

ADTRAN INC

FORM 10-Q (Quarterly Report)

Filed 7/29/1996 For Period Ending 6/30/1996

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

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1996

OR

[] Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the Transition Period from _____ to _____

Commission File Number 0-24612

ADTRAN, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE
(State of Incorporation)

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

901 EXPLORER BOULEVARD, HUNTSVILLE, ALABAMA 35806-2807

(Address of principal executive offices, including zip code)

(205) 971-8000

(Registrant's telephone number, including area code)

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

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock as of the latest practicable date:

| Class | Outstanding at June 30, 1996 |
|-------------------------------|------------------------------|
| ----- | ----- |
| Common Stock, \$.01 Par Value | 38,683,969 shares |

ADTRAN, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 1996

TABLE OF CONTENTS

| ITEM NUMBER ----- | PART I. FINANCIAL INFORMATION | PAGE NUMBER ----- |
|-------------------------|---------------------------------------------------------------------------------------------|-------------------------|
| 1 | Financial Statements: | |
| | Condensed Balance Sheets as of December 31, 1995 and June 30, 1996 | 3 |
| | Condensed Statements of Income for the three and six months ended June 30, 1995 and 1996 | 4 |
| | Condensed Statements of Cash Flows for the six months ended June 30, 1995 and 1996 | 5 |
| | Notes to Condensed Financial Statements | 6 |
| 2 | Management's Discussion and Analysis of Financial Condition and Results of Operations | 8 |
| | PART II. OTHER INFORMATION | |
| 4 | Submission of Matters to a Vote of Security Holders | 12 |
| 5 | Other Information | 13 |
| 6 | Exhibits and Reports on Form 8-K | 13 |
| | SIGNATURE | 14 |
| | INDEX OF EXHIBITS | 15 |

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ADTRAN, INC.
CONDENSED BALANCE SHEETS

ASSETS

| | December 31, 1995 | June 30, 1996 |
|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------|------------------|
| | ----- | ----- |
| | | (Unaudited) |
| Current assets: | | |
| Cash and cash equivalents..... | \$ 35,027,609 | \$ 29,861,664 |
| Short-term investments..... | 24,652,689 | 26,775,624 |
| Accounts receivable, less allowance for doubtful accounts of \$544,526 and \$700,000 in 1995 and 1996, respectively | 29,234,803 | 32,733,855 |
| Other receivables..... | 857,303 | 224,605 |
| Inventory | 44,997,195 | 46,089,237 |
| Prepaid expenses..... | 683,594 | 1,697,701 |
| Deferred tax assets..... | 1,068,861 | 1,068,861 |
| | ----- | ----- |
| Total current assets..... | 136,522,054 | 138,451,547 |
| Property, plant, and equipment, less accumulated depreciation of \$8,877,504 and \$10,851,694 in 1995 and 1996, respectively..... | 29,245,252 | 43,714,849 |
| | ----- | ----- |
| | \$165,767,306 | \$182,166,396 |
| | ===== | ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Current liabilities: | | |
| Accounts payable..... | \$ 9,740,587 | \$ 6,827,343 |
| Accrued salaries..... | 1,332,141 | 1,650,506 |
| Accrued income taxes..... | 1,310,841 | 713,178 |
| Accrued taxes other than income taxes..... | 586,150 | 464,833 |
| Accrued interest payable..... | 74,305 | 56,089 |
| Warranty liability..... | 523,027 | 623,027 |
| Compensated absences..... | 489,278 | 688,143 |
| | ----- | ----- |
| Total current liabilities | 14,056,329 | 11,023,119 |
| Long term liabilities: | | |
| Long term debt..... | 20,000,000 | 20,000,000 |
| Deferred income taxes..... | 967,666 | 967,666 |
| | ----- | ----- |
| Total liabilities..... | 35,023,995 | 31,990,785 |
| | ----- | ----- |
| Stockholders' equity: | | |
| Common stock, par value \$.01 per share 60,000,000 shares authorized; 37,462,275 and 38,683,969 shares issued in 1995 and 1996, respectively..... | 374,623 | 386,840 |
| Additional paid-in capital..... | 89,404,177 | 89,860,651 |
| Retained earnings..... | 40,964,511 | 59,928,120 |
| | ----- | ----- |
| Total stockholders' equity..... | 130,743,311 | 150,175,611 |
| | ----- | ----- |
| | \$165,767,306 | \$182,166,396 |
| | ===== | ===== |

See notes to condensed financial statements

ADTRAN, INC.
CONDENSED STATEMENTS OF INCOME

UNAUDITED

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|--------------------------------------------------------------------------|--------------------|--------------|------------------|---------------|
| | JUNE 30, | | JUNE 30, | |
| | 1995 | 1996 | 1995 | 1996 |
| Sales..... | \$45,461,980 | 63,305,259 | \$83,558,570 | \$117,849,700 |
| Cost of sales..... | 23,737,505 | 33,370,298 | 43,160,136 | 62,230,572 |
| Gross profit..... | 21,724,475 | 29,934,961 | 40,398,434 | 55,619,128 |
| Selling, general and administrative expenses.. | 6,602,150 | 7,959,675 | 12,015,594 | 15,217,363 |
| Research and development expenses..... | 4,699,184 | 6,173,695 | 8,868,822 | 11,624,120 |
| Income from operations..... | 10,423,141 | 15,801,591 | 19,514,018 | 28,777,645 |
| Interest expense..... | (348,467) | (166,834) | (647,494) | (446,870) |
| Interest income..... | 654,905 | 714,904 | 1,266,629 | 1,404,044 |
| Other income (expense)..... | (704) | (47,043) | 2,044 | (324,756) |
| Income before income taxes..... | 10,728,875 | 16,302,618 | 20,135,197 | 29,410,063 |
| Provision for income taxes..... | (3,681,370) | (5,962,397) | (7,013,089) | (10,446,454) |
| Net income..... | \$ 7,047,505 | \$10,340,221 | \$13,122,108 | \$ 18,963,609 |
| Net income per common and common equivalent share..... | \$.18 | \$.26 | \$.34 | \$.48 |
| Weighted average common and common equivalent shares outstanding..... | 39,033,824 | 39,581,732 | 39,020,585 | 39,580,123 |

See notes to condensed financial statements

ADTRAN, INC.
CONDENSED STATEMENTS OF CASH FLOWS
UNAUDITED

| | SIX MONTHS ENDED | |
|--------------------------------------------------------------------------------------------------------------------------------|------------------|---------------|
| | JUNE 30, | |
| | 1995 | 1996 |
| Cash flows from operating activities: | | |
| Net income | \$ 13,122,108 | \$ 18,963,609 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation..... | 1,395,328 | 2,048,429 |
| Provision for losses on accounts receivable..... | 49,736 | 154,598 |
| Provision for losses on inventory..... | 985,303 | 1,702,954 |
| Provision for losses on warranty claims..... | | 529,729 |
| Gain (loss) on sale of property, plant and equipment..... | (729) | 12,861 |
| Loss on short term investments..... | 10,096 | 355,885 |
| Change in operating assets: | | |
| Accounts receivable..... | (4,998,599) | (3,653,650) |
| Inventory..... | (10,127,021) | (2,794,996) |
| Other receivables..... | (405,556) | 632,698 |
| Prepaid expenses..... | (309,632) | (1,014,107) |
| Change in operating liabilities: | | |
| Accounts payable..... | 753,336 | (2,913,244) |
| Accrued salaries..... | 214,507 | 318,365 |
| Accrued income taxes..... | 398,601 | (597,662) |
| Accrued taxes other than income taxes..... | 158,077 | (121,317) |
| Accrued interest payable..... | 57,833 | (18,217) |
| Compensated absences..... | 148,748 | 198,865 |
| Warranty liabilities..... | | (429,729) |
| | 1,452,136 | 13,375,071 |
| Cash flows from investing activities: | | |
| Expenditures for property, plant and equipment..... | (4,075,412) | (16,535,490) |
| Proceeds from the disposition of property, plant and equipment..... | 6,000 | 4,602 |
| Net (purchase) sale of short-term investments..... | 4,567,552 | (2,478,820) |
| | 498,140 | (19,009,708) |
| Cash flows from financing activities: | | |
| Proceeds from bond issuance..... | 20,000,000 | |
| Proceeds from issuance of common stock..... | 210,172 | 468,692 |
| | 20,210,172 | 468,692 |
| Net increase (decrease) in cash and cash equivalents..... | 22,160,448 | (5,165,945) |
| Cash and cash equivalents, beginning of period..... | 18,765,178 | 35,027,609 |
| Cash and cash equivalents, end of period..... | \$ 40,925,626 | \$ 29,861,664 |
| | ===== | ===== |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the period for interest, net of \$0 and \$193,566 of capitalized interest in 1995 and 1996, respectively..... | \$ 705,911 | \$ 658,653 |
| | ===== | ===== |
| Cash paid during the period for taxes..... | \$ 6,614,489 | \$ 11,168,075 |
| | ===== | ===== |

See notes to condensed financial statements

ADTRAN, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited financial statements of ADTRAN, Inc. (the "Company") have been prepared pursuant to the rules and regulations for reporting on Form 10-Q. Accordingly, certain information and notes required by generally accepted accounting principles for complete financial statements are not included herein. The interim statements should be read in conjunction with the financial statements and notes thereto included in the Company's latest Annual Report on Form 10-K.

Interim statements are subject to possible adjustments in connection with the annual audit of the Company's accounts for the full year 1996. In the opinion of management, all adjustments necessary for a fair presentation of these interim statements have been included and are of a normal and recurring nature. Operating results for the six months ended June 30, 1996 are not necessarily indicative of the results that may be expected for the year ending December 31, 1996.

2. INVENTORY

At December 31, 1995 and June 30, 1996, inventory consisted of the following:

| | December 31, 1995 | June 30, 1996 |
|--------------------|----------------------|------------------|
| Raw materials..... | \$27,390,750 | \$25,435,387 |
| Work in progress.. | 4,428,437 | 3,734,097 |
| Finished goods.... | 13,178,008 | 16,919,753 |
| | ----- | ----- |
| | \$44,997,195 | \$46,089,237 |
| | ===== | ===== |

3. THE ALABAMA STATE INDUSTRIAL DEVELOPMENT AUTHORITY

In conjunction with the expansion of its Huntsville, Alabama facility, the Company has been approved for participation in an incentive program offered by the Alabama State Industrial Development Authority (the "Authority"). Pursuant to such program, in January 1995, the Authority issued \$20,000,000 of its taxable revenue bonds and loaned the proceeds from the sale of the bonds to the Company. The bonds were purchased by AmSouth Bank of Alabama, Birmingham, Alabama (the "Bank"), and the Company and the Bank have agreed to keep the proceeds from such bonds invested in short-term commercial paper until such time as the proceeds are needed by the Company to pay the costs of construction. Prior to the Company using the proceeds for construction costs, the Company, the Authority and the Bank would be required to enter into further documentation to allow such use of proceeds. The Company has agreed to make payments to the Authority in amounts necessary to pay the principal of and interest on such bonds. The bonds bear interest, payable monthly, at the rate of 87.5 basis points over the 30 day London inter-bank offered rate and mature on January 1, 2020. Construction on the project began in March 1995 and certain phases should be completed by the end of 1996.

4. RECENTLY ISSUED ACCOUNTING STANDARDS

Statement of Financial Accounting Standards No. 123 (SFAS 123), Accounting for Stock-Based Compensation, will require the Company, for the year ended December 31, 1996, to either account for the estimated fair value of stock options granted as compensation expense or continue to account for them under present rules. If the Company chooses to continue to account for stock options granted under present rules, as management believes is likely, disclosure will be required of the pro forma impact of accounting for the estimated fair value of stock options granted as compensation expense.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

OF OPERATIONS

OVERVIEW

The Company designs, develops, manufactures, markets and services a broad range of high speed digital transmission products utilized by telephone companies ("Telcos") and corporate end-users to implement advanced digital data services over existing telephone networks. The Company currently sells its products to Telcos (including all of the Regional Bell Operating Companies), Original Equipment Manufacturers ("OEMs") and, since 1991, private end-users in the Customer Premises Equipment ("CPE") market.

The Company's sales have increased each year due primarily to increases in the number of units sold to both new and existing customers. These annual sales increases reflect the Company's strategy of increasing unit volume and market share through the introduction of succeeding generations of products having lower selling prices and increased functionality as compared to the prior generation of a product and to the products of competitors. An important part of the Company's strategy is to engineer the reduction of the product cost of each succeeding product generation and then to lower the product's price based on the cost savings achieved. As a part of this strategy, the Company seeks in most instances to be a low cost, high quality provider of products in its markets. The Company also strives to introduce forward looking designs which provide a technological and competitive advantage. In some cases this product advancement will obsolete prior products of the Company. The Company's success to date is attributable in large measure to its ability to design its products with a view to their subsequent re-design, allowing efficient enhancements of the product in each succeeding product generation. This strategy has enabled the Company to sell succeeding generations of products to existing customers as well as to increase its market share by selling these enhanced products to new customers.

The Company intends to retain all earnings for use in the development of its business and does not anticipate paying any cash dividends in the foreseeable future.

RESULTS OF OPERATIONS - THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 1995 COMPARED TO THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 1996

SALES

The Company's sales increased 39.2% from \$45,461,980 in the three months ended June 30, 1995 to \$63,305,259 in the three months ended June 30, 1996. Similarly, sales increased 41.0% from \$83,558,570 in the six months ended June 30, 1995 to \$117,849,700 in the six months ended June 30, 1996. The increased sales resulted from increased sales volume to existing customers and from increased market penetration. Sales to Telcos increased 56.5% from \$25,770,963 in the three months ended June 30, 1995 to \$40,333,248 in the three months ended June 30, 1996 and increased 60.2% from \$45,388,782 in the six months ended June 30, 1995 to \$72,718,633 in the six months ended June 30, 1996. The increase in Telco sales in the 1996 periods resulted from increased sales of Integrated Services Digital Network ("ISDN") products and increased sales of High bit-rate Digital Subscriber Line ("HDSL") products. Telco sales as a percentage of total sales increased from 56.7% in the three months ended June 30, 1995 to 63.7% in the three months ended June 30, 1996, and increased from 54.3% in the six months ended June 30, 1995 to 61.7% in the six months ended June 30, 1996. The increase in Telco sales as a percentage of total sales was due to increased sales volume of ISDN and HDSL products during the 1996 periods. Sales of CPE products increased 27.4% from \$12,227,263 in the three months ended June 30, 1995 to \$15,582,164 in the three months ended June 30, 1996 and increased 36.7% from \$22,474,297 in the six months ended June 30, 1995 to \$30,725,374 in the six months ended June 30, 1996 as a result of increased sales of ISDN products and T1 Service Unit ("TSU") products. OEM sales decreased 1.0% from \$7,463,754 in the three months ended June 30, 1995 to \$7,389,848 in the three months ended June 30, 1996 and decreased 8.2% from \$15,695,491 in the six months ended June 30, 1995 to \$14,405,693 in the six months ended June 30, 1996. This decrease was attributable primarily to reduced demand related to mature programs combined with the low volume normally encountered on new programs. In addition, the Company converted numerous products originally developed under OEM contract status to standard product status. This conversion was accomplished with permission from the OEM contract holders and was done to allow the Company to pursue markets directly that will no longer support a two-tier distribution structure. The financial effect of the increase in overall unit volume was offset somewhat by lower unit selling prices for many of the Company's products.

COST OF SALES

Cost of sales increased 40.6% from \$23,737,505 in the three months ended June 30, 1995 to \$33,370,298 in the three months ended June 30, 1996 and increased 44.2% from \$43,160,136 in the six months ended June 30, 1995 to \$62,230,572 in the six months ended June 30, 1996, primarily as a result of the increase in sales. As a percentage of sales, cost of sales increased from 52.2% in the three months ended June 30, 1995 to 52.7% in the three months ended June 30, 1996 and from 51.7% in the six months ended June 30, 1995 to 52.8% in the six months ended June 30, 1996. An important part of the Company's strategy is to reduce the product cost of each succeeding product generation and then to lower the product's price based on the cost savings achieved. This sometimes results in variations in the Company's gross profit margin due to timing differences between the lowering of product selling prices and the full recognition of cost reductions. In view of the rapid pace of new product introductions by the Company, this strategy may result in variations in gross profit margins that, for any particular financial period, can be difficult to predict.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased 20.6% from \$6,602,150 in the three months ended June 30, 1995 to \$7,959,675 in the three months ended June 30, 1996 and increased 26.6% from \$12,015,594 in the six months ended June 30, 1995 to \$15,217,363 in the six months ended June 30, 1996. The increases were due to additional sales and support expenditures necessary as a result of the Company's expanded sales base. However, the larger sales base caused selling, general and administrative expenses as a percentage of sales to decrease from 14.5% in the three months ended June 30, 1995 to 12.6% in the three months ended June 30, 1996 and to decrease from 14.4% in the six months ended June 30, 1995 to 12.9% in the six months ended June 30, 1996.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses increased 31.4% from \$4,699,184 in the three months ended June 30, 1995 to \$6,173,695 in the three months ended June 30, 1996 and increased 31.1% from \$8,868,822 in the six months ended June 30, 1995 to \$11,624,120 in the six months ended June 30, 1996. The increase was due to increased engineering costs associated with new product introductions and product cost and feature enhancement activities. As a percentage of sales, however, research and development expenses declined from 10.3% in the three months ended June 30, 1995 to 9.8% in the three months ended June 30, 1996 and declined from 10.6% in the six months ended June 30, 1995 to 9.9% in the six months ended June 30, 1996 due to the increased sales in the first six months of 1996.

INTEREST EXPENSE

Interest expense decreased 52.1% from \$348,467 in the three months ended June 30, 1995 to \$166,834 in the three months ended June 30, 1996 and decreased 31.0% from \$647,494 in the six months ended June 30, 1995 to \$446,870 in the six months ended June 30, 1996. This decrease was due to capitalization of the interest cost as a part of the cost of acquiring certain assets. The Company currently pays interest on \$20,000,000 of revenue bond proceeds loaned to the Company in January 1995, which proceeds are being used to expand the Company's facilities in Huntsville, Alabama. See "Liquidity and Capital Resources" below.

NET INCOME

As a result of the above factors, net income increased 46.7% from \$7,047,505 in the three months ended June 30, 1995 to \$10,340,221 in the three months ended June 30, 1996 and increased 44.5% from \$13,122,108 in the six months ended June 30, 1995 to \$18,963,609 in the six months ended June 30, 1996. As a percentage of sales, net income increased from 15.5% in the three months ended June 30, 1995 to 16.3% in the three months ended June 30, 1996 and increased from 15.7% in the six months ended June 30, 1995 to 16.1% in the six months ended June 30, 1996.

LIQUIDITY AND CAPITAL RESOURCES

The Company's only long-term debt outstanding as of June 30, 1996 consisted of a loan in the amount of \$20,000,000 related to the expansion of the Company's facilities in Huntsville, Alabama. The Company is continuing a project to expand its facilities in Huntsville in several phases over the next four years at an approximate cost of up to \$68,200,000. Fifty million dollars of this project has been approved for participation in an incentive program offered by the Authority. That

program enables participating companies such as the Company to generate Alabama corporate income tax credits that can be used to offset much of the amount of the debt and interest incurred to finance the project. In January 1995, the Authority issued \$20,000,000 of its taxable revenue bonds pursuant to such program and loaned the proceeds from the sale of the bonds to the Company. The bonds were purchased by the bank, and the Company and the Bank have agreed to keep the proceeds from such bonds invested in short-term commercial paper until such time as the proceeds are needed by the Company to pay the costs of construction. Prior to the Company using the proceeds for construction costs, the Company, the Authority and the Bank would be required to enter into further documentation to allow such use of proceeds. The Company has agreed to make payments to the Authority in amounts necessary to pay the principal of, and interest on, such bonds. The bonds bear interest, payable monthly, at the rate of 87.5 basis points over the 30 day London inter-bank offered rate and mature on January 1, 2020. Construction on the project began in March 1995 and certain phases should be completed by the end of 1996. The Company expects to use the proceeds of additional revenue bonds pursuant to such program to equip its expanded facilities over the next four years. There can be no assurance that the State of Alabama will continue to make these corporate income tax credits available in the future.

The Company's working capital position improved from \$122,465,725 as of December 31, 1995 to \$127,428,428 as of June 30, 1996. This improvement in the Company's working capital position was due primarily to increased earnings. The Company has used, and expects to continue to use, the remaining proceeds of the public offerings for working capital and other general corporate purposes, including (i) product development activities to enhance its existing products and develop new products and (ii) expansion of sales and marketing activities. Inventory increased 2.4% in the six months ended June, 30, 1996, while sales for the three months ended June 30, 1996 increased 26.8% over sales for the three months ended December 31, 1995. The modest increase in inventory reflects overall efficiencies in reducing inventory levels without an interruption in shipping orders to customers from available stock.

Capital expenditures totaling \$12,790,517 in 1995 and \$16,535,490 in the first six months of 1996 were used to expand the Company's headquarters and to purchase equipment.

At June 30, 1996, the Company's cash on hand of \$29,861,664, short-term investments of \$26,775,624 and \$10,000,000 available under a \$10,000,000 bank line of credit placed the Company's potential cash availability at \$66,637,288, of which a portion is being used to expand the Company's facilities under the incentive program described above. The Company's \$10,000,000 bank line of credit bears interest at the rate of 87.5 basis points over the 30 day London inter-bank offered rate and expires in May 1997.

The Company intends to finance its operations in the future with cash flow from operations, the remaining net proceeds of the public offerings, amounts available under the bank line of credit, borrowed revenue bond proceeds, and possible additional public financings. These available sources of funds are expected to be adequate to meet the Company's operating and capital needs for the foreseeable future.

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The 1996 Annual Meeting of Stockholders of the Company was held on April 19, 1996. Proxies with regard to the matters to be voted upon at the Annual Meeting were solicited under Regulation 14A of the Securities Exchange Act of 1934, as amended. Set forth below is a brief description of each matter voted upon at the Annual Meeting and the results of the voting on each such matter.

(a) Election of the seven directors named below to serve until the next Annual Meeting of Stockholders. There was no solicitation in opposition to any of the nominees listed in the proxy statement, and all of the nominees were elected.

| Nominees | Votes | |
|----------------------|------------|----------|
| | For | Withheld |
| Mark C. Smith | 35,627,391 | 47,846 |
| Lonnie S. McMillian | 35,627,391 | 47,846 |
| Howard A. Thrailkill | 35,627,391 | 47,846 |
| O. Gene Gabbard | 35,627,391 | 47,846 |
| William J. Marks | 35,627,391 | 47,846 |
| Roy J. Nichols | 35,627,391 | 47,846 |
| James L. North | 35,627,391 | 47,846 |

(b) Resolution to adopt the ADTRAN, Inc. 1996 Employees Incentive Stock Option Plan.

| Votes | | | |
|------------|---------|-----------|------------------|
| For | Against | Abstained | Broker Non-Votes |
| 35,347,283 | 300,654 | 3,000 | |

(c) Resolution to adopt the ADTRAN, Inc. 1995 Directors Stock Option Plan.

| Votes | | | |
|------------|---------|-----------|------------------|
| For | Against | Abstained | Broker Non-Votes |
| 35,229,689 | 417,048 | 4,200 | |

(d) Ratification of the appointment of Coopers & Lybrand L.L.P. as independent accountants of the Company for 1996.

| Votes | | | |
|------------|---------|-----------|------------------|
| For | Against | Abstained | Broker Non-Votes |
| 35,674,591 | 46 | 600 | |

ITEM 5. OTHER INFORMATION

On April 26, 1996 538,100 shares of Common Stock issuable upon exercise of stock options granted or to be granted under the 1996 Employees Incentive Stock Option Plan and 20,000 shares of Common Stock issuable upon exercise of stock options granted or to be granted under the 1995 Directors Stock Option Plan were registered on Registration Statement No. 333-4808 on Form S-8 effective with the Securities and Exchange Commission on that date.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following exhibits are being filed with this report.

| Exhibit No. ----- | Description ----- |
|----------------------|------------------------------------------------------------------|
| 11 | Weighted Average Common and Common Equivalent Shares Outstanding |
| 27 | Financial Data Schedule |

(b) Reports on Form 8-K. None

SIGNATURE

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

ADTRAN, INC.
(REGISTRANT)

Date: July 29, 1996

/s/Irwin O. Goldstein

Irwin O. Goldstein
Vice President - Finance and Administration
and Chief Financial and Accounting Officer

INDEX OF EXHIBITS

EXHIBIT NO. DESCRIPTION PAGE NO.

11 Weighted Average Common and Common Equivalent Shares Outstanding 16

27 Financial Data Schedule 17

EXHIBIT 11

ADTRAN, INC

**WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 1995 AND 1996**

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|--------------------------------------------------------------------------------------------------|--------------------|--------------|------------------|--------------|
| | JUNE 30, | | JUNE 30, | |
| | 1995 | 1996 | 1995 | 1996 |
| | ---- | ---- | ---- | ---- |
| Weighted average common shares outstanding.. | 36,746,294 | 38,649,998 | 36,543,915 | 38,472,816 |
| Net weighted average common stock options outstanding under the treasury stock method..... | 2,287,530 | 931,734 | 2,476,670 | 1,107,307 |
| | ----- | ----- | ----- | ----- |
| Weighted average common and common equivalent shares outstanding..... | 39,033,824 | 39,581,732 | 39,020,585 | 39,580,123 |
| | ===== | ===== | ===== | ===== |
| Net income..... | \$7,047,505 | \$10,340,221 | \$13,122,108 | \$18,963,609 |
| | ===== | ===== | ===== | ===== |
| Net income per common and common equivalent share | \$.18 | \$.26 | \$.34 | \$.48 |
| | ===== | ===== | ===== | ===== |

Note: All share and per share amounts give retroactive effect to the 2-for-1 stock split declared by the board of directors, payable on May 12, 1995, to stockholders of record on April 27, 1995.

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE INTERIM CONDENSED STATEMENT OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 1996 AND THE CONDENSED BALANCE SHEET AS OF JUNE 30, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

| | |
|----------------------------|--------------|
| PERIOD TYPE | 6 MOS |
| FISCAL YEAR END | DEC 31 1996 |
| PERIOD START | JAN 31 1996 |
| PERIOD END | JUN 30 1996 |
| CASH | 29,861,664 |
| SECURITIES | 26,775,624 |
| RECEIVABLES | 33,433,855 |
| ALLOWANCES | (700,000) |
| INVENTORY | 46,089,237 |
| CURRENT ASSETS | 138,451,547 |
| PP&E | 54,566,543 |
| DEPRECIATION | (10,851,694) |
| TOTAL ASSETS | 182,166,396 |
| CURRENT LIABILITIES | 11,023,119 |
| BONDS | 20,000,000 |
| PREFERRED MANDATORY | 0 |
| PREFERRED | 0 |
| COMMON | 386,840 |
| OTHER SE | 149,788,771 |
| TOTAL LIABILITY AND EQUITY | 182,166,396 |
| SALES | 117,849,700 |
| TOTAL REVENUES | 117,849,700 |
| CGS | 62,230,572 |
| TOTAL COSTS | 62,230,572 |
| OTHER EXPENSES | 11,624,120 |
| LOSS PROVISION | 154,598 |
| INTEREST EXPENSE | 446,870 |
| INCOME PRETAX | 29,410,063 |
| INCOME TAX | 10,446,454 |
| INCOME CONTINUING | 18,963,609 |
| DISCONTINUED | 0 |
| EXTRAORDINARY | 0 |
| CHANGES | 0 |
| NET INCOME | 18,963,609 |
| EPS PRIMARY | 0.48 |
| EPS DILUTED | 0.48 |

End of Filing

Powered By **EDGAR**
Online

© 2005 | EDGAR Online, Inc.