

**CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS OF
ADTRAN, INC.**

1. PURPOSE

The Audit Committee (the "Committee") of the Board of Directors of ADTRAN, Inc. (the "Company") shall assist the Board of Directors (the "Board") in fulfilling its oversight responsibilities with respect to: (i) the financial reports and other financial information provided by the Company to the public or any governmental body; (ii) the Company's compliance with legal and regulatory requirements; (iii) the Company's systems of internal controls regarding finance, accounting and legal compliance that have been established by management and the Board; (iv) the qualifications and independence of the Company's independent auditors; (v) the performance of the Company's internal audit function and independent auditors; and (vi) the Company's auditing, accounting, and financial reporting processes generally. To this end, the Committee will maintain free and open communication with the Board, the independent auditors, the Company's internal auditor and financial management of the Company. The Committee will also prepare the report of the Committee required by the rules of the Securities and Exchange Commission to be filed in the Company's annual proxy statement. Consistent with its functions, the Committee will encourage continuous improvement of, and will foster adherence to, the Company's policies, procedures and practices at all levels.

The Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Section 5 of this Charter.

As an oversight body, the Committee does not have responsibility for day-to-day operations and financial reporting. The Company's financial statements are the responsibility of management. The independent auditors are responsible for planning and conducting audits to determine whether the financial statements present fairly in all material respects the financial position of the Company.

2. COMPOSITION AND ORGANIZATION

The Committee will consist of three or more directors as determined by the Board, each of whom must be an "independent director," as defined by applicable listing standards of The Nasdaq Stock Market Inc. ("Nasdaq") and as may be modified or defined by the Securities and Exchange Commission ("SEC") pursuant to its rule-making authority under the Securities Exchange Act of 1934, as amended. Members of the Committee shall be appointed by the full Board at a Board meeting immediately following the annual meeting of shareholders and shall serve one year terms. The members of the Committee may be removed by the Board at any time with or without cause. Upon the removal or resignation of a member, the full Board may appoint a successor to serve the remainder of the unexpired term. Unless a chairman of the Committee (the "Chair") is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership. The Committee shall have the power to create subcommittees with such powers as the Committee shall from time to time confer.

3. QUALIFICATIONS

Each member of the Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement. The Chair must have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities or other experience as required by applicable law. In addition, the Committee will comply with the "audit committee financial expert" requirements set forth in applicable rules and regulations of the SEC and Nasdaq.

4. MEETINGS

The Committee will meet at least four times annually. As part of its job to foster open communication, the Committee will meet at least quarterly with management, the internal auditor and the independent auditors in separate executive sessions to discuss any matters that the Committee or any of these groups believe should be discussed privately. In addition, the Committee will meet with the independent auditors and management quarterly to review the Company's financials, consistent with Section 5 below.

5. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Committee will:

1. *Document / Report Review*

- (a) Review this Charter at least annually and update, as necessary.
- (b) Review any reports or other financial information submitted to any governmental body, or the public, including any certification, report, opinion, or review rendered by the independent auditors.
- (c) Review the regular internal reports to management prepared by the internal auditing department and management's response.
- (d) Review with financial management and the independent auditors each Form 10-Q and Form 10-K prior to its filing.
- (e) Discuss with the independent auditors at least annually their internal quality-control procedures and any material issues raised by the most recent peer review.
- (f) Review a formal written statement submitted by the independent auditors to the Company at least annually which delineates all relationships between the independent auditors and the Company, consistent with Independence Standards Board Standard No. 1.

- (g) Review a report of the independent auditors prior to the filing of the Form 10-K or the release of any audited financial statements of the Company with respect to:
 - (i) all critical accounting policies and practices used;
 - (ii) all alternative treatments of financial information within generally accepted accounting principles (GAAP) that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and
 - (iii) other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.
- (h) Review with management, including both the Chief Executive Officer and Chief Financial Officer: (i) on a quarterly basis, the report of the Disclosure Controls Committee and the internal control system, and (ii) on an annual basis, the internal control report to be filed with the Company's annual report on Form 10-K.
- (i) Prepare (or cause to be prepared) the report of the Committee to be included in the Company's annual proxy statement.

2. *Independent Auditors and Other Advisors*

- (a) Select and hire the independent auditors, considering independence and effectiveness. On an annual basis, the Committee should review and discuss with the independent auditors all disclosed relationships the independent auditors have with the Company to determine the independent auditors' objectivity and independence, consistent with Independence Standards Board Standard No. 1.
- (b) Have the sole power to approve the independent auditors' fees.
- (c) Approve all audit and non-audit services provided by the independent auditors, prior to the Company's receipt of such services. All approved non-audit services shall be disclosed in the Company's periodic reports required by Section 13(a) of the Securities Exchange Act of 1934.
- (d) Review and evaluate the qualifications, performance and independence of the independent auditors; when circumstances warrant, discharge the independent auditors; and nominate independent auditors for stockholder approval in the Company's annual proxy statement. The independent auditors will be accountable to the Board and the Committee, as representatives of the stockholders of the Company.

- (e) Monitor and require the rotation of audit partners of the independent auditors to ensure compliance with SEC rules and regulations.
- (f) Periodically consult with the independent auditors out of the presence of management about internal controls and the fullness and accuracy of the Company's financial statements.
- (g) Set clear hiring policies for employees or former employees of the independent auditors, including the requirement that no person be hired as Chief Executive Officer, Chief Financial Officer, Controller, Chief Accounting Officer or any equivalent position if such person was employed by the independent auditors and participated in any capacity in the audit of the Company during the one year period preceding the date of initiation of such audit.
- (h) Hire and determine the fees and other retention terms for legal, accounting and other advisors to the Committee as it sees fit, without Board approval.

3. *Financial Reporting Processes*

- (a) Discuss the annual audited financial statements and quarterly financial statements with management and the independent auditors, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operation."
- (b) Discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.
- (c) In consultation with the independent auditors and the internal auditor, review the integrity of the Company's internal and external financial reporting processes.
- (d) Consider the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
- (e) Consider and approve, if appropriate, major changes to the Company's accounting principles and practices as suggested by the independent auditors, management or the internal auditing department.

4. *Process Improvement*

- (a) Establish regular and separate systems of reporting to the Committee by each of management, the independent auditors and the internal auditor regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.

- (b) Following completion of the annual audit, review separately with each of management, the independent auditors and the internal auditing department any problems or difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information, and management's response to the problems or difficulties.
- (c) Review any significant disagreement between management and the independent auditors or the internal auditing department in connection with the preparation of the financial statements.
- (d) Review with the independent auditors, the internal auditing department and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.
- (e) Report to the Board on a regular basis and forward copies of the minutes of all meetings to the Board.
- (f) Establish procedures for: (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or audit matters; and (ii) the confidential anonymous submission by employees of concerns regarding accounting or auditing matters.
- (g) Annually review and evaluate the performance of the Committee.

5. *Legal Compliance*

- (a) Review activities, organizational structure, and qualifications of the internal audit department.
- (b) Review, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements and compliance programs and policies.
- (c) Review and discuss the Company's risk assessment and risk management policies.
- (d) Review and approve all related party transactions.
- (e) Perform any other activities consistent with this Charter, the Company's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.