-hat welfare plan under the Employee Retirement Income Security Act of 1974. The Plan shall be interpreted and administered for the Company by the Administrator who shall also be the named fiduciary of this Plan. The Administrator shall administer this Plan in accordance with its terms and shall have all powers necessary to carry out this Plan' s provisions on behalf of the Company. The Administrator shall have discretionary authority on behalf of the Company to determine reasonably and in good faith all questions arising in the administration, interpretation and application of this Plan and to construe the terms of this Plan, including any disputed or doubtful terms or the eligibility of an Eligible Officer for any benefit hereunder. Except as otherwise expressly provided in this Plan, the Administrator shall have no power or authority to add to, subtract from or modify any of the terms of this Plan, or to change or modify any of the benefits provided by this Plan, or to waive or fail to apply any requirements for eligibility for a benefit under this Plan.

8. Claims for Benefits.

(a) Initial Claim. In the event an Eligible Officer disputes or otherwise disagrees with the Company' s determination of the severance benefits payable to him or her and desires to make a claim (a "claimant") with respect to any of the benefits provided hereunder, the claimant shall so notify, in writing, the Administrator by actual receipt or registered mail (addressed to the "Officer Severance Plan Administrator," Tekelec, 5200 Paramount Parkway, Morrisville, North Carolina 27560) and shall submit evidence of events constituting a termination of employment with the Company. Any claim with respect to any of the benefits provided under this Plan shall be made in writing within 90 days of the later of his/her becoming aware of the event which the claimant asserts entitles him or her to severance benefits or the Company notifying him or her of its determination of the severance benefits payable to him or her under this Plan as a result of the occurrence of that event. Failure by the claimant to submit his/her claim within such 90-day period shall bar the claimant from disputing the Company' s notification to him or her of its determination of the severance benefits payable to him or her under this Plan as a result of the occurrence of that event.

(b) Appeal. In the event that a claim which is made by a claimant is wholly or partially denied, the claimant will receive from the Administrator within 60 days of the claimant' s above-referenced notice a written explanation of the reason for denial and the claimant or his/her duly authorized representative may appeal the denial of the claim to the Administrator at any time within 60 days after the receipt by the claimant of written notice from the Administrator of the denial of the claim. In connection therewith, the claimant or his/her duly authorized representative may request a review of the denied claim, may review pertinent documents, and may submit issues and comments in writing. Upon receipt of a request for review of a denied claim, the Administrator

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

shall make a decision with respect thereto and, not later than 60 days after receipt of a request for review, shall furnish the claimant with a decision on the review in writing, including the specific reasons for the decision written in a manner reasonably calculated to be understandable by the claimant or the claimant' s attorney or accountant, as well as specific reference to the pertinent provisions of this Plan upon which the decision is based. In reaching its decision, the Administrator shall have the discretionary authority in good faith to determine on behalf of the Company all questions arising under this Plan.

9. Miscellaneous Provisions.

(a) Offset. (i) If an Eligible Officer shall become entitled to receive benefits or payments from the Company pursuant to the provisions of any statute, rule or regulation of the United States or any state, territory, commonwealth or political subdivision thereof as the result of a plant or facility shutdown or closing, or the change in the control or ownership of the Company (other than unemployment benefits), the amount of severance benefits payable hereunder shall be offset dollar for dollar and reduced by such benefits otherwise payable to the Eligible Officer under such statute, rule or regulation. (ii) To the maximum extent permitted by Code Section 409A or other applicable law, the amount of any severance benefit payable under this Plan may be offset by the Company against any and all amounts due the Company by the terminated Eligible Officer.

(b) Waiver. The failure of the Company to enforce at any time any of the provisions of this Plan, or to require at any time performance of any of the provisions of this Plan, shall in no way be construed to be a waiver of these provisions, nor in any way to affect the validity of this Plan or any part thereof, or the right of the Company thereafter to enforce every provision.

(c) Benefits Not Transferable. Except as may be required by law, no benefit which shall be payable under this Plan to any Eligible Officer shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to alienate, sell, transfer, assign, pledge, encumber or charge all or any part of the benefit shall be void; provided, however, in the event of the death of a terminated Eligible Officer prior to the end of the period over which such Eligible Officer is entitled to receive severance benefits under this Plan, the severance benefits payable hereunder shall be paid to the estate of such Eligible Officer or to the person who acquired the rights to such benefits by bequest or inheritance. Except as may be provided by law, no benefit shall in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements or torts of any Eligible Officer, nor shall it be subject to attachment or legal process for, or against, the Eligible Officer and the same shall not be recognized under this Plan.

(d) Successors of the Company. The rights and obligations of the Company under the Plan shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company.

(e) No Contract of Employment. The definitions and criteria set forth herein are solely for the purpose of defining Plan eligibility. No legal rights to employment are created or implied by this Plan, nor are any conditions or restrictions hereby placed on termination of employment. Unless the employee has a written employment agreement binding on Tekelec which provides otherwise, employment with Tekelec is employment-at-will. This means termination of employment

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

may be initiated by the Eligible Officer or by Tekelec at any time for any reason which is not unlawful, with or without cause.

(f) Governing Law. This Plan shall be construed, administered and governed under and by the laws of the State of North Carolina and the laws of the United States to the extent they preempt state law or are otherwise applicable to this Plan.

(g) Controlling Plan. This Plan constitutes the Company' s entire Officer Severance Plan for the Eligible Officer and supersedes all previous representations, understandings and plans with respect to officer severance for the Eligible Officer, and any such representations, understandings and plans with respect to officer severance are hereby canceled and terminated in all respects.

(h) Validity. In the event any provision of the Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provisions of the Plan.

(i) Duration, Amendment and Termination. If a Change in Control has not occurred, this Plan shall automatically expire, without need for further Board action, upon the third anniversary of the Effective Date unless earlier terminated pursuant to this Section 9(i). If, however, a Change in Control has occurred while this Plan is in effect, this Plan shall continue in full force and effect for at least eighteen (18) months following such Change in Control and shall not terminate or expire until all Eligible Officers who become entitled to any payments or benefits hereunder shall have received such payments and benefits in full, at which time this Plan shall automatically expire, without need for further Board action. Following any automatic expiration of this Plan, the Board shall have the sole discretion to decide whether to renew this Plan and, if so renewed, upon what terms. Subject to the limitations herein provided, this Plan and each provision hereof may be amended, modified, supplemented, terminated or waived at any time by the Board. Each such amendment, modification, supplement, termination or waiver shall be in writing, shall be promptly sent in writing to each Eligible Officer and shall be effective on the date on or after such Board action as is specified by the Board; provided, however, that: (i) no such action shall have the effect of retroactively changing or depriving any terminated Eligible Officers of their rights to benefits payable with respect to events occurring prior to the effective date of such amendment, modification, supplement, termination or waiver unless the explicit written consent or waiver of such Eligible Officer thereto is obtained and (ii) no such action shall adversely diminish the rights under this Plan of an officer who is an Eligible Officer at the time such amendment, modification, supplement, termination or waiver is approved by the Board unless (A) the explicit written consent thereto or waiver by such Eligible Officer is obtained or (B) such action shall not become effective with respect to those officers who are Eligible Officers on the date such action is duly approved by the Board until at least 12 months have elapsed after such Eligible Officers have been notified in writing of the Board' s approval of such action. Any extension, amendment or termination of this Plan by the Board shall be made by action of the Board in accordance with the Company' s by-laws and applicable law. Except as expressly provided herein, no course of dealing between the parties hereto and no delay in exercising any right, power or remedy conferred hereby or now or hereafter existing at law, in equity, by statute or otherwise, shall operate as a waiver of, or otherwise prejudice, any such right, power or remedy.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

10. 409A Compliance.

(a) Parties' Intent. This Plan is intended to comply with or qualify for an exemption from Code Section 409A and all provisions of this Plan shall be construed in a manner consistent with the requirements for avoiding taxes, penalties, or interest under Code Section 409A. If any terms of this Plan (or of any award of compensation, including equity compensation or benefits) would cause an Eligible Officer to incur any additional taxes, penalties, or interest under Code Section 409A, Tekelec shall, upon the specific request of Eligible Officer, use its reasonable business efforts to in good faith reform such terms or provisions to comply with Code Section 409A; provided, that to the maximum extent practicable, the original intent and economic benefit to Eligible Officer and Tekelec of the applicable provision shall be maintained, and the Company shall have no obligation to make any changes that could create any additional economic cost or loss of benefit to Tekelec. Tekelec shall timely use its reasonable business efforts to amend any plan or program in which Employee participates to bring it in compliance with Section 409A. Notwithstanding the foregoing, the Company shall have no liability to any Eligible Officer or other individuals with regard to any failure to comply with Code Section 409A so long as it has acted in good faith with regard to compliance therewith.

(b) Separation from Service. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Plan providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination also constitutes a "Separation from Service" within the meaning of Code Section 409A and, for purposes of any such provision of this Plan, references to a "termination," "termination of employment," "separation from service" or like terms shall mean Separation from Service.

(c) Separate Payments. Each installment payment required under this Plan shall be considered a separate payment for purposes of Section 409A.

(d) Bifurcation of Severance. In the event payment of the General Severance Allowance or the Change in Control Allowance is deferred with respect to an Eligible Officer on account of such Eligible Officer being a Specified Employee, then to the extent it will not cause adverse tax consequences under Code Section 409A, the amount of the General Severance Allowance or Change in Control Severance Allowance up to two times the lesser of (i) the sum of the Eligible Officer' s annualized compensation based upon his or her annual rate of pay for services provided to the Company for the prior taxable year; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Code Section 401(a)(17) for the year in which the Eligible Officer' s termination of employment occurs, may be paid without regard to the six month delay.

(e) Delayed Distribution to Key Employees. If Tekelec determines in accordance with Sections 409A and 416(i) of the Code and the regulations promulgated thereunder, in Tekelec' s sole discretion, that an Eligible Officer is a Specified Employee of the Company on the date the Eligible Officer' s employment with the Company terminates and that a delay in benefits provided under this Agreement is necessary to comply with Code Section 409A(A)(2)(B)(i), then any severance payments and any continuation of benefits or reimbursement of benefit costs provided by this Plan, and not

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

otherwise exempt from Code Section 409A, shall be delayed for a period of six (6) months following the date of termination of Employee' s employment (the "409A Delay Period"). In such event, any severance benefits, payments and the cost of any continuation of benefits provided under this Plan that would otherwise be due and payable to Eligible Officer during the 409A Delay Period shall be paid to Employee in a lump sum cash amount in the month following the end of the 409A Delay Period unless alternative delayed payment terms are otherwise provided herein.

(f) Certain Reimbursements. To the extent that any COBRA premium reimbursements or benefits or any other reimbursements provided to a terminated Eligible Officer pursuant to this Plan are taxable to the Eligible Officer, any reimbursement payment due to Eligible Officer pursuant to any such provision shall in all cases be paid to Eligible Officer on or before the last day of Eligible Officer' s taxable year following the taxable year in which the related expense was incurred. The benefits and reimbursements pursuant to such provisions are not subject to liquidation or exchange for another benefit and the amount of such benefits and reimbursements that Executive receives in one taxable year shall not affect the amount of such benefits or reimbursements that Executive receives in any other taxable year.

[Signature Page Follows]

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Tekelec

By:______________________________________

Stuart H. Kupinsky
Senior Vice President, Corporate Affairs,
General Counsel & Secretary

Date: May 13, 2011

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 10.1

EMPLOYMENT SEPARATION AGREEMENT

THIS EMPLOYMENT SEPARATION AGREEMENT (the “Agreement”), which includes Exhibits A, B and C hereto which are incorporated herein by this reference, is entered into by and between TEKELEC, a California corporation (“Tekelec”), and ______ (“Former Employee”), and shall become effective when executed by both parties hereto (the “Effective Date”).

RECITALS

A. Former Employee ceased to be an employee and officer of Tekelec on __________, 20__ (the “Termination Date”).

B. Former Employee desires to receive severance benefits under Tekelec’ s Officer Severance Plan dated ______ (the “Severance Plan”), which benefits are stated in the Severance Plan to be contingent upon, among other things, Former Employee’ s entering into this Agreement and undertaking the obligations set forth herein.

C. Tekelec and Former Employee desire to set forth their respective rights and obligations with respect to Former Employee’ s separation from Tekelec and to finally and forever settle and resolve all matters concerning Former Employee’ s past services to Tekelec.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants and conditions set forth herein, the receipt and sufficiency of which are hereby acknowledged, Tekelec and Former Employee hereby agree as follows:

1. DEFINITIONS

As used herein, the following terms shall have the meanings set forth below:

1.1. “Includes;” “Including.” Except where followed directly by the word “only,” the terms “includes” or “including” shall mean “includes, but is not limited to,” and “including, but not limited to,” respectively.

1.2. “Severance Covered Period.” The term “Severance Covered Period” shall mean a period of twenty-four (24) months with respect to the Chief Executive Officer (“CEO”) participating as an Eligible Officer under this Plan, a period of eighteen (18) months with respect to the Chief Financial Officer (“CFO”) or an Executive Vice President (“EVP”) participating as an Eligible Officer under this Plan, and a period of twelve (12) months for all other officers participating as an Eligible Officer under this Plan.

1.3. Other Capitalized Terms. Capitalized terms (other than those specifically defined herein) shall have the same meanings ascribed to them in the Severance Plan.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

2. MUTUAL REPRESENTATIONS, WARRANTIES AND COVENANTS

Each party hereto represents, warrants and covenants (with respect to itself/himself only) to the other party hereto that, to its/his respective best knowledge and belief as of the date of each party' s respective signature below:

2.1. Full Power and Authority. It/he has full power and authority to execute, enter into and perform it/his obligations under this Agreement; this Agreement, after execution by both parties hereto, will be a legal, valid and binding obligation of such party enforceable against it/him in accordance with its terms; its/he will not act or omit to act in any way which would materially interfere with or prohibit the performance of any of its/his obligations hereunder, and no approval or consent other than as has been obtained of any other party is necessary in connection with the execution and performance of this Agreement.

2.2. Effect of Agreement. The execution, delivery and performance of this Agreement and the consummation of the transactions hereby contemplated:

(a) will not interfere or conflict with, result in a breach of, constitute a default under or violation of any of the terms, provisions, covenants or conditions of any contract, agreement or understanding, whether written or oral, to which it/he is a party (including, in the case of Tekelec, its bylaws and articles of incorporation each as amended to date) or to which it/he is bound;

(b) will not conflict with or violate any applicable law, rule, regulation, judgment, order or decree of any government, governmental agency or court having jurisdiction over such party; and

(c) has not heretofore been assigned, transferred or granted to another party, or purported to assign, transfer or grant to another party, any rights, obligations, claims, entitlements, matters, demands or causes of actions relating to the matters covered herein.

3. CONFIDENTIALITY OBLIGATIONS DO NOT TERMINATE

Former Employee acknowledges that any confidentiality, proprietary rights or nondisclosure agreement(s) in favor of Tekelec which he may have entered into in connection with his employment (collectively, the "Nondisclosure Agreement") with Tekelec is understood to be intended to survive, and does survive, any termination of such employment, and accordingly nothing in this Agreement shall be construed as terminating, limiting or otherwise affecting any such Nondisclosure Agreement or Former Employee' s obligations thereunder. Without limiting the generality of the foregoing, no time period set forth in this Agreement shall be construed as shortening or limiting the term of any such Nondisclosure Agreement, which term shall continue as set forth therein.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

4. BENEFITS AND PAYMENTS TO FORMER EMPLOYEE

4.1. Employee Compensation. Tekelec has paid, and Former Employee acknowledges and agrees that Tekelec has paid, to him any and all salary and accrued but unpaid vacation and sick pay owed by Tekelec to Former Employee up to and including the Termination Date other than any compensation owed to him under the Severance Plan.

4.2. Benefits and Severance Payments. In consideration for the release by Former Employee set forth herein (including the release of any and all claims Former Employee has or may have under the Age Discrimination in Employment Act ("ADEA") and Older Workers Benefit Protection Act ("OWBPA")) and Former Employee' s performance of Former Employee' s obligations under this Agreement (including but not limited to Former Employee' s obligations under Section 6 hereof), Former Employee is entitled to receive, and Tekelec shall pay to Former Employee, the applicable benefits and payments specified in the Severance Plan.

5. STOCK OPTIONS

Exhibit A hereto sets forth any and all outstanding stock options, warrants, stock appreciation rights, restricted stock units and similar equity compensation awards and other rights to purchase capital stock or other securities of Tekelec which have been previously issued to Former Employee and which are outstanding as of the date hereof. Nothing in this Agreement shall alter or affect any of such outstanding stock options, warrants, equity incentives or rights or Former Employee' s rights or responsibilities with respect thereto, including but not limited to Former Employee' s rights to exercise any of his options, warrants, equity incentives or rights following the Termination Date.

6. NON-COMPETITION AND NON-SOLICITATION

6.1. Subject and in addition to Former Employee' s existing fiduciary duties as a former officer and/or employee of Tekelec to the extent such continues under applicable law after Former Employee' s Termination Date, provided that Tekelec has not breached any of the terms of this Agreement or any other currently existing written agreements between Tekelec and Former Employee, Former Employee agrees until the earlier of (i) the Severance Covered Period or (ii) such date as Tekelec may terminate this Agreement for default hereunder (the "Restricted Period"):

(a) Not to engage, either directly or indirectly, in any Competing Business Activity (as defined below) or be associated with a Competing Business Entity (as defined below) as an officer, director, employee, principal, consultant, lender, creditor, investor, agent or otherwise for any corporation, partnership, company, agency, person, association or any other entity; provided, however, that nothing contained herein shall prevent Former Employee from owning not more than 5% of the common equity and not more than 5% of the voting power of, or lending not more than $25,000 to, any Competing Business Entity or any business engaged in a Competing Business Activity; provided, further, that for purposes of this Agreement, any equity ownership, voting control or lending activity of Former Employee shall be deemed to include that of (i) any family member or (ii) person or entity controlled by Former Employee;

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(b) Not to call upon or cause to be called upon, or solicit or assist in the solicitation of, in connection with any Competing Business Entity or Competing Business Activity, any entity, agency, person, firm, association, partnership or corporation that is a customer or account of Tekelec, currently and/or during the Restricted Period, for the purpose of selling, renting, leasing, licensing or supplying any product or service that is the same as, similar to or competitive with the products or services then being sold or developed by Tekelec;

(c) Not to enter into an employment or agency relationship with a Competing Business Entity or involving a Competing Business Activity with any person who, at the time of such entry, is an officer, director, employee, principal or agent of or with respect to Tekelec; and

(d) Not to induce or attempt to induce any person described in Section 6.1(c) to leave his employment, agency, directorship or office with Tekelec.

6.2. For purposes of this Section 6, a "Competing Business Activity" shall mean any business activity of a person or entity (other than Tekelec) involving the development, design, manufacture, distribution, marketing, licensing, renting, leasing or selling within the Territory (as defined below) of products and services which are the same as, similar to or competitive with products or services of Tekelec then in existence or under development. For purposes hereof, the Territory shall include the United States of America, Canada, Central America, South America, Europe, Japan, Australia, Singapore and such other countries in which Tekelec then distributes, markets, licenses, rents, leases or sells its products or services. An entity as a whole shall be deemed to be a Competing Business Entity if it has one or more business activities involving the development, design, manufacture, distribution, marketing, licensing, renting, leasing or selling directly or indirectly within the Territory of products or services which are the same as, similar to or competitive with products or services of Tekelec then being sold or under development and if and only if the revenues derived directly or indirectly from engaging in such business activities by such entity represent either more than 3% of the entity' s revenues or at least $5 million in aggregate sales, or both, for the then-preceding 12-month period.

6.3. The parties acknowledge that the provisions and obligations set forth in this Section 6 are an integral part of this Agreement and that in the event Former Employee breaches any of the provisions or obligations of this Section 6 or any other term, provision or obligation of this Agreement, then Tekelec, in addition to any other rights or remedy it may have at law, in equity, by statute or otherwise, shall be excused from its payment obligations to Former Employee under the Severance Plan and this Agreement.

6.4. Former Employee acknowledges that any agreement prohibiting competition or solicitation (collectively "Non-Competition Agreement") in favor of Tekelec which Former Employee may have entered into in connection with Former Employee' s employment with Tekelec is understood to be intended to survive, and does survive, any termination of such employment, and accordingly nothing in this Agreement shall be construed as terminating, limiting or otherwise affecting any such Non-Competition Agreement or Former Employee' s obligations thereunder. Without limiting the generality of the foregoing, no time period set forth in this Agreement shall be

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

construed as shortening or limiting the term of any such Non-Competition Agreement, which term shall continue as set forth therein.

7. CONFIDENTIAL INFORMATION AND TRADE SECRETS

7.1. Former Employee hereby recognizes, acknowledges and agrees that Tekelec is the owner of proprietary rights in certain confidential sales and marketing information, programs, tactics, systems, methods, processes, compilations of technical and non-technical information, records and other business, financial, sales, marketing and other information and things of value. To the extent that any or all of the foregoing constitute valuable trade secrets and/or confidential and/or privileged information of Tekelec, Former Employee hereby further agrees as follows:

(a) That, except with prior written authorization from Tekelec' s CEO, for purposes related to Tekelec' s best interests, he will not directly or indirectly duplicate, remove, transfer, disclose or utilize, nor knowingly allow any other person to duplicate, remove, transfer, disclose or utilize, any property, assets, trade secrets or other things of value, including, but not limited to, records, techniques, procedures, systems, methods, market research, new product plans and ideas, distribution arrangements, advertising and promotional materials, forms, patterns, lists of past, present or prospective customers, and data prepared for, stored in, processed by or obtained from, an automated information system belonging to or in the possession of Tekelec which are not intended for and have not been the subject of public disclosure. Former Employee agrees to safeguard all Tekelec trade secrets in his possession or known to him at all times so that they are not exposed to, or taken by, unauthorized persons and to exercise his reasonable efforts to assure their safekeeping. This subsection shall not apply to information that as of the date hereof is, or as of the date of such duplication, removal, transfer, disclosure or utilization (or the knowing allowing thereof) by Former Employee has (i) become generally known to the public or competitors of Tekelec (other than as a result of a breach of this Agreement); (ii) been lawfully obtained by Former Employee from any third party who has lawfully obtained such information without breaching any obligation of confidentiality; or (iii) been published or generally disclosed to the public by Tekelec. Former Employee shall bear the burden of showing that any of the foregoing exclusions applies to any information or materials.

(b) That all improvements, discoveries, systems, techniques, ideas, processes, programs and other things of value made or conceived in whole or in part by Former Employee with respect to any aspects of Tekelec' s current or anticipated business while an employee of Tekelec are and remain the sole and exclusive property of Tekelec, and Former Employee has disclosed all such things of value to Tekelec and will cooperate with Tekelec to insure that the ownership by Tekelec of such property is protected. All of such property of Tekelec in Former Employee' s possession or control, including, but not limited to, all personal notes, documents and reproductions thereof, relating to the business and the trade secrets or confidential or privileged information of Tekelec has already been, or shall be immediately, delivered to Tekelec.

7.2. Former Employee further acknowledges that as the result of his prior service as an officer and employee of Tekelec, he has had access to, and is in possession of, information and documents protected by the attorney-client privilege and by the attorney work product doctrine.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Former Employee understands that the privilege to hold such information and documents confidential is Tekelec' s, not his personally, and that he will not disclose the information or documents to any person or entity without the express prior written consent of the CEO or Board of Tekelec unless he is required to do so by law.

7.3. Former Employee' s obligations set forth in this Section 7 shall be in addition to, and not instead of, Former Employee' s obligations under any written Nondisclosure Agreement.

8. ENFORCEMENT OF SECTIONS 6 AND 7

Former Employee hereby acknowledges and agrees that the services rendered by him to Tekelec in the course of his prior employment were of a special and unique character, and that breach by him of any provision of the covenants set forth in Sections 6 and 7 of this Agreement will cause Tekelec irreparable injury and damages. Former Employee expressly agrees that Tekelec shall be entitled, in addition to all other remedies available to it whether at law or in equity, to injunctive or other equitable relief to secure their enforcement.

The parties hereto expressly agree that the covenants contained in Sections 6 and 7 hereof are reasonable in scope, duration and otherwise; however, if any of the restraints provided in said covenants are adjudicated to be excessively broad as to geographic area or time or otherwise, said restraint shall be reduced to whatever extent is reasonable and the restraint shall be fully enforced in such modified form. Any provisions of said covenants not so reduced shall remain in full force and effect.

9. PROHIBITION AGAINST DISPARAGEMENT

9.1. Former Employee agrees that for a period of two years following the Effective Date any communication, whether oral or written, occurring on or off the premises of Tekelec, made by him or on his behalf to any person or entity (including, without limitation, any Tekelec employee, customer, vendor, supplier, any competitor, any media entity and any person associated with any media) which in any way relates to Tekelec (or any of its subsidiaries) or to Tekelec' s or any of its subsidiaries' directors, officers, management or employees: (a) will be truthful; and (b) will not, directly or indirectly, criticize, disparage, or in any manner undermine the reputation or business practices of Tekelec or its directors, officers, management or employees.

9.2. The only exceptions to Section 9.1 shall be: (a) truthful statements privately made to (i) the CEO of Tekelec, (ii) any member of Tekelec' s Board, (iii) Tekelec' s auditors, (iv) inside or outside counsel of Tekelec, (v) Former Employee' s counsel or (vi) Former Employee' s spouse; (b) truthful statements lawfully compelled and made under oath in connection with a court or government administrative proceeding; and (c) truthful statements made to specified persons upon and in compliance with prior written authorization from Tekelec' s CEO or Board to Former Employee directing him to respond to inquiries from such specified persons.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

10. COOPERATION

Former Employee agrees that for a period of five years commencing with the Effective Date he will cooperate fully and reasonably with Tekelec in connection with any future or currently pending matter, proceeding, litigation or threatened litigation: (1) directly or indirectly involving Tekelec (which, for purposes of this section, shall include Tekelec and each of its current and future subsidiaries, successors or permitted assigns); or (2) directly or indirectly involving any director, officer or employee of Tekelec (with regard to matters relating to such person(s) acting in such capacities with regard to Tekelec business). Such cooperation shall include making himself available upon reasonable notice at reasonable times and places for consultation and to testify truthfully (at Tekelec' s expense for reasonable, pre-approved out-of-pocket travel costs plus a daily fee equal to one-twentieth of his Base Salary as calculated on a monthly basis for each full or partial day during which Former Employee makes himself so available) in any action as reasonably requested by the CEO or the Board of Directors. Former Employee further agrees to immediately notify Tekelec' s CEO in writing in the event that he receives any legal process or other communication purporting to require or request him to produce testimony, documents, information or things in any manner related to Tekelec, its directors, officers or employees, and that he will not produce testimony, documents, information or other things with regard to any pending or threatened lawsuit or proceeding regarding Tekelec without giving Tekelec prior written notice of the same and reasonable time to protect its interests with respect thereto. Former Employee further promises that when so directed by the CEO or the Board of Directors, he will make himself available to attend any such legal proceeding and will truthfully respond to any questions in any manner concerning or relating to Tekelec and will produce all documents and things in his possession or under his control which in any manner concern or relate to Tekelec. Former Employee covenants and agrees that he will immediately notify Tekelec' s CEO in writing in the event that he breaches any of the provisions of Sections 6, 7, 9 or 10 hereof.

11. SOLE ENTITLEMENT

Former Employee acknowledges and agrees that his sole entitlement to compensation, payments of any kind, monetary and nonmonetary benefits and perquisites with respect to his prior Tekelec relationship (as an officer and employee) is as set forth in the Severance Plan, this Agreement, the Company' s bonus plan for officers as in effect from time to time, stock option and warrant agreements, COBRA, and such other written agreements and securities between Tekelec and Former Employee as may exist or as may be set forth on Exhibit B hereto.

12. RELEASE OF CLAIMS

12.1. General. Former Employee does hereby and forever release and discharge Tekelec and the predecessor corporation of Tekelec as well as the successors, current, prior or future shareholders of record, officers, directors, heirs, predecessors, assigns, agents, employees, attorneys, insurers and representatives of each of them, past, present or future, from any and all cause or causes of action, actions, judgments, liens, indebtedness, damages, losses, claims, liabilities and demands of any kind or character whatsoever, whether known or unknown, suspected to exist or not suspected to exist, anticipated or not anticipated, whether or not heretofore brought before any

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

state or federal agency, court or other governmental entity which are existing on or arising prior to the date of this Agreement and which, directly or indirectly, in whole or in part, relate or are attributable to, connected with, or incidental to the previous employment of Former Employee by Tekelec, the separation of that employment, and any dealings between the parties concerning Former Employee' s employment existing prior to the date of execution of this Agreement, excepting only those obligations expressly recited herein or to be performed hereunder. Nothing contained in this Section 12 shall affect any rights, claims or causes of action which Former Employee may have (1) with respect to his outstanding stock options, stock appreciation rights, restricted stock units, warrants or other stock subscription rights to purchase Tekelec Common Stock or other securities under the terms and conditions thereof; (2) as a shareholder of Tekelec; (3) to indemnification by Tekelec, to the extent required under the provisions of Tekelec' s Articles of Incorporation, Tekelec' s Bylaws, the California General Corporation Law, insurance or contracts, with respect to matters relating to Former Employee' s prior service as a director, an officer, employee and/or agent of Tekelec; (4) with respect to his eligibility for severance payments under the Severance Plan or any other written agreement listed on Exhibit B hereto; and (5) to make claims against or seek indemnification or contribution from anyone not released by the first sentence of this Section 12 with respect to any matter or anyone released by the first sentence of this Section 12 with respect to any matter not released thereby; or (6) with respect to Tekelec' s performance of this Agreement; or (7) with respect to claims for (a) workers' compensation benefits or unemployment benefits filed with the applicable state agencies, (b) vested retirement benefits, or (c) claims described in Sections 12.3 and 12.4 below. Further, Former Employee waives specifically any and all rights or claims Former Employee has or may have under the ADEA and acknowledges that such waiver is given voluntarily in exchange for certain consideration included in the severance benefits being paid pursuant to this Agreement.

12.2. Waiver of Unknown Claims. Former Employee acknowledges that he is aware that he may hereafter discover claims or facts different from or in addition to those he now knows or believes to be true with respect to the matters herein released, and he agrees that this release shall be and remain in effect in all respects a complete general release as to the matters released and all claims relative thereto which may exist or may heretofore have existed, notwithstanding any such different or additional facts. Former Employee acknowledges that he has been informed of Section 1542 of the Civil Code of the State of California, and does hereby expressly waive and relinquish all rights and benefits which he has or may have under said Section (or any similar state statute), which reads as follows:

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

12.3. Covenant Not to Sue on Matters Released. Former Employee covenants that he will not make, assert or maintain against any person or entity that Former Employee has released in this Agreement, any claim, demand, action, cause of action, suit or proceeding arising out of or in connection with the matters herein released, including but not limited to any claim or right under the ADEA; provided, however, this Section 12.3 shall not bar a challenge under the OWBPA to the

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

enforceability of the waiver and release of ADEA claims set forth in this Agreement or claims for workers' compensation, unemployment benefits or vested retirement benefits referenced above. Former Employee represents and warrants that he has not assigned or transferred, purported to assign or transfer, and will not assign or transfer, any matter or claim herein released. Former Employee represents and warrants that he knows of no other person or entity which claims an interest in the matters or claims herein released. Former Employee agrees to, and shall at all times, indemnify and hold harmless each person and entity that Former Employee has released in this Agreement against any claim, demand, damage, debt, liability, account, action or cause of action, or cost or expense, including attorneys' fees, resulting or arising from any breach of the representations, warranties and covenants made herein.

12.4. Agency Charges/Investigations. Nothing in this Agreement shall prohibit Former Employee from filing a charge or participating in an investigation or proceeding conducted by the U.S. Equal Employment Opportunity Commission or other governmental agency with jurisdiction concerning the terms, conditions and privileges of his employment; provided however, that by signing this Agreement, former Employee waives his right to, and shall not seek or accept, any monetary or other relief of any nature whatsoever in connection with any such changes, investigations or proceedings.

13. ASSIGNMENT

Former Employee represents and warrants that he has not heretofore assigned, transferred or granted or purported to assign, transfer or grant any claims, entitlement, matters, demands or causes of action herein released, disclaimed, discharged or terminated, and agrees to indemnify and hold harmless Tekelec from and against any and all costs, expense, loss or liability incurred by Tekelec as a consequence of any such assignment, transfer or grant.

14. FORMER EMPLOYEE REPRESENTATIONS

Notwithstanding that this Agreement is being entered into subsequent to the Termination Date, except as listed by Former Employee on Exhibit C, from the period beginning on the Termination Date to the Effective Date, Former Employee represents and warrants that he has not acted or omitted to act in any respect which directly or indirectly would have constituted a violation of Sections 6, 7, 9 or 10 herein had this Agreement then been in effect.

15. MISCELLANEOUS

15.1. Notices. All notices and demands referred to or required herein or pursuant hereto shall be in writing, shall specifically reference this Agreement and shall be deemed to be duly sent and given upon actual delivery to and receipt by the relevant party (which notice, in the case of Tekelec, must be from an officer of Tekelec) or five days after deposit in the U.S. mail by certified or registered mail, return receipt requested, with postage prepaid, addressed as follows (if, however, a party has given the other party due notice of another address for the sending of notices, then future notices shall be sent to such new address):

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(a) If to Tekelec: Tekelec
5200 Paramount Parkway
Morrisville, North Carolina 27560
Attn: Chief Executive Officer

With a copy to: General Counsel Tekelec
5200 Paramount Parkway
Morrisville, North Carolina 27560

(b) If to Former Employee: ______________________
____
____

15.2. Legal Advice and Construction of Agreement. Both Tekelec and Former Employee have received (or have voluntarily and knowingly elected not to receive) independent legal advice with respect to the advisability of entering into this Agreement and with respect to all matters covered by this Agreement and neither has been entitled to rely upon or has in fact relied upon the legal or other advice of the other party or such other party' s counsel (or employees) in entering into this Agreement.

15.3. Parties' Understanding. Tekelec and Former Employee state that each has carefully read this Agreement, that it has been fully explained to it/him by its/his attorney (or that it/he has voluntarily and knowingly elected not to receive such explanation), that it/he fully understands its final and binding effect, that the only promises made to it/him to sign the Agreement are those stated herein, and that it/he is signing this Agreement voluntarily.

15.4. Recitals and Section Headings. Each term of this Agreement is contractual and not merely a recital. All recitals are incorporated by reference into this Agreement. Captions and section headings are used herein for convenience only, are not part of this Agreement and shall not be used in interpreting or construing it.

15.5. Entire Agreement. This Agreement constitutes a single integrated contract expressing the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous oral and written agreements and discussions with respect to the subject matter hereof. Notwithstanding the foregoing, the parties understand and agree that any Nondisclosure Agreement and all other written agreements between Former Employee and Tekelec are separate from this Agreement and, subject to the terms and conditions of each such agreement, shall survive the execution of this Agreement, and nothing contained in this Agreement shall be construed as affecting the rights or obligations of either party set forth in such agreements.

15.6. Severability. In the event any provision of this Agreement or the application thereof to any circumstance shall be determined by arbitration pursuant to Section 15.10 of this Agreement or held by a court of competent jurisdiction to be invalid, illegal or unenforceable, or to be excessively broad as to time, duration, geographical scope, activity, subject or otherwise, it shall be construed to be limited or reduced so as to be enforceable to the maximum extent allowed by

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

applicable law as it shall then be in force, and if such construction shall not be feasible, then such provision shall be deemed to be deleted herefrom in any action before that court, and all other provisions of this Agreement shall remain in full force and effect.

15.7. Amendment and Waiver. This Agreement and each provision hereof may be amended, modified, supplemented or waived only by a written document specifically identifying this Agreement and signed by each party hereto. Except as expressly provided in this Agreement, no course of dealing between the parties hereto and no delay in exercising any right, power or remedy conferred hereby or now or hereafter existing at law, in equity, by statute or otherwise, shall operate as a waiver of, or otherwise prejudice, any such rights, power or remedy.

15.8. Cumulative Remedies. None of the rights, powers or remedies conferred herein shall be mutually exclusive, and each such right, power or remedy shall be cumulative and in addition to every other right, power or remedy, whether conferred herein or now or hereafter available at law, in equity, by statute or otherwise.

15.9. Specific Performance. Each party hereto may obtain specific performance to enforce its/his rights hereunder and each party acknowledges that failure to fulfill its/his obligations to the other party hereto would result in irreparable harm.

15.10. Arbitration. Except for the right of either party to apply to a court of competent jurisdiction for a Temporary Restraining Order to preserve the status quo or prevent irreparable harm, any dispute or controversy between Tekelec and Former Employee under this Agreement involving its interpretation or the obligations of a party hereto shall be determined by binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association, in the County of Wake, State of North Carolina.

Arbitration may be conducted by one impartial arbitrator by mutual agreement. In the event that the parties are unable to agree on a single arbitrator within 30 days of first demand for arbitration, the arbitration shall proceed before a panel of three arbitrators, one of whom shall be selected by Tekelec and one of whom shall be selected by Former Employee, and the third of whom shall be selected by the two arbitrators selected. All arbitrators are to be selected from a panel provided by the American Arbitration Association. The arbitrators shall have the authority to permit discovery, to the extent deemed appropriate by the arbitrators, upon request of a party. The arbitrators shall have no power or authority to add to or, except as otherwise provided by Section 15.6 hereof, to detract from the agreements of the parties, and the prevailing party shall recover costs and attorneys' fees incurred in arbitration. The arbitrators shall have the authority to grant injunctive relief in a form substantially similar to that which would otherwise be granted by a court of law. The arbitrators shall have no authority to award punitive or consequential damages. The resulting arbitration award may be enforced, or injunctive relief may be sought, in any court of competent jurisdiction. Any action arising out of or relating to this Agreement may be filed only in the Superior Court of the County of Wake, North Carolina or the United States District Court for the Eastern District of North Carolina.

15.11. North Carolina Law and Location. This Agreement was negotiated, executed and delivered within the State of North Carolina, and the rights and obligations of the parties hereto

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

shall be construed and enforced in accordance with and governed by the internal (and not the conflict of laws) laws of the State of North Carolina applicable to the construction and enforcement of contracts between parties resident in North Carolina which are entered into and fully performed in North Carolina. Any action or proceeding arising out of, relating to or concerning this Agreement that is not subject to the arbitration provisions set forth in Section 15.10 above shall be filed in the state courts of the County of Wake, State of North Carolina or in a United States District Court for the Eastern District of North Carolina and in no other location. The parties hereby waive the right to object to such location on the basis of venue.

15.12. Attorneys' Fees. In the event a lawsuit is instituted by either party concerning a dispute under this Agreement, the prevailing party in such lawsuit shall be entitled to recover from the losing party all reasonable attorneys' fees, costs of suit and expenses (including the reasonable fees, costs and expenses of appeals), in addition to whatever damages or other relief the injured party is otherwise entitled to under law or equity in connection with such dispute.

15.13. Force Majeure. Neither Tekelec nor Former Employee shall be deemed in default if its/his performance of obligations hereunder is delayed or become impossible or impracticable by reason of any act of God, war, fire, earthquake, strike, civil commotion, epidemic, or any other cause beyond such party's reasonable control.

15.14. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

15.15. Successors and Assigns. Neither party may assign this Agreement or any of its rights or obligations hereunder (including, without limitation, rights and duties of performance) to any third party or entity, and this Agreement may not be involuntarily assigned or assigned by operation of law, without the prior written consent of the non-assigning party, which consent may be given or withheld by such non-assigning party in the sole exercise of its discretion, except that Tekelec may assign this Agreement to a corporation acquiring: (1) 50% or more of Tekelec's capital stock in a merger or acquisition; or (2) all or substantially all of the assets of Tekelec in a single transaction; and except that Former Employee may transfer or assign his rights under this Agreement voluntarily, involuntarily or by operation of law upon or as a result of his death to his heirs, estate and/or personal representative(s). Any prohibited assignment shall be null and void, and any attempted assignment of this Agreement in violation of this section shall constitute a material breach of this Agreement and cause for its termination by and at the election of the other party hereto by notice. This Agreement shall be binding upon and inure to the benefit of each of the parties hereto and each person or entity released pursuant to Section 12 hereof and, except as otherwise provided herein, their respective legal successors and permitted assigns.

15.16. Payment Procedure. Except as otherwise explicitly provided herein or in the Severance Plan, all payments by Tekelec to Former Employee or by Former Employee to Tekelec due hereunder may be by, at the paying party's election, cash, wire transfer or check. Except as explicitly provided herein or in the Severance Plan, neither party may reduce any payment or

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

obligation due hereunder by any amount owed or believed owed to the other party under any other agreement, whether oral or written, now in effect or hereafter entered into.

15.17. Survival. The definitions, representations and warranties herein as well as obligations set forth in Sections 6, 7 and 9-15 shall survive any termination of this Agreement for any reason whatsoever.

15.18. No Admission. Neither the entry into this Agreement nor the giving of consideration hereunder shall constitute an admission of any wrongdoing by Tekelec or Former Employee.

15.19. Limitation of Damages. Except as expressly set forth herein, in any action or proceeding arising out of, relating to or concerning this Agreement, including any claim of breach of contract, liability shall be limited to compensatory damages proximately caused by the breach and neither party shall, under any circumstances, be liable to the other party for consequential, incidental, indirect or special damages, including but not limited to lost profits or income, even if such party has been apprised of the likelihood of such damages occurring.

15.20. Pronouns. As used herein, the words "he", "him", "his" and "himself" shall be deemed to refer to the feminine as the identity of the person referred to and the context may require.

15.21. Effectiveness. This Agreement shall become effective upon execution by both parties hereto and after expiration of the revocation period set forth in Section 16 below.

16. 21 DAY REVIEW PERIOD; RIGHT TO REVOKE

Former Employee acknowledges that he was advised in writing to consult with an attorney prior to executing this Agreement and represents and warrants to Tekelec that he has done so, and further acknowledges that he has been given a period of 21 days within which to consider the terms and provisions of this Agreement with his attorney. If Former Employee has executed and delivered to Tekelec this Agreement prior to the expiration of such 21-day period, then in doing so, Former Employee acknowledges that he has unconditionally and irrevocably waived his right to that unexpired portion of such 21-day period. In addition, Former Employee shall have the right to revoke this Agreement for a period of seven days following the date on which this Agreement is signed by sending written notification of such revocation directly to Tekelec, General Counsel of Tekelec at the address specified in Section 15.1, supra, via hand delivery.

17. CODE SECTION 409A COMPLIANCE

If the Company determines, in accordance with Code Sections 409A and 416(i) and the regulations promulgated thereunder, in the Company' s sole discretion that Former Employee is a Specified Employee, as defined in the Severance Plan, on the Termination Date and that a delay in severance pay and benefits provided under this Agreement is necessary for compliance with Code Section 409A(a)(2)(B)(i), then any severance payment and any continuation of benefits or reimbursement of benefit costs provided under this Agreement and not otherwise exempt from

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Code Section 409A shall be delayed for a period of six (6) months (the "409A Delay Period"). In such event, such severance payment and the cost of any such continuation of benefits provided under this Agreement that would otherwise be due and payable to Employee during 409A Delay Period shall be paid to Employee in a lump sum cash amount, with interest accruing at a reasonable rate from the Termination Date, on the first day of the seventh month immediately following the Termination Date.

TEKELEC	**[Insert Former Employee' s Name]**
By: ______________________________	Signature: ______________________________
Print Name: ______________________________	
Print Title: ______________________________	
Date:__________________________________, 20____	Date:______________________________, 20____

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT A

OUTSTANDING STOCK PURCHASE RIGHTS

Type of Security [e.g., stock option, SAR, RSU warrant, etc.]	Date Issued	Maximum Number of Shares Currently Purchasable or Issuable	Purchase Price Per Share	Termination Date

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT B

LIST OF OTHER AGREEMENTS (Pursuant to §§12 and 13)

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT C

EXCEPTIONS (Pursuant to §15)

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 31.1

Certification of Chief Executive Officer of Tekelec pursuant to
Rule 13a-14(a) under the Securities Exchange Act of 1934,
as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Ronald J. de Lange, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Tekelec;

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(s) 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(s) 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 the 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.

/s/ RONALD J. DE LANGE

Ronald J. de Lange
President and Chief Executive Officer

Date: November 7, 2011

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 31.2

Certification of Chief Financial Officer of Tekelec pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Gregory S. Rush, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Tekelec;

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(s) 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(s) 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 the 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.

/s/ GREGORY S. RUSH

Gregory S. Rush
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: November 7 , 2011

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 32.1

Certifications of Chief Executive Officer and Chief Financial Officer of Tekelec pursuant to Rule 13a-14(b) under the Exchange Act and 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 of Tekelec (the "Company") on Form 10-Q for the period ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Ronald J. de Lange, President and Chief Executive Officer of the Company, and Gregory S. Rush, Senior Vice President and Chief Financial Officer of the Company, certify, to the best of our knowledge, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(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: November 7, 2011

/s/ RONALD J. DE LANGE
Ronald J. de Lange
President and Chief Executive Officer

Date: November 7, 2011

/s/ GREGORY S. RUSH
Gregory S. Rush
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Operating Segment Information (Schedule Of Revenues From External Customers By Principal Product Lines) (Details) (USD $) In Thousands	3 Months Ended		9 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010	Sep. 30, 2011	Sep. 30, 2010
Segment Reporting, Revenue Reconciling Item [Line Items]				
Product revenues	$ 72,550	$ 67,709	$ 207,202	$ 219,137
Total revenues	106,179	108,305	310,738	333,803
Warranty And Support Revenues [Member]				
Segment Reporting, Revenue Reconciling Item [Line Items]				
Sales revenue services	22,487	23,020	67,907	63,713
Professional And Other Services Revenues [Member]				
Segment Reporting, Revenue Reconciling Item [Line Items]				
Sales revenue services	$ 11,142	$ 17,576	$ 35,629	$ 50,953

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Condensed Consolidated Balance Sheets (Parenthetical) (USD $)	Sep. 30, 2011	Dec. 31, 2010
Condensed Consolidated Balance Sheets [Abstract]		
Common stock, without par value	$ 0	$ 0
Common stock, shares authorized	200,000,000	200,000,000
Common stock, shares issued	69,253,624	68,617,232
Common stock, shares outstanding	69,253,624	68,617,232

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Condensed Consolidated Statements Of Operations (USD $) In Thousands, except Per Share data	3 Months Ended		9 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010	Sep. 30, 2011	Sep. 30, 2010
Condensed Consolidated Statements Of Operations [Abstract]				
Revenues	$ 106,179	$ 108,305	$ 310,738	$ 333,803
Cost of sales:				
Cost of goods sold	34,236	40,773	115,570	115,963
Amortization of intangible assets	8,087	7,594	23,029	13,094
Total cost of sales	42,323	48,367	138,599	129,057
Gross profit	63,856	59,938	172,139	204,746
Operating expenses:				
Research and development	23,772	24,094	72,965	68,666
Sales and marketing	16,951	20,192	55,673	55,858
General and administrative	11,738	13,219	35,971	39,176
Amortization of intangible assets	1,779	1,613	5,329	2,864
Restructuring and other	5,191	0	28,532	0
Acquisition-related expenses	0	407	0	2,891
Total operating expenses	59,431	59,525	198,470	169,455
Income (loss) from operations	4,425	413	(26,331)	35,291
Other income (expense), net	(1,112)	(1,073)	(2,760)	(2,932)
Income (loss) before income taxes	3,313	(660)	(29,091)	32,359
Provision for (benefit from) income taxes	2,551	(526)	(7,393)	9,353
Net income (loss)	$ 762	$ (134)	$ (21,698)	$ 23,006
Earnings (loss) per share:				
Basic	$ 0.01	$ 0.00	$ (0.31)	$ 0.34
Diluted	$ 0.01	$ 0.00	$ (0.31)	$ 0.33
Weighted average number of shares outstanding:				
Basic	69,215	68,526	69,013	68,179
Diluted	69,360	68,526	69,013	68,856

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Earnings Per Share (Reconciliation Of The Numerators And Denominators Of The Basic And Diluted Earnings Per Share) (Details) (USD $) In Thousands, except Per Share data	3 Months Ended		9 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010	Sep. 30, 2011	Sep. 30, 2010
Earnings Per Share [Abstract]				
Basic income (loss) from operations per share, Income from Operations (Numerator)	$ 762	$ (134)	$ (21,698)	$ 23,006
Basic income (loss) from operations per share, Shares (Denominator)	69,215	68,526	69,013	68,179
Basic income (loss) from operations Per-Share Amount	$ 0.01	$ 0.00	$ (0.31)	$ 0.34
Effect of dilutive securities, Income from Operations (Numerator)	0	0	0	0
Effect of dilutive securities, Shares (Denominator)	145	0	0	677
Diluted income (loss) from operations per share, Income from Operations (Numerator)	$ 762	$ (134)	$ (21,698)	$ 23,006
Diluted income (loss) from operations per share, Shares (Denominator)	69,360	68,526	69,013	68,856
Diluted income (loss) from operations Per-Share Amount	$ 0.01	$ 0.00	$ (0.31)	$ 0.33

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Restructuring And Other Costs (Tables)

	9 Months Ended Sep. 30, 2011

Restructuring And Other Costs [Abstract]

Summary Of Restructuring Activities And Remaining Obligations

	Severance Costs and Related Benefits
Restructuring obligations, June 30, 2011	$18,819
2011 Restructuring and related expenses	5,191
Cash payments	(2,699)
Effect of exchange rate changes	(19)
Restructuring obligations, September 30, 2011	$21,292

	Severance Costs and Related Benefits
Restructuring obligations, December 31, 2010	$441
2011 Restructuring and related expenses(1)	28,288
Cash payments	(7,436)
Effect of exchange rate changes	(1)
Restructuring obligations, September 30, 2011	$21,292

(1) Excludes a non-cash charge of $0.2 million associated with certain computer and research and development lab equipment.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Document And Entity Information	9 Months Ended Sep. 30, 2011	Oct. 21, 2011
Document And Entity Information [Abstract]		
Document Type	10-Q	
Amendment Flag	false	
Document Period End Date	Sep. 30, 2011	
Document Fiscal Period Focus	Q3	
Document Fiscal Year Focus	2011	
Entity Registrant Name	TEKELEC	
Entity Central Index Key	0000790705	
Current Fiscal Year End Date	--12-31	
Entity Filer Category	Large Accelerated Filer	
Entity Common Stock, Shares Outstanding		69,254,953

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Stock-Based Compensation (Schedule Of Stock-Based Compensation Expense) (Details) (USD $) In Thousands	3 Months Ended		9 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010	Sep. 30, 2011	Sep. 30, 2010
Employee Service Share-based Compensation, Allocation of Recognized Period Costs [Line Items]				
Stock-based compensation expense	$ 2,480	$ 2,971	$ 7,813	$ 9,914
Cost Of Goods Sold [Member]				
Employee Service Share-based Compensation, Allocation of Recognized Period Costs [Line Items]				
Stock-based compensation expense	168	383	747	1,048
Cost Of Goods Sold [Member] | Option And SAR Grants And Stock Purchase Rights [Member]				
Employee Service Share-based Compensation, Allocation of Recognized Period Costs [Line Items]				
Stock-based compensation expense	20	70	107	226
Cost Of Goods Sold [Member] | RSUs [Member]				
Employee Service Share-based Compensation, Allocation of Recognized Period Costs [Line Items]				
Stock-based compensation expense	148	313	640	822
Research And Development [Member]				
Employee Service Share-based Compensation, Allocation of Recognized Period Costs [Line Items]				
Stock-based compensation expense	376	484	1,295	1,224
Research And Development [Member] | Option And SAR Grants And Stock Purchase Rights [Member]				
Employee Service Share-based Compensation, Allocation of Recognized Period Costs [Line Items]				
Stock-based compensation expense	55	55	187	199
Research And Development [Member] | RSUs [Member]				
Employee Service Share-based Compensation, Allocation of Recognized Period Costs [Line Items]				
Stock-based compensation expense	321	429	1,108	1,025
Sales And Marketing [Member]				
Employee Service Share-based Compensation, Allocation of Recognized Period Costs [Line Items]				
Stock-based compensation expense	869	1,103	2,686	2,782
Sales And Marketing [Member] | Option And SAR Grants And Stock Purchase Rights [Member]				
Employee Service Share-based Compensation, Allocation of Recognized Period Costs [Line Items]				
Stock-based compensation expense	124	110	405	329
Sales And Marketing [Member] | RSUs [Member]				

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Employee Service Share-based Compensation, Allocation of Recognized Period Costs [Line Items]				
Stock-based compensation expense	745	993	2,281	2,453
General And Administrative [Member]				
Employee Service Share-based Compensation, Allocation of Recognized Period Costs [Line Items]				
Stock-based compensation expense	1,067	1,001	3,085	4,860
General And Administrative [Member] | Option And SAR Grants And Stock Purchase Rights [Member]				
Employee Service Share-based Compensation, Allocation of Recognized Period Costs [Line Items]				
Stock-based compensation expense	310	218	584	891
General And Administrative [Member] | RSUs [Member]				
Employee Service Share-based Compensation, Allocation of Recognized Period Costs [Line Items]				
Stock-based compensation expense	757	783	2,501	3,969
Option And SAR Grants And Stock Purchase Rights [Member]				
Employee Service Share-based Compensation, Allocation of Recognized Period Costs [Line Items]				
Stock-based compensation expense	509	453	1,283	1,645
RSUs [Member]				
Employee Service Share-based Compensation, Allocation of Recognized Period Costs [Line Items]				
Stock-based compensation expense	$ 1,971	$ 2,518	$ 6,530	$ 8,269

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Derivative Instruments And Hedging Activities (Tables)	9 Months Ended Sep. 30, 2011
Derivative Instruments And Hedging Activities [Abstract]	
Summary Of The Effect Of Derivative Instruments On The Condensed Consolidated Statements Of Operations	

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Results of Operations	Amount of Gain (Loss) Recognized in Results of Operations Three months ended September 30, 2011	2010
Foreign currency forward contracts	Other income (expense), net	$ (1,119)	$ 2,568

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Results of Operations	Amount of Gain (Loss) Recognized in Results of Operations Nine months ended September 30, 2011	2010
Foreign currency forward contracts	Other income (expense), net	$ 840	$ (2,498)

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Income Taxes (Details) (USD $)	3 Months Ended			9 Months Ended	
	Sep. 30, 2011	Jun. 30, 2011	Sep. 30, 2010	Sep. 30, 2011	Sep. 30, 2010
Income Taxes [Abstract]					
Effective tax rate	77.00%		80.00%	25.00%	29.00%
Statutory rate	35.00%		35.00%	35.00%	35.00%
Discrete tax benefit from state tax filings					$ 1,000,000
Discrete tax expense resulting from employee stock option cancellations	400,000		300,000	3,600,000	1,400,000
Discrete tax expense related to the establishment of a valuation allowance	300,000	900,000			
Tax expense (benefit)	$ 2,551,000		$ (526,000)	$ (7,393,000)	$ 9,353,000

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Derivative Instruments And Hedging Activities	9 Months Ended Sep. 30, 2011
Derivative Instruments And Hedging Activities [Abstract]	
Derivative Instruments And Hedging Activities	

Note 6 — Derivative Instruments and Hedging Activities

We operate internationally and thus are exposed to potential adverse changes in currency exchange rates. We use derivative instruments (principally forward contracts to exchange foreign currency) as a means of reducing our exposure to foreign currency rate changes on receivables and other net monetary assets denominated in foreign currencies. The foreign currency forward contracts require us to exchange currencies at rates agreed upon at the contract's inception. In addition to these foreign exchange contracts, certain of our customer contracts contain provisions that require our customers to assume the foreign currency exchange risk related to the applicable transactions. The objective of these contracts is to reduce or eliminate, and efficiently manage, the economic impact of currency exchange rate movements on our operating results as effectively as possible. These contracts reduce the exposure to fluctuations in exchange rate movements because the gains and losses associated with foreign currency balances and transactions are generally offset with the gains and losses on the related contracts.

Derivative instruments are recognized as either assets or liabilities and are measured at fair value. The accounting for changes in the fair value of a derivative instrument depends on the intended use of the derivative instrument and the resulting designation. We do not designate our foreign currency exchange contracts as accounting hedges as defined by authoritative guidance for derivatives and hedging, and, accordingly, we adjust these contracts to fair value through operations (i.e., included in "Other income (expense), net"). We do not hold or issue financial instruments for speculative or trading purposes.

We continually monitor our exposure to fluctuations in foreign currency exchange rates. As we have expanded internationally, a significant portion of our revenues, costs and operating expenses are denominated in foreign currencies, resulting in an increase in our foreign currency exchange rate exposure. We enter into multiple forward contracts throughout a given month to mitigate our changing exposure to foreign currency exchange rate fluctuations principally related to receivables generated from sales denominated in non-functional currencies and our remeasurements of international subsidiaries. Our exposure fluctuates as we generate new sales in non-functional currencies and as existing receivables related to sales in non-functional currencies are collected. Additionally, our exposure related to remeasurements of our subsidiaries' financial statements fluctuates with the underlying activity in those entities. Our foreign currency forward contracts generally will have terms of one month or less and typically mature on the last day of any given period. We then immediately enter into new foreign currency forward contracts, if necessary.

Principal currencies of our foreign currency forward contracts include the Euro, Indian rupees, Brazilian reals, Malaysian ringgits, Taiwan dollars, and Canadian dollars. As of September 30, 2011, the total notional amounts of the outstanding foreign currency forward contracts were $13.2 million and $33.2 million, purchased and sold in U.S. dollar equivalents, respectively. As of December 31, 2010, the total notional amounts of the outstanding foreign currency forward contracts were $8.6 million and $56.8 million, purchased and sold in U.S. dollar equivalents, respectively.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Average total notional amounts of foreign exchange forward contracts outstanding during the three months ended September 30, 2011 were $12.7 million and $31.9 million, purchased and sold in U.S. dollar equivalents, respectively. Average total notional amounts of foreign exchange forward contracts outstanding during the nine months ended September 30, 2011 were $13.9 million and $38.0 million, purchased and sold in U.S. dollar equivalents, respectively.

As of September 30, 2011, all of our derivative instruments are maintained with Wells Fargo Bank, and potentially subject us to a concentration of credit risk, which may result in credit related losses in the event of the bank's nonperformance. We mitigate this risk by monitoring Wells Fargo's credit ratings published by major rating firms (Fitch, Standard & Poor's, and Moody's).

As discussed above, our foreign currency forward contracts are structured to expire on the last day of the accounting period, and we immediately enter into new contracts if necessary. Therefore, our derivative instruments outstanding at period end are outstanding less than one full day when the reporting period ends and, accordingly, their fair value was not significant as of September 30, 2011 or December 31, 2010.

The tables below provide a summary of the effect of derivative instruments on the unaudited condensed consolidated statements of operations (in thousands):

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Results of Operations	Amount of Gain (Loss) Recognized in Results of Operations — Three months ended September 30, 2011	2010
Foreign currency forward contracts	Other income (expense), net	$ (1,119)	$ 2,568

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Results of Operations	Amount of Gain (Loss) Recognized in Results of Operations — Nine months ended September 30, 2011	2010
Foreign currency forward contracts	Other income (expense), net	$ 840	$ (2,498)

The above gains or losses on the derivative instruments include the cost of entering into the contracts (i.e., forward points), and are generally offset by a corresponding foreign currency gain or loss on the underlying hedged transaction (e.g., customer accounts receivable). The gain or loss on both the derivative instrument and the corresponding hedged transaction are reflected in "Other income (expense), net" in the accompanying unaudited condensed consolidated statements of operations.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Financial Statement Details (Tables)	9 Months Ended Sep. 30, 2011

Financial Statement Details [Abstract]

Schedule Of Accounts Receivable, Net

	September 30, 2011	December 31, 2010
Accounts receivable	$ 125,872	$ 175,486
Less: Allowance for doubtful accounts and sales returns	8,567	10,467
	$ 117,305	$ 165,019

Schedule Of Inventories

	September 30, 2011	December 31, 2010
Raw materials	$ 12,410	$ 21,851
Finished goods	5,299	6,370
Total inventories, net	$ 17,709	$ 28,221

Schedule Of Accrued Expenses

	September 30, 2011	December 31, 2010
Accrued installation and professional services costs	$ 4,524	$ 3,612
Deferred rent	3,233	2,532
Accrued restructuring	14,106	441
Accrued property, sales and other taxes	2,843	2,790
Accrued losses on customer contracts	1,210	840
Accrued foreign currency contract settlements	1,037	0
Accrued warranty costs	2,593	1,185
Accrued professional fees and legal accrual	1,778	1,839
Accrued other	7,283	7,105
Total	$ 38,607	$ 20,344

Schedule Of Other Long-Term Liabilities

	September 30, 2011	December 31, 2010
Accrued restructuring	$ 7,186	$ 0
Other long-term liabilities	8,026	5,422
Total	$ 15,212	$ 5,422

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Financial Statement Details (Schedule Of Other Long-Term Liabilities) (Details) (USD $) In Thousands	Sep. 30, 2011	Dec. 31, 2010
Financial Statement Details [Abstract]		
Accrued restructuring	$ 7,186	$ 0
Other long-term liabilities	8,026	5,422
Total	$ 15,212	$ 5,422

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Derivative Instruments And Hedging Activities (Narrative) (Details) (USD $) In Millions	3 Months Ended	9 Months Ended	
	Sep. 30, 2011	Sep. 30, 2011	Dec. 31, 2010
Purchase [Member]			
Derivative [Line Items]			
Notional amounts of the outstanding foreign currency forward contracts	$ 13.2	$ 13.2	$ 8.6
Average notional amount of foreign currency derivatives	12.7	13.9	
Sell [Member]			
Derivative [Line Items]			
Notional amounts of the outstanding foreign currency forward contracts	33.2	33.2	56.8
Average notional amount of foreign currency derivatives	$ 31.9	$ 38.0	

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Fair Value Of Financial Instruments (Tables)	9 Months Ended Sep. 30, 2011
Fair Value Of Financial Instruments [Abstract]	
Schedule Of Financial Instruments Carried At Fair Value	

	Financial Instruments Carried at Fair Value	
	September 30, 2011	December 31, 2010
Assets:		
Cash and cash equivalents	$ 270,456	$ 220,938

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Stock-Based Compensation	9 Months Ended Sep. 30, 2011
Stock-Based Compensation [Abstract]	
Stock-Based Compensation	

Note 11 — Stock-Based Compensation

Stock-Based Compensation Expense

Total stock-based compensation expense recognized in our unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2011 and 2010 is as follows (in thousands):

Income Statement Classifications	Option and SAR Grants and Stock Purchase Rights	RSUs	Total
Three months ended September 30, 2011			
Cost of goods sold	$ 20	$148	$168
Research and development	55	321	376
Sales and marketing	124	745	869
General and administrative	310	757	1,067
Total	$ 509	$1,971	$2,480
Three months ended September 30, 2010			
Cost of goods sold	$ 70	$313	$383
Research and development	55	429	484
Sales and marketing	110	993	1,103
General and administrative	218	783	1,001
Total	$ 453	$2,518	$2,971

Income Statement Classifications	Option and SAR Grants and Stock Purchase Rights	RSUs	Total
Nine months ended September 30, 2011			
Cost of goods sold	$ 107	$640	$747
Research and development	187	1,108	1,295
Sales and marketing	405	2,281	2,686
General and administrative	584	2,501	3,085
Total	$ 1,283	$6,530	$7,813
Nine months ended September 30, 2010			
Cost of goods sold	$ 226	$822	$1,048
Research and development	199	1,025	1,224
Sales and marketing	329	2,453	2,782
General and administrative	891	3,969	4,860
Total	$ 1,645	$8,269	$9,914

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Stock-based compensation expense was recorded net of estimated forfeitures for the three and nine months ended September 30, 2011 and 2010 such that expense was recorded only for those stock-based awards that are expected to vest.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Acquisitions	9 Months Ended Sep. 30, 2011

Acquisitions [Abstract]

Acquisitions

Note 2 — Acquisitions

In the second quarter of 2010 we completed the acquisitions of Camiant, Inc. ("Camiant") and Blueslice Networks, Inc. ("Blueslice") for cash consideration of $127.0 million and $35.0 million, respectively, for an aggregate of $162.0 million. We have included the results of operations of Camiant and Blueslice in our consolidated results from the date of acquisition.

Select Pro-Forma Financial Information

The following represents our unaudited condensed pro-forma financial results as if the acquisitions of Camiant and Blueslice had occurred as of the beginning of the earliest period presented during the year of acquisition. Unaudited condensed pro-forma results were based upon accounting estimates and judgments that we believe are reasonable. The unaudited condensed pro-forma results are not necessarily indicative of the actual results of our operations, nor does it purport to represent the results of operations for future periods.

	Nine Months Ended September 30, 2010
Revenues	$ 342,269
Net Income	$ 22,415
Basic earnings per share	$ 0.33
Diluted earnings per share	$ 0.33

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Restructuring And Other Costs (Summary Of Restructuring Activities And Remaining Obligations) (Details) (USD $) In Thousands	3 Months Ended		9 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010	Sep. 30, 2011	Sep. 30, 2010
Restructuring Cost and Reserve [Line Items]				
Beginning restructuring obligations	$ 18,819		$ 441	
2011 Restructuring and related expenses	5,191		28,288 [1]	
Cash payments	(2,699)		(7,436)	
Effect of exchange rate changes	(19)		(1)	
Ending restructuring obligations	21,292		21,292	
Restructuring charges	5,191	0	28,532	0
Computer And Research And Development Lab Equipment [Member]				
Restructuring Cost and Reserve [Line Items]				
Restructuring charges			$ 200	

[1] Excludes a non-cash charge of $0.2 million associated with certain computer and research and development lab equipment.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Intangible Assets And Goodwill	9 Months Ended Sep. 30, 2011
Intangible Assets And Goodwill [Abstract]	
Intangible Assets And Goodwill	

Note 8 — Intangible Assets and Goodwill

Intangible Assets

The following table represents the details of intangible assets (in thousands):

September 30, 2011	Gross	Accumulated Amortization	Net
Intangible assets with finite lives:			
Purchased technology	$98,870	$(50,535)	$48,335
Customer relationships	18,800	(7,306)	11,494
Contract backlog	7,500	(7,195)	305
Non-compete agreements	4,380	(3,058)	1,322
IPR&D, with finite lives	2,450	(516)	1,934
Trademarks and trade names	1,240	(577)	663
Effect of exchange rate changes	(694)	464	(230)
Total intangible assets with finite lives	132,546	(68,723)	63,823
IPR&D, with indefinite lives	461		461
Total intangible assets	$133,007	$(68,723)	$64,284

December 31, 2010	Gross	Accumulated Amortization	Net
Intangible assets with finite lives:			
Purchased technology	$98,870	$(30,126)	$68,744
Customer relationships	18,800	(3,929)	14,871
Contract backlog	7,500	(4,879)	2,621
Non-compete agreements	4,380	(1,415)	2,965
IPR&D, with finite lives	2,450	(148)	2,302
Trademarks and trade names	1,240	(267)	973
Effect of exchange rate changes	(766)	74	(692)
Total intangible assets with finite lives	132,474	(40,690)	91,784
IPR&D, with indefinite lives	461		461
Total intangible assets	$132,935	$(40,690)	$92,245

During the first quarter of 2011 we evaluated the remaining useful lives of purchased technology intangible assets associated with our 2004 Steleus and 2005 iptelorg acquisitions. Based on current technological trends and our related expected business opportunities, we shortened the useful lives of these assets from a remaining weighted average life of 3.75 years at the time the evaluation was performed to an estimated life of approximately one year.

The estimated future amortization expense of purchased intangible assets with finite lives as of September 30, 2011 is as follows:

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

For the Years Ending December 31,	(Thousands)
2011 (remaining three months)	$ 9,255
2012	19,680
2013	14,560
2014	14,408
2015	5,920
Total	$ 63,823

Goodwill

As required by the authoritative guidance for intangibles and goodwill, we do not amortize our goodwill balances, but instead test our goodwill for impairment annually on October 1st, which is in the fourth quarter of 2011, and more frequently upon the occurrence of certain events in accordance with the provisions of the authoritative guidance for intangibles and goodwill. We expect to complete this testing during the fourth quarter of 2011. In the first quarter of 2011, due to the fact that our net book value exceeded our market capitalization, we performed an interim goodwill impairment analysis in accordance with the provisions of the authoritative guidance for intangible assets and goodwill. Our analysis indicated that the fair value of the reporting unit exceeded its net book value by over 20%, and thus no impairment existed as of March 31, 2011. There were no additional indicators of impairment during the nine months ended September 30, 2011. As of September 30, 2011, no impairment losses were recognized with respect to goodwill.

The changes in the carrying amount of goodwill for the nine months ended September 30, 2011 are as follows (in thousands):

Balance at December 31, 2010	$135,564
Effect of exchange rate changes	56
Balance at September 30, 2011	$135,620

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Earnings Per Share	9 Months Ended Sep. 30, 2011
Earnings Per Share [Abstract]	
Earnings Per Share	

Note 13 — Earnings Per Share

The following table provides a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the three and nine months ended September 30, 2011 and 2010 (in thousands, except per share amounts):

	Income from Operations (Numerator)	Shares (Denominator)	Per-Share Amount
For the Three Months Ended September 30, 2011:			
Basic income (loss) from operations per share	$ 762	69,215	$ 0.01
Effect of dilutive securities	0	145	
Diluted income (loss) from operations per share	$ 762	69,360	$ 0.01
For the Three Months Ended September 30, 2010:			
Basic income (loss) from operations per share	$ (134)	68,526	$ (0.00)
Effect of dilutive securities	0	0	
Diluted income (loss) from operations per share	$ (134)	68,526	$ (0.00)
For the Nine Months Ended September 30, 2011:			
Basic income (loss) from operations per share	$ (21,698)	69,013	$ (0.31)
Effect of dilutive securities	0	0	
Diluted income (loss) from operations per share	$ (21,698)	69,013	$ (0.31)
For the Nine Months Ended September 30, 2010:			
Basic income (loss) from operations per share	$ 23,006	68,179	$ 0.34
Effect of dilutive securities	0	677	
Diluted income (loss) from operations per share	$ 23,006	68,856	$ 0.33

The computation of diluted earnings per share excludes unexercised stock options and unvested restricted stock units that are anti-dilutive. The following common stock equivalents were excluded from the earnings per share computation, as their inclusion would have been anti-dilutive (in thousands):

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Weighted average number of stock options, SARs and RSUs, calculated using the treasury stock method, that were excluded due to the exercise/threshold price exceeding the average market price of our common stock during the period	3,541	4,305	3,995	3,972
Weighted average number of stock options, SARs and RSUs excluded due to the reporting of a net loss for the period	0	334	172	0
Total common stock equivalents excluded from diluted net income (loss) per share computation	3,541	4,639	4,167	3,972

There were no transactions subsequent to September 30, 2011, which, had they occurred prior to the end of our third quarter, would have changed materially the number of shares in the basic or diluted earnings per share computations.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Income Taxes	9 Months Ended Sep. 30, 2011

Income Taxes [Abstract]

Income Taxes

Note 9 — Income Taxes

As part of the process of preparing our unaudited condensed consolidated financial statements, we are required to estimate our full-year income and the related income tax expense in each jurisdiction in which we operate. Changes in the geographical mix or estimated level of annual pretax income can impact our effective tax rate or income taxes as a percentage of pretax income (the "Effective Rate"). This process involves estimating our current tax liabilities in each jurisdiction in which we operate, including the impact, if any, of additional taxes resulting from tax examinations, as well as making judgments regarding the recoverability of deferred tax assets. Our provision for income taxes is subject to volatility and could be adversely impacted by earnings being lower than anticipated in countries that have lower tax rates and higher than anticipated in countries that have higher tax rates.

Tax liabilities can involve complex issues and may require an extended period to resolve. To the extent that the recovery of deferred tax assets does not reach the threshold of "more likely than not" based on our estimate of future taxable income in each jurisdiction, a valuation allowance is established. The assessment of the amount and timing of future taxable income involves significant estimates and management judgment. While we have considered future taxable income and the existence of prudent and feasible tax planning strategies in assessing the need for a valuation allowance, in the event we were to determine that we would not be able to realize all or part of our net deferred tax assets in the future, we would charge to income an adjustment resulting from the establishment of a valuation allowance in the period such a determination was made and such adjustment may be material. For the three months ended September 30, 2011, a $0.3 million valuation allowance was recorded against certain state tax credits that we do not anticipate will be utilized prior to expiration. This is in addition to the valuation allowance established in the second quarter of 2011 of $0.9 million for certain foreign tax credits.

We conduct business globally, and as a result, one or more of our subsidiaries file income tax returns in various domestic and foreign jurisdictions. In the normal course of business we are subject to examination by taxing authorities throughout the world. During 2008, the Internal Revenue Service ("IRS") completed an examination of tax years 2004 through 2006; therefore, our U.S. federal income tax returns for tax years prior to 2007 are generally no longer subject to adjustment. In the first quarter of 2011, the IRS commenced its examination of tax years 2007 through 2009 as a result of a refund claim filed in 2010 that related to a capital loss generated in 2009. As a result, we have extended the statute of limitations for our 2007 tax year. With respect to our U.S. state tax returns, we are generally no longer subject to examination of tax years prior to 2007 in our primary state tax jurisdictions, other than the state of North Carolina's re-examination of our 2006 tax year as a result of a refund claim filed during 2010. During the second quarter of 2011 we favorably settled an examination by the state of North Carolina relating to a refund claim filed with respect to our 2007 and 2008 tax years. Our foreign income tax returns are generally no longer subject to examination for tax periods prior to 2004. Additionally, we have recently been notified that the French tax authorities will begin an examination of the corporate tax returns for tax years 2008 through 2010. Although it is possible that certain tax examinations, including the IRS examination, could be resolved during the next 12 months, the timing and outcomes are uncertain.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

With respect to tax years that remain open to federal, state and foreign examination, we believe that we have made adequate provision in the accompanying unaudited condensed consolidated financial statements for any potential adjustments the IRS or other taxing authority may propose with respect to income tax returns filed. We may, however, receive an assessment related to an audit of our U.S. federal, state or foreign income tax returns that exceeds amounts provided for by us. In the event of such an assessment, there exists the possibility of a material adverse impact on our results of operations for the period in which the matter is ultimately resolved or an unfavorable outcome is determined to be more likely than not to occur.

For the three and nine months ended September 30, 2011, our effective tax rate was 77% and 25%, respectively. For the three months ended September 30, 2011, the effective rate of 77% differs from the statutory rate of 35% primarily due to a shift in our jurisdictional forecasts. The effect of this shift is amplified in the effective tax rate calculation due to the relatively low pre-tax income for the third quarter of 2011. For the nine months ended September 30, 2011, the effective rate of 25% differs from the statutory rate of 35% primarily due to the tax benefit of our overall forecasted loss for the year as well as a discrete benefit relating to the recognition of certain previously unrecognized tax benefits resulting from the completion of studies related to our global transfer pricing policies. These benefits are partially offset by the recognition of $3.6 million in discrete tax expense resulting from the expiration and vesting of employee stock-based compensation and the required tax treatment under the authoritative guidance.

For the three months ended September 30, 2010 we had a tax benefit of ($0.5) million or an effective tax benefit of 80%. For the nine months ended September 30, 2010 we had tax expense of $9.4 million or an effective tax rate of 29%. The effective rate for the three months ended September 30, 2010 differs from the statutory rate of 35% primarily due to a higher percentage of our projected income for the full year being derived from international locations with lower tax rates than the U.S. coupled with the cumulative effect of the change in estimate of the jurisdictional split of taxable income. While the impact in terms of absolute dollars of shifting additional income to jurisdictions with lower tax rates was insignificant, due to the low amount of taxable income this shift had a disproportional impact on our overall effective tax rate, resulting in the unusually high effective tax benefit of 80% during the third quarter of 2010.

For the nine months ended September 30, 2010, the effective rate differs from the statutory rate of 35% primarily due to the international impact discussed above as well as a discrete tax benefit of $1.0 million recognized as the result of certain amended state tax filings, offset by tax expense resulting from nondeductible expenses related to our acquisitions of Camiant and Blueslice and incurred during the second quarter of 2010.

We no longer have a "pool of windfall tax benefits" as defined by the authoritative guidance for stock-based compensation. As a result, future cancellations or exercises that result in a tax deduction that is less than the related deferred tax asset recognized under the authoritative guidance will negatively impact our effective tax rate and increase its volatility, resulting in a reduction of our earnings. The authoritative guidance for stock-based compensation requires that the impact of such events be recorded as discrete items in the quarter in which the event occurs. For the three and nine months ended September 30, 2011, we recorded a discrete tax expense of $0.4 million and $3.6 million, respectively, as compared to $0.3 million and $1.4 million recorded for the three and nine months ended September 30, 2010, respectively, associated with our stock compensation plans.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Acquisitions (Narrative) (Details) (USD $) In Thousands	9 Months Ended		3 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010	Jun. 30, 2010 Camiant [Member]	Jun. 30, 2010 Blueslice [Member]
Business Acquisition [Line Items]				
Acquisition of companies for cash consideration, total	$ 0	$ 161,953	$ 127,000	$ 35,000

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Financial Statement Details	9 Months Ended Sep. 30, 2011

Financial Statement Details [Abstract]

Financial Statement Details

Note 7 — Financial Statement Details

Accounts Receivable, net

Accounts receivable, net consists of the following (in thousands):

	September 30, 2011	December 31, 2010
Accounts receivable	$ 125,872	$ 175,486
Less: Allowance for doubtful accounts and sales returns	8,567	10,467
	$ 117,305	$ 165,019

Inventories

Inventories consist of the following (in thousands):

	September 30, 2011	December 31, 2010
Raw materials	$ 12,410	$ 21,851
Finished goods	5,299	6,370
Total inventories, net	$ 17,709	$ 28,221

Accrued Expenses

Accrued expenses consist of the following (in thousands):

	September 30, 2011	December 31, 2010
Accrued installation and professional services costs	$ 4,524	$ 3,612
Deferred rent	3,233	2,532
Accrued restructuring	14,106	441
Accrued property, sales and other taxes	2,843	2,790
Accrued losses on customer contracts	1,210	840
Accrued foreign currency contract settlements	1,037	0
Accrued warranty costs	2,593	1,185
Accrued professional fees and legal accrual	1,778	1,839
Accrued other	7,283	7,105
Total	$ 38,607	$ 20,344

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Other long-term liabilities

Other long-term liabilities consist of the following (in thousands):

	September 30, 2011	December 31, 2010
Accrued restructuring	$ 7,186	$ 0
Other long-term liabilities	8,026	5,422
Total	$ 15,212	$ 5,422

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Operating Segment Information (Schedule Of Long-Lived Assets By Geographic Region) (Details) (USD $) In Thousands	Sep. 30, 2011	Dec. 31, 2010
Operating Segment Information [Abstract]		
United States	$ 29,987	$ 30,836
Other	7,254	7,840
Total long-lived assets	$ 37,241	$ 38,676

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Condensed Consolidated Statements Of Cash Flows (USD $) In Thousands	9 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010
Cash flows from operating activities:		
Net income (loss)	$ (21,698)	$ 23,006
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Gain on investments carried at fair value, net	0	(118)
Provision for (recovery of) doubtful accounts and returns	(1,039)	1,934
Provision for (reduction of) warranty	1,550	(1,305)
Inventory write downs	5,810	3,164
Loss on disposal of fixed assets	377	51
Depreciation	13,030	12,383
Amortization of intangible assets	28,358	15,958
Amortization, other	239	612
Deferred income taxes	(10,648)	6,925
Stock-based compensation	7,813	9,914
Excess tax benefits from stock-based compensation	(12)	(872)
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable	46,911	20,112
Inventories	4,767	(5,660)
Deferred costs	13,246	15,889
Prepaid expenses	546	56
Other current assets	(275)	545
Accounts payable	(4,319)	(16,461)
Accrued expenses	24,139	(10,118)
Accrued compensation and related expenses	(5,642)	(20,062)
Deferred revenues	(35,952)	(39,079)
Income taxes receivable	(8,470)	1,617
Income taxes payable	2,606	1,711
Total adjustments	82,285	(2,804)
Net cash provided by (used in) operating activities	61,337	20,202
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	0	92,975
Purchase of acquired business, net of cash acquired	0	(161,953)
Purchases of property and equipment	(12,039)	(14,060)
Net cash provided by (used in) investing activities	(12,039)	(83,038)
Cash flows from financing activities:		
Proceeds from issuances of common stock	1,265	10,892
Payments of net share-settled payroll taxes related to equity awards	(1,244)	(2,914)
Excess tax benefits from stock-based compensation	12	872
Net cash provided by (used in) financing activities	33	8,850
Effect of exchange rate changes on cash	187	(558)

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Net change in cash and cash equivalents	49,518	(54,544)
Cash and cash equivalents, beginning of period	220,938	277,259
Cash and cash equivalents, end of period	$ 270,456	$ 222,715

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Restructuring And Other Costs	9 Months Ended Sep. 30, 2011
Restructuring And Other Costs [Abstract]	
Restructuring And Other Costs	

Note 3 — Restructuring and Other Costs

In January 2011, we entered into an employment severance agreement with our former President and Chief Executive Officer in connection with his resignation as an executive officer and employee effective January 4, 2011. In April 2011, we entered into a termination agreement with our former Executive Vice President, Global Sales, in connection with his resignation as an executive officer and employee effective April 29, 2011. In connection with these agreements, we incurred approximately $2.5 million and $1.6 million with respect to our former President and Chief Executive Officer and our former Executive Vice President, Global Sales, respectively, in severance costs that will be paid during 2011 and 2012.

During 2010 and continuing through 2011, demand for our Eagle 5, performance monitoring and other established solutions has continued to decline as service providers shift their investments to data, video, and other broadband services. Further, while demand for our next-generation solutions has continued to grow, the growth has not offset the decline in demand for our Eagle 5, performance monitoring and other established products. As a result, certain of our key operating metrics, such as total orders, total revenue, gross margin, operating margin and revenue per employee, declined from our historical levels.

In response to this decline, in the first quarter of 2011, we initiated a restructuring plan (the "Plan") as part of our efforts to better align our operating cost structure with our current and expected business opportunities. Under the Plan we have initiated the following actions:

a reduction of our overall headcount in the U.S and the consolidation of positions from various global locations and, subject to employee information and consultation processes, further reductions in positions in foreign countries, which overall workforce reduction is expected to be approximately 15% to 20% of our workforce;

a reduction of the discretionary portion of our operating costs through various cost control initiatives, including: (i) reducing advertising expenditures; (ii) delaying salary merit increases and modifying incentive compensation plans; (iii) reducing capital expenditures; and (iv) reducing other discretionary expenditures, such as costs related to outside consultants, travel and recruiting; and

consolidation of certain facilities and the abandonment of certain assets in connection with the consolidation of facilities.

Included in our results from operations for the three and nine months ended September 30, 2011 are pre-tax restructuring charges of $5.2 million and $28.5 million, respectively. These costs consist of severance costs under our existing severance policies, including the amounts related to our former officers discussed above and are included in "Restructuring and other" in the accompanying unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2011. Based on the actions taken to date, we anticipate that during 2011 we will incur total restructuring costs of between $30.0 million and $35.0 million. The Plan and the associated costs are based on our current best estimates which could change materially, including without limitation as a result of (i) the ongoing review of our operations and the

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

potential for further restructuring activities in 2011, and (ii) the employee information and consultation processes conducted in international jurisdictions associated with our restructuring activities.

Subject to complying with and undertaking any necessary individual and collective employee information and consultation obligations required by local law, we expect the majority of these activities to occur and associated employee expenses to be incurred by the end of 2011. We may incur additional charges after December 31, 2011 related to facilities and other costs as we exit certain locations internationally.

The following table provides a summary of our restructuring activities and the remaining obligations as of September 30, 2011 (in thousands):

	Severance Costs and Related Benefits
Restructuring obligations, June 30, 2011	$18,819
2011 Restructuring and related expenses	5,191
Cash payments	(2,699)
Effect of exchange rate changes	(19)
Restructuring obligations, September 30, 2011	$21,292

	Severance Costs and Related Benefits
Restructuring obligations, December 31, 2010	$441
2011 Restructuring and related expenses(1)	28,288
Cash payments	(7,436)
Effect of exchange rate changes	(1)
Restructuring obligations, September 30, 2011	$21,292

(1) Excludes a non-cash charge of $0.2 million associated with certain computer and research and development lab equipment.

Restructuring obligations are included in "Accrued expenses" and "Other long-term liabilities" in the accompanying unaudited consolidated balance sheets. We anticipate settling the majority of our remaining severance obligations during 2011 and 2012. This is based on our current estimate, which could change if actual activity differs from what is currently expected.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Financial Statement Details (Schedule Of Accounts Receivable, Net) (Details) (USD $) In Thousands	Sep. 30, 2011	Dec. 31, 2010
Financial Statement Details [Abstract]		
Accounts receivable	$ 125,872	$ 175,486
Less: Allowance for doubtful accounts and sales returns	8,567	10,467
Accounts receivable, net	$ 117,305	$ 165,019

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Earnings Per Share (Tables)

9 Months Ended Sep. 30, 2011

Earnings Per Share [Abstract]

Reconciliation Of The Numerators And Denominators Of The Basic And Diluted Earnings Per Share

	Income from Operations (Numerator)	Shares (Denominator)	Per-Share Amount
For the Three Months Ended September 30, 2011:			
Basic income (loss) from operations per share	$ 762	69,215	$ 0.01
Effect of dilutive securities	0	145	
Diluted income (loss) from operations per share	$ 762	69,360	$ 0.01
For the Three Months Ended September 30, 2010:			
Basic income (loss) from operations per share	$ (134)	68,526	$ (0.00)
Effect of dilutive securities	0	0	
Diluted income (loss) from operations per share	$ (134)	68,526	$ (0.00)
For the Nine Months Ended September 30, 2011:			
Basic income (loss) from operations per share	$ (21,698)	69,013	$ (0.31)
Effect of dilutive securities	0	0	
Diluted income (loss) from operations per share	$ (21,698)	69,013	$ (0.31)
For the Nine Months Ended September 30, 2010:			
Basic income (loss) from operations per share	$ 23,006	68,179	$ 0.34
Effect of dilutive securities	0	677	
Diluted income (loss) from operations per share	$ 23,006	68,856	$ 0.33

Common Stock Equivalents Excluded From The Earnings Per Share Computation

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Weighted average number of stock options, SARs and RSUs, calculated using the treasury stock method, that were excluded due to the exercise/threshold price exceeding the average market price of our common stock during the period	3,541	4,305	3,995	3,972
Weighted average number of stock options, SARs and RSUs excluded due to the reporting of a net loss for the period	0	334	172	0

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Total common stock equivalents excluded from diluted net income (loss) per share computation	3,541	4,639	4,167	3,972

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Operating Segment Information (Schedule Of Revenues From External Customers By Geographic Regions) (Details) (USD $) In Thousands	3 Months Ended		9 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010	Sep. 30, 2011	Sep. 30, 2010
Operating Segment Information [Abstract]				
United States	$ 47,463	$ 44,638	$ 121,827	$ 125,261
International	58,716	63,667	188,911	208,542
Total revenues from external customers	$ 106,179	$ 108,305	$ 310,738	$ 333,803

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Other Income And Expense	9 Months Ended Sep. 30, 2011
Other Income And Expense [Abstract]	
Other Income And Expense	**Note 4 — Other Income and Expense** The components of "Other income (expense), net" were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Other income (expense), net:				
Interest income	$37	$28	$103	$297
Interest expense	(11)	(64)	(248)	(185)
Gain on investments carried at fair value, net	0	0	0	118
Foreign currency gain (loss), net	(913)	(790)	(1,751)	(2,230)
Other, net	(225)	(247)	(864)	(932)
Total other income (expense), net	$(1,112)	$(1,073)	$(2,760)	$(2,932)

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Financial Statement Details (Schedule Of Accrued Expenses) (Details) (USD $) In Thousands	Sep. 30, 2011	Dec. 31, 2010
Financial Statement Details [Abstract]		
Accrued installation and professional services costs	$ 4,524	$ 3,612
Deferred rent	3,233	2,532
Accrued restructuring	14,106	441
Accrued property, sales and other taxes	2,843	2,790
Accrued losses on customer contracts	1,210	840
Accrued foreign currency contract settlements	1,037	0
Accrued warranty costs	2,593	1,185
Accrued professional fees and legal accrual	1,778	1,839
Accrued other	7,283	7,105
Accrued expenses, Total	$ 38,607	$ 20,344

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Intangible Assets And Goodwill (Tables)	9 Months Ended Sep. 30, 2011

Intangible Assets And Goodwill [Abstract]

Intangible Assets

September 30, 2011	Gross	Accumulated Amortization	Net
Intangible assets with finite lives:			
Purchased technology	$98,870	$(50,535)	$48,335
Customer relationships	18,800	(7,306)	11,494
Contract backlog	7,500	(7,195)	305
Non-compete agreements	4,380	(3,058)	1,322
IPR&D, with finite lives	2,450	(516)	1,934
Trademarks and trade names	1,240	(577)	663
Effect of exchange rate changes	(694)	464	(230)
Total intangible assets with finite lives	132,546	(68,723)	63,823
IPR&D, with indefinite lives	461		461
Total intangible assets	$133,007	$(68,723)	$64,284

December 31, 2010	Gross	Accumulated Amortization	Net
Intangible assets with finite lives:			
Purchased technology	$98,870	$(30,126)	$68,744
Customer relationships	18,800	(3,929)	14,871
Contract backlog	7,500	(4,879)	2,621
Non-compete agreements	4,380	(1,415)	2,965
IPR&D, with finite lives	2,450	(148)	2,302
Trademarks and trade names	1,240	(267)	973
Effect of exchange rate changes	(766)	74	(692)

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Total intangible assets with finite lives	132,474	(40,690)	91,784
IPR&D, with indefinite lives	461		461
Total intangible assets	$132,935	$(40,690)	$92,245

Future Amortization Expense Of Purchased Intangible Assets With Finite Lives

For the Years Ending December 31,	(Thousands)
2011 (remaining three months)	$ 9,255
2012	19,680
2013	14,560
2014	14,408
2015	5,920
Total	$ 63,823

Changes In The Carrying Amount Of Goodwill

Balance at December 31, 2010	$135,564
Effect of exchange rate changes	56
Balance at September 30, 2011	$135,620

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Acquisitions (Condensed Pro-Forma Financial Results) (Details) (USD $) In Thousands, except Per Share data	9 Months Ended
	Sep. 30, 2010
Acquisitions [Abstract]	
Revenues	$ 342,269
Net Income	$ 22,415
Basic earnings per share	$ 0.33
Diluted earnings per share	$ 0.33

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Financial Statement Details (Schedule Of Inventories) (Details) (USD $) In Thousands	Sep. 30, 2011	Dec. 31, 2010
Financial Statement Details [Abstract]		
Raw materials	$ 12,410	$ 21,851
Finished goods	5,299	6,370
Total inventories, net	$ 17,709	$ 28,221

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Operating Segment Information (Tables)	9 Months Ended Sep. 30, 2011

Operating Segment Information [Abstract]

Schedule Of Revenues From External Customers By Product, Warranty And Support, And Services

	For the Three Months Ended September 30,	
	2011	2010
Product revenues	$72,550	$67,709
Warranty and support revenues	22,487	23,020
Professional and other services revenues	11,142	17,576
Total revenues	$106,179	$108,305

	For the Nine Months Ended September 30,	
	2011	2010
Product revenues	$207,202	$219,137
Warranty and support revenues	67,907	63,713
Professional and other services revenues	35,629	50,953
Total revenues	$310,738	$333,803

Schedule Of Revenues From External Customers By Geographic Regions

	Revenues from External Customers By Geographic Region			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
United States	$47,463	$44,638	$121,827	$125,261
International	58,716	63,667	188,911	208,542
Total revenues from external customers	$106,179	$108,305	$310,738	$333,803

Schedule Of Long-Lived Assets By Geographic Region

	Long-Lived Assets By Geographic Region	
	September 30, 2011	December 31, 2010
United States	$ 29,987	$ 30,836
Other	7,254	7,840
Total long-lived assets	$ 37,241	$ 38,676

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Operating Segment Information

9 Months Ended Sep. 30, 2011

Operating Segment Information [Abstract]

Operating Segment Information

Note 12 — Operating Segment Information

We currently consider ourselves to be in a single reportable segment under the authoritative guidance for segment reporting, specifically the development and sale of signaling telecommunications solutions and related value added applications and services.

Enterprise-Wide Disclosures

The following tables set forth, for the periods indicated, revenues from external customers by type (product, warranty and support, and services), as well as revenues by domestic versus international regions (in thousands):

	For the Three Months Ended September 30,	
	2011	2010
Product revenues	$72,550	$67,709
Warranty and support revenues	22,487	23,020
Professional and other services revenues	11,142	17,576
Total revenues	$106,179	$108,305

	For the Nine Months Ended September 30,	
	2011	2010
Product revenues	$207,202	$219,137
Warranty and support revenues	67,907	63,713
Professional and other services revenues	35,629	50,953
Total revenues	$310,738	$333,803

	Revenues from External Customers By Geographic Region			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
United States	$47,463	$44,638	$121,827	$125,261
International	58,716	63,667	188,911	208,542
Total revenues from external customers	$106,179	$108,305	$310,738	$333,803

For the three months ended September 30, 2011, revenues from AT&T, Carso Global Telecom, and Verizon represented 16%, 12%, and 11% of our total revenues, respectively. For the nine months ended September 30, 2011, revenues from AT&T and Verizon represented 15% and 13% of our total revenues, respectively. For the three months ended September 30, 2010, revenues from AT&T and Verizon represented 22% and 10% of our total revenues, respectively.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

For the nine months ended September 30, 2010, revenues from AT&T represented 17% of our total revenues.

For the three months ended September 30, 2011, revenues from Brazil accounted for 15% of our total revenues, and for the nine months ended September 30, 2011, revenues from Brazil and India accounted for 12% and 10% of our total revenues, respectively. For the three and nine months ended September 30, 2010, revenues from India accounted for 14% and 12% of our total revenues, respectively.

The following table sets forth, for the periods indicated, our long-lived assets including net property and equipment, and other assets by geographic region (in thousands):

	Long-Lived Assets By Geographic Region	
	September 30, 2011	**December 31, 2010**
United States	$ 29,987	$ 30,836
Other	7,254	7,840
Total long-lived assets	$ 37,241	$ 38,676

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Fair Value Of Financial Instruments	9 Months Ended Sep. 30, 2011
Fair Value Of Financial Instruments [Abstract]	
Fair Value Of Financial Instruments	

Note 5 — Fair Value of Financial Instruments

Recurring Measurements

We measure certain financial assets and liabilities at fair value on a recurring basis. The fair value of our cash, cash equivalents, accounts receivable and accounts payable approximate their respective carrying amounts based on the liquidity and short-term nature of these instruments. The following table sets forth our financial instruments carried at fair value (in thousands):

	Financial Instruments Carried at Fair Value	
	September 30, 2011	December 31, 2010
Assets:		
Cash and cash equivalents	$ 270,456	$ 220,938

The fair value of our financial instruments as of September 30, 2011 is based on quoted prices in active markets for identical items and fall under Level 1 of the fair value hierarchy as defined in the authoritative guidance.

Derivative Instruments

Our derivative instruments, which consist primarily of foreign currency forward contracts, are recognized as assets or liabilities at fair value. These forward contracts are not formally designated as hedges. The fair value of these contracts is based on market prices for comparable contracts. Our foreign currency forward contracts are structured to expire on the last day of each quarter, and we immediately enter into new contracts if necessary. Therefore, our derivative instruments outstanding at period end are outstanding less than one full day when the reporting period ends. Because of the short duration of these contracts, their fair value was not significant as of September 30, 2011 or December 31, 2010.

Nonrecurring Measurements

We measure certain assets, accounted for under the cost method, at fair value on a nonrecurring basis. These assets are recognized at fair value when they are deemed to be other than temporarily impaired.

We measure the fair value of our nonfinancial assets and liabilities, including but not limited to, intangible assets, goodwill and restructuring obligations that are accounted for under the authoritative guidance for exit or disposal cost obligations. As of September 30, 2011, we do not have any nonrecurring measurement disclosure for these nonfinancial assets.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Basis Of Presentation And Changes In Significant Accounting Policies (Policy)	9 Months Ended Sep. 30, 2011
Basis Of Presentation And Changes In Significant Accounting Policies [Abstract]	
Basis Of Presentation	***Basis of Presentation*** The accompanying unaudited condensed consolidated financial statements include the accounts of Tekelec and our wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The accompanying unaudited condensed consolidated financial statements have been prepared on substantially the same basis as the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2010. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to the instructions for Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of our consolidated financial condition and consolidated results of operations. The results of operations for the current interim period are not necessarily indicative of results for the current year. We operate under a thirteen-week calendar quarter. For financial statement presentation purposes, the reporting periods are referred to as ended on the last calendar day of the quarter. The accompanying unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2011 and 2010 are for the thirteen and thirty-nine weeks ended September 30, 2011 and October 1, 2010, respectively. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2010 and the notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2010.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Derivative Instruments And Hedging Activities (Summary Of The Effect Of Derivative Instruments On The Condensed Consolidated Statements Of Operations) (Details) (Other Income (Expense), Net [Member], Derivatives Not Designated As Hedging Instruments [Member], Foreign Currency Forward Contracts [Member], USD $) In Thousands	3 Months Ended		9 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010	Sep. 30, 2011	Sep. 30, 2010
Other Income (Expense), Net [Member] | Derivatives Not Designated As Hedging Instruments [Member] | Foreign Currency Forward Contracts [Member]				
Derivative Instruments, Gain (Loss) [Line Items]				
Amount of Gain or (Loss) Recognized in Results of Operations	$ (1,119)	$ 2,568	$ 840	$ (2,498)

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Stock-Based Compensation (Tables)	9 Months Ended Sep. 30, 2011
Stock-Based Compensation [Abstract]	
Schedule Of Stock-Based Compensation Expense	

Income Statement Classifications	Option and SAR Grants and Stock Purchase Rights	RSUs	Total
Three months ended September 30, 2011			
Cost of goods sold	$ 20	$148	$168
Research and development	55	321	376
Sales and marketing	124	745	869
General and administrative	310	757	1,067
Total	$ 509	$1,971	$2,480
Three months ended September 30, 2010			
Cost of goods sold	$ 70	$313	$383
Research and development	55	429	484
Sales and marketing	110	993	1,103
General and administrative	218	783	1,001
Total	$ 453	$2,518	$2,971

Income Statement Classifications	Option and SAR Grants and Stock Purchase Rights	RSUs	Total
Nine months ended September 30, 2011			
Cost of goods sold	$ 107	$640	$747
Research and development	187	1,108	1,295
Sales and marketing	405	2,281	2,686
General and administrative	584	2,501	3,085
Total	$ 1,283	$6,530	$7,813
Nine months ended September 30, 2010			
Cost of goods sold	$ 226	$822	$1,048
Research and development	199	1,025	1,224
Sales and marketing	329	2,453	2,782
General and administrative	891	3,969	4,860
Total	$ 1,645	$8,269	$9,914

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Condensed Consolidated Statements Of Comprehensive Income (Loss) (USD $) In Thousands	3 Months Ended		9 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010	Sep. 30, 2011	Sep. 30, 2010
Condensed Consolidated Statements Of Comprehensive Income (Loss) [Abstract]				
Net income (loss)	$ 762	$ (134)	$ (21,698)	$ 23,006
Other comprehensive income (loss):				
Foreign currency translation adjustments	(6,225)	9,501	672	(928)
Comprehensive income (loss)	$ (5,463)	$ 9,367	$ (21,026)	$ 22,078

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Acquisitions (Tables)	9 Months Ended Sep. 30, 2011
Acquisitions [Abstract]	
Condensed Pro-Forma Financial Results	

	Nine Months Ended September 30, 2010
Revenues	$ 342,269
Net Income	$ 22,415
Basic earnings per share	$ 0.33
Diluted earnings per share	$ 0.33

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Intangible Assets And Goodwill (Intangible Assets) (Details) (USD $) In Thousands, unless otherwise specified	Sep. 30, 2011	Dec. 31, 2010	3 Months Ended Mar. 31, 2011 Intangible Assets Associated With The Steleus And Iptelorg Acquisitions [Member] Purchased Technology [Member]	Sep. 30, 2011 Purchased Technology [Member]	Dec. 31, 2010 Purchased Technology [Member]	Sep. 30, 2011 Customer Relationships [Member]	Dec. 31, 2010 Customer Relationships [Member]	Sep. 30, 2011 Contract Backlog [Member]	Dec. 31, 2010 Contract Backlog [Member]	Sep. 30, 2011 Non-Compete Agreements [Member]	Dec. 31, 2010 Non-Compete Agreements [Member]	Sep. 30, 2011 IPR&D, With Finite Lives [Member]	Dec. 31, 2010 IPR&D, With Finite Lives [Member]	Sep. 30, 2011 Trademarks And Trade Names [Member]	Dec. 31, 2010 Trademarks And Trade Names [Member]	Sep. 30, 2011 IPR&D, With Indefinite Lives [Member]	Dec. 31, 2010 IPR&D, With Indefinite Lives [Member]
Finite-Lived Intangible Assets [Line Items]																	
Intangible assets with finite lives, Gross	$ 132,546	$ 132,474		$ 98,870	$ 98,870	$ 18,800	$ 18,800	$ 7,500	$ 7,500	$ 4,380	$ 4,380	$ 2,450	$ 2,450	$ 1,240	$ 1,240		
Intangible assets with finite lives, Accumulated Amortization	(68,723)	(40,690)		(50,535)	(30,126)	(7,306)	(3,929)	(7,195)	(4,879)	(3,058)	(1,415)	(516)	(148)	(577)	(267)		
Intangible assets with finite lives, Net	63,823	91,784		48,335	68,744	11,494	14,871	305	2,621	1,322	2,965	1,934	2,302	663	973		
Effect of exchange rate changes, Gross	(694)	(766)															
Effect of exchange rate changes, Accumulated Amortization	464	74															
Effect of exchange rate changes, Net	(230)	(692)															
Total intangible assets with finite lives, Gross	132,546	132,474		98,870	98,870	18,800	18,800	7,500	7,500	4,380	4,380	2,450	2,450	1,240	1,240		
Total intangible assets with finite lives, Net	63,823	91,784		48,335	68,744	11,494	14,871	305	2,621	1,322	2,965	1,934	2,302	663	973		
IPR&D, with indefinite lives, Gross																461	461
IPR&D, with indefinite lives, Net																461	461
Total intangible assets, Gross	133,007	132,935															
Total intangible assets, Net	$ 64,284	$ 92,245															
Remaining weighted average life			3.75														
Revised estimated useful life of finite lived intangible assets, years			1														

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Other Income And Expense (Tables)	9 Months Ended Sep. 30, 2011
Other Income And Expense [Abstract]	
Components Of Other Income (Expense), Net	

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Other income (expense), net:				
Interest income	$37	$28	$103	$297
Interest expense	(11)	(64)	(248)	(185)
Gain on investments carried at fair value, net	0	0	0	118
Foreign currency gain (loss), net	(913)	(790)	(1,751)	(2,230)
Other, net	(225)	(247)	(864)	(932)
Total other income (expense), net	$(1,112)	$(1,073)	$(2,760)	$(2,932)

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Basis Of Presentation And Changes In Significant Accounting Policies	9 Months Ended
	Sep. 30, 2011
Basis Of Presentation And Changes In Significant Accounting Policies [Abstract]	
Basis Of Presentation And Changes In Significant Accounting Policies	

Note 1 — Basis of Presentation and Changes in Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Tekelec and our wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The accompanying unaudited condensed consolidated financial statements have been prepared on substantially the same basis as the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2010. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to the instructions for Form 10-Q and Article 10 of Regulation S-X.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of our consolidated financial condition and consolidated results of operations. The results of operations for the current interim period are not necessarily indicative of results for the current year.

We operate under a thirteen-week calendar quarter. For financial statement presentation purposes, the reporting periods are referred to as ended on the last calendar day of the quarter. The accompanying unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2011 and 2010 are for the thirteen and thirty-nine weeks ended September 30, 2011 and October 1, 2010, respectively.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2010 and the notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2010.

Recent Accounting Pronouncements

Testing Goodwill for Impairment. In September, 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-08, "Testing Goodwill for Impairment (the revised standard)." The revised standard is intended to reduce the cost and complexity of the annual goodwill impairment test by providing both public and nonpublic entities with the option of performing a "qualitative" assessment to determine whether further impairment testing is necessary. The revised standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. However, an entity can choose to early adopt the revised standard even if its annual test date is before September 15, 2011 (the date on which the revised standard was issued), provided that the entity has not yet issued its financial statements for the period that includes its annual test date. We do

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

not expect adoption of this ASU to have a material impact on our results of operations, financial position or cash flow.

Presentation of Comprehensive Income. In June 2011, the FASB issued ASU No. 2011-05, "Comprehensive Income: Presentation of Comprehensive Income," which amends current comprehensive income guidance. This ASU eliminates the option to present the components of other comprehensive income as part of the statement of shareholders' equity. Instead, it requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. Under the two-statement approach, the first statement would include components of net income, which is consistent with the income statement format used today, and the second statement would include components of other comprehensive income ("OCI"). The ASU does not change the items that must be reported in OCI. ASU 2011-05 will be effective for public companies during the interim and annual periods beginning after December 15, 2011 with early adoption permitted. We do not expect adoption of this ASU to have a material impact on our results of operations, financial position or cash flow.

Fair Value Measurements and Disclosures. In May 2011, the FASB issued ASU 2011-04 "Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS." The ASU is the result of joint efforts by the FASB and the International Accounting Standards Board ("IASB") to develop a single, converged fair value framework. While the ASU is largely consistent with existing fair value measurement principles in U.S. GAAP, it expands existing disclosure requirements for fair value measurements and makes other amendments. Key additional disclosures include quantitative disclosures about unobservable inputs in Level 3 measures, qualitative information about sensitivity of Level 3 measures and valuation process, and classification within the fair value hierarchy for instruments where fair value is only disclosed in the footnotes but carrying amount is on some other basis. For public companies, the ASU is effective for interim and annual periods beginning after December 15, 2011. We do not expect adoption of this ASU to have a material impact on our results of operations, financial position or cash flow.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Commitments And Contingencies	9 Months Ended Sep. 30, 2011
Commitments And Contingencies [Abstract]	
Commitments And Contingencies	

Note 10 — Commitments and Contingencies

Indemnities, Commitments, Contingencies and Guarantees

In the normal course of our business, we make certain indemnities, commitments and guarantees under which we may be required to make payments in relation to certain transactions. These indemnities, commitments and guarantees include, among others, intellectual property indemnities to our customers in connection with the sale of our products and licensing of our technology, indemnities for liabilities associated with the infringement of other parties' technology based upon our products and technology, guarantees of timely performance of our obligations, guarantees and indemnities related to the reliability and performance of our equipment, and indemnities to our directors and officers to the maximum extent permitted by law. The duration of these indemnities, commitments and guarantees varies, and, in certain cases, is indefinite. Many of these indemnities, commitments and guarantees do not provide for any limitation of the maximum potential future payments that we could be obligated to make. We have not recorded a liability for these indemnities, commitments or guarantees in the accompanying balance sheets because future payment is not probable.

From time to time, various claims and litigation are asserted or commenced against us arising from or related to contractual matters, intellectual property matters, product warranties and personnel and employment disputes. As to such claims and litigation, including those described below, we can give no assurance that we will prevail.

On January 6, 2011, a purported class action complaint was filed against us and certain of our current and former officers in the U.S. District Court for the Eastern District of North Carolina alleging claims under Section 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder. On June 30, 2011, an amended complaint was filed alleging the same causes of action. The case purports to be brought on behalf of a class of purchasers of our stock during the period February 11, 2010 to August 5, 2010. The amended complaint generally alleges violations of federal securities laws based on, among other things, claimed misstatements or omissions regarding our business and prospects in India and for certain signaling products. The amended complaint seeks unspecified damages, interest, attorneys' fees, costs, and expenses. As we are in the very early stages of this potential litigation, we are unable to predict the outcome of this case or estimate a range of potential loss related to this matter. Although the Company denies the allegations in the amended complaint and intends to vigorously pursue its defense, we are unable to predict the outcome of this case. An adverse court determination in the purported class action lawsuit against us could result in significant liability and could have a material adverse effect on our business, results of operations and financial condition.

On February 7, 2011, a shareholder derivative complaint was filed in the California Superior Court of Santa Clara County against certain current and former officers and directors. The suit alleges that named parties breached their fiduciary duties to the Company by, among other things, making statements between February, 2010 and August, 2010 which plaintiffs claim were false and misleading and by allegedly failing to implement adequate internal controls and

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

means of supervision at the Company. On March 3, 2011, a nearly identical shareholder derivative complaint was filed in the U.S. District Court for the Central District of California. These suits seek an unspecified amount of damages from the named parties and modifications to the Company's corporate governance policies. The allegations in the complaints are similar to the purported class action complaint discussed above. The individual defendants intend to vigorously defend the suits and the Company, on whose behalf these claims purport to be brought, intends to move to dismiss the shareholder derivative complaints on the grounds that the derivative plaintiffs did not file the claims in accordance with applicable laws governing the filing of derivative suits. As we are in the very early stages of these litigations, we are unable to predict the outcome of these cases or estimate a range of potential costs related to these matters.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Subsequent Events (Details) (USD $)	0 Months Ended Nov. 06, 2011
Subsequent Event [Line Items]	
Transaction value, total amount	$ 780,000,000
Transaction Value, Per Share Amount [Member]	
Subsequent Event [Line Items]	
Transaction value, total amount	$ 11.00

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Restructuring And Other Costs (Narrative) (Details) (USD $)	3 Months Ended		9 Months Ended		1 Months Ended		3 Months Ended	9 Months Ended	3 Months Ended	9 Months Ended
	Sep. 30, 2011	Sep. 30, 2010	Sep. 30, 2011	Sep. 30, 2010	Jan. 31, 2011 Former President And Chief Executive Officer [Member]	Apr. 30, 2011 Former Executive Vice President [Member]	Mar. 31, 2011 Maximum [Member]	Sep. 30, 2011 Maximum [Member]	Mar. 31, 2011 Minimum [Member]	Sep. 30, 2011 Minimum [Member]
Restructuring Cost and Reserve [Line Items]										
Overall expected workforce reduction							20.00%		15.00%	
Pre-tax restructuring charges	$ 5,191,000	$ 0	$ 28,532,000	$ 0	$ 2,500,000	$ 1,600,000				
Restructuring and other costs, estimated costs, total								$ 35,000,000		$ 30,000,000

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Subsequent Events	9 Months Ended Sep. 30, 2011
Subsequent Events [Abstract]	
Subsequent Events	**Note 14 — Subsequent Events** On November 6, 2011, we entered into a definitive agreement to be acquired by an affiliate of Siris Capital Group, LLC ("Siris") for approximately $780.0 million. Our Board of Directors approved the transaction, which is subject to customary closing conditions, including approval by our shareholders and regulatory approvals. If the transaction is approved by our shareholders, the Siris affiliate would acquire all of the outstanding shares of common stock of Tekelec for $11.00 per share in cash with an expected closing in the first quarter of 2012. A special meeting of Tekelec's shareholders will be held after the preparation and filing of a proxy statement with the Securities and Exchange Commission and subsequent mailing of the proxy statement to shareholders. Upon completion of the proposed acquisition, Tekelec would become a private company, wholly owned by the affiliate of Siris.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Condensed Consolidated Balance Sheets (USD $) In Thousands	Sep. 30, 2011	Dec. 31, 2010
Current assets:		
Cash and cash equivalents	$ 270,456	$ 220,938
Accounts receivable, net	117,305	165,019
Inventories	17,709	28,221
Income taxes receivable	11,447	3,098
Deferred income tax asset, current	21,773	19,906
Deferred costs and prepaid commissions	30,879	43,652
Prepaid expenses	7,990	8,527
Other current assets	3,761	3,687
Total current assets	481,320	493,048
Property and equipment, net	35,831	37,169
Deferred income tax asset, net, noncurrent	75,957	72,854
Other assets	1,410	1,507
Goodwill	135,620	135,564
Intangibles assets, net	64,284	92,245
Total assets	794,422	832,387
Current liabilities:		
Accounts payable	13,650	17,823
Accrued expenses	38,607	20,344
Accrued compensation and related expenses	16,980	22,680
Current portion of deferred revenues	110,644	145,291
Total current liabilities	179,881	206,138
Deferred income tax liabilities, noncurrent	1,752	7,430
Long-term portion of deferred revenues	4,184	6,812
Other long-term liabilities	15,212	5,422
Total liabilities	201,029	225,802
Commitments and Contingencies (Note 10)		
Shareholders' equity:		
Common stock, without par value, 200,000,000 shares authorized; 69,253,624 and 68,617,232 shares issued and outstanding, respectively	359,143	351,309
Retained earnings	235,131	256,829
Accumulated other comprehensive income (loss)	(881)	(1,553)
Total shareholders' equity	593,393	606,585
Total liabilities and shareholders' equity	$ 794,422	$ 832,387

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Other Income And Expense (Components Of Other Income (Expense), Net) (Details) (USD $) In Thousands	3 Months Ended		9 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010	Sep. 30, 2011	Sep. 30, 2010
Other Income And Expense [Abstract]				
Interest income	$ 37	$ 28	$ 103	$ 297
Interest expense	(11)	(64)	(248)	(185)
Gain on investments carried at fair value, net	0	0	0	118
Foreign currency gain (loss), net	(913)	(790)	(1,751)	(2,230)
Other, net	(225)	(247)	(864)	(932)
Total other income (expense), net	$ (1,112)	$ (1,073)	$ (2,760)	$ (2,932)

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Operating Segment Information (Narrative) (Details)	3 Months Ended		9 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010	Sep. 30, 2011	Sep. 30, 2010
AT & T [Member]				
Revenues from External Customers and Long-Lived Assets [Line Items]				
Percentage of sales revenue from major customer	16.00%	22.00%	15.00%	17.00%
Carso Global Telecom [Member]				
Revenues from External Customers and Long-Lived Assets [Line Items]				
Percentage of sales revenue from major customer	12.00%			
Verizon [Member]				
Revenues from External Customers and Long-Lived Assets [Line Items]				
Percentage of sales revenue from major customer	11.00%	10.00%	13.00%	
Brazil [Member]				
Revenues from External Customers and Long-Lived Assets [Line Items]				
Percentage of sales revenue from major geographical region	15.00%		12.00%	
India [Member]				
Revenues from External Customers and Long-Lived Assets [Line Items]				
Percentage of sales revenue from major geographical region		14.00%	10.00%	12.00%

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Intangible Assets And Goodwill (Future Amortization Expense Of Purchased Intangible Assets With Finite Lives) (Details) (USD $) In Thousands	9 Months Ended Sep. 30, 2011
Intangible Assets And Goodwill [Abstract]	
2011 (remaining three months)	$ 9,255
2012	19,680
2013	14,560
2014	14,408
2015	5,920
Total	$ 63,823

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Intangible Assets And Goodwill (Changes In The Carrying Amount Of Goodwill) (Details) (USD $) In Thousands, unless otherwise specified	9 Months Ended Sep. 30, 2011
Intangible Assets And Goodwill [Abstract]	
Balance at December 31, 2010	$ 135,564
Effect of exchange rate changes	56
Balance at September 30, 2011	$ 135,620
Percent of fair value of the reporting unit exceeded its net book value by over	20.00%

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Earnings Per Share (Common Stock Equivalents Were Excluded From The Earnings Per Share Computation) (Details) In Thousands	3 Months Ended		9 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010	Sep. 30, 2011	Sep. 30, 2010
Antidilutive Securities Excluded from Computation of Earnings Per Share [Line Items]				
Common stock equivalents excluded from diluted net income (loss) per share computation	3,541	4,639	4,167	3,972
Weighted Average Number Of Stock Options, SARs And RSUs Excluded Due To Reporting Of Net Loss [Member]				
Antidilutive Securities Excluded from Computation of Earnings Per Share [Line Items]				
Common stock equivalents excluded from diluted net income (loss) per share computation	0	334	172	0
Weighted Average Number Of Stock Options, SARs And RSUs, Excluded Due To The Exercise/Threshold Price Exceeding The Average Market Price Of Common Stock [Member]				
Antidilutive Securities Excluded from Computation of Earnings Per Share [Line Items]				
Common stock equivalents excluded from diluted net income (loss) per share computation	3,541	4,305	3,995	3,972

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Fair Value Of Financial Instruments (Schedule Of Financial Instruments Carried At Fair Value) (Details) (USD $) In Thousands	Sep. 30, 2011	Dec. 31, 2010
Fair Value Of Financial Instruments [Abstract]		
Cash and cash equivalents	$ 270,456	$ 220,938

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document