

ADTRAN INC  
Form 11-K  
June 14, 2013  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 11-K**

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2012

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-24612

**ADTRAN, INC. 401(k) RETIREMENT PLAN**

(Full title of the plan)

ADTRAN, INC.

Edgar Filing: ADTRAN INC - Form 11-K

(Name of issuer of the securities held pursuant to the plan)

**901 Explorer Boulevard**

**Huntsville, Alabama 35806-2807**

(Address of the plan and address of issuer's principal executive offices)

**Table of Contents**

**ADTRAN, INC. 401(k) RETIREMENT PLAN**  
**Financial Statements and Supplemental Schedule**  
**As of December 31, 2012 and 2011**  
**and for the Year Ended December 31, 2012**

**Table of Contents**

|   | <b>Page<br/>Number</b> |
|---|------------------------|
| <u>Report of Independent Registered Public Accounting Firm</u>  | 1                      |
| <b>Financial Statements</b>   |                        |
| <u>Statements of Net Assets Available for Benefits as of December 31, 2012 and 2011</u>               | 2                      |
| <u>Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2012</u> | 3                      |
| <u>Notes to Financial Statements</u>  | 4                      |
| <b>Supplemental Schedule</b>  |                        |
| <u>Schedule H, line 4i Schedule of Assets (Held at End of Year) December 31, 2012</u>                 | 11                     |
| <u>Signature</u>  | 13                     |
| <u>Exhibit Index</u>  | 14                     |

Note: Other schedules required by 29 CFR 2520.103-10 of the Department of Labor's Rules and Regulations for Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

To the Participants and Administrator of the

ADTRAN, Inc. 401(k) Retirement Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the ADTRAN, Inc. 401(k) Retirement Plan (the Plan ) at December 31, 2012 and 2011, and the changes in net assets available for benefits for the year ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

Birmingham, Alabama

June 14, 2013

Table of Contents**ADTRAN, INC. 401(k) RETIREMENT PLAN****Statements of Net Assets Available for Benefits****December 31, 2012 and 2011**

|  | <b>December 31,<br/>2012</b> | <b>December 31,<br/>2011</b> |
|--|------------------------------|------------------------------|
| <b>Assets</b>  |                              |                              |
| Investments, at fair value   | \$ 164,713,321               | \$ 139,822,040               |
| Employer contributions receivable  | 514,571                      | 533,601                      |
| Employee contributions receivable  | 226,582                      | 178,268                      |
| Notes receivable from participants   | 4,149,802                    | 3,533,869                    |
| <b>Net Assets Available for Benefits at Fair Value</b>   | <b>169,604,276</b>           | <b>144,067,778</b>           |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts | (184,644)                    | (134,523)                    |
| <b>Net Assets Available for Benefits</b>   | <b>\$ 169,419,632</b>        | <b>\$ 143,933,255</b>        |

See notes to financial statements.

Table of Contents

## ADTRAN, INC. 401(k) RETIREMENT PLAN

## Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2012

|   |                       |
|---|-----------------------|
| <b>Additions to net assets attributed to:</b>         |                       |
| Investment Income:                                    |                       |
| Interest and dividend income                          | \$ 4,516,960          |
| Net change in the fair value of investments           | 10,853,522            |
| <b>Total investment income</b>                        | <b>15,370,482</b>     |
| Interest income on notes receivable from participants | 175,672               |
| Contributions:  |                       |
| Employee  | 10,404,966            |
| Employer  | 4,583,658             |
| Rollovers from other qualified plans                  | 945,491               |
| <b>Total contributions</b>                            | <b>15,934,115</b>     |
| <b>Total additions</b>                                | <b>31,480,269</b>     |
| <b>Deductions from net assets attributed to:</b>      |                       |
| Distributions to participants                         | 5,951,530             |
| Administrative expenses                               | 42,362                |
| <b>Total deductions</b>                               | <b>5,993,892</b>      |
| Net increase in net assets available for benefits     | 25,486,377            |
| Net assets available for benefits, beginning of year  | 143,933,255           |
| <b>Net assets available for benefits, end of year</b> | <b>\$ 169,419,632</b> |

See notes to financial statements.

**Table of Contents**

**ADTRAN, INC. 401(k) RETIREMENT PLAN**

**Notes to Financial Statements**

**December 31, 2012 and 2011**

**Note 1 Description of the Plan**

The following description of the ADTRAN, Inc. 401(k) Retirement Plan (Plan) provides only general information. Participants should refer to the Plan document and summary Plan description for a more complete description of the Plan's provisions.

**General**

ADTRAN, Inc. (Company) (Employer) formed the Plan effective January 1, 1990 to provide certain retirement benefits for our employees. The Company designs, manufactures and markets solutions and provides services and support for communications networks. The Company's solutions are widely deployed by providers of communications services and small, mid-sized and distributed enterprises, and enable voice, data, video and Internet communications across a variety of network infrastructures. The Plan is a defined contribution plan subject to the provisions set forth in the Employee Retirement Income Security Act of 1974 (ERISA) and the provisions of Internal Revenue Code (IRC) Sections 401(a) and 401(k). The Plan is funded by discretionary employee contributions as well as employer safe harbor matching contributions. The plan assets are held by Fidelity Management Trust Company (Fidelity), which executes investment transactions, receives the plan contributions, credits participants' individual accounts and pays benefits to participants and their beneficiaries in accordance with the provisions of the Plan.

**Eligibility**

All regular employees are eligible to participate in the elective deferral portion of the Plan immediately upon hire, and in the safe harbor matching portion of the Plan following the completion of twelve months of service, except seasonal employees, co-op employees, leased employees, interns and nonresident aliens with no U.S. source income.

**Contributions**

The Plan allows for contributions up to 60% of a participant's eligible compensation (as defined in the Plan Document and subject to annual limitations established by the IRS). The Plan also allows eligible participants who are age 50 or over to make additional deferrals. Participants may change their contribution deferral election under the Plan each pay period.

Effective May 4, 2011, the Plan was amended to allow participants to make Roth 401(k) contributions to their account.

Under the terms of the Plan, the Company is required to make safe harbor matching contributions of 100% of an eligible participant's first 3% of contributions and 50% of his or her next 2% of contributions (subject to certain limits). Active participants must complete twelve months of service to be eligible for the Company's safe harbor matching contributions.

**Participant Accounts and Investment Options**

Each participant's account is credited with the employee's contribution and the Company's matching contribution, plus Plan earnings. Allocations of earnings are based on account balances, as defined more fully in the Plan document. Each participant directs how contributions made to the Plan on his/her behalf are to be invested among the investment options available under the Plan. The Plan currently offers 41 investment options including a Company stock fund. The Company stock fund is a participant directed investment option. Contributions to the Company stock fund are limited to 20% of a participant's total contributions to the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

## **Table of Contents**

In May 2011, Fidelity BrokerageLink was added as an investment option. BrokerageLink is a self-directed, brokerage account that allows participants to invest in a broad range of securities, including stocks, bonds, mutual funds, exchange-traded funds, certificates of deposit and other investment choices.

### **Vesting**

Employees are always 100% vested in their total account under the Plan.

### **Retirement Date**

The normal retirement date is the first day of the calendar month following the date a participant reaches age 62. Early retirement is permitted on the first day of the calendar month after a participant reaches age 59-1/2.

### **Distribution of Benefits**

Benefits commence upon one of several dates: normal retirement, early retirement, date of disability, pre-retirement death or upon termination other than described above. Benefits are distributed by means of a lump sum payment. In-kind distributions of the Company's common stock are permitted. Corrective distributions are made for excess deferrals and contributions.

### **Other**

The Plan allows for participant in-service withdrawals at or after age 59-1/2 and hardship withdrawals at any time from the participant's account if certain conditions are met.

### **Notes Receivable from Participants**

Participants may borrow a minimum of \$1,000 from their accounts up to a maximum equal to the lesser of \$50,000 or 50% of their account balance. The Plan's loan provisions limit outstanding loans to two loans at a time. Loan transactions are treated as transfers between the investment fund and the participant loan fund. Loan terms range from one to five years unless such loan is used to acquire a principal residence, in which case the loan term can be up to ten years. The Plan's outstanding loans at December 31, 2012 are collateralized by the balances in the participants' accounts and bear interest at rates commensurate with local prevailing rates as determined quarterly by the plan administrator. Interest rates range from 4.25% to 9.50% for loans that were outstanding as of December 31, 2012 and 2011.

### **Administrative Expenses**

All expenses incident to the functioning of the Plan may be paid out of Plan assets unless paid by the Company. During the Plan year ended December 31, 2012, the Company did not pay any administrative expenses on behalf of the Plan.

### **Plan Termination**

While it is the intention of the Company to permanently continue the Plan, the Company has the right to amend or terminate the Plan at any time upon written notice to the Plan administrator and Plan trustee. No amendment may permit any plan assets to revert to the Employer or be used for any purpose other than to provide benefits to participants and their beneficiaries. Upon termination of the Plan, the plan assets will be distributed to participants and their beneficiaries in accordance with the Plan and subject to IRC and ERISA guidelines.

### **Note 2 Summary of Significant Accounting Policies**

The following is a summary of accounting policies utilized in the financial statements, which were prepared in accordance with accounting principles generally accepted in the United States of America.

### **Basis of Accounting**

The accompanying financial statements of the Plan are maintained on the accrual basis of accounting.



**Valuation of Investments**

The money market funds, mutual funds and common stock investments are valued at fair value based on quoted market prices. Quoted market prices are based on the last reported sales price on the last business day of the Plan year as reported by the principal securities exchange on which the security is traded.

## **Table of Contents**

Units in commingled trust funds are valued at the contract value, as reported by the trustee of the commingled trust fund on each valuation date. Since the commingled trust funds are fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the commingled trust funds. The commingled trust fund is presented on the face of the statement of net assets available for benefits at fair value with an adjustment to contract value in arriving at net assets available for benefits. Contract value, as reported by the trustee, represents contributions made, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

Purchases and sales of investments are reflected as of the trade date. Interest income is recorded when earned. Dividend income is recorded on the ex-dividend date.

The Plan presents, in the statement of changes in net assets available for benefits, the net change in the fair value of its investments which consists of the realized gains or losses and the unrealized appreciation or depreciation on those investments.

### **Valuation of Notes Receivable from Participants**

Notes receivable from participants represent participant loans and are valued at the unpaid principal balance plus any accrued but unpaid interest.

### **Contributions**

Contributions from the Company are accrued based on the safe harbor contribution provisions of the Plan. Contributions from employees are recorded and remitted in the period in which the Company makes the deductions from the participants' payroll.

### **Benefit Payments**

Benefits payments are recognized when paid.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting periods. Actual results could differ from those estimates.

### **Recent Accounting Pronouncements**

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS* (ASU 2011-04). ASU 2011-04 is intended to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRS. The amendments are of two types: (i) those that clarify the Board's intent about the application of existing fair value measurement and disclosure requirements and (ii) those that change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The update is effective for annual periods beginning after December 15, 2011. This update was adopted in 2012 and did not have an impact on the Plan's financial statements.

**Table of Contents****Note 3 Investments**

Investments at December 31, 2012 and 2011 consist of the following, which were recorded at fair value:

| Description              | 2012                  | 2011                  |
|--------------------------|-----------------------|-----------------------|
| Money market funds       | \$ 9,680,684          | \$ 8,706,230          |
| Commingled trust fund    | 6,452,150             | 5,454,252             |
| ADTRAN common stock fund | 4,640,829             | 6,686,370             |
| BrokerageLink            | 731,587               | 591,601               |
| Mutual funds             | 143,208,071           | 118,383,587           |
| <b>Total</b>             | <b>\$ 164,713,321</b> | <b>\$ 139,822,040</b> |

The Plan's investments (including investments bought and sold, as well as held, during the year) changed in value by \$10,853,522 during the year ended December 31, 2012, as follows:

|   | 2012                 |
|---|----------------------|
| Mutual funds, BrokerageLink and commingled trust fund | \$ 13,178,726        |
| ADTRAN common stock fund                              | (2,325,204)          |
| <b>Total</b>  | <b>\$ 10,853,522</b> |

The following is a summary of assets held in excess of 5% of the Plan's net assets available for benefits at December 31, 2012 and 2011:

|   | 2012          | 2011          |
|---|---------------|---------------|
| Fidelity Balanced Fund - Class K              | \$ 13,136,279 | \$ 11,009,781 |
| Morgan Stanley Small Company Growth Portfolio | \$ 11,356,795 | \$ 10,154,663 |
| Fidelity Freedom K 2020 Fund                  | \$ 9,483,696  | \$ 8,401,141  |
| Fidelity Retirement Money Market Portfolio    | \$            | \$ 7,586,447  |

**Note 4 Related Party Transactions**

The Plan allows for transactions with certain parties who may perform services or have fiduciary responsibilities to the Plan, including the Company. The Plan invests in shares of mutual funds or commingled trust funds managed by an affiliate of Fidelity, a subsidiary of which is the trustee of the Plan. These transactions qualify as party-in-interest transactions. The Plan invests in common stock of the Company and issues loans to participants, which are secured by the balances in the participants' accounts. During the year ended December 31, 2012, the Plan purchased 38,530 units of the ADTRAN, Inc. Common Stock Fund for \$844,946 and disposed of 29,475 units for \$643,724. Quarterly dividends of \$0.09 per share were declared and paid by the Company on various dates throughout the year. The Plan received \$79,301 in dividend payments related to the common stock of the Company for the year ended December 31, 2012. These transactions qualify as party-in-interest transactions.

**Note 5 Income Tax Status**

The Plan obtained its latest advisory letter on March 31, 2008 from the IRS stating that the Plan, as then designed, was in compliance with the applicable requirements of the IRS. The Plan has subsequently been amended to conform with regulatory requirements and for minor administrative items. Management believes the Plan is designed and is currently being operated in compliance with the applicable provisions of the IRC. Accordingly, no provision for income taxes has been included in the Plan's financial statements.

**Table of Contents**

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability or asset if the Plan has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. The Plan Administrator has analyzed the tax positions taken by the Plan and has concluded that as of December 31, 2012, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or asset or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions and is currently under audit for the 2011 tax year. The Plan Administrator believes the Plan is no longer subject to income tax examinations for years prior to 2009.

**Note 6 Reconciliation to Form 5500**

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2012 and 2011 to Form 5500:

|  | 2012                  | 2011                  |
|--|-----------------------|-----------------------|
| Net assets available for benefits per the financial statements                                 | \$ 169,419,632        | \$ 143,933,255        |
| Adjustment from contract value to fair value for fully benefit-responsive investment contracts | 184,644               | 134,523               |
| Contributions receivable   | (741,153)             | (711,869)             |
| <b>Net assets available for benefits per Form 5500</b>   | <b>\$ 168,863,123</b> | <b>\$ 143,355,909</b> |

The following is a reconciliation of investment income per the financial statements at December 31, 2012 to Form 5500:

|  | 2012                 |
|--|----------------------|
| Total investment income per the financial statements   | \$ 15,370,482        |
| Interest income on notes receivable from participants  | 175,672              |
| Adjustment from contract value to fair value for fully benefit-responsive investment contracts | 50,121               |
| <b>Total investment income per Form 5500</b>   | <b>\$ 15,596,275</b> |

The following is a reconciliation of contributions per the financial statements at December 31, 2012 to Form 5500:

|   | 2012                 |
|---|----------------------|
| Contributions per the financial statements          | \$ 15,934,115        |
| Less: Contributions receivable at December 31, 2012 | (741,153)            |
| Add: Contributions receivable at December 31, 2011  | 711,869              |
| <b>Total Contributions per Form 5500</b>            | <b>\$ 15,904,831</b> |

Contributions that are not received by the Plan until the subsequent year are not accrued on the Form 5500.

**Table of Contents****Note 7 Risks and Uncertainties**

The Plan provides for various investment options which in turn invest in any combination of stocks, bonds and other investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits and the statement of changes in net assets available for benefits.

**Note 8 Fair Value Measurements**

The Plan has categorized the cash equivalents held in money market funds and the investments held at fair value into a three-level fair value hierarchy based on the priority of the inputs to the valuation technique for the cash equivalents and investments as follows: Level 1 – Values based on unadjusted, quoted prices in active markets for identical assets or liabilities; Level 2 – Values based on inputs other than quoted prices included within Level 1 that are directly or indirectly observable for the asset or liability; Level 3 – Values based on unobservable inputs for the asset or liability. Unobservable inputs reflect the Plan's own assumptions about the factors that other market participants would use in pricing an investment that would be based on the best information available in the circumstances.

The following tables set forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2012 and 2011:

|  | Fair Value Measurements at December 31, 2012 |   |   |  |
|--|--|---|---|--|
|  | Fair Value                                   | Quoted Prices in<br>Active<br>Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Money market funds                     | \$ 9,680,684                                 | \$ 9,680,684  | \$  | \$   |
| Commingled trust fund                  | 6,452,150                                    |   | 6,452,150   |  |
| ADTRAN common stock fund               | 4,640,829                                    | 4,640,829   |   |  |
| BrokerageLink                          | 731,587                                      | 731,587   |   |  |
| <b>Mutual funds</b>                    |  |   |   |  |
| Index funds                            | 7,448,358                                    | 7,448,358   |   |  |
| Income/Bond funds                      | 19,587,818                                   | 19,587,818  |   |  |
| Balanced funds                         | 13,136,279                                   | 13,136,279  |   |  |
| Growth funds                           | 63,614,442                                   | 63,614,442  |   |  |
| Asset allocation funds                 | 36,962,096                                   | 36,962,096  |   |  |
| Other funds                            | 2,459,078                                    | 2,459,078   |   |  |
| <b>Total investments at fair value</b> | <b>\$ 164,713,321</b>                        | <b>\$ 158,261,171</b>   | <b>\$ 6,452,150</b>                                       | <b>\$</b>  |

**Table of Contents**

|  | Fair Value            | Fair Value Measurements at December 31, 2011<br>Using                         |   |  |
|--|-----------------------|---|---|--|
|  |                       | Quoted Prices in<br>Active<br>Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Money market funds                     | \$ 8,706,230          | \$ 8,706,230  | \$  | \$   |
| Commingled trust fund                  | 5,454,252             |   | 5,454,252   |  |
| ADTRAN common stock fund               | 6,686,370             | 6,686,370   |   |  |
| BrokerageLink                          | 591,601               | 591,601   |   |  |
| <b>Mutual funds</b>                    |                       |   |   |  |
| Index funds                            | 6,083,926             | 6,083,926   |   |  |
| Income/Bond funds                      | 15,386,165            | 15,386,165  |   |  |
| Balanced funds                         | 11,009,781            | 11,009,781  |   |  |
| Growth funds                           | 55,468,762            | 55,468,762  |   |  |
| Asset allocation funds                 | 28,101,638            | 28,101,638  |   |  |
| Other funds                            | 2,333,315             | 2,333,315   |   |  |
| <b>Total investments at fair value</b> | <b>\$ 139,822,040</b> | <b>\$ 134,367,788</b>   | <b>\$ 5,454,252</b>                                       | <b>\$</b>  |

There have been no changes in the valuation methodologies used at December 31, 2012 and 2011 to value the Plan's assets at fair value, a summary of which is as follows:

Money market funds and mutual funds are valued at the quoted net asset value of shares held by the Plan, which represents fair value and are classified within Level 1 in the fair value hierarchy.

The commingled trust fund is valued at its unit value as reported by the commingled trust fund as of the valuation date, which approximates fair value. The commingled trust fund invests in a diversified portfolio of benefit-responsive investment contracts issued by insurance companies and other financial institutions, fixed income securities and money market funds. These underlying fund securities are measured at fair value based on the contractual terms of the underlying investments. Since the units of the commingled trust fund are not traded in active markets, but do have daily liquidity with trades settling between one and three days and are fully benefit responsive to participant transactions at the measurement date, they are classified within Level 2 in the fair value hierarchy.

The ADTRAN common stock fund is valued based on the closing price of ADTRAN common stock as quoted on the NASDAQ Global Select Market and is classified within Level 1 in the fair value hierarchy.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Table of Contents****ADTRAN, INC. 401(k) RETIREMENT PLAN**

EIN: 63-0918200 Plan 001

**Schedule H, line 4i Schedule of Assets (Held at End of Year)**

As of December 31, 2012

| (b) Identity of issue,<br>borrower, lessor or |                                       | (c) Description of investment including maturity date,<br>rate of interest, collateral, par or maturity value | (d)<br>Cost<br>** | (e) Current<br>Value |
|---|---------------------------------------|---|-------------------|----------------------|
| (a)   | similar party                         |   |                   |                      |
| <b>Money Market Funds:</b>                    |                                       |   |                   |                      |
| *   | Fidelity Investments                  | Retirement Money Market Portfolio   |                   | \$ 8,086,748         |
| *   | Fidelity Investments                  | U. S. Treasury Money Market Fund  |                   | 1,593,936            |
| <b>Commingled Trust Fund:</b>                 |                                       |   |                   |                      |
| *   | Fidelity Investments                  | Managed Income Portfolio  |                   | 6,452,150            |
| <b>Common Stock Fund:</b>                     |                                       |   |                   |                      |
| *   | ADTRAN, Inc.                          | Common stock (227,234 shares and \$200,676 cash)  |                   | 4,640,829            |
| <b>Other Investments:</b>                     |                                       |   |                   |                      |
| *   | Fidelity Investments<br>BrokerageLink | Various investments   |                   | 731,587              |
| <b>Mutual Funds:</b>                          |                                       |   |                   |                      |
|   | American Beacon<br>Advisors, Inc.     | American Beacon Large Cap Value Fund Institutional Class  |                   | 1,161,579            |
|   | BlackRock                             | BlackRock Inflation Protected Bond Fund   |                   | 2,794,956            |
| *   | Fidelity Investments                  | Balanced Fund Class K   |                   | 13,136,279           |
| *   | Fidelity Investments                  | Blue Chip Growth Fund Class K   |                   | 2,235,032            |
| *   | Fidelity Investments                  | Contrafund Class K  |                   | 6,998,900            |
| *   | Fidelity Investments                  | Diversified International Fund Class K  |                   | 7,774,869            |
| *   | Fidelity Investments                  | Equity-Income Fund Class K  |                   | 7,706,618            |
| *   | Fidelity Investments                  | Freedom K 2000 Fund   |                   | 2,909,515            |
| *   | Fidelity Investments                  | Freedom K 2005 Fund   |                   | 374,800              |
| *   | Fidelity Investments                  | Freedom K 2010 Fund   |                   | 2,497,036            |
| *   | Fidelity Investments                  | Freedom K 2015 Fund   |                   | 1,694,338            |
| *   | Fidelity Investments                  | Freedom K 2020 Fund   |                   | 9,483,696            |
| *   | Fidelity Investments                  | Freedom K 2025 Fund   |                   | 4,300,162            |
| *   | Fidelity Investments                  | Freedom K 2030 Fund   |                   | 4,813,314            |
| *   | Fidelity Investments                  | Freedom K 2035 Fund   |                   | 4,056,833            |
| *   | Fidelity Investments                  | Freedom K 2040 Fund   |                   | 3,302,650            |
| *   | Fidelity Investments                  | Freedom K 2045 Fund   |                   | 1,239,692            |
| *   | Fidelity Investments                  | Freedom K 2050 Fund   |                   | 1,093,349            |
| *   | Fidelity Investments                  | Freedom K 2055 Fund   |                   | 46,780               |
| *   | Fidelity Investments                  | Freedom K Income Fund   |                   | 1,149,931            |
| *   | Fidelity Investments                  | Fidelity Fund Class K   |                   | 7,824,611            |

**Table of Contents****ADTRAN, INC. 401(k) RETIREMENT PLAN****EIN: 63-0918200 Plan 001****Schedule H, line 4i Schedule of Assets (Held at End of Year)****As of December 31, 2012**

| (a) | (b) Identity of issue,<br>borrower, lessor or<br>similar party | (c) Description of investment including maturity date,<br>rate of interest, collateral, par or maturity value | (d)<br>Cost<br>** | (e) Current<br>Value  |
|-----|--|---|-------------------|-----------------------|
|     | <b>Mutual Funds (Continued):</b>                               |   |                   |                       |
| *   | Fidelity Investments   | Government Income Fund  |                   | 6,507,280             |
| *   | Fidelity Investments   | Growth Company Fund Class K   |                   | 6,712,183             |
| *   | Fidelity Investments   | Leveraged Company Stock Fund Class K  |                   | 3,325,349             |
| *   | Fidelity Investments   | Low-Priced Stock Fund Class K   |                   | 7,445,531             |
| *   | Fidelity Investments   | Spartan 500 Index Fund Institutional Class  |                   | 7,448,358             |
| *   | Fidelity Investments   | Spartan U.S. Bond Index Fund Advantage Class  |                   | 5,346,114             |
|     | Goldman Sachs  | Growth Opportunities Fund Institutional Class   |                   | 564,209               |
|     | Hartford   | Hartford International Opportunities HLS Fund<br>Class IA   |                   | 489,930               |
|     | Heartland Funds  | Heartland Value Plus Fund Class Institutional   |                   | 163,888               |
|     | Loomis, Sayles & Company                                       | Bond Fund Institutional Class   |                   | 4,939,468             |
|     | Morgan Stanley Institutional Fund, Inc.                        | Small Company Growth Portfolio Class I  |                   | 11,356,795            |
|     | Prudential Investments   | Prudential Jennison Mid-Cap Growth Fund, Inc<br>Class Q   |                   | 21,674                |
|     | RS Investments   | RS Partners Fund Class Y  |                   | 1,158,741             |
|     | Wells Fargo  | Advantage C&B Mid Cap Value Institutional<br>Class  |                   | 393,302               |
|     | Wells Fargo  | Advantage Special Mid Cap Value Fund<br>Institutional Class   |                   | 740,309               |
|     | <b>Total Investments (held at end of year)</b>                 |   |                   | <b>164,713,321</b>    |
|     | <b>Notes Receivable:</b>                                       |   |                   |                       |
| *   | Participants   | Loans with interest rates ranging from 4.25% to 9.50%   |                   | 4,149,802             |
|     | <b>Total Assets (held at end of year)</b>                      |   |                   | <b>\$ 168,863,123</b> |

\* Party-in-interest to the Plan

\*\* Cost information has not been disclosed as all investments are participant directed.



**Table of Contents**

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

**ADTRAN, INC. 401(k) RETIREMENT PLAN**

Date: June 14, 2013

/s/ James E. Matthews  
James E. Matthews  
Senior Vice President Finance,  
Chief Financial Officer, Treasurer,  
Secretary and Director  
(Principal Accounting Officer)

**Table of Contents**

**EXHIBIT INDEX**

| <b>Exhibit No.</b> | <b>Description</b>                    |
|--------------------|---------------------------------------|
| 23                 | Consent of PricewaterhouseCoopers LLP |

14