

ZHONE COMPLETES ACQUISITION OF PARADYNE

OAKLAND, CA (September 1, 2005) - Zhone Technologies, Inc. (Nasdaq: ZHNE), the first company dedicated to building total-delivery solutions for voice, data and content services worldwide, announced today that it completed the acquisition of Paradyne Networks, Inc.

An overwhelming majority of the votes cast were voted in favor of the transaction by the shareholders of both sides, thereby confirming the value proposition of the combination. Rapid closure of the transaction followed by prompt integration will afford Zhone's customers with seamless product service and support and will allow Zhone to realize operating efficiencies and cost synergies.

"This transaction underscores Zhone's focus on global market expansion," said Mory Ejabat, Chairman and Chief Executive Officer of Zhone. "Customers of both companies will realize the benefits of the combined solution set as well as more comprehensive sales, service and support worldwide."

The combination bolsters Zhone's position as a leading provider of both next generation Broadband Loop Carrier and Ethernet First Mile access network solutions. Zhone now has a customer base that includes some of the world's largest network service providers representing more than 400 existing carrier and cable operators on six continents. The combined company provides service providers with more comprehensive solutions for delivering packet-based voice, data and video services as these technologies converge, with employees operating in 21 countries around the globe.

About Zhone Technologies, Inc.

Zhone designs and manufactures network equipment for network operators worldwide. Zhone's products allow network operators to deliver a rich array of voice, data, video, and entertainment services over their existing networks while simultaneously retooling for converged packet-based voice (VoIP) and video (IPTV) over copper or fiber access lines. Zhone's advanced networking solutions include the Single Line Multi-Service architecture (SLMS(TM)), Multi-Access Line Concentrator (MALC(TM)), Raptor(TM) and GrandSLAM ATM/IP DSLAMs, Ethernet in the First Mile bonded solutions, Zhone Residential Gateways (ZRG(TM)), GigaMux(TM) Optical Transport Systems and Zhone Management System (ZMS(TM)). With deployments at over 400 carriers including among some of the world's largest networks, Zhone has enabled network operators to reinvent their businesses. For more information, please visit www.zhone.com

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