

# ADTRAN INC

## FORM 10-Q (Quarterly Report)

Filed 8/14/2000 For Period Ending 6/30/2000

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

# SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

## FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934  
For the Quarterly Period Ended June 30, 2000

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)

(256) 963-8000  
(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 July 31, 2000
----- Common Stock, \$.01 Par Value	----- 38,692,386 shares

**ADTRAN, INC.**  
Quarterly Report on Form 10-Q  
For the Quarter Ended June 30, 2000

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**ADTRAN, INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

ASSETS	June 30, 2000 ----	December 31, 1999 ----
	(Unaudited)	
<b>Current assets:</b>		
Cash and cash equivalents.....	\$ 23,599,150	\$ 37,500,674
Short-term investments.....	61,678,506	41,080,776
Accounts receivable, less allowance for doubtful accounts of \$956,410 and \$1,018,400 in 2000 and 1999, respectively.....	68,465,342	60,036,876
Other receivables.....	5,516,419	4,458,525
Inventory.....	68,796,454	58,568,773
Prepaid expenses.....	3,264,408	1,410,286
Deferred income taxes.....	4,069,937	4,069,937
	-----	-----
Total current assets.....	235,390,216	207,125,847
Property, plant and equipment, less accumulated depreciation of \$46,092,360 and \$40,416,461 in 2000 and 1999, respectively.....	116,674,840	104,587,755
Other assets.....	220,000	220,000
Long-term investments.....	326,556,039	244,362,579
	-----	-----
	\$678,841,095	\$556,296,181
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable.....	\$ 19,582,889	\$ 12,773,848
Accrued salaries.....	1,662,790	3,240,692
Accrued income taxes.....	1,478,074	6,096,459
Accrued taxes other than income taxes.....	883,270	728,077
Warranty liability.....	1,519,945	1,519,945
Compensated absences.....	1,998,624	1,619,534
	-----	-----
Total current liabilities.....	27,125,592	25,978,555
<b>Long term liabilities:</b>		
Bonds payable.....	50,000,000	50,000,000
Deferred income taxes.....	111,307,146	80,265,155
	-----	-----
Total liabilities.....	188,432,738	156,243,710
	-----	-----
<b>Stockholders' equity:</b>		
Common stock, par value \$.01 per share 200,000,000 shares authorized: 39,466,664 and 39,446,644 shares issued in 2000 and 1999, respectively.....	394,467	394,466
Additional paid-in capital.....	90,830,257	90,832,913
Accumulated other comprehensive income.....	165,141,125	116,000,000
Retained earnings.....	250,276,450	214,834,541
Less treasury stock at cost: 771,106 and 1,047,225 shares in 2000 and 1999, respectively.....	(16,233,942)	(22,009,449)
	-----	-----
Total stockholders' equity.....	490,408,357	400,052,471
	-----	-----
	\$678,841,095	\$556,296,181
	=====	=====

See notes to condensed consolidated financial statements

**ADTRAN, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2000	1999	2000	1999
Sales.....	\$114,446,655	\$88,506,872	\$213,917,006	\$165,669,520
Cost of sales.....	52,776,203	45,151,016	97,842,065	82,635,552
	-----	-----	-----	-----
Gross profit.....	61,670,452	43,355,856	116,074,941	83,033,968
Selling, general and administrative expenses.....	21,427,211	17,463,138	40,099,910	34,218,521
Research and development expenses.....	12,993,822	10,362,428	24,255,790	20,059,091
	-----	-----	-----	-----
Income from operations.....	27,249,419	15,530,290	51,719,241	28,756,356
Interest expense.....	(576,333)	(576,333)	(1,152,667)	(1,146,333)
Other income, net.....	1,581,686	1,160,678	3,134,737	2,204,616
	-----	-----	-----	-----
Income before income taxes.....	28,254,772	16,114,635	53,701,311	29,814,639
Provision for income taxes.....	(9,606,622)	(5,398,403)	(18,258,687)	(9,987,904)
	-----	-----	-----	-----
Net income.....	\$ 18,648,150	\$10,716,232	\$ 35,442,624	\$ 19,826,735
	=====	=====	=====	=====
Weighted average shares outstanding assuming dilution (1)..	39,840,435	38,552,383	39,869,569	38,482,792
	=====	=====	=====	=====
Earnings per common share assuming dilution (1).....	\$ .47	\$ .28	\$ .89	\$ .51
	=====	=====	=====	=====
Earnings per common share - basic.....	\$ .48	\$ .28	\$ .92	\$ .52
	=====	=====	=====	=====

(1) Assumes exercise of dilutive stock options calculated under the treasury stock method.

See notes to condensed consolidated financial statements

**ADTRAN, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Six Months Ended June 30,	
	2000	1999
	----	----
Cash flows from operating activities:		
Net income.....	\$ 35,442,624	\$ 19,826,735
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation.....	6,004,577	5,246,222
Provisions for losses on warranty claims.....	3,425,575	0
Gain on sale of property, plant and equipment.....	0	(5,000)
Loss on short-term investments.....	86,218	37,050
Change in operating assets:		
Accounts receivable.....	(8,428,466)	(14,659,594)
Inventory.....	(13,653,260)	10,252,107
Other receivables.....	(1,059,635)	(780,768)
Prepaid expenses.....	(1,854,122)	(163,484)
Deferred Income taxes.....	(1,041,883)	0
Change in operating liabilities:		
Accounts payable.....	6,377,678	6,948,462
Accrued salaries.....	(1,577,903)	2,673,864
Accrued income taxes.....	(4,618,385)	1,650,204
Accrued taxes other than income taxes.....	155,193	225,057
Other payables.....	431,364	0
Compensated absences.....	379,090	210,098
	20,068,665	31,460,953
	-----	-----
Cash flows from investing activities:		
Expenditures for property, plant and equipment.....	(18,090,491)	(19,543,744)
Proceeds from the disposition of property, plant and equipment....	0	5,000
Redemption (Purchase) of short-term investments.....	(20,683,948)	16,625,910
Purchase of long-term investments.....	(968,460)	(699,945)
	(39,742,899)	(3,612,779)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of common stock.....	5,772,711	61,207
Purchase of treasury stock.....	0	(318,750)
	5,772,711	(257,543)
	-----	-----
Net (decrease) increase in cash and cash equivalents.....	(13,901,523)	27,590,631
Cash and cash equivalents, beginning of period.....	37,500,674	10,009,320
	\$ 23,599,151	\$ 37,599,951
	=====	-----

See notes to condensed consolidated financial statements

ADTRAN, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS  
(Unaudited)

1. BASIS OF PRESENTATION

The interim condensed balance sheet of ADTRAN, Inc. at December 31, 1999 has been derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. The accompanying unaudited condensed financial statements of ADTRAN 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. 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, 2000 are not necessarily indicative of the results that may be expected to occur for the year ending December 31, 2000. The interim statements should be read in conjunction with the financial statements and notes thereto included in ADTRAN's latest Annual Report on Form 10-K.

2. INVENTORY

At June 30, 2000 and December 31, 1999, inventory consisted of the following:

	June 30, 2000 ----	December 31, 1999 ----
Raw materials	\$40,144,954	\$30,143,435
Work in progress	15,197,510	15,763,155
Finished goods	13,453,990	12,662,183
	-----	-----
	\$68,796,454	\$58,568,773
	=====	=====

### 3. EARNINGS PER SHARE

A summary of the calculation of basic and diluted earnings per share (EPS) for the three months and six months ended June 30, 2000 and 1999 is as follows:

	For the Three Months Ended June 30, 2000		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	\$18,648,150	38,667,341	\$0.48
Effect of Dilutive Securities			
Stock Options	0	1,173,094	
Diluted EPS			
Income available to common stockholders + assumed conversions	\$18,648,150	39,840,435	\$0.47

  

	For the Six Months Ended June 30, 2000		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	\$35,442,624	38,611,437	\$.92
Effect of Dilutive Securities			
Stock Options	0	1,258,132	
Diluted EPS			
Income available to common stockholders + assumed conversions	\$35,442,624	39,869,569	\$.89



**Earnings Per Share (continued)**

	For the Three Months Ended June 30, 1999		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	\$10,716,232	38,314,483	\$0.28
Effect of Dilutive Securities			
Stock Options	0	237,900	
Diluted EPS			
Income available to common stockholders + assumed conversions	\$10,716,232	38,552,383	\$0.28
	For the Six Months Ended June 30, 1999		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	\$19,826,735	38,320,374	\$0.52
Effect of Dilutive Securities			
Stock Options	0	162,418	
Diluted EPS			
Income available to common stockholders + assumed conversions	\$19,826,735	38,482,792	\$0.51

**4. SEGMENT INFORMATION**

ADTRAN, Inc. operates two reportable segments - (1) the Carrier Network Division (formerly Telco) and (2) the Enterprise Network Division (formerly Customer Premise Equipment). ADTRAN evaluates the performance of its segments based on gross profit; therefore, selling, general and administrative costs, as well as research and development, interest income/expense, and the provision for taxes are reported on an entity wide basis only. There are no intersegment revenues.

The table below presents information about the reported sales and gross profit of ADTRAN for the three months and six months ended June 30, 2000 and 1999. Asset information by reportable segment is not reported, since ADTRAN does not produce such information internally.

	Three Months Ended June 30, 2000		Six Months Ended June 30, 2000	
	Sales	Gross Profit	Sales	Gross Profit
(in thousands)				
Carrier Network	\$ 77,053,480	\$40,313,974	\$144,589,269	\$ 76,422,233
Enterprise Network	37,393,175	21,356,478	69,327,737	39,652,708
Total	\$114,446,655	\$61,670,452	\$213,917,006	\$116,074,941

  

	Three Months Ended June 30, 2000		Six Months Ended June 30, 2000	
	Sales	Gross Profit	Sales	Gross Profit
(in thousands)				
Carrier Network	\$ 56,624,433	\$27,704,392	\$104,276,102	\$ 52,111,749
Enterprise Network	31,882,439	15,651,464	61,393,418	30,922,219
Total	\$ 88,506,872	\$43,355,856	\$165,669,520	\$ 83,033,968

The following table presents sales information by geographic area for the three months and six months ended June 30, 2000 and 1999.

Sales (in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2000	June 30, 1999	June 30, 2000	June 30, 1999
United States	\$112,268,918	\$85,364,394	\$208,711,367	\$161,087,975
Foreign	2,177,737	2,692,478	5,205,639	4,581,545
Total	\$114,446,655	\$88,506,872	\$213,917,006	\$165,669,520

## 5. SUBSEQUENT EVENTS.

During July 2000, ADTRAN sold certain marketable equity securities (included in long-term investments in the accompanying condensed consolidated balance sheet) for \$85,932,536 net of transaction cost of \$4,705,670, resulting in a realized gain of \$85,356,467. The realized gain will be reflected in the financial statements of ADTRAN in the third quarter 2000.

## **Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS**

### **OF OPERATIONS**

#### **Overview**

ADTRAN, Inc. 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. We currently sell our products to Telcos including all Regional Bell Operating Companies (through what is now referred to as our Carrier Network Division), and to private end-users through our Enterprise Network Division (formerly known as the Customer Premises Equipment or CPE Division).

ADTRAN'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 our 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 ADTRAN'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, we seek in most instances to be a low-cost, high-quality provider of products in our markets. ADTRAN's success to date is attributable in large measure to our ability to initially design our products with a view to their subsequent re-design, allowing efficient enhancements of the product in each succeeding product generation. This strategy enables ADTRAN to sell succeeding generations of products to existing customers while increasing our market share by selling these enhanced products to new customers.

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

When used in this Form 10-Q, the words "believe," "anticipate," "think," "intend," "will be," and similar expressions identify forward-looking statements. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof. Readers are also urged to carefully review and consider the various disclosures made by ADTRAN which attempt to advise interested parties of the factors which affect our business, including the disclosures made in other periodic reports on Forms 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission.

## **RESULTS OF OPERATIONS - THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2000 COMPARED TO THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 1999**

### **SALES**

ADTRAN's sales increased 29.3% from \$88,506,872 in the three months ended June 30, 1999 to \$114,446,655 in the three months ended June 30, 2000. Sales increased 29.1% from \$165,669,520 in the six months ended June 30, 1999 to \$213,917,006 in the six months ended June 30, 2000. The increased sales resulted from an increase in sales volume to existing customers and from increased market penetration. Carrier Network sales increased from \$56,624,433 in the three months ended June 30, 1999 to \$77,053,480 in the three months ended June 30, 2000 and increased from \$104,276,102 in the six months ended June 30, 1999 to \$144,589,269 in the six months ended June 30, 2000. Carrier Network sales for the 2000 period increased primarily from continued success of High bit-rate Digital Subscriber Line ("HDSL") products and strong sequential growth in our Systems products. Carrier Network sales as a percentage of total sales increased from 64.0% in the three months ended June 30, 1999 to 67.3% in the three months ended June 30, 2000 and increased from 62.9% in the six months ended June 30, 1999 to 67.5% in the six months ended June 30, 2000. Sales of Enterprise Network products increased from \$31,882,439 in the three months ended June 30, 1999 to \$37,393,175 in the three months ended June 30, 2000. The increase was also due to strong growth in our Systems products as well as increased sales of "T-1" products, (a digital transmission link with a capacity of 1.544 Megabits per second used predominantly in North America). Sales of Enterprise Network products increased 12.9% from \$61,393,418 in the six months ended June 30, 1999 to \$69,327,737 in the six months ended June 30, 2000. As a percentage of sales, Enterprise Network sales decreased from 36.0% in the three months ended June 30, 1999 to 32.7% in the three months ended June 30, 2000 and decreased from 37.1% in the six months ended June 30, 1999 to 32.5% in the six months ended June 30, 2000. The financial effect of the increase in overall unit volume was offset somewhat by lower unit selling prices for many of ADTRAN's products.

### **COST OF SALES**

Cost of sales increased 16.9% from \$45,151,016 in the three months ended June 30, 1999 to \$52,776,203 in the three months ended June 30, 2000 and increased 18.4% from \$82,635,552 in the six months ended June 30, 1999 to \$97,842,065 in the six months ended June 30, 2000. As a percentage of sales, cost of sales decreased from 51.0% in the three months ended June 30, 1999 to 46.1% in the three months ended June 30, 2000 and decreased from 49.9% in the six months ended June 30, 1999 to 45.7% in the six months ended June 30, 2000. An important part of ADTRAN'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 strategy sometimes results in variations in ADTRAN's gross profit margin due to timing differences between the recognition of cost reductions and the lowering of product selling prices. In view of the rapid pace of new product introductions by ADTRAN, 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**

Selling, general and administrative expenses increased 22.7% from \$17,463,138 in the three months ended June 30, 1999 to \$21,427,211 in the three months ended June 30, 2000 and increased 17.2% from \$34,218,521 in the six months ended June 30, 1999 to \$40,099,910 in the six months ended June 30, 2000. The increase was due to additional sales and support expenditures necessary as a result of our expanded sales base. Selling, general and administrative expenses as a percentage of sales decreased from 19.7% in the three months ended June 30, 1999 to 18.7% in the three months ended June 30, 2000 and decreased from 20.7% in the six months ended June 30, 1999 and 18.8% in the six months ended June 30, 2000. Sales and support organization expansion, which resulted in increased costs during the quarter, will continue because they are necessary to position ADTRAN to accumulate market share and maintain growth over the longer term.

### **RESEARCH AND DEVELOPMENT EXPENSES**

Research and development expenses increased 25.4% from \$10,362,428 in the three months ended June 30, 1999 to \$12,993,822 in the three months ended June 30, 2000 and increased 20.9% from \$20,059,091 in the six months ended June 30, 1999 to \$24,255,790 in the six months ended June 30, 2000. The increase was due to increased investment in product development and cost reduction through engineering. As a percentage of sales, research and development expenses decreased from 11.7% in the three months ended June 30, 1999 to 11.3% in the three months ended June 30, 2000 and decreased from 12.1% in the six months ended June 30, 1999 to 11.3% in the six months ended June 30, 2000. ADTRAN will continue to invest in these product development activities because they are necessary to position us to accumulate market share and maintain growth over the longer term.

### **INTEREST EXPENSE**

Interest expense remained the same at \$576,333 for the three months ended June 30, 1999 and the three months ended June 30, 2000 and remained relatively unchanged from \$1,146,333 in the six months ended June 30, 1999 to \$1,152,667 in the six months ended June 30, 2000.

### **NET INCOME**

As a result of the above factors, net income increased 74.0% from \$10,716,232 in the three months ended June 30, 1999 to \$18,648,150 in the three months ended June 30, 2000 and increased 78.8% from \$19,826,735 in the six months ended June 30, 1999 to \$35,442,624 in the six months ended June 30, 2000. As a percentage of sales, net income decreased from 12.1% in the three months ended June 30, 1999 to 16.3% in the three months ended June 30, 2000 and increased from 12.0% in the six months ended June 30, 1999 to 16.6% in the six months ended June 30, 2000.

### **Liquidity and Capital Resources**

ADTRAN is committed to spend approximately an additional \$4,500,000 completing the construction of Phase IV of our corporate headquarters in Huntsville, Alabama, with an expected completion date of October 30, 2000. Over the next several years, we expect to spend approximately an additional \$25,000,000 to equip Phase IV. Fifty million dollars of ADTRAN's Phase III expansion was approved for participation in an incentive program offered by the Alabama State Industrial Development Authority (the "Authority"). The incentive program enables participating companies to generate Alabama corporate income tax credits that can be used to reduce the amount of Alabama corporate income taxes that would otherwise be payable. There can be no assurance that the State of Alabama will continue to make these corporate income tax credits available in the future, and ADTRAN therefore may not realize the full benefit of these incentives. Through December 31, 1999, the

Authority had issued \$50,000,000 of its taxable revenue bonds pursuant to the incentive program and loaned the proceeds from the sale of the bonds to ADTRAN. ADTRAN is required to make payments to the Authority in the amounts necessary to pay the principal of and interest on the Authority's Taxable Revenue Bond, Series 1995, as amended, currently outstanding in the aggregate principal amount of \$50,000,000. The bond matures on January 1, 2020, and bears interest at the rate of 45 basis points over the money market rate of First Union National Bank of Tennessee.

ADTRAN's working capital position increased from \$181,147,292 as of December 31, 1999 to \$208,264,624 as of June 30, 2000 due to cash generated from operations. ADTRAN has used, and expects to continue to use, the cash generated from operations 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 17.5% from December 31, 1999 to June 30, 2000. The increase is attributable to our anticipation of increased shipments to existing customers.

On March 31, 1997, the Board of Directors authorized ADTRAN to re-purchase up to 1,000,000 shares of our outstanding common stock. In October 1998, the Board approved the re-purchase of an additional 2,000,000 shares. As of June 30, 2000, we had re-purchased 1,121,017 shares of our common stock at a total cost of \$23,595,265.

Capital expenditures totaling \$36,237,000 for the year ended December 31, 1999 and \$8,832,000 in the first six months of 2000 were used to expand our headquarters and to purchase equipment.

At June 30, 2000, ADTRAN's cash on hand of \$23,599,150 and short-term investments of \$61,678,506 placed our potential cash availability at \$85,277,656, of which a portion is being used to expand ADTRAN's facilities under the incentive program described above. ADTRAN determined not to renew the \$10,000,000 bank line of credit, which expired on March 29, 2000.

During July 2000, ADTRAN sold certain marketable equity securities (included in long-term investments in the accompanying condensed consolidated balance sheet) for \$85,932,536 net of transaction cost of \$4,705,670, resulting in a realized gain of \$85,356,467. The realized gain will be reflected in the financial statements of ADTRAN in the third quarter 2000.

We intend to finance our operations in the future with cash flow from operations and remaining borrowed taxable revenue bond proceeds. We believe these available sources of funds to be adequate to meet our operating and capital needs for the foreseeable future.

**PART II. OTHER INFORMATION**

**Item 4. Submission of Matters to a Vote of Security Holders**

The 2000 Annual Meeting of Stockholders of ADTRAN was held on April 21, 2000. 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 each director 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	32,570,893	1,552,909
Lonnie S. McMillian	32,570,759	1,553,043
Howard A. Thraikill	32,571,229	1,552,573
W. Frank Blount	33,618,699	505,103
William J. Marks	33,637,118	486,684
Roy J. Nichols	33,636,044	487,758
James L. North	33,193,675	930,127

(b) Ratification of the appointment of PricewaterhouseCoopers LLP, (formerly Coopers & Lybrand L.L.P.) as independent accountants of ADTRAN for 2000.

Votes		
-----	-----	-----
For	Against	Abstain
-----	-----	-----
34,046,526	41,319	35,957

(c) Approval of an amendment to the 1996 Employee Incentive Stock Option Plan which increases the aggregate number of shares of Common Stock authorized for issuance under the plan from 2,488,100 to 5,488,100.

Votes		
-----	-----	-----
For	Against	Abstain
-----	-----	-----
28,352,188	1,552,508	41,494

**Item 6. Exhibits and Reports on Form 8-K**

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

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: August 14, 2000*

*/s/ John R. Cooper*

-----  
*John R. Cooper*  
*Vice President - Finance and*  
*Chief Financial Officer*

## ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED STATEMENT OF INCOME FOR THE THREE MONTHS ENDED JUNE 30, 2000 AND THE CONDENSED BALANCE SHEET AS OF JUNE 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

CIK: 0000926282

NAME: ADTRAN, INC.

MULTIPLIER: 1

CURRENCY: U.S. DOLLAR

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 2000
PERIOD START	APR 01 2000
PERIOD END	JUN 30 2000
EXCHANGE RATE	1
CASH	23,599,150
SECURITIES	61,678,506
RECEIVABLES	69,421,752
ALLOWANCES	956,410
INVENTORY	68,796,454
CURRENT ASSETS	235,390,216
PP&E	162,767,199
DEPRECIATION	46,092,360
TOTAL ASSETS	678,841,095
CURRENT LIABILITIES	27,125,592
BONDS	50,000,000
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	394,466
OTHER SE	490,408,357
TOTAL LIABILITY AND EQUITY	678,841,095
SALES	114,446,655
TOTAL REVENUES	114,446,655
CGS	52,776,203
TOTAL COSTS	52,776,203
OTHER EXPENSES	27,249,419
LOSS PROVISION	0
INTEREST EXPENSE	576,333
INCOME PRETAX	28,254,772
INCOME TAX	9,606,622
INCOME CONTINUING	18,648,150
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	18,648,150
EPS BASIC	.49
EPS DILUTED	.47

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**End of Filing**

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