

# ADTRAN INC

## FORM S-8

(Securities Registration: Employee Benefit Plan)

Filed 5/9/2006

Address	901 EXPLORER BLVD HUNTSVILLE, Alabama 35806
Telephone	256-963-8000
CIK	0000926282
Industry	Communications Equipment
Sector	Technology
Fiscal Year	12/31

Powered By **EDGAR**Online

<http://www.edgar-online.com/>

© Copyright 2006. All Rights Reserved.

Distribution and use of this document restricted under EDGAR Onlines Terms of Use.

**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM S-8**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**ADTRAN, INC.**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**63-0918200**  
(I.R.S. Employer  
Identification No.)

**901 Explorer Boulevard, Huntsville, Alabama 35806-2807**  
(Address of principal executive offices, including zip code)

**ADTRAN, Inc. 2006 Employee Stock Incentive Plan**  
(Full title of the plan)

**James E. Matthews**  
**Senior Vice President – Finance, Chief Financial Officer and**  
**Treasurer**  
**ADTRAN, Inc.**  
**901 Explorer Boulevard**  
**Huntsville, Alabama 35806-2807**  
(Name and address of agent for service)  
**(256) 963-8000**  
(Telephone number, including area code, of agent for service)

**Copy to:**  
**Thomas Wardell, Esq.**  
**McKenna Long & Aldridge LLP**  
**303 Peachtree Street, NE**  
**Suite 5300**  
**Atlanta, Georgia 30308-3201**  
**(404) 527-4000**

**CALCULATION OF REGISTRATION FEE**

<b>Title Of Each Class of Securities To Be Registered</b>	<b>Amount To Be Registered (1)</b>	<b>Proposed Maximum Offering Price Per Share (2)</b>	<b>Proposed Maximum Aggregate Offering Price (2)</b>	<b>Amount Of Registration Fee (2)</b>
Common Stock, \$.01 par value per share	13,000,000	\$25.35	\$329,550,000	\$35,262

- (1) ADTRAN, Inc., a Delaware corporation (the "Company" or "ADTRAN") is registering 13,000,000 shares of Common Stock pursuant to the ADTRAN, Inc. 2006 Employee Stock Incentive Plan (the "Plan"). An undetermined number of additional shares may be issued, or the shares registered hereunder may be combined into an undetermined lesser number of shares, as a result of events such as stock splits, stock dividends or similar transactions pursuant to the terms of the Plan.
- (2) The offering price for these shares is estimated pursuant to Rule 457(c) and (h) of the Securities Act of 1933, as amended ("Securities Act"), solely for the purpose of calculating the registration fee and is based upon the average of the high and low prices of our common stock on May 2, 2006, as quoted on the Nasdaq National Market.

---

**PART I**  
**INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS**

The documents containing the information specified in Part I of the instructions to the registration statement on Form S-8 will be sent or given to participants in the Plan as required by Rule 428(b)(1) of the rules promulgated under the Securities Act. These documents are not being filed with the Securities and Exchange Commission (the "Commission") as a part of this registration statement in accordance with Rule 428(b) and the Note to Part I of Form S-8.

**PART II**  
**INFORMATION REQUIRED IN THE REGISTRATION STATEMENT**

**ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE.**

The Commission allows us to "incorporate by reference" the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered part of this registration statement, and later information that we file with the Commission will automatically update and supersede this information. We incorporate by reference documents listed below and any future filings made with the Commission under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, until we file a post-effective amendment which indicates that all securities offered in this registration statement have been sold or which de-registers all securities then remaining unsold.

We have filed the following documents with the Commission that are incorporated by reference as of their respective dates:

- (1) Our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 filed on March 6, 2006;
- (2) Our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2006 filed on May 2, 2006;
- (3) Our Current Reports on Form 8-K filed on January 27, 2006 and February 3, 2006; and
- (4) The description of our common stock as contained in the Company's Registration Statement on Form 8-A (Registration No. 0-24612), as filed with the Commission on August 9, 1994.

You may request a copy of any filings referred to above (excluding exhibits), at no cost, by contacting us at the following address:

ADTRAN, Inc.  
Corporate Secretary  
901 Explorer Boulevard  
Huntsville, Alabama 35814-4000  
Telephone: (256) 963-8000

---

**ITEM 4. DESCRIPTION OF SECURITIES.**

Not applicable.

**ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL.**

Not applicable.

**ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.**

Article Eleventh of the Company's Certificate of Incorporation provides for the elimination of personal monetary liabilities of directors of the Company for breaches of their fiduciary duties as directors, except that, as provided by Section 102(b)(7) of the General Corporation Law of Delaware (the "DGCL"), such personal monetary liability of a director may not be eliminated with regard to any breach of the duty of loyalty, failing to act in good faith, intentional misconduct or knowing violation of law, payment of an unlawful dividend, approval of an illegal stock repurchase, or obtainment of an improper personal benefit. Such a provision has no effect on the availability of equitable remedies, such as an injunction or rescission, for breach of fiduciary duty.

Article Twelfth of the Company's Certificate of Incorporation provides for indemnification of directors and officers of the Company to the extent permitted by the DGCL. Section 145 of the DGCL provides for indemnification of directors and officers from and against expenses (including attorney's fees), judgments, fines and amounts paid in settlement reasonably incurred by them in connection with any civil, criminal, administrative or investigative claim or proceeding (including civil actions brought as derivative actions by or in the right of the Company but only to the extent of expenses reasonably incurred in defending or settling such action) in which they may become involved by reason of being a director or officer of the Company if the director or officer acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interest of the Company and, in addition, in criminal actions, if he had no reasonable cause to believe his conduct to be unlawful. If, in an action brought by or in the right of the Company, the director or officer is adjudged to be liable for negligence or misconduct in the performance of his duty, he will only be entitled to such indemnity as the court finds to be proper. Persons who are successful in defense of any claim against them are entitled to indemnification as of right against expense actually and reasonably incurred in connection therewith. In all other cases, indemnification shall be made (unless otherwise ordered by a court) only if the board of directors, acting by a majority vote of a quorum of disinterested directors, independent legal counsel or holders of a majority of the shares entitled to vote determines that the applicable standard of conduct has been met. Section 145 also provides such indemnity for directors and officers of a corporation who, at the request of the corporation, act as directors, officers, employees or agents of other corporations, partnerships or other enterprises.

Article VI of the Company's Bylaws provides as follows:

Section 6.1. Indemnification . The Corporation shall indemnify and advance expenses to any officer, director, employee or agent to the full extent permitted by its Certificate of Incorporation, these bylaws or by law.

We maintain insurance on behalf of our officers and directors against liability asserted against or incurred by these persons in their capacity as an officer or director, or arising out of their status as an officer or director, regardless of whether we would have the power to indemnify or advance expenses to these persons against these liabilities under our Certificate of Incorporation, Bylaws or Delaware law.

---

**ITEM 7. EXEMPTION FROM REGISTRATION CLAIMED.**

Not applicable.

**ITEM 8. EXHIBITS.**

<u>Exhibit Number</u>	<u>Description</u>
4.1*	ADTRAN, Inc. 2006 Employee Stock Incentive Plan.
5.1*	Opinion of McKenna Long & Aldridge LLP.
23.1*	Consent of PricewaterhouseCoopers LLP.
23.2*	Consent of McKenna Long & Aldridge LLP (included in its opinion filed as Exhibit 5.1 hereto).
24.1	Powers of Attorney (see signature pages to this registration statement).

\* Filed herewith

**ITEM 9. UNDERTAKINGS.****A. RULE 415 OFFERING.**

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424 (b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

---

*provided, however*, that paragraphs (a)(1)(i) and (a)(1)(ii) of this section do not apply if the registration statement is on Form S-8, and the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

**B. Subsequent Documents Incorporated by Reference.**

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

**C. Indemnification of Officers, Directors and Controlling Persons.**

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

---

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Huntsville, State of Alabama, on May 9, 2006.

**ADTRAN, Inc.**  
(Registrant)

By: /s/ Thomas R. Stanton  
Thomas R. Stanton  
Chief Executive Officer

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Thomas R. Stanton and James E. Matthews, and each of them, as his true and lawful attorneys-in-fact, each acting alone, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including any post-effective amendments) to this Registration Statement on Form S-8, and to file the same, with all exhibits thereto and any other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents (or any of them), or their or his substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated as of May 9, 2006.

<u>Signatures</u>	<u>Title</u>
<u>/s/ Thomas R. Stanton</u> Thomas R. Stanton	Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ James E. Matthews</u> James E. Matthews	Senior Vice President – Finance, Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)
<u>/s/ Danny J. Windham</u> Danny J. Windham	President, Chief Operating Officer, Secretary and Director
<u>/s/ Mark C. Smith</u> Mark C. Smith	Chairman of the Board

---

/s/ W. Frank Blount Director  
W. Frank Blount

/s/ H. Fenwick Huss Director  
H. Fenwick Huss

/s/ William L. Marks Director  
William L. Marks

/s/ Roy J. Nichols Director  
Roy J. Nichols

---

## EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
4.1*	ADTRAN, Inc. 2006 Employee Stock Incentive Plan.
5.1*	Opinion of McKenna Long & Aldridge LLP.
23.1*	Consent of PricewaterhouseCoopers LLP.
23.2*	Consent of McKenna Long & Aldridge LLP (included in its opinion filed as Exhibit 5.1 hereto).
24.1	Powers of Attorney (see signature pages to this registration statement).

\* Filed herewith

**ADTRAN, INC.**  
**2006 EMPLOYEE STOCK INCENTIVE PLAN**

**ARTICLE I**  
**PLAN INFORMATION**

- 1.1 Background. ADTRAN, Inc. (the “Company”) has previously maintained the ADTRAN, Inc. 1986 Employee Incentive Stock Option Plan, which expired on February 14, 1996, and the ADTRAN, Inc. 1996 Employees Incentive Stock Option Plan, which expires on February 14, 2006 (collectively, the “Prior Plans”). All grants made under the Prior Plans operate in compliance with their terms. The Company now desires to adopt this new stock incentive plan for the benefit of its employees, and this new plan shall be the ADTRAN, Inc. 2006 Employee Stock Incentive Plan (the “Plan”).
- 1.2 General Purpose. The purpose of the Plan is to further the growth and development of the Company by encouraging employees of the Company and its Affiliates to obtain a proprietary interest in the Company by owning its stock. The Company intends that the Plan will provide such persons with an added incentive to continue in the employ of the Company and its Affiliates, provide employees with an added incentive to stimulate their efforts in promoting the growth, efficiency and profitability of the Company and its Affiliates, and help to attract outstanding employees to the service of the Company and its Affiliates.
- 1.3 Types of Awards Available Under the Plan. The Plan permits Awards of Stock Options, Stock Appreciation Rights, Restricted Stock and Restricted Stock Units. The types of Stock Options permitted under the Plan are incentive stock options (“ISOs”) and nonqualified stock options (“NQSOs”).
- 1.4 Intended Tax Effects of Awards. The Company intends that ISOs granted under the Plan qualify as incentive stock options under Code Section 422. NQSOs are options that do not qualify as ISOs and are subject to taxation under Code Section 83. Awards of Stock Appreciation Rights, Restricted Stock and Restricted Stock Units are subject to taxation under Code Section 83. It is intended that some Awards under the Plan will qualify as performance-based compensation under Code Section 162(m).
- 1.5 Effective Date and Term of the Plan. The Board of Directors has approved the adoption of the Plan at its meeting on January 23, 2006, to become effective as of February 14, 2006 (the “Effective Date”), contingent upon the approval of the shareholders of the Company at the May 9, 2006 annual shareholders meeting. Unless earlier terminated by the Board pursuant to the provisions of Section 10 hereof, the Plan shall remain in effect until the tenth anniversary of January 23, 2006, the date the Plan was originally approved by the Board. Notwithstanding its termination, the Plan shall remain in effect with respect to outstanding Awards as long as any Awards are outstanding.
- 1.6 Operation, Administration and Definitions. The operation and administration of the Plan are subject to the provisions of this plan document. Capitalized terms used in the Plan are defined in Article II below or may be defined within the Plan.
- 1.7 Legal Compliance. The Plan is intended to comply with the requirements for ISOs under Code Section 422, for exemption of stock options under the provisions of Rule 16b-3 under the Securities Exchange Act of 1934, and with the requirements for performance-based compensation under Code Section 162(m).

**ARTICLE II**  
**PLAN DEFINITIONS**

For purposes of the Plan, the terms listed below are defined as follows:

- 2.1 1933 Act means the Securities Act of 1933, as amended.
- 2.2 1934 Act means the Securities Exchange Act of 1934, as amended.

- 
- 2.3 Affiliate means an entity that, directly or indirectly, controls, is controlled by, or is under common control with the Company, pursuant to the provisions of Rule 12b-2 of the 1934 Act.
- 2.4 Award Agreement means an agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to the Award granted under the Plan, and may be in the form of a Stock Option Agreement, a Stock Appreciation Right Agreement, a Restricted Stock Agreement, or a Restricted Stock Unit Agreement, as applicable.
- 2.5 Award means any award or benefit granted to any Participant under the Plan, including, without limitation, the grant of Stock Options, Stock Appreciation Rights, Restricted Stock and/or Restricted Stock Units.
- 2.6 Base Value means the Fair Market Value of a share of Common Stock subject to a Stock Appreciation Right on the date of grant of the Stock Appreciation Right.
- 2.7 Beneficiary means, with respect to a Participant, the Person or Persons to whom the Participant's Options shall be transferred upon the Participant's death ( *i.e.* , the Participant's Beneficiary).
- (A) Designation of Beneficiary . A Participant's Beneficiary shall be the one individual who is last designated in writing by the Participant as such Participant's Beneficiary for each specific Award. A Participant shall designate his or her original Beneficiary in writing on his or her Agreement. Any subsequent modification of the Participant's Beneficiary shall be in a written executed and notarized letter addressed to the Company and shall be effective when it is received by the Company's Chief Financial Officer or Corporate Secretary.
- (B) No Designated Beneficiary . If, at any time, no Beneficiary has been validly designated by a Participant, or the Beneficiary designated by the Participant is no longer living or in existence at the time of the Participant's death, then the Participant's Beneficiary shall be deemed to be the executor or administrator of the Participant's estate.
- 2.8 Board or Board of Directors means the Board of Directors of the Company.
- 2.9 Cause means:
- (A) willful and continued failure to substantially perform his duties with the Company within fifteen (15) days after a written demand for substantial performance is delivered to the Employee which identifies the manner in which the Company believes that the Employee has not substantially performed his duties;
- (B) unlawful or willful misconduct which is economically injurious to the Company or to any entity in control of, controlled by or under common control with the Company (and its successors);
- (C) conviction of, or a plea of guilty or *nolo contendere*, to a felony charge (other than a traffic violation);
- (D) habitual drug or alcohol abuse that impairs the Employee's ability to perform the essential duties of his position;
- (E) an act of embezzlement or fraud;
- (F) competition with the business of the Company either directly or indirectly; or
- (G) breach of any provision of an employment contract with the Company.

2.10 Change of Control means the occurrence of any of the following events on or after the Effective Date of this Plan:

(A) Acquisition of Substantial Percentage. The acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the 1934 Act) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of 50% or more of either (i) the then outstanding shares of common stock of the Company (the “Outstanding Common Stock”) or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Voting Securities”); provided, however, that the following acquisitions shall not constitute a Change of Control:

- (1) any acquisition directly from the Company;
- (2) any acquisition by the Company or any of its Affiliates; or
- (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its Affiliates;

provided further, that if any such individual, entity or group subsequently becomes required to or does report its ownership of Outstanding Common Stock and Outstanding Voting Securities on Schedule 13D (or any successor Schedule) then, for purposes of this Section, such individual, entity or group shall be deemed to have first acquired, on the first date on which such individual, entity or group becomes required to or does so file, beneficial ownership of all of the Outstanding Common Stock and Outstanding Voting Securities beneficially owned by it on such date; or

(B) Change of Majority of Board Members. During any consecutive twelve (12) month period, individuals who, as of the beginning of that period, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the 1934 Act) or other actual or threatened solicitation of proxies or consents; or

(C) Reorganization, Merger or Consolidation. There is consummated a reorganization, merger or consolidation, in each case, with respect to which all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such reorganization, merger or consolidation, beneficially own, directly or indirectly, less than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation (or any parent thereof) in substantially the same proportions as their ownership, immediately prior to such reorganization, merger or consolidation of the Outstanding Common Stock and the Outstanding Voting Securities, as the case may be; or

(D) Disposition of Assets. Consummation of the sale, lease, transfer exchange, mortgage, pledge or other disposition, in one transaction or a series of transactions, of all or substantially all of the assets of the Company.

2.11 Code means the Internal Revenue Code of 1986, as amended. A reference to any provision of the Code includes reference to any successor provision of the Code.

- 2.12 Committee means the committee appointed by the Board pursuant to Section 3.2 hereof to administer and interpret the Plan in accordance with Article III below.
- 2.13 Common Stock means the common stock of the Company.
- 2.14 Company means ADTRAN, Inc., a Delaware corporation, and any successor thereto.
- 2.15 Disability means a Participant's eligibility to receive long-term disability benefits under a plan sponsored by the Company or an Affiliate, or if no such plan is applicable, a Participant's inability (with or without accommodation) to engage in the essential functions of his or her duties due to a medically-determinable physical or mental impairment, illness or injury, which can be expected to result in death or to be of long-continued and indefinite duration.
- 2.16 Effective Date means the effective date of this Plan, which is February 14, 2006, subject to shareholder approval.
- 2.17 Employee means any common law employee of the Company or an Affiliate who is actively employed at the time Awards are made. As required by law, only Employees of the Company and any "parent" or "subsidiary" of the Company (as those terms are defined in Code Section 424) are eligible to receive ISOs.
- 2.18 Exercise Price means the purchase price of the shares of Common Stock underlying a Stock Option.
- 2.19 Fair Market Value of the Common Stock as of a date of determination means the following:
- (A) Stock Listed and Shares Traded . If the Common Stock is listed and traded on a national securities exchange (as such term is defined by the 1934 Act) or on the NASDAQ National Market System on the date of determination, the Fair Market Value per share shall be the closing price of a share of the Common Stock on said national securities exchange or NASDAQ National Market System on the business day immediately preceding the date of determination. If the Common Stock is traded in the over-the-counter market, the Fair Market Value per share shall be the average of the closing bid and asked prices of a share on the business day immediately preceding the date of determination.
  - (B) Stock Listed But No Shares Traded . If the Common Stock is listed on a national securities exchange or on the National Market System but no shares of the Common Stock are traded on the date of determination but there were shares traded on dates within a reasonable period before the date of determination, the Fair Market Value shall be the closing price of a share of the Common Stock on the most recent date before the date of determination. If the Common Stock is regularly traded in the over-the-counter market but no shares of the Common Stock are traded on the date of determination (or if records of such trades are unavailable or burdensome to obtain) but there were shares traded on dates within a reasonable period before the date of determination, the Fair Market Value shall be the average of the closing bid and asked prices of a share of the Common Stock on the most recent date before the date of determination on which trading occurred.
  - (C) Stock Not Listed . If the Common Stock is not listed on a national securities exchange or on the NASDAQ National Market System and is not regularly traded in the over-the-counter market, then the Committee shall determine the Fair Market Value of the Common Stock from all relevant available facts and circumstances, including any recent sales and purchases of such Common Stock to the extent they are representative, any facts related to the Company's financial situation, the average of the high and low sales prices or the bid and asked prices of the Common Stock reflected in a traded exchange or market on a date within a reasonable period before the date of determination, or opinions of independent experts as to value.

The Committee's determination of Fair Market Value, which shall be made pursuant to the foregoing provisions, shall be final and binding for all purposes of this Plan.

- 
- 2.20 Freestanding SAR means an SAR that is granted independently of an Option, as described in Article VIII hereof.
- 2.21 Incentive Stock Option or ISO means an option to purchase shares of Common Stock granted under Article VII hereof and which is designated as an incentive stock option and which is intended to meet the requirements of Code Section 422.
- 2.22 Insider means an individual who is, on the relevant date, an officer, director or ten percent (10%) beneficial owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the 1934 Act, all as defined under Section 16 of the 1934 Act.
- 2.23 Nonqualified Stock Option or NQSO means an option to purchase shares of Common Stock granted under Article VII herein and which is not an incentive stock option within the meaning of Code Section 422.
- 2.24 Option means an Incentive Stock Option or a Nonqualified Stock Option.
- 2.25 Participant means an Employee who has been selected to receive an Award, or with respect to whom an Award is outstanding, under the Plan.
- 2.26 Performance Measures means any one or more of the criteria or measurements by which specific performance goals may be established and performance may be measured, as determined by the Committee in its discretion, pursuant to the provisions of Sections 5.1 and 5.2.
- 2.27 Prior Plans means the ADTRAN, Inc. 1986 Employee Incentive Stock Option Plan, which expired on February 14, 1996, and the ADTRAN, Inc. 1996 Employees Incentive Stock Option Plan, which expires on February 14, 2006.
- 2.28 Restricted Stock means an Award of Common Stock subject to such conditions, restrictions and contingencies as the Committee determines, including the satisfaction of specified Performance Measures.
- 2.29 Restricted Stock Unit means an Award of a unit representing one share of Common Stock, subject to such conditions, restrictions and contingencies as the Committee determines, including the satisfaction of specified Performance Measures, and upon satisfaction of such specified restrictions, shall result in the issuance of one share of Common Stock.
- 2.30 Retirement means the date of an Employee's termination of employment with the Company and all of its Affiliates at any time after attaining age 65.
- 2.31 Plan means this ADTRAN, Inc. 2006 Employee Stock Incentive Plan.
- 2.32 Stock Appreciation Right or SAR means an Award, granted alone as a Freestanding SAR or in tandem with a related Option, representing a Participant's right to receive payment in the form of Common Stock, in an amount equal to the excess of the Fair Market Value of the shares of Common Stock subject to such SAR (or portion thereof) exercised over the Base Value of those shares under the SAR.
- 2.33 Stock Option means an ISO or NQSO, as applicable, granted to a Employee under the Plan.
- 2.34 Tandem SAR means an SAR that is granted in connection with a related Stock Option pursuant to Article VIII herein, the exercise of which shall require forfeiture and cancellation of the right to purchase a share of Common Stock under the related Stock Option (and when a share of Common Stock is purchased under the Stock Option, the Tandem SAR shall be similarly cancelled).

---

**ARTICLE III**  
**PLAN ADMINISTRATION**

- 3.1 General Administration . The Plan shall be administered and interpreted by the Committee (as designated pursuant to Section 3.2). Subject to the express provisions of the Plan, the Committee shall have authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, to determine the terms and provisions of the Agreements by which Awards shall be evidenced (which shall not be inconsistent with the terms of the Plan), and to make all other determinations necessary or advisable for the administration of the Plan, all of which determinations shall be final, binding and conclusive.
- 3.2 Appointment of Committee. The Board shall appoint the Committee from among its nonemployee members to serve at the pleasure of the Board. The Board from time to time may remove members from, or add members to, the Committee and shall fill all vacancies thereon. The Committee at all times shall be composed of two or more nonemployee directors who shall meet the following requirements:
- (A) Disinterested Administration for Rule 16b-3 Exemption . During the period any director is serving on the Committee, he shall not be (i) an officer of the Company or a parent or subsidiary of the Company, or otherwise currently employed by the Company or a parent or subsidiary of the Company; (ii) does not receive compensation, either directly or indirectly, from the Company or a parent or subsidiary of the Company for services rendered as a consultant or in any capacity other than as a director, except for an amount that does not exceed the dollar amount for which disclosure would be required pursuant to Rule 404(a) of the 1934 Act; (iii) does not possess an interest in any other transaction for which disclosure would be required pursuant to Rule 404(a); and (iv) is not engaged in a business relationship for which disclosure would be required pursuant to Rule 404(b). The requirements of this subsection are intended to comply with Rule 16b-3 under Section 16 of the 1934 Act or any successor rule or regulation, and shall be interpreted and construed in a manner which assures compliance with said Rule. To the extent said Rule 16b-3 is modified to reduce or increase the restrictions on who may serve on the Committee, the Plan shall be deemed modified in a similar manner.
- (B) Outside Director Rule for Compliance with Code Section 162(m) . No director serving on the Committee may be a current employee of the Company or a former employee of the Company (or any corporation affiliated with the Company under Code Section 1504) receiving compensation for prior services (other than benefits under a tax-qualified retirement plan) during each taxable year during which the director serves on the Committee. Furthermore, no director serving on the Committee shall be or have ever been an officer of the Company (or any Code Section 1504 affiliated corporation), or shall receive remuneration (directly or indirectly) from such a corporation in any capacity other than as a director. The requirements of this subsection are intended to comply with the “outside director” requirements of Treas. Reg. Section 1.162-27(e)(3) or any successor regulation, and shall be interpreted and construed in a manner which assures compliance with the “outside” director requirement of Code Section 162(m)(4)(C)(i). To the extent Code Section 162(m) or the regulations issued thereunder are modified to reduce or increase the restrictions on who may serve on the Committee, the Plan shall be deemed modified in a similar manner.
- 3.3 Organization . The Committee may select one of its members as its chairman and shall hold its meetings at such times and at such places as it shall deem advisable. A majority of the Committee shall constitute a quorum, and such majority shall determine its actions. The Committee shall keep minutes of its proceedings and shall report the same to the Board at the meeting next succeeding.
- 3.4 Individuals Eligible for Awards . The individuals eligible to receive Awards hereunder shall be active Employees of the Company, including such Employees who are also members of the Board of the Company. Only Employees of the Company and its “parent” or “subsidiary” corporations within the meaning of subsections (e) and (f) of Code Section 424 shall be eligible to receive ISO’s.

- 3.5 Powers of Committee. The Committee may make one or more Awards under the Plan to a Participant in the Plan. The Committee shall decide which eligible individuals shall receive an Award and when to grant an Award, the type of Award that it shall grant and the number of shares of Common Stock covered by the Award. The Committee shall also decide the terms, conditions, performance criteria, restrictions and other provisions of the Award. The Committee may grant a single Award or an Award in combination with another Award(s) to a Participant. The Committee may grant an Award as an alternate to or replacement of an existing award under the Plan or under any other compensation plan or arrangement of the Company or an Affiliate, including a plan of any entity acquired by the Company or an Affiliate, upon the cancellation of the existing award; provided, that such grant of an alternate or replacement Award may be made only if the alternate or replacement Award does not constitute a repricing of the existing award (as more fully described in Section 6.6 of the Plan). In making Award decisions, the Committee may take into account the nature of services rendered by the individual, the individual's present and potential contribution to the Company's success and such other factors as the Committee, in its sole discretion, deems relevant.
- (A) In accordance with Article V of the Plan, the Committee shall decide whether and to what extent Awards under the Plan shall be structured to conform with Code Section 162(m) requirements for the exemption applicable to performance-based compensation. The Committee may take any action, establish any procedures and impose any restrictions that it finds necessary or appropriate to conform to Code Section 162(m). If every member of the Committee does not meet the definition of "outside director" as defined in Code Section 162(m), the Committee shall form a subcommittee of those members who do meet that definition, and that subcommittee shall have all authority and discretion to act as the Committee to make Awards that conform with Code Section 162(m).
- (B) The Committee shall interpret the Plan, establish and rescind any rules and regulations relating to the Plan, decide the terms and provisions of any Award Agreements made under the Plan, and determine how to administer the Plan. The Committee also shall decide administrative methods for the exercise of Stock Options. Each Committee decision shall be final, conclusive and binding on all parties.
- (C) The Committee shall act by a majority of its then members, at a meeting of the Committee or by unanimous written consent. The Committee shall keep adequate records concerning the Plan and the Committee's proceedings and acts in such form and detail as the Committee may decide.
- 3.6 Delegation by Committee. Unless prohibited by applicable law or the applicable rules of a stock exchange, the Committee may allocate all or some of its responsibilities and powers to any one or more of its members. The Committee also may delegate some or all of its administrative duties and powers to any Employee, including officers. The Committee hereby delegates the authority to grant Awards under the Plan to employees who are not officers of the Company or any Affiliate to the Company's Chief Executive Officer, provided that the terms and conditions of such Awards shall be subject to approval by the Committee prior to the individual grants and the Chief Executive Officer shall report any such grants to the Committee at its next meeting. The Committee hereby delegates to the Company's Corporate Secretary the authority to document any and all Awards made by the Committee and/or the Chief Executive Officer under the Plan by execution of the appropriate agreements. The Committee may revoke any such allocation or delegation at any time.
- 3.7 Information to be Furnished to Committee. In order for the Committee to discharge its duties, it may require the Company, its Affiliates, Participants and other persons entitled to benefits under the Plan to provide it with certain data and information.
- 3.8 Indemnification. In addition to such other rights of indemnification that they have as members of the Board or the Committee, the Company shall indemnify the members of the Committee (and any designees of the Committee, as permitted under Section 3.6), to the extent permitted by applicable law, against reasonable expenses (including, without limitation, attorney's fees) actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection

with the Plan or any Award awarded hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved to the extent required by and in the manner provided by the articles of incorporation or the bylaws of the Company relating to indemnification of the members of the Board) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to such matters as to which it is adjudged in such action, suit or proceeding that such Committee member or members (or their designees) did not act in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Company.

#### **ARTICLE IV STOCK SUBJECT TO THE PLAN**

##### **4.1 Stock Subject to Awards.**

(A) Common Stock subject to Awards and other provisions of the Plan shall consist of the following:

- (1) authorized but unissued shares of Common Stock;
- (2) authorized and issued shares of Common Stock held by the Company in its treasury which have been reacquired by the Company;
- (3) shares of Common Stock purchased by the Company in the open market; and
- (4) shares of Common Stock allocable to the unexercised portion of any expired or cancelled awards granted under the Plan or the Prior Plans again may become available for grants of Awards under the Plan.

Notwithstanding anything to the contrary herein, the following shares shall not become available for issuance under the Plan:

- (a) shares of Common Stock tendered by Participants as full or partial payment to the Company upon exercise of Options granted under the Plan;
- (b) shares of Common Stock reserved for issuance under the Plan upon the grant of SARs to the extent the number of reserved shares exceeds the number of shares actually issued upon exercise of the SARs; and
- (c) shares of Common Stock withheld by, or otherwise remitted to, the Company to satisfy a Participant's withholding obligations upon the lapse of restrictions on Restricted Stock or Restricted Stock Units or upon the exercise of Options or SARs granted under the Plan or upon any other payment or issuance under the Plan.

##### **4.2 Shares of Common Stock Subject to Awards.**

- (A) Subject to adjustment in accordance with the provisions of Section 4.3 hereof, the maximum number of shares of Common Stock that may be issued under the Plan for Awards shall equal 13,000,000 shares of Common Stock; provided, however, that the maximum number of shares of Common Stock that may be issued under the Plan for any Awards other than Options shall be 5,000,000 shares of Common Stock.
- (B) The Committee shall establish appropriate methods for determining the number of shares available for issuance under the Plan and the number of shares that have been actually issued under the Plan at any time.

---

4.3 Adjustment to Authorized Shares of Common Stock and Awards.

(A) Recapitalization. If the Company is involved in a corporate transaction or any other event which affects the Common Stock (including, without limitation, any recapitalization, reclassification, reverse or forward stock split, stock dividend, extraordinary cash dividend, split-up, spin-off, combination or exchange of shares), then the Committee shall adjust Awards to preserve the benefits or potential benefits of the Awards as follows:

- (1) The Committee shall take action to adjust the number and kind of shares of Common Stock that are issuable under the Plan and the maximum limits for each type of grant;
- (2) The Committee shall take action to adjust the number and kind of shares of Common Stock subject to outstanding Awards;
- (3) The Committee shall take action to adjust the Exercise Price of outstanding Stock Options and Stock Appreciation Rights; and
- (4) The Committee shall make any other equitable adjustments.

Only whole shares of Common Stock shall be issued in making the above adjustments. Further, the number of shares available under the Plan or the number of shares of Common Stock subject to any outstanding Awards shall be the next lower number of shares, so that fractions are rounded downward. Any adjustment to or assumption of ISOs under this Section shall be made in accordance with Code Section 424. If the Company issues any rights to subscribe for additional shares pro rata to holders of outstanding shares of the class or classes of stock then set aside for the Plan, then each Participant shall be entitled to the same rights on the same basis as holders of outstanding shares with respect to such portion of the Participant's Award as is exercised on or prior to the record date for determining shareholders entitled to receive or exercise such rights.

(B) Reorganization. If the Company is part of any reorganization involving merger, consolidation, acquisition of the Common Stock or acquisition of the assets of the Company, the Committee, in its discretion, may decide that:

- (1) any or all outstanding Awards granted under the Plan shall pertain to and apply, with appropriate adjustment as determined by the Committee, to the securities of the resulting corporation to which a holder of the number of shares of the Common Stock subject to each such Award would have been entitled;
- (2) any or all outstanding Stock Options or SARs granted hereunder shall become immediately fully exercisable (to the extent permitted under federal or state securities laws) and shall remain exercisable for the remaining term of the Stock Options or SARs under the terms of the Plan;
- (3) any or all Stock Options or SARs granted hereunder shall become immediately fully exercisable (to the extent permitted under federal or state securities laws) and shall be terminated after giving at least 30 days' notice to the Participants to whom such Stock Options or SARs have been granted; and/or
- (4) any or all unvested Awards of Restricted Stock or Restricted Stock Units hereunder shall become immediately fully vested, nonforfeitable and/or payable.

(C) Limits on Adjustments. Any issuance by the Company of stock of any class other than the Common Stock, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of the Common Stock subject to any Award, except as specifically provided otherwise in this Plan. The grant of Awards under the Plan shall not affect in any way the right or authority of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge, consolidate or dissolve, or to liquidate, sell or transfer all or any part of its business or assets. All adjustments the Committee makes under this Plan shall be conclusive.

---

**ARTICLE V**  
**PERFORMANCE-BASED COMPENSATION**

- 5.1 Awards of Performance-Based Compensation . At its discretion, the Committee may make Awards to Participants intended to comply with the exemption for “performance-based” compensation provisions of Code Section 162(m). Therefore, the number of shares becoming exercisable or transferable or amounts payable with respect to grants of Stock Options, Stock Appreciation Rights, and/or awards of Restricted Stock or Restricted Stock Units may be determined based on the attainment of written performance goals based on the Performance Measures which have been approved by the Committee for a specified performance period. The performance goal shall state, in terms of an objective formula or standard, the method of computing the amount of compensation payable to the Participant if the goal is attained. The performance goals must be established by the Committee in writing no more than 90 days after the commencement of the performance period or, if less, the number of days that is equal to 25% of the relevant performance period. The outcome of the performance goal must be substantially uncertain at the time the Committee establishes the performance goal. Performance goals will be based on the attainment of one or more objectives based on Performance Measures. To the degree consistent with Code Section 162(m), the performance goals may be calculated without regard to extraordinary items.
- 5.2 Performance Measures . Performance measures may include the following: (i) earnings before all or any taxes (“EBT”); (ii) earnings before all or any of interest expense, taxes, depreciation and amortization (“EBITDA”); (iii) earnings before all or any of interest expense, taxes, depreciation, amortization and rent (“EBITDAR”); (iv) earnings before all or any of interest expense and taxes (“EBIT”); (v) net earnings; (vi) net income; (vii) operating income or margin; (viii) earnings per share; (ix) growth; (x) return on shareholders’ equity; (xi) capital expenditures; (xii) expenses and expense ratio management; (xiii) return on investment; (xiv) improvements in capital structure; (xv) profitability of an identifiable business unit or product; (xvi) profit margins; (xvii) stock price; (xviii) market share; (xvix) revenues; (xx) costs; (xxi) cash flow; (xxii) working capital; (xxiii) return on assets; (xxiv) economic value added; (xxv) industry indices; (xxvi) peer group performance; (xxvii) regulatory ratings; (xxviii) asset quality; (xxix) gross or net profit; (xxx) net sales; (xxxii) total shareholder return; (xxxii) sales (net or gross) measured by product line, territory, customers or other category; (xxxiii) earnings from continuing operations; (xxxiv) net worth; and (xxxv) levels of expense, cost or liability by category, operating unit or any other delineation. Performance Measures may relate to the Company and/or one or more of its Affiliates, one or more of its divisions or units or any combination of the foregoing, on a consolidated or nonconsolidated basis, and may be applied on an absolute basis or be relative to one or more peer group companies or indices, or any combination thereof, all as the Committee determines. In addition, to the extent consistent with the requirements of Code Section 162(m), the Performance Measures may be calculated without regard to extraordinary items.
- 5.3 Shareholder Approval . For Awards to constitute performance-based compensation under Code Section 162(m), the material terms of Performance Measures on which the performance goals are to be based must be disclosed to and subsequently approved by the Company’s shareholders prior to payment of the compensation. Shareholder approval of the Plan is necessary for the Awards to meet the Code Section 162(m) exemption.
- 5.4 Code Section 162(m) Committee and Committee Certification . Awards intended to qualify for exemption as performance-based compensation shall be granted by a committee of “outside directors” as defined in Code Section 162(m). Pursuant to the provisions of Section 3.2(b) hereof, the Committee may establish a Code Section 162(m) subcommittee, if necessary, to make such grants. Any payment of compensation with respect to an Award that is intended to be performance-based compensation will be subject to the written certification of the Code Section 162(m) Committee that the Performance Measures were satisfied prior to the payment of the performance-based compensation. This written certification may include the approved minutes of the Committee meeting in which the certification is made.

**ARTICLE VI**  
**RULES APPLICABLE TO AWARDS**

- 6.1 Maximum Annual Limits on Awards . Unless the Committee determines that an Award to a Participant shall not be designed to comply with Code Section 422 and the performance-based compensation exemption under Code Section 162(m), the following limits shall apply to all Awards under the Plan:
- (A) Stock Options. The maximum aggregate number of shares of Common Stock that may be granted in the form of Stock Options to any one Participant in any one calendar year shall be 250,000 shares. In addition, no more than an aggregate of 13,000,000 shares of Common Stock may be subject to ISOs under the Plan. In connection with a Participant's initial service with the Company, an eligible person may be granted Options to purchase up to an additional 250,000 Shares of Common Stock, which shall not count against the limit in the preceding sentence.
  - (B) SARs . The maximum aggregate payment that may be granted in the form of SARs to any one Participant in any one calendar year shall be 250,000 shares.
  - (C) Restricted Stock . The maximum aggregate number of shares of Common Stock that may be granted in the form of Restricted Stock to any one Participant in any one calendar year shall be 250,000 shares. In connection with a Participant's initial service with the Company, an individual may be granted up to an additional 250,000 shares of Restricted Stock, which shall not count against the limit in the preceding sentence.
  - (D) Restricted Stock Units . The maximum aggregate number of shares of Common Stock that may be granted in the form of Restricted Stock Units to any one Participant in any one calendar year shall be 250,000 shares.
- 6.2 Transferability . Awards under the Plan may be transferred only pursuant to will or the laws of descent and distribution. Awards shall be exercisable during the Participant's lifetime only by the Participant (or a legal representative if the Participant becomes incapacitated). Upon the death of a Participant, only the executor or administrator of the Participant's estate may exercise rights or entitlements under the Plan with regard to such Award.
- 6.3 Accelerated Exercisability and Vesting .
- (A) Acceleration. The Committee shall always have the power to accelerate the exercisability or vesting of any other type of Award granted under the Plan. In the event of one of the following events, any outstanding Awards shall immediately become fully exercisable or vested, unless otherwise determined by the Committee and set forth in the applicable Award Agreement:
    - (1) the Participant's death;
    - (2) the Participant's Disability; or
    - (3) a Change of Control of the Company.
  - (B) Restricted Stock . Notwithstanding the provisions of subsection (A) above, if an outstanding Award of Restricted Stock or Restricted Stock Units remains subject only to a time-based vesting schedule ( *i.e.* , one that requires only that the Participant remain employed for the passage of a specified time period), then such Award shall immediately become fully vested and nonforfeitable upon one of the events in subsection (A) above. If an outstanding Award of Restricted Stock or Restricted Stock Units remains subject to any other type of vesting schedule or requirement ( *e.g.* , a performance-based schedule), then upon one of the events in subsection (A) above, a proportion of the shares subject to such Award shall become vested and nonforfeitable, equal to the proportion of the time completed through the date of the applicable event to the performance

measurement period for the Award, with target performance level deemed to be achieved as of the date of the applicable event. In the event an Award was originally scheduled without a designated target performance level ( *e.g.* , a single performance level or minimum and maximum performance levels), then the performance level that, if met, would have resulted in the least number of shares becoming vested shall be treated as the target level.

- 6.4 Termination of Employment or Service . Unless the Committee decides otherwise, all Awards (or portions thereof) that remain unexercisable or subject to restriction upon the Participant's termination of employment for any reason other than the events listed in Section 6.3(A) above shall be forfeited by the Participant immediately upon the date of termination of employment with the Company or its Affiliates. The determination of whether an authorized leave of absence or absence for military or government service or for any other reason shall constitute a termination of employment or service for purposes of any Award granted under the Plan shall be determined by the Committee, which determination shall be final and conclusive.
- 6.5 Waiver of Restrictions . The Committee may elect, in its sole discretion, to waive any or all restrictions with respect to any Award under the Plan.
- 6.6 No Repricing of Awards . Notwithstanding any provision to the contrary in the Plan, no Option or Stock Appreciation Right Award may be amended to reduce the price per share of the Common Stock subject to such Award below the exercise price of the Option or Stock Appreciation Right Award as of the date the Award was granted. In addition, no Option or Stock Appreciation Right Award may be granted in exchange for, or in connection with the cancellation or surrender of an Option, Stock Appreciation Right or other Award having a higher per share exercise price.

## **ARTICLE VII STOCK OPTIONS**

- 7.1 Grant of Stock Options . Subject to the provisions of the Plan, the Committee may grant Stock Options for shares of Common Stock in such amounts as it may determine.
- 7.2 Award Agreement . When the Committee grants a Stock Option hereunder, it shall prepare (or cause to be prepared) a Stock Option Agreement that specifies the following terms and any additional terms and conditions determined by the Committee and not inconsistent with the Plan:
- (A) the name of the Participant;
  - (B) the total number of shares of Common Stock to which the Stock Option pertains;
  - (C) the Exercise Price of the Stock Option;
  - (D) the date as of which the Committee granted the Stock Option;
  - (E) the type of Stock Option granted;
  - (F) the requirements for the Stock Option to become exercisable, such as continuous service, time-based schedule, period and goals for Performance Measures to be satisfied, additional consideration, etc.;
  - (G) the expiration date of the Option.
- 7.3 Exercise Price .
- (A) The per share Exercise Price of each ISO shall be 100% of the Fair Market Value of a share of Common Stock as of the date of grant (110% of the Fair Market Value of a share of Common

Stock as of the date of grant for an ISO Participant who owns more than ten percent of the voting power of all classes of stock of either the Company or any “parent” or “subsidiary” of the Company as defined in Code Section 424).

- (B) The per share Exercise Price of each NQSO shall be 100% of the Fair Market Value of a share of Common Stock as of the date of grant.

7.4 Exercisability.

- (A) General Schedule. Unless the Committee specifies otherwise in the Stock Option Agreement, each Stock Option shall become exercisable according to the following schedule, measured from the date of grant:

<u>As of the following anniversary of the date of grant:</u>	<u>The Stock Option shall become exercisable in the following percentages:</u>
One-year anniversary	25%
Two-year anniversary	25%
Three-year anniversary	25%
Four-year anniversary	25%

Under the above schedule, before the one-year anniversary, no part of the Stock Option is exercisable. Once a portion of a Stock Option is exercisable, that portion continues to be exercisable until the Stock Option expires (as described in Section 7.5 hereof). Fractional shares shall be disregarded for exercise.

- (B) Other Vesting Requirements. The Committee may impose any other conditions, restrictions and contingencies on awards of Stock Options. Such conditions, restrictions and contingencies may consist of a requirement of continuous service and/or the satisfaction of specified Performance Measures. The Committee may designate a single goal criterion or multiple goal criteria for performance measurement purposes.

7.5 Expiration Date.

- (A) Expiration Date. The Expiration Date of any Stock Option shall be the earliest to occur of the following:

- (1) Maximum Term. The date ten (10) years from the date of grant of the Stock Option (or five (5) years from the date of grant for an ISO for a Participant who owns more than ten percent (10%) of the voting power of all classes of stock of either the Company or any “parent” or “subsidiary” of the Company as defined in Code Section 424);
- (2) Termination for Cause. The date of the Participant’s termination of employment with the Company and all Affiliates due to termination for Cause;
- (3) Death. The one-year anniversary of the Participant’s termination of employment with the Company and all Affiliates due to death, or such shorter period as determined by the Committee and set forth in the Stock Option Agreement;
- (4) Disability. The one-year anniversary of the Participant’s termination of employment with the Company and all Affiliates due to Disability, or such shorter period as determined by the Committee and set forth in the Stock Option Agreement;

- (5) Retirement. The one-year anniversary of the Participant's termination of employment with the Company and all Affiliates due to Retirement; or
- (6) Termination of Employment or Service. The date 90 (ninety) days following the date of the Participant's termination of employment or service with the Company and all Affiliates for any reason other than those specified elsewhere in this Section 7.5(A), or such shorter period as determined by the Committee and set forth in the Stock Option Agreement; provided, that the Committee may, in its discretion, take formal action to amend the Stock Option Agreement to extend the period of exercise in unusual circumstances.

If all or part of an ISO is not exercised within three (3) months after the date of the Participant's termination of employment or service for any reason except death and Disability (and within one (1) year following death or Disability), but remains exercisable, the unexercised portion thereof shall automatically be treated as a NQSO for the remainder of the term of the Option.

- (B) Expiration Date Following Change of Control. Notwithstanding the provisions of Section 7.5(A) above, in the event a Participant's employment or service to the Company or its Affiliates terminates for any reason other than death or Disability, or a termination for Cause or a voluntary quit, at any time following a Change of Control of the Company, the term of all Stock Options held by such Participant shall be extended through the earlier of (i) the maximum term and original expiration date of the Stock Option as described in Section 7.5(A)(1) above, or (ii) the end of the three-month period immediately following the date of termination or service.

7.6 Minimum Exercise Amount. Unless the Committee specifies otherwise in the Stock Option Agreement, a Participant may exercise a Stock Option for less than the full number of shares of Common Stock subject to the Stock Option. However, such exercise may not be made for less than 100 shares or the total remaining shares subject to the Stock Option. The Committee may in its discretion specify other Stock Option terms, including restrictions on frequency of exercise and periods during which Stock Options may not be exercised.

7.7 Payment of Exercise Price. The Participant must pay the full Exercise Price for shares of Common Stock purchased upon the exercise of any Stock Option at the time of such exercise by one of the following forms of payment:

- (A) cash;
- (B) by surrendering unrestricted previously held shares of Common Stock that have a value equal to the Exercise Price at the time of exercise. The Participant must have held the surrendered shares of Common Stock for at least six (6) months before their surrender. The Participant may surrender shares of Common Stock either by attestation or by the delivery of a certificate or certificates for shares duly endorsed for transfer to the Company, and if required by the Committee, with medallion level signature guarantee by a member firm of a national stock exchange, by a national or state bank (or guaranteed or notarized in such other manner as the Committee may require); or
- (C) if permitted by all applicable laws and regulations, by broker-assisted cashless exercises executed through a same day sale on the public market; and
- (D) any combination of the above forms or any other form of payment permitted by the Committee.

7.8 Rights as a Shareholder. A Participant shall first have rights as a shareholder of the Company with respect to shares of Common Stock covered by a Stock Option only when the Participant has paid the Exercise Price in full and the shares actually have been issued to the Participant.

**ARTICLE VIII  
STOCK APPRECIATION RIGHTS**

- 8.1 Grant of SARs . Subject to the provisions of the Plan, the Committee may grant Stock Appreciation Rights to Participants in such amounts as it may determine.
- 8.2 SAR Award Agreement . When the Committee grants a Stock Appreciation Right hereunder, it shall prepare (or cause to be prepared) a Stock Appreciation Right Agreement that specifies the following terms and any additional terms and conditions determined by the Committee and not inconsistent with the Plan:
- (A) the name of the Participant;
  - (B) the total number of shares of Common Stock to which the SAR pertains;
  - (C) the Base Value of the SAR;
  - (D) the date as of which the Committee granted the SAR;
  - (E) the type of SAR granted (Freestanding or Tandem);
  - (F) the requirements for the SAR to become exercisable, such as continuous service, time-based schedule, period and goals for Performance Measures to be satisfied, additional consideration, etc.; and
  - (G) the expiration date of the SAR.
- 8.3 Base Value . The per share Base Value of each SAR shall be 100% of the Fair Market Value of a share of Common Stock as of the date of grant.
- 8.4 Exercisability .
- (A) General Schedule . Unless the Committee specifies otherwise in the SAR Agreement, each SAR shall become exercisable according to the following schedule, measured from the date of grant:

**As of the following anniversary of the  
date of grant as applicable:**

**The SAR shall become  
exercisable in the following percentages:**

One-year anniversary	25%
Two-year anniversary	25%
Three-year anniversary	25%
Four-year anniversary	25%

Under the above schedule, before the one-year anniversary of the date of grant, no part of the SAR is exercisable. Once a portion of a SAR is exercisable, that portion continues to be exercisable until the SAR expires (as described in Section 8.5 hereof). Fractional shares shall be disregarded for exercise.

- (B) Other Exercisability Requirements . The Committee may impose any other conditions, restrictions and contingencies on awards of SARs. Such conditions, restrictions and contingencies may consist of a requirement of continuous service and/or the satisfaction of specified Performance Measures. The Committee may designate a single goal criterion or multiple goal criteria for performance measurement purposes.

8.5 Expiration Date.

(A) Expiration Date. The Expiration Date of any SAR shall be the earliest to occur of the following:

- (1) Maximum Term. The date ten (10) years from the date of grant of the SAR;
- (2) Termination for Cause. The date of the Participant's termination of employment with the Company and all Affiliates due to termination for Cause;
- (3) Death. The one-year anniversary of the Participant's termination of employment with the Company and all Affiliates due to death, or such shorter period as determined by the Committee and set forth in the SAR Agreement;
- (4) Disability. The one-year anniversary of the Participant's termination of employment with the Company and all Affiliates due to Disability, or such shorter period as determined by the Committee and set forth in the SAR Agreement;
- (5) Retirement. The one-year anniversary of the Participant's termination of employment with the Company and all Affiliates due to Retirement; or
- (6) Termination of Employment. The date 90 (ninety) days following the date of the Participant's termination of employment with the Company and all Affiliates for any reason other than those specified elsewhere in this Section 8.5(A), or such shorter period as determined by the Committee and set forth in the SAR Agreement.

8.6 Minimum SAR Exercise Amount. Unless the Committee specifies otherwise in the SAR Agreement, a Participant may exercise a SAR for less than the full number of shares of Common Stock subject to the SAR. However, such exercise may not be made for less than 100 shares or the total remaining shares subject to the SAR. The Committee may in its discretion specify other SAR terms, including restrictions on frequency of exercise and periods during which SARs may not be exercised.

8.7 Exercise of SARs. SARs may be exercised upon the terms and conditions determined by the Committee, in its sole discretion.

8.8 Payment of SAR Amount. Upon exercise of an SAR, a Participant shall be entitled to receive payment from the Company equal to an amount determined by multiplying:

- (A) the difference between the Fair Market Value of a share of Common Stock on the date of exercise over the Fair Market Value of a share of Common Stock on the date of grant of the SAR; by
- (B) the number of shares of Common Stock with respect to which the SAR is being exercised.

At the sole discretion of the Committee, the payment for SAR exercise may be made in cash, shares of Common Stock or in some combination thereof. The form of payment shall be specified in the Award Agreement pertaining to the grant of the SAR.

8.9 Rights as a Shareholder. To the extent that a Stock Appreciation Right Award is payable (in whole or in part) in the form of shares of Common Stock, a Participant shall first have rights as a shareholder of the Company with respect to shares of Common Stock covered by the Stock Appreciation Right only when the Participant has exercised the SAR pursuant to the terms and conditions of the Award and the shares actually have been issued to the Participant.

**ARTICLE IX**  
**RESTRICTED STOCK AND RESTRICTED STOCK UNITS**

- 9.1 Grants of Restricted Stock and Restricted Stock Units. Subject to the provisions of the Plan, the Committee may grant shares of Common Stock as Restricted Stock or may grant Restricted Stock Units to Participants in such amounts as it may determine. An Award of a Restricted Stock Unit shall be similar to a grant of Restricted Stock except that no shares of Common Stock shall be actually issued at the time of the grant, and payment shall be made in shares of Common Stock upon completion of the specified restrictions on such Restricted Stock Unit.
- 9.2 Restricted Stock and Restricted Stock Unit Agreements. When the Committee awards Restricted Stock or Restricted Stock Units under the Plan, it shall prepare (or cause to be prepared) a Restricted Stock Agreement or a Restricted Stock Unit Agreement that specifies the following terms:
- (A) the name of the Participant;
  - (B) the total number of shares of Common Stock to which the Award of Restricted Stock or Restricted Stock Units pertain;
  - (C) the date as of which the Committee awarded the Restricted Stock or the Restricted Stock Unit; and
  - (D) the manner in which the Restricted Stock or Restricted Stock Units will become nonforfeitable and transferable and a description of any restrictions applicable to the Restricted Stock or the Restricted Stock Units.
- 9.3 Vesting.
- (A) General Vesting Schedule. Unless the Committee specifies otherwise in the Award Agreement, each Award of Restricted Stock or Restricted Stock Units shall become vested and nonforfeitable according to the following schedule, measured from the date of grant:

<u>As of the following anniversary of the the date of grant:</u>	<u>The Restricted Stock/Restricted Stock Unit Award shall become vested and nonforfeitable in the following percentages:</u>
One-year anniversary	25%
Two-year anniversary	25%
Three-year anniversary	25%
Four-year anniversary	25%

Under the above schedule, before the one-year anniversary, no part of the Award is vested or nonforfeitable.

- (B) Other Vesting Requirements. The Committee may impose any other conditions, restrictions and contingencies on Awards of Restricted Stock and/or Restricted Stock Units. Such conditions, restrictions and contingencies may consist of a requirement of continuous service and/or the satisfaction of specified Performance Measures. The Committee may designate a single goal criterion or multiple goal criteria for performance measurement purposes. The Committee may determine, in accordance with Section 5.1 of the Plan, whether such vesting requirements will conform with the requirements applicable to performance-based compensation under Code Section 162(m).

9.4 Delivery of Restricted Stock.

(A) Issuance. The Company shall issue the shares of Restricted Stock within a reasonable period of time after execution of the Restricted Stock Agreement or shall issue shares of Common Stock within a reasonable period of time upon vesting of the Restricted Stock Units; provided, if any law or regulation requires the Company to take any action (including, but not limited to, the filing of a registration statement under the 1933 Act and causing such registration statement to become effective) with respect to such shares before the issuance thereof, then the date of delivery of the shares shall be extended for the period necessary to take such action. As long as any restrictions apply to the Restricted Stock, the shares of Restricted Stock shall be held by the Committee in uncertificated form in a restricted account.

(B) Legend. Unless the certificate representing shares of the Restricted Stock are deposited with a custodian (as described in subparagraph (c) hereof), each certificate shall bear the following legend (in addition to any other legend required by law):

“The transferability of this certificate and the shares represented hereby are subject to the restrictions, terms and conditions (including forfeiture and restrictions against transfer) contained in the ADTRAN, Inc. 2006 Employee Stock Incentive Plan and a Restricted Stock Agreement dated \_\_\_\_\_, \_\_\_, between \_\_\_\_\_ and ADTRAN, Inc. The Plan and the Restricted Stock Agreement are on file in the office of the Corporate Secretary of ADTRAN, Inc.”

Such legend shall be removed or canceled from any certificate evidencing shares of Restricted Stock as of the date that such shares become nonforfeitable.

(C) Deposit with Custodian. As an alternative to delivering a stock certificate to the Participant, the Committee may deposit or transfer such shares electronically to a custodian designated by the Committee. The Committee shall cause the custodian to issue a receipt for the shares to the Participant for any Restricted Stock so deposited. The custodian shall hold the shares and deliver the same to the Participant in whose name the Restricted Stock evidenced thereby are registered only after such shares become nonforfeitable.

9.5 Shareholder Rights. Upon issuance of shares of Restricted Stock, the Participant shall have immediate rights of ownership in the shares of Restricted Stock, including the right to vote the shares and the right to receive dividends with respect to the shares, notwithstanding any outstanding restrictions on the Restricted Stock. With respect to dividends, the Committee may apply any restrictions that it determines, in its sole discretion, to dividends paid on shares of Common Stock which are still subject to restriction. No shareholder rights shall inure to a Participant who has been awarded Restricted Stock Units until such time, if any, when actual shares of Common Stock are issued upon vesting of such Award.

9.6 Dividend Credits. Unless the Committee has designated that the unvested portion of a Restricted Stock Unit Award is eligible for dividend credits, no dividend credits shall apply. If the Committee has designated that the unvested portion of a Restricted Stock Unit Award is eligible for dividend credits and the Committee has established an appropriate nonqualified deferred compensation plan for the deferral of such credits (if required by law or regulations), on each date on which a dividend is distributed by the Company on shares of Common Stock (whether paid in cash, Common Stock or other property), the Participant's Restricted Stock Unit account shall be credited with an additional whole or fractional number of Restricted Stock Units as a dividend credit. The number of additional Restricted Stock Units to be credited shall be determined by dividing the product of the dividend value times the number of unvested Restricted Stock Units standing in the Participant's account on the dividend record date by the Fair Market Value of the Common Stock on the date of the distribution of the dividend ( *i.e.* , dividend amount x number of whole and fractional Restricted Stock Units as of the dividend record date / Fair Market Value of Common Stock as of dividend distribution date). Accounts shall be maintained and determinations shall be calculated to three decimal places. Distributions of dividend credits shall be made in compliance with the terms and conditions of the applicable nonqualified deferred compensation plan.

---

**ARTICLE X**  
**AMENDMENT AND TERMINATION OF PLAN AND PLAN AWARDS**

- 10.1 Amendment and Termination By the Board. Subject to Section 10.2 below, the Board shall have the power at any time to add to, amend, modify or repeal any of the provisions of the Plan, to suspend the operation of the entire Plan or any of its provisions for any period or to terminate the Plan in whole or in part. In the event of any such action, the Committee shall prepare written procedures which, when approved by the Board, shall govern the administration of the Plan resulting from such addition, amendment, modification, repeal, suspension or termination. The Committee may amend any Award Agreement that it previously has authorized under the Plan if the amended Award Agreement is signed by the Company and the applicable Participant; provided, however, that no Award Agreement may be amended to reprice or constructively reprice any Award.
- 10.2 Restrictions on Amendment and Termination. Notwithstanding the provisions of Section 10.1 above, the following restrictions shall apply to the Board's authority under Section 10.1 above:
- (A) Prohibition Against Adverse Affects on Outstanding Awards. No addition, amendment, modification, repeal, suspension or termination shall adversely affect, in any way, the rights of the Participants who have outstanding Awards without the consent of such Participants;
- (B) Shareholder Approval Required for Certain Modifications. No modification or amendment of the Plan may be made without the prior approval of the shareholders of the Company if (i) such modification or amendment would cause the applicable portions of the Plan to fail to qualify as an ISO plan pursuant to Code §422, (ii) such modification or amendment would materially increase the benefits accruing to participants under the Plan, (iii) such modification or amendment would materially increase the number of securities which may be issued under the Plan, or (iv) such modification or amendment would materially modify the requirements as to eligibility for participation in the Plan, or (v) such modification or amendment would modify the material terms of the Plan within the meaning of Treas. Reg. §1.162-27(e)(4). Clauses (ii), (iii) and (iv) of the preceding sentence shall be interpreted in accordance with the provisions of paragraph (b)(2) of Rule 16b-3 of the 1934 Act. Shareholder approval shall be made by a majority of the votes cast at a duly held meeting at which a quorum representing a majority of all outstanding voting stock is, either in person or by proxy, present and voting, or by the written consent in lieu of a meeting of the holders of a majority of the outstanding voting stock or such greater number of shares of voting stock as may be required by the Company's articles or certificate of incorporation and bylaws and by applicable law; provided, however, that for modifications described in clauses (ii), (iii) and (iv) above, such shareholder approval, whether by vote or by written consent in lieu of a meeting, must be solicited substantially in accordance with the rules and regulations in effect under Section 14(a) of the 1934 Act as required by paragraph (b) (2) of Rule 16b-3 of the 1934 Act.

**ARTICLE XI**  
**PLAN OPERATION**

- 11.1 Compliance with Other Laws and Regulations. Distribution of shares of Common Stock under the Plan shall be subject to the following:
- (A) Notwithstanding any other provision of the Plan, the Company shall not be required to issue any shares of Common Stock under the Plan unless such issuance complies with all applicable laws (including, without limitation, the requirements of the 1933 Act and Section 16 of the 1934 Act) and the applicable requirements of any securities exchange or similar entity.

- (B) When the Plan provides for issuance of Common Stock, the Company may issue shares of Common Stock on a noncertificated basis as long as it is not prohibited by applicable law or the applicable rules of any stock exchange.
- (C) The Company may require a Participant to submit evidence that the Participant is acquiring shares of Common Stock for investment purposes.
- 11.2 Tax Withholding. The Participant must pay to the Company an amount necessary to cover the minimum required income tax and other withholdings before the Company shall issue Common Stock under the Plan. The Participant may satisfy the withholding requirements by any one or combination of the following methods:
- (A) payment in cash;
- (B) if permitted by all applicable laws and regulations, payment by surrendering unrestricted previously held shares of Common Stock which have a value equal to the required withholding amount. The Participant must have held the surrendered shares of Common Stock for at least six (6) months before their surrender. The Participant may surrender shares of Common Stock either by attestation or by the delivery of a certificate or certificates for shares duly endorsed for transfer to the Company, and if required, with medallion level signature guarantee by a member firm of a national stock exchange, by a national or state bank (or guaranteed or notarized in such other manner as the Committee may require); or
- (C) if permitted by all applicable laws and regulations, payment in cash from a broker engaged in a broker-assisted cashless exercise for the Participant.
- 11.3 Limitation of Implied Rights. The Plan is not a contract of employment. A Employee selected as a Participant shall not have the right to be retained as an employee of the Company or any Affiliate and shall not have any right or claim under the Plan, unless such right or claim has specifically accrued under the terms of the Plan.
- 11.4 Conditions of Participation in the Plan. When the Committee makes an Award, it shall require a Participant to enter into an Award Agreement in a form specified by the Committee, agreeing to the terms and conditions of the Award and to such additional terms and conditions, not inconsistent with the terms and conditions of the Plan, as the Committee may, in its sole discretion, prescribe. If there is a conflict between any provision of an Award Agreement and the Plan, the Plan shall control.
- 11.5 Evidence. Anyone required to give evidence under the Plan may give such evidence by certificate, affidavit, document or other information which the person acting on the evidence considers pertinent, reliable and signed, made or presented by the proper party or parties.
- 11.6 Gender and Number; Headings. Words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular. The headings in this Plan are for convenience of reference. Headings are not a part of the Plan and shall not be considered in the construction hereof.
- 11.7 Legal References. Any reference in this Plan to a provision of law which is later revised, modified, finalized or redesignated, shall automatically be considered a reference to such revised, modified, finalized or redesignated provision of law.
- 11.8 Notices. In order for a Participant or other individual to give notice or other communication to the Committee, the notice or other communication shall be in the form specified by the Committee and delivered to the location designated by the Committee in its sole discretion.
- 11.9 Governing Law. The Plan is governed by and shall be construed in accordance with the laws of the State of Alabama.

**APPROVED BY BOARD OF DIRECTORS ON JANUARY 23, 2006**

**APPROVED BY SHAREHOLDERS ON MAY 9, 2006**

[McKenna Long & Aldridge LLP Letterhead]

May 9, 2006

Board of Directors  
ADTRAN, Inc.  
901 Explorer Boulevard  
Huntsville, Alabama 35806-2807

Re: ADTRAN, Inc. 2006 Employee Stock Incentive Plan

Ladies and Gentlemen:

We have acted as counsel to ADTRAN, Inc., a Delaware corporation (the "Company"), in connection with a Registration Statement on Form S-8 (the "Registration Statement") that is being filed by the Company with the Securities and Exchange Commission. Pursuant to the Registration Statement, the Company intends to register under the Securities Act of 1933, as amended, a total of 13,000,000 shares of the Company's Common Stock, par value \$.01 per share (the "Plan Shares"), which are issuable as stock awards or upon the exercise of options or stock appreciation rights which may be granted in the future pursuant to the ADTRAN, Inc. 2006 Employee Stock Incentive Plan (the "Plan").

The opinion hereinafter set forth is given at the request of the Company pursuant to Item 8 of Form S-8 and Item 601(b)(5) of Regulation S-K. The only opinion rendered by this firm consists of the matter set forth in numbered paragraph (1) below (our "Opinion"), and no opinion is implied or to be inferred beyond such matter. Additionally, our Opinion is based upon and subject to the qualifications, limitations and exceptions set forth in this letter.

Our Opinion is furnished for the benefit of the Company solely with regard to the Registration Statement, may be relied upon by the Company only in connection with the Registration Statement and may not otherwise be relied upon, used, quoted or referred to by or filed with any other person or entity without our prior written permission.

In rendering our Opinion, we have examined such agreements, documents, instruments and records as we deemed necessary or appropriate under the circumstances for us to express our Opinion, including, without limitation, the Certificate of Incorporation of the Company, as amended, the Bylaws of the Company, as amended, the record of corporate proceedings, and the Plan. In making all of our examinations, we assumed the genuineness of all signatures, the authority of the persons who executed such documents, the authenticity of all documents submitted to us as originals, the conformity to the original documents of all documents submitted to us as copies, and the due execution and delivery of all documents by any persons or entities where due execution and delivery by such persons or entities is a prerequisite to the effectiveness of such documents.

As to various factual matters that are material to our Opinion, we have relied upon: (i) factual statements set forth in a certificate of officers of the Company, (ii) resolutions adopted

by the Board of Directors of the Company, dated January 23, 2006, (iii) resolutions adopted by the stockholders of the Company, dated May 9, 2006, and (iv) originals or copies of certificates of various public officials. We have not independently verified or investigated, nor do we assume any responsibility for, the factual accuracy or completeness of such factual statements.

We do not herein express any opinion concerning any matter respecting or affected by any laws other than provisions of the General Corporation Law of the State of Delaware as now in effect and that, in the exercise of reasonable professional judgment, are normally considered in transactions such as the issuance of the Plan Shares. The Opinion hereinafter set forth is based upon pertinent laws and facts in existence as of the date hereof, and we expressly disclaim any obligation to advise you of changes to such pertinent laws or facts that hereafter may come to our attention.

Based upon and subject to the foregoing, we are of the following opinion:

- (1) THE PLAN SHARES, WHEN ISSUED UPON THE GRANT OF STOCK AWARDS OR THE EXERCISE OF OPTIONS OR STOCK APPRECIATION RIGHTS GRANTED IN ACCORDANCE WITH THE TERMS OF THE PLAN AGAINST PAYMENT IN FULL OF THE EXERCISE PRICE THEREFOR, IF ANY, ESTABLISHED IN ACCORDANCE WITH THE TERMS OF THE PLAN, WILL BE VALIDLY ISSUED, FULLY PAID AND NONASSESSABLE.

We hereby consent to the filing of this letter as an exhibit to the Registration Statement.

Very truly yours,

/s/ McKENNA LONG & ALDRIDGE LLP

M c KENNA LONG & ALDRIDGE LLP

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in this Registration Statement on Form S-8 of our report dated March 2, 2006 relating to the financial statements, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in the 2005 Annual Report to Shareholders of ADTRAN, Inc., which is incorporated by reference in ADTRAN Inc.'s Annual Report on Form 10-K for the year ended December 31, 2005. We also consent to the incorporation by reference of our report dated March 2, 2006 relating to the financial statement schedule, which appears in such Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP  
Birmingham, AL  
May 9, 2006