

INTER TEL INC  
Form 11-K  
June 25, 2004

**Table of Contents**

**FORM 11-K**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON D.C. 20549**  
**ANNUAL REPORT**  
**PURSUANT TO SECTION 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

(X) Annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended December 31, 2003

OR

( ) Transition report pursuant to Section 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_ to \_\_\_\_  
Commission file number 333-106868

**A. Full title of the plan and the address of the plan, if different from that of the issuer named below:**

Inter-Tel, Incorporated  
Tax Deferred Savings Plan and Retirement Trust  
1615 South 52<sup>nd</sup> Street  
Tempe, AZ 85281

**B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:**

Inter-Tel, Incorporated  
1615 South 52<sup>nd</sup> Street  
Tempe, AZ 85281

---

**INTER-TEL, INCORPORATED**  
**TAX DEFERRED SAVINGS PLAN AND RETIREMENT TRUST**

**Financial Statements and Supplemental Schedule**  
**December 31, 2003 and 2002**

**Table of Contents**

Independent Auditors Report

**Page**

3

Edgar Filing: INTER TEL INC - Form 11-K

|   |    |
|---|----|
| Financial Statements:   |    |
| <u>Statements of Net Assets Available for Benefits</u>                | 4  |
| <u>Statement of Changes in Net Assets Available for Benefits</u>      | 5  |
| <u>Notes to Financial Statements</u>                                  | 6  |
| Supplemental Schedule:  |    |
| <u>Schedule H, Line 4(i) Schedule of Assets (Held at end of year)</u> | 11 |
| <u>EX-23.1</u>  |    |

**Table of Contents**

INDEPENDENT AUDITORS REPORT

To the Participants and the Plan Administrator of the Inter-Tel, Incorporated Tax Deferred Savings Plan and Retirement Trust:

We have audited the accompanying statements of net assets available for benefits of Inter-Tel, Incorporated Tax Deferred Savings Plan and Retirement Trust at December 31, 2003 and 2002, and the related statement of changes in net assets available for benefits for the year ended December 31, 2003. 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 in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Inter-Tel, Incorporated Tax Deferred Savings Plan and Retirement Trust at December 31, 2003 and 2002, and the changes in net assets available for benefits for the year ended December 31, 2003 in conformity with U.S. generally accepted accounting principles.

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 purposes 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, and 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/ MAYER HOFFMAN MCCANN P.C.

May 28, 2004  
Phoenix, Arizona

**Table of Contents****INTER-TEL, INCORPORATED  
TAX DEFERRED SAVINGS PLAN AND RETIREMENT TRUST****STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

|  | <b>December 31,</b> |                     |
|--|---------------------|---------------------|
|  | <b>2003</b>         | <b>2002</b>         |
| <b>ASSETS:</b>                           |                     |                     |
| Cash and cash equivalents                | \$ 60,509           | \$ 47,933           |
| Investments, at fair value               | 50,187,368          | 34,699,660          |
| Receivables                              |                     |                     |
| Employer contribution                    | 1,549,374           | 1,502,302           |
| Participant contributions                | 430                 | 1,718               |
| Interest and dividends                   | 3,343               | 6,816               |
| Total receivables                        | 1,553,147           | 1,510,836           |
| Total Assets                             | 51,801,024          | 36,258,429          |
| <b>LIABILITIES:</b>                      |                     |                     |
| Excess contribution refund payable       | 185,864             |                     |
| <b>NET ASSETS AVAILABLE FOR BENEFITS</b> | <b>\$51,615,160</b> | <b>\$36,258,429</b> |

See accompanying notes to financial statements.

**Table of Contents****INTER-TEL, INCORPORATED  
TAX DEFERRED SAVINGS PLAN AND RETIREMENT TRUST****STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS****Year ended December 31, 2003**

|  |                             |
|--|-----------------------------|
| Additions to net assets attributed to:                 |                             |
| Interest and dividends                                 | \$ 619,329                  |
| Net appreciation in fair value of investments          | 8,240,041                   |
| Contributions:   |                             |
| Employer   | 1,549,374                   |
| Participant  | 4,926,959                   |
| Rollovers  | 2,763,803                   |
|  | <u>                    </u> |
| Total additions  | <u>18,099,506</u>           |
|  |                             |
| Deductions from net assets attributed to:              |                             |
| Benefits paid to participants                          | 2,665,939                   |
| Administrative expenses                                | 46,064                      |
| Other  | 30,772                      |
|  | <u>                    </u> |
| Total deductions                                       | <u>2,742,775</u>            |
|  |                             |
| Net increase in net assets                             | 15,356,731                  |
| Net assets available for benefits at beginning of year | <u>36,258,429</u>           |
|  |                             |
| Net assets available for benefits at end of year       | <u><u>\$51,615,160</u></u>  |

See accompanying notes to financial statements.

**Table of Contents**

**INTER-TEL, INCORPORATED  
TAX DEFERRED SAVINGS PLAN AND RETIREMENT TRUST**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**(1) Description of the Plan**

The following description of the Inter-Tel, Incorporated Tax Deferred Savings Plan and Retirement Trust (the Plan ) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan s provisions.

*General* - The Plan is a defined contribution plan covering all employees of Inter-Tel, Incorporated and its subsidiaries (the Company ). The Plan is administered by the Company. Effective January 1, 2001, an employee becomes eligible to participate in the Plan subsequent to the pay period in which the employee completes one hour of service. The Plan was established on December 1, 1984 and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ( ERISA ).

*Contributions* - Each year, participants may contribute a percentage or dollar amount of their annual compensation to the Plan up to the annual IRS maximum through regular payroll deductions. Participants have the opportunity to change the previously elected percentage or dollar contributions each business day, to be effective at the next bi-weekly payroll period. Eligible participants receive a discretionary matching Company contribution. For 2003, the Company matched 50 percent of the participant s basic contribution limited to six percent of the participant s 2003 compensation. At the Company s discretion, it may allocate a non-elective contribution at the end of each Plan year according to the terms of the Plan.

*Participant accounts* Each participant s account is credited with the participant s contributions, the Company s contributions and an allocation of Plan earnings. Allocations are based on participant account balances. The benefit a participant is entitled to receive is the participant s vested account balance. Participants may elect to have their accounts invested in mutual funds or common stock of the Company as offered by the Plan, or they may elect to have their accounts invested through individual self-directed brokerage accounts.

*Vesting* - Participants immediately vest in their voluntary contributions plus actual earnings thereon and amounts rolled over from other plans into the Plan. Vesting in the Company s matching contribution is based on years of service. The employer contribution portion of each participant account vests starting the first year of service at a graduated amount each year until completing the sixth year of service. After six years, the participant is 100 percent vested in the employer contribution account.

**Table of Contents**

**INTER-TEL, INCORPORATED  
TAX DEFERRED SAVINGS PLAN AND RETIREMENT TRUST**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

*Forfeitures* - Forfeited balances of terminated participants' nonvested accounts are used to reduce future employer contributions. In 2003, forfeitures totaled \$77,999 and are reflected as a reduction of employer contributions receivable and employer contributions at December 31, 2003 in the accompanying financial statements.

*Participant loans* - Participants can borrow from their accounts a minimum of \$1,000, up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. Loan terms range up to a maximum of five years, with the exception of loans for the purchase of a primary residence, which carry a maximum of up to twenty years. Loans are secured by the balance in the participant's account and bear interest at a rate commensurate with prevailing rates at the time the loan is made as determined by the loan administrator. Principal and interest is generally paid ratably through payroll deductions.

*Payment of benefits* - Upon termination of service, a participant may receive a lump-sum amount equal to the vested value of his or her account. Upon death, disability, or retirement, participants or their beneficiaries may elect to receive lump sums or annual installments over a 10 year period.

*Plan termination* - Although the Company intends to continue the Plan indefinitely for the benefit of its participants, the Company has the right to discontinue its contributions at any time and to terminate or modify the Plan, subject to the provisions of ERISA. In the event of termination of the Plan, participants will become 100 percent vested in all of their accounts.

**(2) Significant accounting policies**

The significant accounting policies followed by the Plan are as follows:

*Investment valuation and income recognition* - The Plan's investments are stated at fair value. Securities and mutual funds traded on national securities exchanges are valued at the last quoted sales price on the principal exchange on which they are traded. Securities, limited partnerships and real estate promissory notes for which no price is readily available on the valuation date are valued at fair value as determined by the Plan Administrator. Participant loans are valued at their outstanding balances, which approximates fair value. Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

*Use of estimates* - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of net assets, and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.



**Table of Contents****INTER-TEL, INCORPORATED  
TAX DEFERRED SAVINGS PLAN AND RETIREMENT TRUST****NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

*Concentrations of credit and investment risk* - The Plan provides for various investment fund options, which in turn invest in any combination of mutual and other investment funds. Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is 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.

**(3) Investments**

Investment information is summarized as follows:

|                                  | <b>December 31,</b> |                     |
|----------------------------------|---------------------|---------------------|
|                                  | <b>2003</b>         | <b>2002</b>         |
|                                  | <hr/>               | <hr/>               |
| Investments at fair value:       |                     |                     |
| Common stock                     | \$ 7,936,622        | \$ 4,933,982        |
| Preferred stock                  |                     | 1,131               |
| Money market accounts            | 9,005,186           | 5,298,864           |
| Mutual funds                     | 30,874,850          | 22,944,772          |
| Common/collective trust funds    | 686,046             |                     |
| Unit investment trusts           | 172,643             | 64,265              |
| Participant loans                | 1,267,283           | 1,068,334           |
| Limited partnerships             | 26,831              | 28,716              |
| Real estate note                 | 173,700             | 295,813             |
| Promissory note                  | 14,007              | 33,583              |
| Limited liability company units  | 30,200              | 30,200              |
|                                  | <hr/>               | <hr/>               |
| Total investments, at fair value | <b>\$50,187,368</b> | <b>\$34,699,660</b> |
|                                  | <hr/>               | <hr/>               |

During 2003, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in fair value as follows:

|                               |             |
|-------------------------------|-------------|
| Common stock                  | \$2,022,525 |
| Preferred stock               | 1,633       |
| Mutual funds                  | 6,112,148   |
| Common/collective trust funds | 43,350      |
| Limited partnerships          | 3,908       |
| Unit investment trusts        | 56,477      |
|                               | <hr/>       |

\$8,240,041

**Table of Contents****INTER-TEL, INCORPORATED  
TAX DEFERRED SAVINGS PLAN AND RETIREMENT TRUST****NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

Investments that represent five percent or more of the *Plan*'s net assets at December 31 are as follows:

|                                      | <b>2003</b> |
|--------------------------------------|-------------|
| First Eagle Overseas A               | \$3,637,535 |
| Growth Fund of America               | 4,781,382   |
| Inter-Tel, Incorporated Common Stock | 4,693,292   |
| Icon Information Tech Fund           | 3,771,845   |
| Schwab Government Securities Fund    | 7,159,907   |
| Schwab S&P500 Investor Shares        | 3,640,409   |
| Vanguard Windsor II Fund             | 4,191,084   |
| Weitz Value Portfolio                | 4,855,694   |
|                                      | <b>2002</b> |
| CR Suisse Fixed Income               | \$1,824,778 |
| Growth Fund of America               | 3,558,782   |
| Inter-Tel, Incorporated Common Stock | 2,453,531   |
| Invesco Technology II Fund           | 2,339,006   |
| Invesco Total Return Fund            | 2,029,662   |
| Janus Worldwide Fund                 | 2,405,702   |
| Schwab Government Securities Fund    | 4,303,425   |
| Schwab S&P500 Investor Shares        | 2,331,598   |
| Vanguard Windsor II Fund             | 3,094,771   |
| Weitz Value Portfolio                | 3,419,215   |

**(4) Administrative expenses**

Substantially all of the *Plan*'s administrative expenses, except for record-keeper fees associated with several specific fund expenses and special transaction fees, are paid by the Company.

**(5) Party-in-interest transactions**

Certain plan investments are shares of common stock of the Company or are funds held and managed by Charles Schwab Trust Company, the asset custodian; accordingly, these transactions qualify as party-in-interest transactions. Such transactions, while considered party-in-interest transactions under ERISA regulations, are permitted under the provisions of the *Plan* and are specifically exempt from the prohibition of party-in-interest transaction under ERISA. Fees paid and accrued by the *Plan* to the record-keeper for administrative fees amounted to \$46,064 for the year ended December 31, 2003.

**Table of Contents**

**INTER-TEL, INCORPORATED  
TAX DEFERRED SAVINGS PLAN AND RETIREMENT TRUST**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**(6) Income tax status**

The Plan has received a favorable determination letter from the Internal Revenue Service dated February 11, 2004 stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code ( the Code ) and, therefore, that the related trust is exempt from federal and state income or franchise taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and ERISA, and, therefore, believes that the Plan is qualified and the related trust is exempt from federal and state income or franchise taxes.

Table of Contents

## SUPPLEMENTAL SCHEDULE

**INTER-TEL, EIN: 86-0220994**  
**INCORPORATED**  
**TAX DEFERRED SAVINGS PLAN AND RETIREMENT TRUST: PLAN #001**

**SCHEDULE H, LINE 4(i)**  
**SCHEDULE OF ASSETS (HELD AT END OF YEAR)**  
**DECEMBER 31, 2003**

| (a) | (b) Identity of issue, borrower, lessor or similar party | (c) Description of investment including maturity date, rate of interest, collateral, par or maturity value | (d) Cost | (e) Current value |
|-----|--|--|----------|-------------------|
|     | Common Stock:  |  |          |                   |
|     | ACLN Ltd   | 115 shares   | **       | 2.88              |
|     | Abaxis, Inc  | 2,000 shares   | **       | 36,240.00         |
|     | ABM Industries, Inc                                      | 4 shares   | **       | 78.17             |
|     | Adaptec  | 200 shares   | **       | 1,766.00          |
|     | Advanced Photonix CL A                                   | 1,250 shares   | **       | 2,600.00          |
|     | Advance Viral Research                                   | 13,000 shares  | **       | 1,664.00          |
|     | Agere Systems Inc CL B                                   | 9 shares   | **       | 26.10             |
|     | Allianz AG ADR   | 300 shares   | **       | 3,816.00          |
|     | Amdocs Limited   | 200 shares   | **       | 4,496.00          |
|     | America Movil ADR  | 100 shares   | **       | 2,700.00          |
|     | American Technology Corp                                 | 2,000 shares   | **       | 9,544.00          |
|     | Amerisourcebergen Corp                                   | 100 shares   | **       | 5,615.00          |
|     | Amgen Incorporated                                       | 49 shares  | **       | 3,028.20          |
|     | Amylin Pharmaceuticals Inc                               | 2,000 shares   | **       | 44,440.00         |
|     | Anheuser Busch Co Inc                                    | 104 shares   | **       | 5,478.44          |
|     | Annaly Mtg Mgmt Inc                                      | 250 shares   | **       | 4,600.00          |
|     | Applebees International Inc                              | 20 shares  | **       | 785.40            |
|     | Applied Materials Inc                                    | 600 shares   | **       | 13,470.00         |
|     | Applied Micro Circuits                                   | 107 shares   | **       | 639.86            |
|     | Arthrocare Corp  | 400 shares   | **       | 9,800.00          |
|     | Avanex Corp  | 20 shares  | **       | 99.80             |
|     | Banco Latinoamericano                                    | 160 shares   | **       | 3,076.80          |
|     | Beazer Homes USA Inc                                     | 22 shares  | **       | 2,148.52          |
|     | BHP Billiton Ltd ADR                                     | 154 shares   | **       | 2,812.04          |
|     | Biogen Idec Inc  | 575 shares   | **       | 21,148.50         |
|     | Bookham Technology ADR                                   | 210 shares   | **       | 525.00            |
|     | Bristol-Myers Squibb Co                                  | 8,000 shares   | **       | 228,800.00        |
|     | Brooktrout Inc   | 500 shares   | **       | 6,290.00          |
|     | Calif Amplifier Inc                                      | 200 shares   | **       | 2,814.00          |
|     | Calpine Corporation                                      | 1,000 shares   | **       | 4,810.00          |
|     | Cedant Corp 7.75% 8/17/04                                | 44 shares  | **       | 2,202.64          |

Edgar Filing: INTER TEL INC - Form 11-K

|                               |               |    |            |
|-------------------------------|---------------|----|------------|
| Chesapeake Energy Corporation | 250 shares    | ** | 3,395.00   |
| China Pete & Chem ADR         | 25 shares     | ** | 1,110.25   |
| Cisco System Inc              | 5,500 shares  | ** | 133,595.00 |
| Coca Cola Company             | 245 shares    | ** | 12,432.17  |
| Coded Communications Corp     | 15,500 shares | ** | 1.55       |
| Cognex Corp                   | 85 shares     | ** | 2,400.40   |
| Cohu Inc                      | 500 shares    | ** | 9,575.00   |
| Copart Inc                    | 221 shares    | ** | 3,646.50   |
| Corvis Corp                   | 59 shares     | ** | 100.30     |
| Covad Commun Group Inc        | 750 shares    | ** | 2,700.00   |
| Cresud Sacif YA SP ADR        | 65 shares     | ** | 796.25     |
| Critical Path Inc New         | 6 shares      | ** | 7.98       |

**Table of Contents**

| (a) | (b) Identity of issue, borrower, lessor or similar party | (c) Description of investment including maturity date, rate of interest, collateral, par or maturity value | (d) Cost | (e) Current value |
|-----|--|--|----------|-------------------|
|     | D R Horton Inc   | 83 shares  | **       | 3,590.58          |
|     | Darden Restaurants                                       | 33 shares  | **       | 694.32            |
|     | Debt Strategy FD Inc New                                 | 265 shares   | **       | 1,855.00          |
|     | Dell Inc   | 100 shares   | **       | 3,396.00          |
|     | Dentsply International new                               | 16 shares  | **       | 722.72            |
|     | Digital Lightwave Inc                                    | 210 shares   | **       | 170.10            |
|     | Divine Inc CI A New                                      | 17 shares  | **       | 0.15              |
|     | DSL.Net Inc  | 1,000 shares   | **       | 600.00            |
|     | Eastman Kodak Company                                    | 7,297 shares   | **       | 187,321.98        |
|     | Ebay Inc   | 50 shares  | **       | 3,229.50          |
|     | EduLink Inc  | 43,000 shares  | **       | 339.70            |
|     | Efunds Corporation                                       | 1,300 shares   | **       | 22,555.00         |
|     | Emulex Corp New  | 600 shares   | **       | 16,008.00         |
|     | Enron Corp   | 40 shares  | **       | 1.13              |
|     | Exxon Mobil Corporation                                  | 100 shares   | **       | 4,100.00          |
|     | First Health Group Corp                                  | 176 shares   | **       | 3,424.96          |
|     | Forest Labs Inc  | 100 shares   | **       | 6,180.00          |
|     | Foster Wheeler Ltd                                       | 900 shares   | **       | 927.00            |
|     | Foundry Networks Inc                                     | 180 shares   | **       | 4,924.80          |
|     | Frontier Ins Group Inc New                               | 183 shares   | **       | 7.32              |
|     | Frozen Food Express Inds                                 | 270 shares   | **       | 1,792.80          |
|     | General Electric Company                                 | 1,207 shares   | **       | 37,380.87         |
|     | Genome Therapeutics CP                                   | 1,900 shares   | **       | 5,947.00          |
|     | Gillette Co  | 200 shares   | **       | 7,346.00          |
|     | Globalstar Telecom Ord                                   | 500 shares   | **       | 12.50             |
|     | Goodyear Tire and Rubr Co                                | 371 shares   | **       | 2,914.93          |
|     | Gunslinger Records Inc                                   | 42,500 shares  | **       | 42.50             |
|     | Hewlett-Packard Company                                  | 689 shares   | **       | 15,826.33         |
|     | Hollis-Eden Pharmaceuticals Inc                          | 700 shares   | **       | 7,707.00          |
|     | Home Depot Inc   | 1,165 shares   | **       | 41,351.46         |
|     | HSBC Holdings PLC ADR New                                | 35 shares  | **       | 2,758.70          |
|     | Huaneng Pwr Intl SP ADR                                  | 60 shares  | **       | 4,164.60          |
|     | ID Biomedical Corp                                       | 200 shares   | **       | 2,372.00          |
|     | Impath Inc   | 16 shares  | **       | 62.40             |
|     | Infosys Tech Spon ADR                                    | 300 shares   | **       | 28,710.00         |
|     | Integra Lifesciences Hldgs                               | 80 shares  | **       | 2,290.40          |
|     | Intel Corp   | 4,808 shares   | **       | 154,809.47        |
| *   | Inter-Tel Inc.   | 187,882 shares   | **       | 4,693,292.00      |
|     | Intl Business Machines                                   | 101 shares   | **       | 9,354.77          |
|     | Intl Game Technology                                     | 87 shares  | **       | 3,105.90          |
|     | Iridium World Communications CLA                         | 60 shares  | **       | 5.40              |
|     | ISCO International Inc                                   | 5,640 shares   | **       | 3,102.00          |

Edgar Filing: INTER TEL INC - Form 11-K

|                 |           |    |          |
|-----------------|-----------|----|----------|
| Ivax Corp       | 62 shares | ** | 1,480.56 |
| J M Smuckers Co | 5 shares  | ** | 226.45   |



**Table of Contents**

| (a) | (b) Identity of issue, borrower, lessor or similar party | (c) Description of investment including maturity date, rate of interest, collateral, par or maturity value | (d) Cost | (e) Current value |
|-----|--|--|----------|-------------------|
|     | JDS Uniphase Corp  | 150 shares   | **       | 547.50            |
|     | K-Tel Intl. Inc.   | 362 shares   | **       | 32.58             |
|     | Keithley Instruments Inc.                                | 35 shares  | **       | 634.90            |
|     | King Pharmaceuticals Inc.                                | 973 shares   | **       | 14,847.98         |
|     | Kingsway Finl Services                                   | 190 shares   | **       | 2,154.60          |
|     | Level 3 Communications Inc.                              | 300 shares   | **       | 1,710.00          |
|     | Lexmark International Group Class A                      | 300 shares   | **       | 23,592.00         |
|     | Ligand Pharmceuticals Class B                            | 300 shares   | **       | 4,407.00          |
|     | Lowes Companies  | 1,361 shares   | **       | 75,360.69         |
|     | Lucent Technologies Inc.                                 | 1,000 shares   | **       | 2,840.00          |
|     | Lumenon Inno Lightwave                                   | 150 shares   | **       | 0.30              |
|     | Mangosoft Inc.   | 9 shares   | **       | 13.95             |
|     | Maxim Integrated Prods. Inc.                             | 65 shares  | **       | 3,237.00          |
|     | McHenry Metal Golf Corp.                                 | 5,000 shares   | **       | 0.50              |
|     | McLeod USA Inc. CL A                                     | 1,900 shares   | **       | 38.00             |
|     | McLeod USA Inc. CL A                                     | 111 shares   | **       | 164.28            |
|     | Medcohealth Solutions                                    | 180 shares   | **       | 6,118.20          |
|     | Medimmune Inc.   | 25 shares  | **       | 635.00            |
|     | Merck & Co. Inc.   | 1,500 shares   | **       | 69,300.00         |
|     | Microage Inc.  | 250 shares   | **       | 0.03              |
|     | MicroSemi Corp.  | 31 shares  | **       | 761.98            |
|     | Microsoft Corp.  | 6,606 shares   | **       | 181,936.00        |
|     | Motorola Incorporated                                    | 1,006 shares   | **       | 14,152.44         |
|     | Moving Bytes Inc.  | 10,000 shares  | **       | 300.00            |
|     | Nabors Industries Ltd.                                   | 55 shares  | **       | 2,282.50          |
|     | Neomagic Corp.   | 500 shares   | **       | 1,380.00          |
|     | Neopharm Inc.  | 300 shares   | **       | 5,496.00          |
|     | Netflix Inc.   | 20 shares  | **       | 1,093.80          |
|     | New Focus Inc.   | 100 shares   | **       | 502.00            |
|     | Newmont Mining Corp.                                     | 76 shares  | **       | 3,694.36          |
|     | NMS Communications                                       | 140 shares   | **       | 873.60            |
|     | Nokia Corp Spon ADR F                                    | 494 shares   | **       | 8,398.00          |
|     | Nortel Networks CP                                       | 15,085 shares  | **       | 63,809.55         |
|     | Northpoint Commun. Hldgs.                                | 1,000 shares   | **       | 0.60              |
|     | Oilex Inc.   | 9,000 shares   | **       | 0.90              |
|     | Oracle Corporation                                       | 2,200 shares   | **       | 29,040.00         |
|     | Palmone Inc.   | 27 shares  | **       | 317.25            |
|     | Palmsource Inc.  | 8 shares   | **       | 174.32            |
|     | Penn Traffic Co.   | 500 shares   | **       | 15.00             |
|     | Perot Sys. Corp. CI A                                    | 150 shares   | **       | 2,022.00          |
|     | Petsmart Inc.  | 3,700 shares   | **       | 88,060.00         |
|     | Pfizer Incorporated                                      | 1,000 shares   | **       | 35,330.00         |

Edgar Filing: INTER TEL INC - Form 11-K

|                  |              |    |            |
|------------------|--------------|----|------------|
| Pinnacle Systems | 4,300 shares | ** | 36,679.00  |
| PNC Bk Corp.     | 4,400 shares | ** | 240,812.00 |

**Table of Contents**

| (a) | (b) Identity of issue, borrower, lessor or similar party | (c) Description of investment including maturity date, rate of interest, collateral, par or maturity value | (d) Cost | (e) Current value |
|-----|--|--|----------|-------------------|
|     | Polycom  | 286 shares   | **       | 5,582.72          |
|     | Priceline.com Inc.                                       | 33 shares  | **       | 590.70            |
|     | Qualcomm Inc.  | 374 shares   | **       | 20,177.22         |
|     | Qwest Communications Intl. Inc.                          | 1,966 shares   | **       | 8,493.34          |
|     | Read-Rite Corp.  | 52 shares  | **       | 2.60              |
|     | RedHat Inc.  | 500 shares   | **       | 9,385.00          |
|     | RF Micro Devices Inc.                                    | 200 shares   | **       | 2,010.00          |
|     | Rhythms Netconnections Inc.                              | 1,000 shares   | **       | 0.10              |
|     | Ritchie Bros Auctioneers                                 | 400 shares   | **       | 21,240.00         |
|     | SBC Communciations Inc.                                  | 9,500 shares   | **       | 247,665.00        |
|     | Save The World Air Inc.                                  | 5,900 shares   | **       | 7,965.00          |
|     | Sears Roebuck & Company                                  | 443 shares   | **       | 20,161.91         |
|     | Siebel Systems Inc.                                      | 28 shares  | **       | 388.36            |
|     | Sirius Satellite Radio                                   | 1,400 shares   | **       | 4,424.00          |
|     | Solectron Corp Del                                       | 1,000 shares   | **       | 5,910.00          |
|     | Sonic Corp   | 100 shares   | **       | 3,062.00          |
|     | Southern Co.   | 7,000 shares   | **       | 211,750.00        |
|     | Southtrust Corp.   | 2,000 shares   | **       | 65,460.00         |
|     | Southwest Airlines Co.                                   | 135 shares   | **       | 2,178.90          |
|     | Spectralink Corp.  | 500 shares   | **       | 9,585.00          |
|     | StorageNetworks Inc.                                     | 154 shares   | **       | 258.72            |
|     | Sun Microsystems Inc.                                    | 4,455 shares   | **       | 20,002.95         |
|     | Sysco Corp.  | 1,000 shares   | **       | 37,230.00         |
|     | Target Corporation                                       | 202 shares   | **       | 7,751.54          |
|     | Telefon De Mx A ADR                                      | 100 shares   | **       | 3,300.00          |
|     | Telegen Corp.  | 3,790 shares   | **       | 132.65            |
|     | Teradyne Incorporated                                    | 43 shares  | **       | 1,094.35          |
|     | Terayon Communication Systems                            | 305 shares   | **       | 1,372.50          |
|     | Texas Instruments Inc.                                   | 500 shares   | **       | 14,690.00         |
|     | The Charles Schwab Corp.                                 | 1,000 shares   | **       | 11,840.00         |
|     | Thor Industries Inc.                                     | 50 shares  | **       | 2,811.00          |
|     | Time Warner Inc.   | 100 shares   | **       | 1,799.00          |
|     | Triquint Semiconductor                                   | 200 shares   | **       | 1,414.00          |
|     | Tyco Intl. Ltd   | 500 shares   | **       | 13,250.00         |
|     | US Physical Therapy Inc.                                 | 1,200 shares   | **       | 18,876.00         |
|     | Unvl Tech Institute                                      | 200 shares   | **       | 6,000.00          |
|     | Varian Med Sys   | 23 shares  | **       | 1,589.30          |
|     | Verizon Communications                                   | 100 shares   | **       | 3,508.00          |
|     | Vitalworkds Inc.   | 1,548 shares   | **       | 6,842.16          |
|     | Vitesse Semiconductor Corp.                              | 46 shares  | **       | 270.02            |
|     | VYYO Inc.  | 120 shares   | **       | 1,023.60          |
|     | Walgreen Co.   | 202 shares   | **       | 7,339.76          |

Edgar Filing: INTER TEL INC - Form 11-K

|                        |              |    |          |
|------------------------|--------------|----|----------|
| Washington Mutual Inc. | 209 shares   | ** | 8,385.08 |
| Wattage Monitor Inc.   | 6,000 shares | ** | 0.60     |

14

---

**Table of Contents**

| (a) | (b) Identity of issue, borrower, lessor or similar party | (c) Description of investment including maturity date, rate of interest, collateral, par or maturity value | (d) Cost | (e) Current value |
|-----|--|--|----------|-------------------|
|     | Wendys Intl Inc.   | 1,000 shares   | **       | 39,240.00         |
|     | Willis Group Holdings                                    | 300 shares   | **       | 10,221.00         |
|     | Worldcom Inc.  | 300 shares   | **       | 3.96              |
|     | Worldcom Inc. - MCI Group                                | 13 shares  | **       | 0.65              |
|     | Xcelera Inc.   | 50 shares  | **       | 104.00            |
|     | Xerox Corp.  | 15,002 shares  | **       | 207,026.86        |
|     | XL Cap LTDA SHS  | 80 shares  | **       | 6,204.00          |
|     | YDI Wireless Inc.  | 45 shares  | **       | 2,452.50          |
|     | 3Com Corp.   | 100 shares   | **       | 817.00            |
|     | 3M Company   | 452 shares   | **       | 38,465.89         |
|     | 8X8 Inc.   | 2,500 shares   | **       | 11,125.00         |
|     |  |  |          | 7,936,621.80      |
|     |  |  |          | 7,936,621.80      |
|     | Mutual Funds:  |  |          |                   |
|     | Aberdeen Asia Pac Income                                 | 345 shares   | **       | 2,190.75          |
|     | Acadian Emerging Mkts Port Instl CI                      | 338 shares   | **       | 5,316.11          |
|     | Aim Intl Growth Fund CI A                                | 1,149 shares   | **       | 18,742.08         |
|     | American Century Income & Growth Fd.                     | 352 shares   | **       | 9,746.05          |
|     | Ameristock Fund  | 59 shares  | **       | 2,333.58          |
|     | Ariel Fund   | 1,560 shares   | **       | 70,383.46         |
|     | Artisan International Fund                               | 678 shares   | **       | 12,826.80         |
|     | Artisan Midcap Fd.                                       | 169 shares   | **       | 4,363.94          |
|     | AXA Rosenberg U.S. SmallCap - Investo                    | 118 shares   | **       | 1,510.55          |
|     | Baron Asset Fund   | 59 shares  | **       | 2,590.18          |
|     | Baron Growth Fund  | 46,811 shares  | **       | 1,658,971.81      |
|     | Buffalo Small Cap Fund                                   | 830 shares   | **       | 18,418.21         |
|     | Burnham Financial Services Fd.                           | 117 shares   | **       | 2,854.67          |
|     | Calamos Growth Fd CI A                                   | 12,226 shares  | **       | 547,470.79        |
|     | Calvert Ariel Apprec Fund                                | 161 shares   | **       | 6,970.74          |
|     | Calvert Income Fund                                      | 141 shares   | **       | 2,408.36          |

Edgar Filing: INTER TEL INC - Form 11-K

|                                       |                |    |              |
|---------------------------------------|----------------|----|--------------|
| Dodge & Cox Balanced Fund             | 391 shares     | ** | 28,585.45    |
| Dodge & Cox Income Fund               | 4,338 shares   | ** | 56,042.92    |
| Dodge & Cox Stock Fund                | 34 shares      | ** | 3,879.33     |
| Dreyfus Appreciation Fund             | 1,646 shares   | ** | 61,141.35    |
| Dreyfus Premier Emerging Markets Fd   | 3,054 shares   | ** | 51,338.95    |
| Dreyfus Premier Emerging Markets CI A | 364 shares     | ** | 6,110.82     |
| Equity Residl Pty Trust               | 77 shares      | ** | 2,272.27     |
| Excelsior Value & Restructuring Fd    | 659 shares     | ** | 23,631.96    |
| Fidelity Magellan Fund                | 300 shares     | ** | 29,297.86    |
| First Eagle Overseas A                | 200,195 shares | ** | 3,637,534.76 |
| Fording CA Coal Trust                 | 115 shares     | ** | 4,084.80     |
| Franklin Sm Cap Growth Fd CL I        | 2,437 shares   | ** | 73,645.11    |
| Fremont Bond Fund                     | 119 shares     | ** | 1,246.48     |
| Fremont US Micro Cap Fund             | 1,136 shares   | ** | 33,783.42    |
| Growth Fund of America CI F           | 194,841 shares | ** | 4,781,382.12 |

15

---

**Table of Contents**

| (a) | (b) Identity of issue, borrower, lessor<br>or similar party | (c) Description of<br>investment<br>including<br>maturity date,<br>rate of<br>interest,<br>collateral, par<br>or maturity value | (d)<br>Cost | (e) Current<br>value |
|-----|---|---|-------------|----------------------|
|     | Harbor Bond Fund  | 98 shares   | **          | 1,163.29             |
|     | Harbor International Growth Fund                            | 156 shares  | **          | 1,305.21             |
|     | Hennessy Cornerstone Growth Fund                            | 455 shares  | **          | 8,807.40             |
|     | Icon Information Tech Fund                                  | 430,576 shares  | **          | 3,771,845.04         |
|     | Invesco Leisure Fund  | 501 shares  | **          | 20,775.29            |
|     | Invesco Technology Fund                                     | 60 shares   | **          | 1,484.30             |
|     | Janus Growth & Income Fund                                  | 347 shares  | **          | 10,018.15            |
|     | Janus Mercury Fund  | 1,027 shares  | **          | 20,024.43            |
|     | Janus Mid Cap Value Inv. Shares                             | 699 shares  | **          | 14,256.93            |
|     | Janus Overseas Fund   | 136 shares  | **          | 2,801.45             |
|     | Julius Baer Intl Equity Fd CI I                             | 602 shares  | **          | 16,171.63            |
|     | Loomis Sayles Bond Fund                                     | 3,813 shares  | **          | 50,788.93            |
|     | Loomis Sayles Small Cap                                     | 535 shares  | **          | 12,651.31            |
|     | Managers Special Equity Fund                                | 33 shares   | **          | 2,611.83             |
|     | Meridian Value Fund   | 534 shares  | **          | 20,189.00            |
|     | MFA Mortgage Investments                                    | 300 shares  | **          | 2,925.00             |
|     | MFS Research Fd CI A  | 82 shares   | **          | 1,435.81             |
|     | Navellier Mid Cap Growth                                    | 1,678 shares  | **          | 38,204.69            |
|     | NB Genesis Fund   | 123 shares  | **          | 3,184.43             |
|     | NB Ltd Maturity Bond Fund                                   | 446 shares  | **          | 4,280.09             |
|     | Oakmark Equity Income Fund                                  | 5,299 shares  | **          | 116,675.99           |
|     | Oakmark Fund  | 519 shares  | **          | 19,487.54            |
|     | Oakmark International Fund                                  | 279 shares  | **          | 5,030.03             |
|     | Oakmark Select Fund   | 1,137 shares  | **          | 34,813.26            |
|     | One Group Bond I  | 193,046 shares  | **          | 2,121,576.65         |
|     | PBHG Clipper Focus PBHG CI                                  | 478 shares  | **          | 7,883.70             |
|     | Pimco Commodity Real  | 210 shares  | **          | 2,862.72             |
|     | Pimco Global Fd Instl CI                                    | 5,683 shares  | **          | 58,537.66            |
|     | Pimco Real Return Fd Instl                                  | 457 shares  | **          | 5,141.30             |
|     | Pioneer Mid Cap Value Fund CI A                             | 3,132 shares  | **          | 72,561.88            |
|     | Profunds Ultrashort Otc                                     | 1,469 shares  | **          | 30,734.74            |
|     | Putnam Growth & Income CI A                                 | 3,058 shares  | **          | 54,132.30            |
|     | Putnam Intl Equity Fund CI A                                | 111 shares  | **          | 2,297.56             |
|     | RCM Global Healthcare CI D                                  | 554 shares  | **          | 10,753.05            |
|     | Royce Low Priced Stock Fd                                   | 537 shares  | **          | 7,500.45             |
|     | Royce Opportunity Fd  | 550 shares  | **          | 6,678.48             |
|     | Royce Special Equity Fd                                     | 365 shares  | **          | 6,563.83             |
|     | Royce Total Return Fd                                       | 1,599 shares  | **          | 17,091.04            |
|     | RS Smaller Company Growth Fund                              | 712 shares  | **          | 14,658.13            |

Edgar Filing: INTER TEL INC - Form 11-K

|                                 |                |    |              |
|---------------------------------|----------------|----|--------------|
| Schwab S&P 500 - Investor SHS   | 212,517 shares | ** | 3,640,408.57 |
| Schwab Total Stock Market - Inv | 3,867 shares   | ** | 70,961.23    |
| Scudder New Asia Fd             | 65 shares      | ** | 931.45       |
| Selected American Shares        | 622 shares     | ** | 20,628.12    |
| Shadow Stk Fd Inc.              | 824 shares     | ** | 14,246.16    |

16

---



**Table of Contents**

| (a) | (b) Identity of issue, borrower, lessor<br>or similar party | (c) Description of<br>investment<br>including<br>maturity date,<br>rate of<br>interest,<br>collateral, par<br>or maturity value | (d)<br>Cost | (e) Current<br>value |
|-----|---|---|-------------|----------------------|
|     | Sound Shore Fund  | 119 shares  | **          | 3,986.95             |
|     | Strong Advisor Common Stock Fd CI Z                         | 580 shares  | **          | 12,847.55            |
|     | Strong Mid Cap Disciplined Fund                             | 252 shares  | **          | 5,068.59             |
|     | Strong Ultra Short Fd                                       | 1,560 shares  | **          | 14,511.34            |
|     | Templeton Developing Markets Trust                          | 1,989 shares  | **          | 29,817.42            |
|     | Templeton Dragon Fund                                       | 174 shares  | **          | 3,130.26             |
|     | Templeton Emerging Mkt Fd                                   | 215 shares  | **          | 3,100.30             |
|     | Templeton Foreign Fund                                      | 8,979 shares  | **          | 95,535.92            |
|     | Third Avenue Value Fund                                     | 44 shares   | **          | 1,824.21             |
|     | Thompson Plumb Growth Fund                                  | 230 shares  | **          | 10,559.24            |
|     | Torray Fund   | 106 shares  | **          | 4,248.39             |
|     | Turner Midcap Growth Fund CI I                              | 192 shares  | **          | 4,228.20             |
|     | Van Kampen Real Estate Sec Fd A                             | 425 shares  | **          | 7,672.52             |
|     | Van Kampen Sr Incm Tr                                       | 80 shares   | **          | 690.40               |
|     | Vanguard GNMA Fund Investor SHS                             | 271 shares  | **          | 2,847.92             |
|     | Vanguard Growth Index Fund                                  | 638 shares  | **          | 15,890.14            |
|     | Vanguard Health Care Fund                                   | 527 shares  | **          | 63,574.27            |
|     | Vanguard Windsor II Fund                                    | 158,214 shares  | **          | 4,191,084.49         |
|     | Vanguard Intl Growth Portfolio                              | 752 shares  | **          | 12,123.52            |
|     | Vanguard 500 Index Fd Investor SHS                          | 275 shares  | **          | 28,258.69            |
|     | Weitz Value Portfolio                                       | 135,710 shares  | **          | 4,855,694.46         |
|     |   |   |             | 30,874,850.51        |
|     | Common/Collective Trusts:                                   |   |             |                      |
|     | Schwab Managed Retirement 2010                              | 12,967 shares   | **          | 155,991.29           |
|     | Schwab Managed Retirement 2020                              | 35,835 shares   | **          | 448,649.15           |
|     | Schwab Managed Retirement 2030                              | 4,704 shares  | **          | 61,240.94            |
|     | Schwab Managed Retirement 2040                              | 1,549 shares  | **          | 20,164.46            |
|     |   |   |             | 686,045.84           |
|     | Unit Investment Trusts:                                     |   |             |                      |
|     | Ishares MSCI EMU Index Fd                                   | 12 shares   | **          | 735.00               |
|     | Ishares MSCI JPN Idx Fdf                                    | 230 shares  | **          | 2,217.20             |

Edgar Filing: INTER TEL INC - Form 11-K

|                                      |                  |    |              |
|--------------------------------------|------------------|----|--------------|
| Ishares S&P Smallcap 600             | 670 shares       | ** | 59,442.40    |
| Ishares Tr Lehman Bd Fd              | 150 shares       | ** | 12,705.00    |
| Ishares Tr Russell 2000 Growth Index | 1,000 shares     | ** | 59,260.00    |
| Nasdaq 100 shares                    | 1,050 shares     | ** | 38,283.00    |
|                                      |                  |    | <hr/>        |
|                                      |                  |    | 172,642.60   |
|                                      |                  |    | <hr/>        |
| Money Market Accounts                |                  |    |              |
| Schwab Government Securities Fund    | 7,159,907 shares | ** | 7,159,907.28 |
| Schwab Money Market Fund             | 1,845,001 shares | ** | 1,844,694.68 |
| Stock Liquidity                      | 583 shares       | ** | 582.82       |
|                                      |                  |    | <hr/>        |
|                                      |                  |    | 9,005,184.78 |
|                                      |                  |    | <hr/>        |

Limited Partnerships:

Table of Contents

| (a) | (b) Identity of issue, borrower, lessor<br>or similar party          | (c) Description of<br>investment<br>including<br>maturity date,<br>rate of<br>interest,<br>collateral, par<br>or maturity value | (d)<br>Cost | (e) Current<br>value                       |
|-----|--|---|-------------|--|
|     | Amern Insd Mtg Invs 84 LP  | 1 unit  | **          | 1.47                                       |
|     | Beaconsfield LP Fund I   | 1 unit  | **          | 18,966.00                                  |
|     | Beaconsfield LP Fund II  | 1 unit  | **          | 7,865.00                                   |
|     |  |   |             | <hr/>                                      |
|     |  |   |             | 26,832.47                                  |
|     |  |   |             | <hr/>                                      |
|     | Limited Liability Company Units:<br>Angstrom Preferred Holdings, LLC | 20,000 units  | **          | 30,200.00                                  |
|     |  |   |             | <hr/>                                      |
|     | Promissory Note:<br>Baptist Foundation Promissory Note               | Interest rate:<br>11.75%;<br>maturity date:<br>November 7,<br>2012;<br>unsecured  | **          | 14,007.00                                  |
|     |  |   |             | <hr/>                                      |
|     | Real Estate Note:<br>Forest Lakes Real Estate                        | Interest rate:<br>14%; maturity<br>date: August 1,<br>2004; secured<br>by real estate   | **          | 173,700.00                                 |
|     |  |   |             | <hr/>                                      |
|     | Participant Loans:   | Interest rates<br>ranging from<br>6.0% to 11.5%   |             | 1,267,283.00                               |
|     |  |   |             | <hr/>                                      |
|     | Total Investments  |   |             | \$50,187,368.00                            |
|     |  |   |             | <hr style="border-top: 3px solid black;"/> |

\* Denotes a party-in-interest

\*\* Disclosure of historical cost information is not required for participant directed investments.

**Table of Contents**

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Inter-Tel, Incorporated Tax Deferred Savings Plan and Retirement Trust has duly caused this report to be signed by the undersigned hereunto duly authorized.

Inter-Tel, Incorporated Tax Deferred Savings Plan and Retirement Trust

By /s/ Kurt R. Kneip

---

Inter-Tel, Incorporated  
Kurt R. Kneip  
Sr. Vice President and Chief Financial Officer  
Date: June 25, 2004

**Table of Contents**

**EXHIBIT INDEX**

Exhibit:

Exhibit 23.1 Consent of Independent Auditors

20