

ADTRAN INC

FORM 8-K (Unscheduled Material Events)

Filed 5/20/2005 For Period Ending 5/18/2005

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 2005. All Rights Reserved.

Distribution and use of this document restricted under EDGAR Online's Terms of Use.

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

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 18, 2005

ADTRAN, INC.

(Exact Name Of Registrant As Specified In Charter)

Delaware
(State of Incorporation)

0-24612
(Commission File No.)

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

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

(256) 963-8000
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 1.01. Entry into a Material Definitive Agreement.

On May 18, 2005, the stockholders of ADTRAN, Inc. (the “Company” or “ADTRAN”) approved the ADTRAN, Inc. 2005 Directors Stock Option Plan (the “2005 Directors Plan”). The 2005 Directors Plan had been previously adopted by the Board of Directors of the Company on January 24, 2005, subject to stockholder approval. The purpose of the 2005 Directors Plan is to provide incentives to the Company’s non-employee directors, encourage stock ownership by non-employee directors, and provide a means of attracting, retaining and rewarding highly qualified non-employee directors. To accomplish these objectives, the 2005 Directors Plan provides automatic grants of nonqualified stock options to newly elected non-employee directors and automatic annual grants of nonqualified stock options to each ongoing non-employee director, up to an aggregate of 400,000 shares of ADTRAN’s common stock (subject to adjustment upon a stock split, recapitalization or similar event).

The following description of the 2005 Directors Plan is qualified in its entirety by reference to the applicable provisions of the 2005 Directors Plan, and agreements related to the 2005 Directors Plan, which are attached hereto as Exhibit 10.1.

The 2005 Directors Plan is currently administered by the Compensation Committee of the Board of Directors, which has the authority to make all determinations necessary or advisable for the proper administration of the 2005 Directors Plan.

Under the terms of the 2005 Directors Plan, newly elected non-employee directors of ADTRAN will receive grants of nonqualified stock options to purchase 10,000 shares of common stock. Each December 31, continuing non-employee directors, including non-employee directors emeritus, will receive grants of nonqualified stock options to purchase 5,000 shares of common stock. Directors may not receive both a newly elected director grant and a continuing director grant in the same year.

Each option will be evidenced by an option agreement between ADTRAN and the optionee in the form attached to the 2005 Directors Plan. Options become exercisable (*i.e.* , vested) in full on the first anniversary of the grant date, or earlier if there is a change of control of ADTRAN or if the director terminates service due to death or disability. The option exercise price is 100% of the fair market value of ADTRAN’s common stock on the date the option is granted, and may be paid in cash, by surrender of shares of ADTRAN common stock that the optionee has held for at least six months, or by a combination of cash and shares.

The term of each option will be ten years from the date of grant, but options terminate: (i) immediately upon termination of an optionee’s service for cause, (ii) after one year, upon termination of an optionee’s service due to disability, and (iii) after three months, upon termination of an optionee’s service other than due to death, disability or cause. In addition, if an optionee dies while his or her options remain exercisable, the beneficiary may exercise the options for up to one year after the date of death, but not past the maximum term of the options. In the event of a merger, consolidation, or other reorganization of ADTRAN, options may be converted or option vesting may be accelerated and options may be terminated.

Item 9.01. Financial Statements and Exhibits.

The following exhibit is filed with this report.

<u>Exhibit No.</u>	<u>Description</u>
10.1	– ADTRAN, Inc. 2005 Directors Stock Option Plan and forms of Nonqualified Stock Option Agreements.

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 hereunto duly authorized.

ADTRAN, INC.
(Registrant)

Date: May 18, 2005

/s/ James E. Matthews

James E. Matthews
Senior Vice President - Finance,
Chief Financial Officer and
Treasurer

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
10.1	– ADTRAN, Inc. 2005 Directors Stock Option Plan and forms of Nonqualified Stock Option Agreements.

Exhibit 10.1

ADTRAN, INC.

2005 DIRECTORS STOCK OPTION PLAN

ARTICLE I

Purpose

1.1 *General Purpose* . The purpose of this Plan is to further the growth and development of the Company by encouraging Directors who are not employees of the Company 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 to serve as Directors and will stimulate their efforts in promoting the growth, efficiency and profitability of the Company. The Company also intends that the Plan will afford the Company a means of attracting persons of outstanding quality to service on the Board.

1.2 *Intended Tax Effects of Options* . It is intended that the tax effects of any Option granted hereunder should be determined under Code §83.

ARTICLE II

Definitions

The following words and phrases as used in this Plan shall have the meanings set forth in this Article unless a different meaning is clearly required by the context:

2.1 *1933 Act* shall mean the Securities Act of 1933, as amended.

2.2 *1934 Act* shall mean the Securities Exchange Act of 1934, as amended.

2.3 *Beneficiary* shall mean, with respect to an Optionee, the Person or Persons to whom the Optionee's Option shall be transferred upon the Optionee's death (*i.e.* , the Optionee's Beneficiary).

(a) *Designation of Beneficiary*. An Optionee's Beneficiary shall be the Person who is last designated in writing by the Optionee as such Optionee's Beneficiary hereunder. An Optionee shall designate his or her original Beneficiary in writing on his or her Option Agreement. Any subsequent modification of the Optionee's Beneficiary shall be in a written executed letter addressed to the Company and shall be effective when it is received *and* accepted by the Committee, determined in the Committee's sole discretion.

(b) *No Designated Beneficiary*. If, at any time, no Beneficiary has been validly designated by an Optionee, or the Beneficiary designated by the Optionee is no longer living or in existence at the time of the Optionee's death, then the Optionee's Beneficiary shall be deemed to be the Optionee's spouse, or if none, the Optionee's estate.

(c) *Designation of Multiple Beneficiaries.* An Optionee may, consistent with subsection (a) above, designate more than one Person as a Beneficiary if, for each such Beneficiary, the Optionee also designates a percentage of the Optionee's Options to be transferred to such Beneficiary upon the Optionee's death. Unless otherwise specified by the Optionee, any designation by the Optionee of multiple Beneficiaries shall be interpreted as a designation by the Optionee that each such Beneficiary (to the extent such Beneficiary is alive or in existence as of the Optionee's date of death) should be entitled to an equal percentage of the Optionee's Options. Each Beneficiary shall have complete and non-joint rights with respect to the portion of an Optionee's Options to be transferred to such Beneficiary upon the Optionee's death.

(d) *Contingent Beneficiaries.* An Optionee may designate one or more contingent Beneficiaries to receive all or a portion of the Optionee's Option in the event that one or more of the Optionee's original Beneficiaries should predecease the Optionee; otherwise, in the event that one or more Beneficiaries predeceases the Optionee, then the individual or individuals specified above shall take the place of each such deceased Optionee's Beneficiary.

2.4 *Board* shall mean the Board of Directors of the Company.

2.5 *Cause* shall mean an act or acts by an individual involving personal dishonesty, incompetence, willful misconduct, moral turpitude, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar offenses), the use for profit or disclosure to unauthorized persons of confidential information or trade secrets of the Company or its parents or subsidiaries, the breach of any contract with the Company or its parents or subsidiaries, the unlawful trading in the securities of the Company or of another corporation based on information gained as a result of the performance of services for the Company or its parents or subsidiaries, a felony conviction or the failure to contest prosecution for a felony, embezzlement, fraud, deceit or civil rights violations, any of which acts cause the Company or any subsidiary liability or loss, as determined by the Committee in its sole discretion.

2.6 *Change of Control* shall mean the occurrence of any one of the following events:

(a) *Acquisition By Person of Substantial Percentage.* The acquisition by a Person (including "affiliates" and "associates" of such Person, but excluding the Company, any "parent" or "subsidiary" of the Company, or any employee benefit plan of the Company or of any "parent" or "subsidiary" of the Company) of a sufficient number of shares of the Common Stock, or securities convertible into the Common Stock, and whether through direct acquisition of shares or by merger, consolidation, share exchange, reclassification of securities or recapitalization of or involving the Company or any "parent" or "subsidiary" of the Company, to constitute the Person the actual or beneficial owner of greater than 50% of the Common Stock; or

(b) *Disposition of Assets.* Any 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 or of any "subsidiary" of the Company to a

Person (including “affiliates” and “associates” of such Person, but excluding the Company, any “parent” or “subsidiary” of the Company, or any employee benefit plan of the Company or of any “parent” or “subsidiary” of the Company).

For purposes of this Section, the terms “affiliate,” “associate,” “parent” and “subsidiary” shall have the respective meanings ascribed to such terms in Rule 12b-2 under Section 12 of the 1934 Act.

2.7 *Code* shall mean the Internal Revenue Code of 1986, as amended.

2.8 *Committee* shall mean the committee appointed by the Board to administer and interpret the Plan in accordance with Article III below.

2.9 *Common Stock* shall mean the common stock, par value \$0.01 per share, of the Company.

2.10 *Company* shall mean ADTRAN, Inc.

2.11 *Director* shall mean an individual who is serving as a member of the Board (*i.e.* , a director of the Company).

2.12 *Disability* shall mean, with respect to an individual, the total and permanent disability of such individual as determined by the Committee in its sole discretion.

2.13 *Effective Date* shall mean May 18, 2005, subject to shareholder approval. *See Article IX herein .*

2.14 *Fair Market Value* of the Common Stock as of a date of determination shall mean 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 Stock Market (“Nasdaq”) 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 on 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 on the date of determination.

(b) *Stock Listed But No Shares Traded.* If the Common Stock is listed on a national securities exchange or on Nasdaq and 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 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 and 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 the Common Stock on the most recent date before the date of determination.

(c) *Stock Not Listed*. If the Common Stock is not listed on a national securities exchange or on Nasdaq 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, which may include the average of the closing bid and ask prices reflected in the over-the-counter market on a date within a reasonable period either before or after the date of determination or opinions of independent experts as to value and may take into account any recent sales and purchases of such Common Stock to the extent they are representative.

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.

2.15 *Option* shall mean options to which Code §421 (relating generally to certain incentive stock options and other options) does *not* apply, granted to individuals pursuant to the terms and provisions of this Plan.

2.16 *Option Agreement* shall mean a written agreement, executed and dated by the Company and an Optionee, evidencing an Option granted under the terms and provisions of this Plan, setting forth the terms and conditions of such Option, and specifying the name of the Optionee and the number of shares of stock subject to such Option.

2.17 *Option Price* shall mean the purchase price of the shares of Common Stock underlying an Option.

2.18 *Optionee* shall mean an individual who is granted an Option pursuant to the terms and provisions of this Plan.

2.19 *Person* shall mean any individual, organization, corporation, partnership, trust or other entity.

2.20 *Plan* shall mean this ADTRAN, Inc. 2005 Directors Stock Option Plan.

ARTICLE III Administration

3.1 *General Administration* . The Plan shall be administered and interpreted by the Committee. 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 Option Agreements by which Options 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* . The Board shall appoint the Committee from among its 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 directors.

3.3 *Indemnification* . In addition to such other rights of indemnification as they have as directors or as members of the Committee, the members of the Committee, to the extent permitted by applicable law, shall be indemnified by the Company against reasonable expenses (including, without limitation, attorneys' 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 Options granted 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 or certificate of incorporation or the bylaws of the Company relating to indemnification of directors) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such Committee member or members did not act in good faith and in a manner he or they reasonably believed to be in or not opposed to the best interest of the Company.

ARTICLE IV Stock

The stock subject to the Options and other provisions of the Plan shall be authorized but unissued or reacquired shares of Common Stock. Subject to readjustment in accordance with the provisions of Article VII, the total number of shares of Common Stock for which Options may be granted to persons participating in the Plan shall not exceed in the aggregate 400,000 shares of Common Stock. Notwithstanding the foregoing, shares of Common Stock allocable to the unexercised portion of any expired or terminated Option again may become subject to Options under the Plan.

ARTICLE V Eligibility to Receive and Grant of Options

5.1 *Individuals Eligible for Grants of Options*. The individuals eligible to receive Options hereunder shall be solely those individuals who are Directors and who are not employees of the Company or any parent or subsidiary corporation of the Company. Such Directors shall receive Options hereunder in accordance with the provisions of Section 5.2 below.

5.2 *Grant of Options* . Options shall be granted to those Directors who are eligible under Section 5.1 above in accordance with the following formulas:

(a) *Option Upon Initially Becoming a Director*. Upon initially becoming a Director, an individual shall be granted an Option to purchase 10,000 shares of Common Stock, with such Option subject to the provisions of Article VI below. Options granted under this subsection (a) shall be evidenced by the Option Agreement shown in Appendix A. The Options granted under this subsection (a) shall not be granted to a Director who has previously served as a Director and who is again becoming a Director, but shall only be granted upon an individual's *initially* becoming a Director.

(b) *Option Upon Commencement of Term.* As of December 31 of each calendar year following the calendar year in which a Director receives a grant of Options under subsection (a) above, if such individual is a Director as of such date and subject to subsection (d) below, such individual shall be granted an Option to purchase 5,000 shares of Common Stock, with such Option subject to the provisions of Article VI below. Options granted under this subsection (b) shall be evidenced by the Option Agreement shown in Appendix B.

(c) *Transitional Rules.* Notwithstanding anything in subsections (a) and (b) to the contrary, no individual who is serving as a Director as of the Effective Date of this Plan shall be entitled to any Options until the December 31 next following the Effective Date.

(d) *Rules Against Double Granting of Options for Simultaneous Service.* Notwithstanding any provision of this Section to the contrary, an individual shall not be granted an Option to purchase more than 5,000 shares as of any December 31 under the provisions of subsection (b) above.

ARTICLE VI

Terms and Conditions of Options

Options granted hereunder and Option Agreements shall comply with and be subject to the following terms and conditions:

6.1 *Requirement of Option Agreement.* Upon the grant of an Option hereunder, the Committee shall prepare (or cause to be prepared) an Option Agreement. The Committee shall present such Option Agreement to the Optionee. Upon execution of such Option Agreement by the Optionee, such Option shall be deemed to have been granted effective as of the date of grant. The failure of the Optionee to execute the Option Agreement within 30 days after the date of the receipt of same shall render the Option Agreement and the underlying Option null and void *ab initio*.

6.2 *Optionee and Number of Shares.* Each Option Agreement shall state the name of the Optionee and the total number of shares of the Common Stock to which it pertains, the Option Price, the Beneficiary of the Optionee and the date as of which the Option was granted under this Plan.

6.3 *Vesting.* Each Option shall first become exercisable (*i.e.*, vested) with respect to 100% of the shares subject to such Option as of the first anniversary of the date the Option is granted. Prior to said date, the Option shall be unexercisable in its entirety. Notwithstanding the foregoing, all Options granted to an Optionee shall become immediately vested and exercisable for 100% of the number of shares subject to the Options upon the Optionee's becoming Disabled or upon his death or upon a Change of Control. Other than as provided in the preceding sentences, if an Optionee ceases to be a Director, his rights with regard to all non-vested Options shall cease immediately.

6.4 *Option Price* . The Option Price of the shares of Common Stock underlying each Option shall be the Fair Market Value of the Common Stock on the date the Option is granted. Upon execution of an Option Agreement by both the Company and Optionee, the date as of which the Option was granted under this Plan as noted in the Option Agreement shall be considered the date on which such Option is granted.

6.5 *Terms of Options* . Terms of Options granted under the Plan shall commence on the date of grant and shall expire ten years from the date the Option is granted.

6.6 *Terms of Exercise* . The exercise of an Option may be for less than the full number of shares of Common Stock subject to such Option, but such exercise shall not be made for less than (i) 100 shares or (ii) the total remaining shares subject to the Option, if such total is less than 100 shares. Subject to the other restrictions on exercise set forth herein, the unexercised portion of an Option may be exercised at a later date.

6.7 *Method of Exercise* . All Options granted hereunder shall be exercised by written notice directed to the Secretary of the Company at its principal place of business or to such other person as the Committee may direct. Each notice of exercise shall identify the Option that the Optionee is exercising (in whole or in part) and shall be accompanied by payment of the Option Price for the number of shares specified in such notice and by any documents required by Section 8.1. The Company shall make delivery of such shares within a reasonable period of time; 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 the shares specified in such notice before the issuance thereof, then the date of delivery of such shares shall be extended for the period necessary to take such action.

6.8 *Medium and Time of Payment* .

(a) The Option Price shall be payable upon the exercise of the Option in an amount equal to the number of shares then being purchased times the per share Option Price. Payment, at the election of the Optionee (or his Beneficiary as provided in subsection (c) of Section 6.9), shall be (A) in cash; (B) by delivery to the Company of shares of the Common Stock that have been owned by the Optionee for at least six months, guaranteed or notarized, with such documentation as the Committee may require, or in such other manner as the Committee may require; or (C) by a combination of (A) and (B).

(b) If the Optionee delivers Common Stock with a value that is less than the total Option Price, then such Optionee shall pay the balance of the total Option Price in cash, as provided in subsection (a) above.

6.9 *Effect of Termination of Service, Disability or Death* . Except as provided in subsections (a), (b) and (c) below, no Option shall be exercisable unless the Optionee thereof shall have been a Director from the date of the granting of the Option until the date of exercise.

(a) *Termination of Service*. In the event an Optionee ceases to be a Director for any reason other than death or Disability, any Option or unexercised portion thereof

granted to him shall terminate on and shall not be exercisable after the earliest to occur of (i) the expiration date of the Option, (ii) three months after the date the Optionee ceases to be a Director (except as provided in subsection (c)) or (iii) the date on which the Company gives notice to such Optionee of termination of his service as a Director if service is terminated by the Company or by its shareholders for Cause (an Optionee's resignation in anticipation of termination of service by the Company or by its shareholders for Cause shall constitute a notice of termination by the Company). Notwithstanding the foregoing, in the event that an Optionee's service as a Director terminates for a reason other than death or Disability at any time after a Change of Control, the term of all Options of that Optionee shall be extended through the end of the three-month period immediately following the date of such termination of service. Prior to the earlier of the dates specified in the preceding sentences of this subsection (a), the Option shall be exercisable only in accordance with its terms and only for the number of shares exercisable on the date of termination of service as a Director.

(b) *Disability*. Upon the termination of an Optionee's service as a Director due to Disability, any Option or unexercised portion thereof granted to him which is otherwise exercisable shall terminate on and shall not be exercisable after the earlier to occur of (i) the expiration date of such Option, or (ii) one year after the date on which such Optionee ceases to be a Director due to Disability (except as provided in subsection (c)). Prior to the earlier of such dates, such Option shall be exercisable only in accordance with its terms and only for the number of shares exercisable on the date such Optionee's service as a Director ceases due to Disability.

(c) *Death*. In the event of the death of the Optionee (i) while he is a Director, (ii) within three months after the date on which such Optionee's service as a Director is terminated (for a reason other than Cause) as provided in subsection (a) above, or (iii) within one year after the date on which such Optionee's service as a Director terminated due to his Disability, any Option or unexercised portion thereof granted to him which is otherwise exercisable may be exercised by the Optionee's Beneficiary at any time prior to the expiration of one year from the date of death of such Optionee, but in no event later than the date of expiration of the Option. Such exercise shall be effected pursuant to the terms of this Section as if such Beneficiary is the named Optionee.

6.10 *Restrictions on Transfer and Exercise of Options* . No Option shall be assignable or transferable by the Optionee except by transfer to a Beneficiary upon the death of the Optionee, and any purported transfer (other than as excepted above) shall be null and void. After the death of an Optionee and upon the death of the Optionee's Beneficiary, an Option shall be transferred only by will or by the laws of descent and distribution. During the lifetime of an Optionee, the Option shall be exercisable only by him; provided, however, that in the event the Optionee is incapacitated and unable to exercise Options, such Options may be exercised by such Optionee's legal guardian, legal representative, fiduciary or other representative whom the Committee deems appropriate based on applicable facts and circumstances.

6.11 *Rights as a Shareholder* . An Optionee shall have no rights as a shareholder with respect to shares covered by his Option until date of the issuance of the shares to him and only after the Option Price of such shares is fully paid. Unless specified in Article VII, no adjustment will be made for dividends or other rights for which the record date is prior to the date of such issuance.

6.12 *No Obligation to Exercise Option* . The granting of an Option shall impose no obligation upon the Optionee to exercise such Option.

ARTICLE VII
Adjustments Upon Changes in Capitalization

7.1 *Recapitalization* . In the event that the outstanding shares of the Common Stock of the Company are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of a recapitalization, reclassification, stock split, combination of shares or dividend payable in shares of the Common Stock, the following rules shall apply:

(a) The Committee shall make an appropriate adjustment in the number and kind of shares available for the granting of Options under the Plan, and in the number and kind of shares granted under Section 5.2.

(b) The Committee also shall make an appropriate adjustment in the number and kind of shares as to which outstanding Options, or portions thereof then unexercised, shall be exercisable; any such adjustment in any outstanding Options shall be made without change in the total price applicable to the unexercised portion of such Option and with a corresponding adjustment in the Option Price per share. No fractional shares shall be issued or optioned in making the foregoing adjustments, and the number of shares available under the Plan or the number of shares subject to any outstanding Options shall be the next lower number of shares, rounding all fractions downward.

(c) If any rights or warrants to subscribe for additional shares are given *pro rata* to holders of outstanding shares of the class or classes of stock then set aside for the Plan, each Optionee shall be entitled to the same rights or warrants on the same basis as holders of the outstanding shares with respect to such portion of his Option as is exercised on or prior to the record date for determining shareholders entitled to receive or exercise such rights or warrants.

7.2 *Reorganization* . Subject to any required action by the shareholders, if the Company shall be a party to any reorganization involving merger, consolidation, acquisition of the stock or acquisition of the assets of the Company which does not constitute a Change of Control, and if the agreement memorializing such reorganization so provides, any Option granted but not yet exercised 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 such Option would have been entitled. If such agreement does not so provide, any or all Options granted hereunder shall become immediately nonforfeitable and fully exercisable or vested (to the extent permitted under federal or state securities laws) and are to be terminated after giving at least 30 days' notice to the Optionees to whom such Options have been granted.

7.3 Dissolution and Liquidation . If the Board adopts a plan of dissolution and liquidation that is approved by the shareholders of the Company, the Committee shall give each Optionee written notice of such event at least ten days prior to its effective date, and the rights of all Optionees shall become immediately nonforfeitable and fully exercisable or vested (to the extent permitted under federal or state securities laws).

7.4 Limits on Adjustments . Any issuance by the Company of stock of any class, 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 Option, except as specifically provided otherwise in this Article. The grant of Options pursuant to the Plan shall not affect in any way the right or power 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 Article shall be conclusive.

ARTICLE VIII

Agreement by Optionee and Securities Registration

8.1 Agreement . If, in the opinion of counsel to the Company, such action is necessary or desirable, no Options shall be granted to any Optionee and no Option shall be exercisable unless, at the time of grant or exercise, as applicable, such Optionee (i) represents and warrants that he will acquire the Common Stock for investment only and not for purposes of resale or distribution, and (ii) makes such further representations and warranties as are deemed necessary or desirable by counsel to the Company with regard to holding and resale of the Common Stock. The Optionee shall, upon the request of the Committee, execute and deliver to the Company an agreement or affidavit to such effect. Should the Committee have reasonable cause to believe that such Optionee did not execute such agreement or affidavit in good faith, the Company shall not be bound by the grant of the Option or by the exercise of the Option. All certificates representing shares of Common Stock issued pursuant to the Plan shall be marked with the following restrictive legend or similar legend, if such marking, in the opinion of counsel to the Company, is necessary or desirable:

The shares represented by this certificate [have not been registered under the Securities Act of 1933, as amended, or the securities laws of any state and] are held by an “affiliate” (as such term is defined in Rule 144 promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended) of the Corporation. Accordingly, these shares may not be sold, hypothecated, pledged or otherwise transferred except (i) pursuant to an effective registration statement under the Securities Act of 1933, as amended, and any applicable securities laws or regulations of any state with respect to such shares, (ii) in accordance with Securities and Exchange Commission Rule 144, or (iii) upon the issuance to the Corporation of a favorable opinion of counsel or the submission to the Corporation of such other evidence as may be satisfactory to the Corporation that such proposed sale, assignment, encumbrance or other transfer will not be in violation of the Securities Act of 1933, as amended, or any applicable securities laws of any state or any rules or regulations thereunder. Any attempted transfer of this certificate or the shares represented hereby which is in violation of the preceding restrictions will not be recognized by the Corporation, nor will any transferee be recognized as the owner thereof by the Corporation.

If the Common Stock is (A) held by an Optionee who ceases to be an “affiliate,” as that term is defined in Rule 144 of the 1933 Act, or (B) registered under the 1933 Act and all applicable state securities laws and regulations as provided in Section 8.2, the Committee, in its discretion and with the advice of counsel, may dispense with or authorize the removal of the restrictive legend set forth above or the portion thereof which is inapplicable.

8.2 *Registration* . In the event that the Company in its sole discretion shall deem it necessary or advisable to register, under the 1933 Act or any state securities laws or regulations, any shares with respect to which Options have been granted hereunder, then the Company shall take such action at its own expense before delivery of the certificates representing such shares to an Optionee. In such event, and if the shares of Common Stock of the Company shall be listed on any national securities exchange or on Nasdaq at the time of the exercise of any Option, the Company shall make prompt application at its own expense for the listing on such stock exchange or Nasdaq of the shares of Common Stock to be issued.

ARTICLE IX
Effective Date

The Plan shall be effective as of the Effective Date, and no Options shall be granted hereunder prior to said date. Adoption of the Plan shall be approved by the shareholders of the Company at the earlier of (i) the annual meeting of the shareholders of the Company which immediately follows the date of the first grant or award of Options hereunder, or (ii) 12 months after the adoption of the Plan by the Board. 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 on the Plan, 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, 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. Failure to obtain such approval shall render the Plan and any Options granted hereunder null and void *ab initio* .

ARTICLE X
Amendment and Termination

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 periods 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.

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 Options*. No addition, amendment, modification, repeal, suspension or termination shall adversely affect, in any way, the rights of the Optionees who have outstanding Options without the consent of such Optionees;

(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 such approval is necessary with respect to tax, securities or other applicable laws or the applicable rules or regulations of any stock exchange or Nasdaq.

10.3 *Expiration of Plan* . No Option shall be granted hereunder after ten years from the earlier of (a) the date the Plan is approved by the shareholders, or (b) the date the Plan is adopted by the Board.

ARTICLE XI

Miscellaneous Provisions

11.1 *Application of Funds* . The proceeds received by the Company from the sale of the Common Stock subject to the Options granted hereunder will be used for general corporate purposes.

11.2 *Notices* . All notices or other communications by an Optionee to the Committee pursuant to or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Committee at the location, or by the person, designated by the Committee for the receipt thereof.

11.3 *Term of Plan* . Subject to the terms of Article X, the Plan shall terminate upon the later of (i) the complete exercise or lapse of the last outstanding Option, or (ii) the last date upon which Options may be granted hereunder.

11.4 *Compliance with Rule 16b-3* . This Plan is intended to be in compliance with the requirements of Rule 16b-3 as promulgated under Section 16 of the 1934 Act.

11.5 *Governing Law* . The Plan shall be governed by and construed in accordance with the laws of the State of Alabama.

11.6 *Additional Provisions By Committee* . The Option Agreements authorized under the Plan may contain such other provisions, including, without limitation, restrictions upon the exercise of an Option, as the Committee shall deem advisable.

11.7 *Plan Document Controls* . In the event of any conflict between the provisions of an Option Agreement and the Plan, the Plan shall control.

11.8 *Gender and Number* . Wherever applicable, the masculine pronoun shall include the feminine pronoun, and the singular shall include the plural.

11.9 *Headings* . The titles in this Plan are inserted for convenience of reference; they constitute no part of the Plan and are not to be considered in the construction hereof.

11.10 *Legal References* . Any references in this Plan to a provision of law which is, subsequent to the Effective Date of this Plan, revised, modified, finalized or redesignated, shall automatically be deemed a reference to such revised, modified, finalized or redesignated provision of law.

11.11 *No Rights to Perform Services* . Nothing contained in the Plan, or any modification thereof, shall be construed to give any individual any rights to perform services for the Company or any parent or subsidiary corporation of the Company.

11.12 *Unfunded Arrangement* . The Plan shall not be funded, and except for reserving a sufficient number of authorized shares to the extent required by law to meet the requirements of the Plan, the Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any grant under the Plan.

**ADOPTED BY BOARD OF DIRECTORS ON JANUARY 24, 2005,
EFFECTIVE AS OF MAY 18, 2005**

APPROVED BY SHAREHOLDERS ON MAY 18, 2005

**ADTRAN, INC.
2005 DIRECTORS STOCK OPTION PLAN
NONQUALIFIED STOCK OPTION AGREEMENT**

This Nonqualified Stock Option Agreement (the "Agreement") is entered into as of the ____ day of _____, _____, by and between ADTRAN, Inc. (the "Company") and _____ ("Optionee").

WITNESSETH:

WHEREAS, the Company has adopted the ADTRAN, Inc. 2005 Directors Stock Option Plan (the "Plan") which is administered by a committee appointed by the Company's Board of Directors (the "Committee"); and

WHEREAS, effective as of _____, _____, the Committee granted to Optionee a nonqualified stock option under, and in accordance with, the terms of the Plan to reward Optionee for his efforts on behalf of the Company and to encourage his continued loyalty and diligence; and

WHEREAS, to comply with the terms of the Plan and to further the interests of the Company and Optionee, the parties hereto have set forth the terms of such option in writing in this Agreement;

NOW, THEREFORE, for and in consideration of the premises and mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. *Grant of Option*. Effective as of _____, _____, the Optionee was granted a nonqualified stock option under the Plan. Under that option and subject to the terms and conditions set forth herein, Optionee shall have the right to purchase 10,000 shares of the \$0.01 par value common stock of the Company (the "Common Stock"); such 10,000 shares hereinafter are referred to as the "Optioned Shares", and this option hereinafter is referred to as the "Option". The Option is intended to be a nonqualified stock option.

2. *Option Price*. The price per share for each of the Optioned Shares shall be \$ _____ (the "Option Price"), which is equal to 100% of the per share Fair Market Value of the Optioned Shares on the date of grant specified above.

3. *Exercise of Option*.

(a) *General*. The Option may be exercised by Optionee's delivery to the Secretary of the Company of a written notice of exercise executed by Optionee (the "Notice of

Exercise”). The Notice of Exercise shall be substantially in the form set forth as Exhibit A, attached hereto and made a part hereof, and shall identify the Option and the number of Optioned Shares that are being exercised.

(b) *Beginning of Exercise Period* . The Option first shall become exercisable (*i.e.* , vested) as of the first anniversary of the date of grant of the Option; provided, if Optionee ceases to be a Director, his rights with regard to all non-vested Options under this schedule shall cease immediately. Notwithstanding the foregoing, the Option shall become 100% vested immediately upon the death or Disability of Optionee or upon a Change of Control of the Company.

(c) *Partial Exercise* . Optionee may exercise the Option for less than the full number of exercisable Optioned Shares, but such exercise may not be made for less than 100 shares or the total remaining shares subject to the Option, if less than 100 shares.

4. *Termination of Option* . Notwithstanding any provisions to the contrary herein, the Option shall not be exercisable either in whole or in part after the earliest of:

(a) Ten years from the date of grant;

(b) The date that is immediately prior to the first anniversary of the date on which Optionee dies (i) while a Director, (ii) within the three-month period that begins on the date on which Optionee ceases to be a Director for any reason other than death or Disability or (iii) within the one-year period that begins on the date on which Optionee ceases to be a Director due to Disability;

(c) The date of expiration of the one-year period that begins on the date on which Optionee ceases to be a Director due to Disability; provided, if Optionee dies during such one-year period, the terms of subsection (b) shall control;

(d) The date of expiration of the three-month period that begins on the date on which Optionee ceases to be a Director for any reason other than death or Disability; provided, if Optionee dies during such one-year period, the terms of subsection (b) shall control;

(e) The date on which the Company gives notice (or is deemed to have given notice) to Optionee of his termination of service as a director for Cause, as described in Section 6.9(a) of the Plan; or

(f) Such other earlier date as may be required under the terms of the Plan.

5. *Option Non-Transferable* . The Option shall not be transferable by Optionee other than by will or by the laws of descent and distribution, and any purported transfer shall be null and void. During the lifetime of Optionee, the Option shall be exercisable only by Optionee (or, if he becomes disabled or otherwise incapacitated, by the guardian of his property or his duly appointed attorney-in-fact), and shall not be assignable or transferable by Optionee and, subject to Section 6 hereof, no other person shall acquire any rights in the Option.

6. *Death of Optionee and Transfer of Option* . In the event of the death of Optionee while a Director, within a period of one year after the termination of his service as a Director due to Disability, or within a three-month period after the director ceases to be a Director for any reason other than for Cause, all or any of the unexercised portion of the Option owned by the deceased Optionee may be exercised by Optionee's Beneficiary at any time prior to the first anniversary of the date of the death of Optionee, but in no event later than the date as of which such Option expires pursuant to Section 4 hereof. Such exercise shall be effected in accordance with the terms hereof as if such Beneficiary was Optionee herein. The Optionee agrees that the following individual shall initially be his Beneficiary:

Name: _____

Address: _____

Any subsequent modification of the Optionee's Beneficiary shall be made pursuant to the terms and provisions of the Plan.

7. *Medium and Time of Payment of Option Price* .

(a) *General* . The Option Price shall be payable by Optionee (or his Beneficiary in accordance with Section 6 hereof) upon exercise of the Option and shall be paid in cash, in shares of the Common Stock, or any combination thereof.

(b) *Payment in Shares of the Common Stock* . If Optionee pays all or part of the Option Price with shares of the Common Stock, the following conditions shall apply:

(i) Optionee shall deliver to the Secretary of the Company shares of the Common Stock that have been owned by the Optionee for at least six months, guaranteed or notarized, with such documentation as the Committee may require, or in such other manner as the Committee may require;

(ii) Such shares shall be valued on the basis of the Fair Market Value of the Common Stock on the date of exercise pursuant to the terms of the Plan; and

(iii) The value of such Common Stock shall be less than or equal to the Option Price. If Optionee delivers Common Stock with a value that is less than the Option Price, then Optionee shall pay the balance of the Option Price in cash.

8. *Agreement of Optionee* . Optionee acknowledges that he has read Article VIII of the Plan and understands that certain restrictions may apply with respect to shares of the Common Stock acquired by him pursuant to his exercise of the Option (including restrictions on resale applicable to "affiliates" under Rule 144 of the Securities Act of 1933, as amended, and restrictions on resale applicable to shares of the Common Stock that have not been registered under the Securities Act of 1933, as amended, and applicable state securities laws). Optionee hereby agrees to execute such documents and take such actions as the Company may require with respect to state and federal securities laws and any restrictions on the resale of such shares which may pertain.

9. *Delivery of Stock Certificates* . As promptly as practical after the date of exercise of the Option and the receipt by the Company of full payment therefor, and satisfaction of any other conditions provided under the Plan, the Company shall deliver to Optionee a stock certificate representing the shares of the Common Stock acquired by Optionee pursuant to his exercise of the Option.

10. *Notices* . All notices or other communications hereunder shall be in writing and shall be effective (i) when personally delivered by courier (including overnight carriers) or otherwise to the party to be given such notice or other communication or (ii) on the third business day following the date deposited in the United States mail if such notice or other communication is sent by certified or registered mail with return receipt requested and postage thereon fully prepaid. The addresses for such notices shall be as follows:

If to the Company:

ADTRAN, Inc.
Attention: Corporate Secretary
901 Explorer Boulevard
Huntsville, AL 35814-4000

If to Optionee:

Any party hereto, by notice to the other party hereunder, may change its address for receipt of notices hereunder.

11. *Other Terms and Conditions* . In addition to the terms and conditions set forth herein, the Option is subject to and governed by the other terms and conditions set forth in the Plan, each of which is hereby incorporated by reference. In the event of any conflict between the provisions of this Agreement and the Plan, the Plan shall control.

12. *Miscellaneous* .

(a) The granting of the Option and the execution of this Agreement shall not give Optionee any rights to similar grants in future years or any right to be retained in the service of the Company or to interfere in any way with the right of the Company to terminate Optionee's services at any time.

(b) Unless and except as otherwise specifically provided in this Agreement, Optionee shall have no rights of a stockholder with respect to any shares covered by the Option until the date of issuance of a stock certificate to him for such shares.

(c) If any term, provision, covenant or restriction contained in this Agreement is held by a court or a federal regulatory agency of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions contained in this Agreement shall remain in full force and effect, and shall in no way be affected, impaired or invalidated. If for any reason such court or regulatory agency determines that this Agreement will not permit Optionee to acquire the full number of Optioned Shares as provided in Section 1 hereof, it is the express intention of the Company to allow Optionee to acquire such lesser number of shares as may be permissible without any amendment or modification hereof.

(d) This Agreement shall be construed and enforced in accordance with the laws of the State of Alabama.

(e) This Agreement, together with the Plan, contains the entire understanding between the parties and supersedes any prior understanding and agreements between them representing the subject matter hereof. There are no representations, agreements, arrangements or understandings, oral or written, between and among the parties hereto relating to the subject matter hereof which are not fully expressed herein, or in the Plan.

(f) Section and other headings contained in this Agreement are for reference purposes only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

(g) This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which shall constitute one agreement, and the signatures of any party or any counterpart shall be deemed to be a signature to, and may be appended to, any other counterpart.

(h) All capitalized terms in this Agreement shall be construed in accordance with their defined terms under the Plan.

IN WITNESS WHEREOF , the parties hereto have executed this Agreement as of the first date written above.

ADTRAN, INC.

By: _____

Title: _____

OPTIONEE:

Signature

Print or type name

EXHIBIT A

ADTRAN, INC.
2005 DIRECTORS STOCK OPTION PLAN

NOTICE OF EXERCISE FOR NONQUALIFIED STOCK OPTION AGREEMENT

This Notice of Exercise is given pursuant to the terms of the Nonqualified Stock Option Agreement, dated _____, _____, between ADTRAN, Inc. (the "Company") and the undersigned Optionee (the "Agreement"), which Agreement represents Nonqualified Stock Option No. _____ and which is made a part hereof and incorporated herein by reference.

EXERCISE OF OPTION . Optionee hereby exercises his option to purchase _____ of his Optioned Shares. Optionee hereby delivers, together with this written statement of exercise, the full Option Price with respect to the exercised Optioned Shares, which consists of: [COMPLETE ONLY ONE]

- cash in the total amount of \$ _____.
- _____ shares of the Company's Common Stock.
- cash in the total amount of \$ _____ and _____ shares of the Company's Common Stock.

ACKNOWLEDGMENT . Optionee hereby acknowledges that, to the extent he is an "affiliate" of the Company (as that term is defined in Rule 144 promulgated under the Securities Act of 1933, as amended) or to the extent that the Optioned Shares have not been registered under the Securities Act of 1933, as amended, or applicable state securities laws, any shares of the Company's Common Stock acquired by him as a result of his exercise of the Option pursuant to this Notice are subject to, and the certificates representing such shares shall be legended to reflect, certain trading restrictions under applicable securities laws (including particularly the Securities and Exchange Commission's Rule 144), all as described in Article VIII of the Plan, and Optionee hereby agrees to comply with all such restrictions and to execute such documents or take such other actions as the Company may require in connection with such restrictions.

Executed this ____ day of _____, _____.

OPTIONEE:

Signature

Print or Type Name

ADTRAN, Inc. hereby acknowledges receipt of this Notice of Exercise and receipt of payment in the form and amount indicated above, all on this ____ day of _____, _____.

ADTRAN, INC.

By: _____

Title: _____

ADTRAN, INC.
2005 DIRECTORS STOCK OPTION PLAN

NONQUALIFIED STOCK OPTION AGREEMENT

This Nonqualified Stock Option Agreement (the "Agreement") is entered into as of the ____ day of _____, _____, by and between ADTRAN, Inc. (the "Company") and _____ ("Optionee").

WITNESSETH:

WHEREAS, the Company has adopted the ADTRAN, Inc. 2005 Directors Stock Option Plan (the "Plan") which is administered by a committee appointed by the Company's Board of Directors (the "Committee"); and

WHEREAS, effective as of December 31, _____, the Committee granted to Optionee a nonqualified stock option under, and in accordance with, the terms of the Plan to reward Optionee for his efforts on behalf of the Company and to encourage his continued loyalty and diligence; and

WHEREAS, to comply with the terms of the Plan and to further the interests of the Company and Optionee, the parties hereto have set forth the terms of such option in writing in this Agreement;

NOW, THEREFORE, for and in consideration of the premises and mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. *Grant of Option*. Effective as of December 31, _____, the Optionee was granted a nonqualified stock option under the Plan. Under that option and subject to the terms and conditions set forth herein, Optionee shall have the right to purchase 5,000 shares of the \$0.01 par value common stock of the Company (the "Common Stock"); such 5,000 shares hereinafter are referred to as the "Optioned Shares", and this option hereinafter is referred to as the "Option". The Option is intended to be a nonqualified stock option.

2. *Option Price*. The price per share for each of the Optioned Shares shall be \$ _____ (the "Option Price"), which is equal to 100% of the per share Fair Market Value of the Optioned Shares on the date of grant specified above.

3. *Exercise of Option*.

(a) *General*. The Option may be exercised by Optionee's delivery to the Secretary of the Company of a written notice of exercise executed by Optionee (the "Notice of

Exercise”). The Notice of Exercise shall be substantially in the form set forth as Exhibit A, attached hereto and made a part hereof, and shall identify the Option and the number of Optioned Shares that are being exercised.

(b) *Beginning of Exercise Period* . The Option first shall become exercisable (*i.e.* , vested) as of the first anniversary of the date of grant of the Option; provided, if Optionee ceases to be a Director, his rights with regard to all non-vested Options under this schedule shall cease immediately. Notwithstanding the foregoing, the Option shall become 100% vested immediately upon the death or Disability of Optionee or upon a Change of Control of the Company.

(c) *Partial Exercise* . Optionee may exercise the Option for less than the full number of exercisable Optioned Shares, but such exercise may not be made for less than 100 shares or the total remaining shares subject to the Option, if less than 100 shares.

4. *Termination of Option* . Notwithstanding any provisions to the contrary herein, the Option shall not be exercisable either in whole or in part after the earliest of:

(a) Ten years from the date of grant;

(b) The date that is immediately prior to the first anniversary of the date on which Optionee dies (i) while a Director, (ii) within the three-month period that begins on the date on which Optionee ceases to be a Director for any reason other than death or Disability or (iii) within the one-year period that begins on the date on which Optionee ceases to be a Director due to Disability;

(c) The date of expiration of the one-year period that begins on the date on which Optionee ceases to be a Director due to Disability; provided, if Optionee dies during such one-year period, the terms of subsection (b) shall control;

(d) The date of expiration of the three-month period that begins on the date on which Optionee ceases to be a Director for any reason other than death or Disability; provided, if Optionee dies during such one-year period, the terms of subsection (b) shall control;

(e) The date on which the Company gives notice (or is deemed to have given notice) to Optionee of his termination of service as a Director for Cause, as described in Section 6.9(a) of the Plan; or

(f) Such other earlier date as may be required under the terms of the Plan.

5. *Option Non-Transferable* . The Option shall not be transferable by Optionee other than by will or by the laws of descent and distribution, and any purported transfer shall be null and void. During the lifetime of Optionee, the Option shall be exercisable only by Optionee (or, if he becomes disabled or otherwise incapacitated, by the guardian of his property or his duly appointed attorney-in-fact), and shall not be assignable or transferable by Optionee and, subject to Section 6 hereof, no other person shall acquire any rights in the Option.

6. *Death of Optionee and Transfer of Option* . In the event of the death of Optionee while a Director, within a period of one year after the termination of his service as a Director due to Disability, or within a three-month period after the director ceases to be a Director for any reason other than for Cause, all or any of the unexercised portion of the Option owned by the deceased Optionee may be exercised by Optionee's Beneficiary at any time prior to the first anniversary of the date of the death of Optionee, but in no event later than the date as of which such Option expires pursuant to Section 4 hereof. Such exercise shall be effected in accordance with the terms hereof as if such Beneficiary was Optionee herein. The Optionee agrees that the following individual shall initially be his Beneficiary:

Name: _____

Address: _____

Any subsequent modification of the Optionee's Beneficiary shall be made pursuant to the terms and provisions of the Plan.

7. *Medium and Time of Payment of Option Price.*

(a) *General* . The Option Price shall be payable by Optionee (or his Beneficiary in accordance with Section 6 hereof) upon exercise of the Option and shall be paid in cash, in shares of the Common Stock, or any combination thereof.

(b) *Payment in Shares of the Common Stock* . If Optionee pays all or part of the Option Price with shares of the Common Stock, the following conditions shall apply:

(i) Optionee shall deliver to the Secretary of the Company shares of the Common Stock that have been owned by the Optionee for at least six months, guaranteed or notarized, with such documentation as the Committee may require, or in such other manner as the Committee may require;

(ii) Such shares shall be valued on the basis of the fair market value of the Common Stock on the date of exercise pursuant to the terms of the Plan; and

(iii) The value of such Common Stock shall be less than or equal to the Option Price. If Optionee delivers Common Stock with a value that is less than the Option Price, then Optionee shall pay the balance of the Option Price in cash.

8. *Agreement of Optionee* . Optionee acknowledges that he has read Article VIII of the Plan and understands that certain restrictions may apply with respect to shares of the Common Stock acquired by him pursuant to his exercise of the Option (including restrictions on resale applicable to "affiliates" under Rule 144 of the Securities Act of 1933, as amended, and restrictions on resale applicable to shares of the Common Stock that have not been registered under the Securities Act of 1933, as amended, and applicable state securities laws). Optionee hereby agrees to execute such documents and take such actions as the Company may require with respect to state and federal securities laws and any restrictions on the resale of such shares which may pertain.

9. *Delivery of Stock Certificates* . As promptly as practical after the date of exercise of the Option and the receipt by the Company of full payment therefor, and satisfaction of any other conditions provided under the Plan, the Company shall deliver to Optionee a stock certificate representing the shares of the Common Stock acquired by Optionee pursuant to his exercise of the Option.

10. *Notices* . All notices or other communications hereunder shall be in writing and shall be effective (i) when personally delivered by courier (including overnight carriers) or otherwise to the party to be given such notice or other communication or (ii) on the third business day following the date deposited in the United States mail if such notice or other communication is sent by certified or registered mail with return receipt requested and postage thereon fully prepaid. The addresses for such notices shall be as follows:

If to the Company:

ADTRAN, Inc.
Attention: Corporate Secretary
901 Explorer Boulevard
Huntsville, AL 35814-4000

If to Optionee:

Any party hereto, by notice to the other party hereunder, may change its address for receipt of notices hereunder.

11. *Other Terms and Conditions* . In addition to the terms and conditions set forth herein, the Option is subject to and governed by the other terms and conditions set forth in the Plan, which is hereby incorporated by reference. In the event of any conflict between the provisions of this Agreement and the Plan, the Plan shall control.

12. *Miscellaneous*.

(a) The granting of the Option and the execution of this Agreement shall not give Optionee any rights to similar grants in future years or any right to be retained in the service of the Company or to interfere in any way with the right of the Company to terminate Optionee's services at any time.

(b) Unless and except as otherwise specifically provided in this Agreement, Optionee shall have no rights of a stockholder with respect to any shares covered by the Option until the date of issuance of a stock certificate to him for such shares.

(c) If any term, provision, covenant or restriction contained in this Agreement is held by a court or a federal regulatory agency of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions contained in this Agreement shall remain in full force and effect, and shall in no way be affected, impaired or invalidated. If for any reason such court or regulatory agency determines that this Agreement will not permit Optionee to acquire the full number of Optioned Shares as provided in Section 1 hereof, it is the express intention of the Company to allow Optionee to acquire such lesser number of shares as may be permissible without any amendment or modification hereof.

(d) This Agreement shall be construed and enforced in accordance with the laws of the State of Alabama.

(e) This Agreement, together with the Plan, contains the entire understanding between the parties and supersedes any prior understanding and agreements between them representing the subject matter hereof. There are no representations, agreements, arrangements or understandings, oral or written, between and among the parties hereto relating to the subject matter hereof which are not fully expressed herein, or in the Plan.

(f) Section and other headings contained in this Agreement are for reference purposes only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

(g) This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which shall constitute one agreement, and the signatures of any party or any counterpart shall be deemed to be a signature to, and may be appended to, any other counterpart.

(h) All capitalized terms in this Agreement shall be construed in accordance with their defined terms under the Plan.

IN WITNESS WHEREOF , the parties hereto have executed this Agreement as of the first date written above.

ADTRAN, INC.

By: _____

Title: _____

OPTIONEE:

Signature

Print or type name

EXHIBIT A

ADTRAN, INC.
2005 DIRECTORS STOCK OPTION PLAN

NOTICE OF EXERCISE FOR NONQUALIFIED STOCK OPTION AGREEMENT

This Notice of Exercise is given pursuant to the terms of the Nonqualified Stock Option Agreement, dated _____, _____, between ADTRAN, Inc. (the "Company") and the undersigned Optionee (the "Agreement"), which Agreement represents Nonqualified Stock Option No. _____ and which is made a part hereof and incorporated herein by reference.

EXERCISE OF OPTION . Optionee hereby exercises his option to purchase _____ of his Optioned Shares. Optionee hereby delivers, together with this written statement of exercise, the full Option Price with respect to the exercised Optioned Shares, which consists of: [COMPLETE ONLY ONE]

- cash in the total amount of \$ _____.
- _____ shares of the Company's Common Stock.
- cash in the total amount of \$ _____ and _____ shares of the Company's Common Stock.

ACKNOWLEDGMENT . Optionee hereby acknowledges that, to the extent he is an "affiliate" of the Company (as that term is defined in Rule 144 promulgated under the Securities Act of 1933, as amended) or to the extent that the Optioned Shares have not been registered under the Securities Act of 1933, as amended, or applicable state securities laws, any shares of the Company's Common Stock acquired by him as a result of his exercise of the Option pursuant to this Notice are subject to, and the certificates representing such shares shall be legended to reflect, certain trading restrictions under applicable securities laws (including particularly the Securities and Exchange Commission's Rule 144), all as described in Article VIII of the Plan, and Optionee hereby agrees to comply with all such restrictions and to execute such documents or take such other actions as the Company may require in connection with such restrictions.

Executed this ____ day of _____, _____.

OPTIONEE:

Signature

Print or Type Name

ADTRAN, Inc. hereby acknowledges receipt of this Notice of Exercise and receipt of payment in the form and amount indicated above, all on this ____ day of _____, _____.

ADTRAN, INC.

By: _____

Title: _____