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Trusts Sell \$10.7 Million in Adtran Stock

By Teresa Rivas

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TELECOMMUNICATIONS-EQUIPMENT company Adtran (ticker: ADTN) has rallied more than 50% so far in 2009, as the increased popularity of broadband boosts demand for its products. With shares creeping back toward their highs, the trust that controls one of the late cofounder's holdings sold more than \$10 million in stock.

On June 4 and 5, various trusts related to Smith Asset Management sold 230,100 shares for \$4.9 million, an average of \$21.12 a share.

On June 29 and 30 the trusts sold 269,900 additional shares for \$5.8 million, an average of \$21.48 a share.

The trusts continue to hold 6.2 million shares, or a 9.9% stake in the Huntsville, Ala.-based company.

The trusts are responsible for the holdings of cofounder and former chairman Mark Clay Smith, who passed away in 2007. His wife, Linda Jones Smith, is one of the indirect beneficiaries of the trusts.

Smith Asset Management could not be reached for comment.

Adtran did not return phone calls seeking comment.

Shares of Adtran have weathered the recession well. In the last 12 months, the stock has slipped just 4.3%, while the Dow Jones Telecommunications Equipment Index slumped 15.3% and the broader market tumbled 28.8%. Year-to-date, Adtran has jumped 54.4%, outpacing the Index's 22.9% gain and the market's 0.6% rally.

On Monday the shares fell 48 cents to close at \$22.50, not far from the stock's year-ago high of \$26.50, and nearly double November's 52-week intraday low of \$12.12.

Lon Juricic, president of StreetInsider.com, notes that the sales are not especially troubling to him, given Smith's passing and the fact that his family doesn't have direct control over the selling.

"Even if Smith's wife were directly controlling the selling, it's not surprising given his passing two years ago," he says. "I would not use these sales as a deciding factor to buy or sell the shares."

On the contrary, many observers are positive on the shares. On Thursday, Citigroup upgraded the company to Buy from Neutral, with a \$27 target price. Analyst Jim Suva noted that the federal government's push to increase the areas covered by broadband should be a boon to Adtran.

C.L. King analyst Lawrence Harris echoed this sentiment, reiterating his Accumulate rating and \$23 price target on Thursday when the Obama Administration announced that \$7.2 billion in funding will ultimately be available through the broadband stimulus program.

"In our opinion, the Administration set the broadband definition low in order to encourage telephone-company participation and improve service in rural areas," wrote Harris in a research note. "We believe that Adtran will be a

clear beneficiary of the broadband stimulus program [as it] is a leader in DSL [digital subscriber line] technology. In addition, the company has a greater focus on rural...carriers than some of its larger competitors."

On June 24 coverage on Adtran was initiated with a Buy at Auriga USA, with analyst Chandan Sarkar praising the company's new multiservice access unit, the TA5000, which "appears poised to deliver on its long-held promise of rejuvenating the top and bottom lines."

Sarkar, who has a \$26 price target on Adtran, noted that Verizon Communications' (VZ) possible deal to sell rural phone lines in 14 states to Frontier Communications (FTR), which could negatively impact revenues, is a risk, but that Adtran is a "long-term survivor."

On June 19 Stifel Nicolaus initiated coverage of Adtran with a Buy, as well.

On average, analysts surveyed by Thomson Reuters rate the company at Buy or the equivalent, with a 12-month target price of \$21.30.

COMPANY NAME INSIDERS NAME TITLE \$ VALUE NO. OF SHARES IN TRANS.
RANGE OF VALUES TRANSACTIONS DATES

Kronos Worldwide H. Simmons CB \$13,961 1,900
7.33-7.50 June 29, 2009
First Financial Bankshares M. Coalson D 6,219 125
49.71-49.77 July 2, 2009

COMPANY NAME INSIDERS NAME TITLE \$ VALUE NO. OF SHARES IN TRANS.
RANGE OF VALUES TRANSACTIONS DATES
Carrols Restaurant Grp R. Selati D \$15,889,154 2,829,870 5.61
July 2, 2009

Copart T. Smith D 8,893,337 255,115
34.79-34.92 June 30-July 1, 2009
Omniiture J. James CEO 2,293,246 187,500
11.77-12.32 July 1-2, 2009
Medasets B. Wesson DO 1,070,163 55,854
19.16 July 1, 2009
Medivation (New) D. Hung CEO 565,481 25,000
22.23-22.97 June 30-July 1, 2009

BMC Software W. Miller O 458,785 13,625
33.65-33.76 July 1, 2009
Aerovironment T. Conver CEO 442,610 14,000
31.18-32.36 June 30-July 1, 2009
Netflix R. Hastings CEO 409,200 10,000
40.92 July 2, 2009
Mosaic N. Beug O 315,483 6,972
45.25 July 1, 2009
Calavo Growers J. Leavens D 282,222 14,097
20.02 July 1, 2009

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