

INTER TEL INC  
Form 11-K  
June 27, 2005

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**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**

- þ **Annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended December 31, 2004**

OR

- o **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

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

**Financial Statements and Supplemental Schedule  
December 31, 2004 and 2003**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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, 2004 and 2003, and the related statement of changes in net assets available for benefits for the year ended December 31, 2004. 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, 2004 and 2003, and the changes in net assets available for benefits for the year ended December 31, 2004 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 20, 2005  
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>2004</b>          | <b>2003</b>          |
| <b>ASSETS:</b>                           |                      |                      |
| Cash and cash equivalents                | \$ 10,265            | \$ 60,509            |
| Investments, at fair value               | 58,773,340           | 50,187,368           |
| Receivables                              |                      |                      |
| Employer contribution                    | 1,752,905            | 1,549,374            |
| Participant contributions                | 164,999              | 430                  |
| Interest and dividends                   |                      | 3,343                |
| Total receivables                        | 1,917,904            | 1,553,147            |
| Total Assets                             | 60,701,509           | 51,801,024           |
| <b>LIABILITIES:</b>                      |                      |                      |
| Excess contribution refund payable       | 109,974              | 185,864              |
| <b>NET ASSETS AVAILABLE FOR BENEFITS</b> | <b>\$ 60,591,535</b> | <b>\$ 51,615,160</b> |

See accompanying notes to financial statements.

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

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

**Year ended December 31, 2004**

|  |               |
|--|---------------|
| Additions to net assets attributed to:                 |               |
| Interest and dividends                                 | \$ 1,004,780  |
| Net appreciation in fair value of investments          | 4,911,107     |
| Contributions:   |               |
| Employer   | 1,752,905     |
| Participant  | 5,695,036     |
| Rollovers  | 557,443       |
| Total additions  | 13,921,271    |
| Deductions from net assets attributed to:              |               |
| Benefits paid to participants                          | 4,883,549     |
| Administrative expenses                                | 61,347        |
| Total deductions                                       | 4,944,896     |
| Net increase in net assets                             | 8,976,375     |
| Net assets available for benefits at beginning of year | 51,615,160    |
| Net assets available for benefits at end of year       | \$ 60,591,535 |

See accompanying notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2004 AND 2003**

**(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 2004, the Company matched 50 percent of the participant s basic contribution limited to six percent of the participant s 2004 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.

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*Forfeitures* - Forfeited balances of terminated participants' nonvested accounts are used to reduce future employer contributions. In 2004, forfeitures totaled \$108,487 and are reflected as a reduction of employer contributions receivable and employer contributions at December 31, 2004 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.



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*Concentrations of credit and investment risk* - The Plan provides for various investment fund options, which in turn invest in any combination of mutual funds and other investment securities. 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:

|                                  | 2004          | December 31,<br>2003 |
|----------------------------------|---------------|----------------------|
| Investments at fair value:       |               |                      |
| Common stock                     | \$ 7,076,257  | \$ 7,936,622         |
| Preferred stock                  | 3,750         |                      |
| Corporate obligations            | 61,039        |                      |
| Common/collective trust funds    | 1,955,373     | 686,046              |
| Money market accounts            | 8,114,166     | 9,005,186            |
| Mutual funds                     | 38,506,142    | 30,874,850           |
| Unit investment trusts           | 1,560,551     | 172,643              |
| Participant loans                | 1,435,900     | 1,267,283            |
| Limited partnerships             | 17,350        | 26,831               |
| Real estate note                 |               | 173,700              |
| Promissory note                  | 12,612        | 14,007               |
| Limited liability company units  | 30,200        | 30,200               |
| Total investments, at fair value | \$ 58,773,340 | \$ 50,187,368        |

During 2004, 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                  | \$ 473,074   |
| Preferred stock               | 60           |
| Corporate obligations         | 13,006       |
| Common/collective trust funds | 188,408      |
| Mutual funds                  | 3,992,916    |
| Unit investment trusts        | 231,396      |
| Limited partnerships          | 12,247       |
|                               | \$ 4,911,107 |

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

|                                      | 2004         |
|--------------------------------------|--------------|
| First Eagle Overseas A               | \$ 5,153,620 |
| Growth Fund of America CL F          | 5,332,963    |
| Icon Information Tech Fund           | 4,075,227    |
| Inter-Tel, Incorporated Common Stock | 4,126,330    |
| Pimco Renaissance Fund D             | 5,197,518    |
| Schwab Govt Security Fund            | 7,230,469    |
| Schwab S&P 500 Investor SHS          | 4,364,578    |
| Vanguard Windsor II Fund             | 5,589,981    |
|                                      | 2003         |
| First Eagle Overseas A               | \$ 3,637,535 |
| Growth Fund of America CL F          | 4,781,382    |
| Icon Information Tech Fund           | 3,771,845    |
| Inter-Tel, Incorporated Common Stock | 4,693,292    |
| Schwab Govt Security Fund            | 7,159,907    |
| Schwab S&P 500 Investor SHS          | 3,640,409    |
| Vanguard Windsor II Fund             | 4,191,084    |
| Weitz Value Portfolio                | 4,855,694    |

**(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) Differences between financial statements and Form 5500**

The following is a reconciliation of items reported in these financial statements to the amounts reported in Form 5500 for (1) contributions of participants, (2) interest and dividend income, and (3) corrective distributions:

| Description                | Amount per<br>Financial<br>Statements<br>(a) | Corrective<br>Distributions | Amount per Form<br>5500 |
|----------------------------|--|-----------------------------|-------------------------|
| Contributions: Participant | \$ 5,695,036                                 | \$ 99,643                   | \$ 5,794,679            |
| Interest and Dividends     | 1,004,780                                    | 10,331                      | 1,015,111               |
| Corrective distributions   |  | (109,974)                   | (109,974)               |

(a) Corrective distributions are reported net in these Financial Statements.

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**(6) 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 \$61,347 for the year ended December 31, 2004.

**(7) 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.

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**INTER-TEL, INCORPORATED** **EIN: 86-0220994**  
**TAX DEFERRED SAVINGS PLAN AND RETIREMENT TRUST: PLAN #001**  
**SCHEDULE H, LINE 4(i)**  
**SCHEDULE OF ASSETS (HELD AT END OF YEAR)**  
**DECEMBER 31, 2004**

| (a) | (b) Identity of issue, borrower,<br>lessor or similar party | (c)<br>Description of<br>investment<br>including<br>maturity date,<br>rate of<br>interest,<br>collateral, par<br>or maturity<br>value | (d)<br>Cost | (e)<br>Current<br>value |
|-----|---|---|-------------|-------------------------|
|     | Common Stocks:  |   |             |                         |
|     | A C L N Ltd.  | 115 shares  | **          | \$ 1                    |
|     | ABB Ltd. ADR  | 300 shares  | **          | 1,698                   |
|     | ABM Industries Inc  | 5 shares  | **          | 90                      |
|     | ADAPTEC   | 200 shares  | **          | 1,518                   |
|     | Advanced Photonix   | 1,250 shares  | **          | 2,275                   |
|     | Advanced Viral Research                                     | 13,000 shares   | **          | 1,846                   |
|     | Agere Systems Inc.  | 9 shares  | **          | 12                      |
|     | Alexander & Baldwin Inc.                                    | 85 shares   | **          | 3,606                   |
|     | Allianz AG ADR  | 300 shares  | **          | 3,987                   |
|     | Aluminum Corp China ADR                                     | 5 shares  | **          | 293                     |
|     | Amazon.com Inc.   | 200 shares  | **          | 8,858                   |
|     | Amdocs Limited  | 200 shares  | **          | 5,250                   |
|     | American Movil ADR Inc.                                     | 100 shares  | **          | 5,204                   |
|     | American Cap Strategies Ltd.                                | 100 shares  | **          | 3,335                   |
|     | American Technology Corp.                                   | 2,000 shares  | **          | 22,100                  |
|     | Amerisourcebergen Corporation                               | 100 shares  | **          | 5,868                   |
|     | Ameritrade Holding Corp. New                                | 200 shares  | **          | 2,844                   |
|     | Amgen Incorporated  | 49 shares   | **          | 3,143                   |
|     | Amsurg Corp.  | 90 shares   | **          | 2,659                   |
|     | Amylin Pharmaceuticals Inc.                                 | 2,000 shares  | **          | 46,720                  |
|     | Anheuser Busch Co. Inc.                                     | 300 shares  | **          | 15,219                  |
|     | Annaly Mtg. Mgmt. Inc.                                      | 250 shares  | **          | 4,905                   |
|     | Applied Materials Inc.                                      | 600 shares  | **          | 10,260                  |
|     | Applied Micro Circuits                                      | 252 shares  | **          | 1,061                   |
|     | Arthrocare Corp.  | 300 shares  | **          | 9,618                   |
|     | AT & T Corp. New  | 295 shares  | **          | 5,623                   |
|     | Atmel Corp.   | 150 shares  | **          | 588                     |

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| (a) | (b) Identity of issue, borrower,<br>lessor or similar party | (c)<br>Description of<br>investment<br>including<br>maturity date,<br>rate of<br>interest,<br>collateral, par<br>or maturity<br>value | (d)<br>Cost | (e)<br>Current<br>value |
|-----|---|---|-------------|-------------------------|
|     | Avanex Corp.  | 500 shares  | **          | 1,655                   |
|     | Barrick Gold Corporation                                    | 400 shares  | **          | 9,688                   |
|     | Best Buy Inc.   | 100 shares  | **          | 5,942                   |
|     | BHP Billiton Ltd. ADR                                       | 154 shares  | **          | 3,699                   |
|     | Bluefly Inc.  | 2,597 shares  | **          | 6,025                   |
|     | Bristol-Myers Squibb Co.                                    | 8,000 shares  | **          | 204,960                 |
|     | Broadwing Corp.   | 4 shares  | **          | 36                      |
|     | Brown & Brown Inc.  | 300 shares  | **          | 13,065                  |
|     | Calamp Corp.  | 325 shares  | **          | 2,906                   |
|     | Calpine Corporation   | 1,000 shares  | **          | 3,940                   |
|     | Chesapeake Energy Corporation                               | 230 shares  | **          | 3,795                   |
|     | Chicago Mercantile Exchange                                 | 17 shares   | **          | 3,888                   |
|     | China Pete and Chem ADR                                     | 45 shares   | **          | 1,845                   |
|     | Cisco System Inc.   | 5,300 shares  | **          | 102,396                 |
|     | Coca Cola Company   | 250 shares  | **          | 10,427                  |
|     | Coded Communications Corp.                                  | 15,500 shares   | **          | 2                       |
|     | Coeur D Alene Mines CP                                      | 4,000 shares  | **          | 15,720                  |
|     | Conexant Systems Inc.                                       | 300 shares  | **          | 597                     |
|     | Covad Communications Group Inc.                             | 750 shares  | **          | 1,613                   |
|     | Critical Path Inc   | 6 shares  | **          | 9                       |
|     | Cummins Engine Inc.   | 47 shares   | **          | 3,938                   |
|     | Davita Inc.   | 77 shares   | **          | 3,044                   |
|     | Debt Strategy FD Inc.                                       | 375 shares  | **          | 2,625                   |
|     | Dell Inc.   | 100 shares  | **          | 4,214                   |
|     | Dentsply International                                      | 16 shares   | **          | 899                     |
|     | Digital Lightwave Inc.                                      | 210 shares  | **          | 277                     |
|     | Diversified Corp.   | 1,000 shares  | **          | 150                     |
|     | DRDGold Ltd. ADR  | 5,800 shares  | **          | 8,932                   |
|     | DSL.net Inc.  | 1,000 shares  | **          | 230                     |
|     | Earthlink Inc.  | 1,000 shares  | **          | 11,520                  |
|     | Earthshell Corp.  | 8,000 shares  | **          | 20,000                  |
|     | Eastman Kodak Company                                       | 303 shares  | **          | 9,758                   |
|     | Ebay Inc.   | 213 shares  | **          | 24,780                  |
|     | EduLink Inc.  | 43,000 shares   | **          | 13                      |
|     | Emulex Corp.  | 600 shares  | **          | 10,104                  |
|     | Encana Corporation  | 65 shares   | **          | 3,709                   |
|     | Exxon Mobile Corporation                                    | 100 shares  | **          | 5,126                   |
|     | Finisar Corp.   | 500 shares  | **          | 1,140                   |

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|                          |            |    |       |
|--------------------------|------------|----|-------|
| Florida Rock Inds Inc.   | 67 shares  | ** | 3,989 |
| Forest Labs Inc.         | 100 shares | ** | 4,486 |
| Foster Wheeler Ltd. 07WT | 900 shares | ** | 639   |
| Foster Wheeler New       | 45 shares  | ** | 714   |
| Foundry Networks Inc.    | 50 shares  | ** | 658   |
| Freescale Semiconductor  | 161 shares | ** | 2,956 |
| Frozen Food Express Inds | 270 shares | ** | 3,483 |

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| (a) | (b) Identity of issue, borrower,<br>lessor or similar party | (c)<br>Description of<br>investment<br>including<br>maturity date,<br>rate of<br>interest,<br>collateral, par<br>or maturity<br>value | (d)<br>Cost | (e) Current<br>value |
|-----|---|---|-------------|----------------------|
|     | General Electric Co.  | 2,212 shares  | **          | 80,727               |
|     | Gillette Co.  | 200 shares  | **          | 8,956                |
|     | Globalstar Telecom  | 500 shares  | **          | 3                    |
|     | Goldspring Inc.   | 20,000 shares   | **          | 2,800                |
|     | Goodyear Tire & Rubber Company                              | 371 shares  | **          | 5,437                |
|     | Gunslinger Records Inc.                                     | 42,500 shares   | **          | 43                   |
|     | Hewlett Packard Company                                     | 689 shares  | **          | 14,448               |
|     | Hollis-Eden Pharmaceuticals Inc.                            | 1,000 shares  | **          | 9,420                |
|     | Home Depot Inc.   | 1,332 shares  | **          | 56,943               |
|     | HSBC Holdings Plc Adr New                                   | 35 shares   | **          | 2,980                |
|     | I D Biomedical Corp.  | 125 shares  | **          | 1,869                |
|     | Impath Inc.   | 16 shares   | **          | 70                   |
|     | Integra Lifesciences Hldgs.                                 | 80 shares   | **          | 2,954                |
|     | Intel Corp.   | 5,327 shares  | **          | 124,589              |
| *   | Inter-Tel Incorporated                                      | 150,706 shares  | **          | 4,126,330            |
|     | International Business Machines                             | 102 shares  | **          | 10,027               |
|     | Intuitive Surgical New                                      | 100 shares  | **          | 4,002                |
|     | Ionatron Inc.   | 3,000 shares  | **          | 33,990               |
|     | Iridium World Communications                                | 60 shares   | **          | 2                    |
|     | ISCO International Inc.                                     | 4,640 shares  | **          | 1,670                |
|     | IVAX Corporation  | 77 shares   | **          | 1,218                |
|     | JDS Uniphase Corporation                                    | 180 shares  | **          | 571                  |
|     | Jupitermedia Corporation                                    | 286 shares  | **          | 6,801                |
|     | K-Tel International Inc.                                    | 362 shares  | **          | 34                   |
|     | Keithley Instruments Inc.                                   | 35 shares   | **          | 689                  |
|     | Level 3 Communications                                      | 1,300 shares  | **          | 4,407                |
|     | Ligand Pharmaceuticals                                      | 300 shares  | **          | 3,492                |
|     | Lowes Companies   | 1,364 shares  | **          | 78,540               |
|     | Lucent Technologies Inc.                                    | 17,568 shares   | **          | 66,056               |
|     | Mangosoft Inc. New  | 9 shares  | **          | 79                   |
|     | Marvel Enterprises Inc.                                     | 100 shares  | **          | 2,048                |
|     | Maxim Integrated Products Inc.                              | 65 shares   | **          | 2,755                |
|     | Maxtor Corp.  | 1,000 shares  | **          | 5,300                |
|     | McHenry Metals Golf Corp.                                   | 5,000 shares  | **          | 1                    |
|     | McLeod USA Inc.   | 111 shares  | **          | 80                   |
|     | Merck & Co. Inc.  | 1,500 shares  | **          | 48,210               |
|     | Microsemi Corp.   | 62 shares   | **          | 1,076                |
|     | Microsoft Corp.   | 13,916 shares   | **          | 371,842              |

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|                        |               |    |        |
|------------------------|---------------|----|--------|
| Mittal Steel           | 90 shares     | ** | 3,479  |
| Mosaic Company         | 180 shares    | ** | 2,938  |
| Motorola Inc.          | 1,465 shares  | ** | 25,196 |
| Moving Bytes Inc.      | 10,000 shares | ** | 20     |
| N V E Corporation      | 54 shares     | ** | 1,504  |
| Nabors Industries Ltd. | 55 shares     | ** | 2,821  |
| Neomagic Corp.         | 500 shares    | ** | 615    |



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| (a) | (b) Identity of issue, borrower,<br>lessor or similar party | (c)<br>Description of<br>investment<br>including<br>maturity date,<br>rate of<br>interest,<br>collateral, par<br>or maturity<br>value | (d)<br>Cost | (e)<br>Current<br>value |
|-----|---|---|-------------|-------------------------|
|     | Neopharm Inc.   | 300 shares  | **          | 3,753                   |
|     | Netflix Inc.  | 2,740 shares  | **          | 33,784                  |
|     | Newmont Mining Corp.  | 476 shares  | **          | 21,139                  |
|     | NMS Communications  | 140 shares  | **          | 883                     |
|     | Nokia Corp.   | 694 shares  | **          | 10,875                  |
|     | Nortel Networks   | 16,755 shares   | **          | 58,140                  |
|     | Northpoint Communications Holdings                          | 1,000 shares  | **          | 1                       |
|     | O Reilly Automotive Inc.                                    | 500 shares  | **          | 22,525                  |
|     | Oilex Inc.  | 9,000 shares  | **          | 1                       |
|     | Oracle Corp.  | 2,200 shares  | **          | 30,184                  |
|     | Oxigene Inc.  | 300 shares  | **          | 1,650                   |
|     | Palmone Inc.  | 27 shares   | **          | 852                     |
|     | Palm Source, Inc.   | 8 shares  | **          | 102                     |
|     | Penn Traffic Co.  | 500 shares  | **          | 60                      |
|     | Pfizer Inc.   | 1,000 shares  | **          | 26,890                  |
|     | PNC Bank Corp.  | 4,400 shares  | **          | 252,736                 |
|     | Polycom   | 101 shares  | **          | 2,355                   |
|     | Priceline.com, Inc.   | 33 shares   | **          | 778                     |
|     | Qualcomm Inc.   | 48 shares   | **          | 2,047                   |
|     | Quicksilver Inc.  | 125 shares  | **          | 3,724                   |
|     | Qwest Communications International                          | 1,966 shares  | **          | 8,729                   |
|     | Rayonier Inc.   | 25 shares   | **          | 1,223                   |
|     | Raytheon Company  | 95 shares   | **          | 3,689                   |
|     | Redhat Inc.   | 500 shares  | **          | 6,675                   |
|     | RF Micro Devices Inc.                                       | 200 shares  | **          | 1,368                   |
|     | Ritchie Brothers Auctioneers                                | 1,000 shares  | **          | 33,060                  |
|     | S B C Communications Inc.                                   | 9,335 shares  | **          | 240,563                 |
|     | Sandisk Corp.   | 200 shares  | **          | 4,994                   |
|     | Save the World Air Inc.                                     | 5,900 shares  | **          | 8,319                   |
|     | Sears Roebuck & Company                                     | 453 shares  | **          | 23,124                  |
|     | Siebel Systems Inc.   | 28 shares   | **          | 294                     |
|     | Sirius Satellite Radio                                      | 1,400 shares  | **          | 10,668                  |
|     | Sonic Corp.   | 150 shares  | **          | 4,575                   |
|     | Southwest Airlines  | 135 shares  | **          | 2,198                   |
|     | Spectralink Corp.   | 500 shares  | **          | 7,090                   |
|     | Stryker Corp.   | 1,000 shares  | **          | 48,250                  |
|     | Sun Microsystems Inc.                                       | 4,200 shares  | **          | 22,638                  |
|     | Superconductor Tech.  | 300 shares  | **          | 417                     |

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|   |                               |              |    |        |
|---|-------------------------------|--------------|----|--------|
|   | Sysco Corp.                   | 1,000 shares | ** | 38,170 |
|   | Target Corp.                  | 203 shares   | ** | 10,550 |
|   | Telefonos de Mexico           | 100 shares   | ** | 3,810  |
|   | Terayon Communication Systems | 305 shares   | ** | 827    |
|   | Texas Instruments Inc.        | 500 shares   | ** | 12,310 |
| * | The Charles Schwab Corp.      | 1,000 shares | ** | 11,960 |
|   | Thor Industries Inc.          | 100 shares   | ** | 3,716  |

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| (a) | (b) Identity of issue, borrower,<br>lessor or similar party | (c)<br>Description of<br>investment<br>including<br>maturity date,<br>rate of<br>interest,<br>collateral, par<br>or maturity<br>value | (d)<br>Cost | (e) Current<br>value |
|-----|---|---|-------------|----------------------|
|     | Tidewater Inc./Citizen Certificates                         | 110 shares  | **          | 3,917                |
|     | Time Warner Inc.  | 100 shares  | **          | 1,945                |
|     | Triquint Semiconductor                                      | 200 shares  | **          | 890                  |
|     | Tyco Intl. Ltd.   | 500 shares  | **          | 17,870               |
|     | Universal Tech Institute                                    | 400 shares  | **          | 15,248               |
|     | Varian Med Sys  | 85 shares   | **          | 3,675                |
|     | Vitalworks Inc.   | 1,548 shares  | **          | 6,889                |
|     | Vitesse Semiconductor Corp.                                 | 446 shares  | **          | 1,574                |
|     | Vyyo Inc.   | 120 shares  | **          | 1,033                |
|     | Wachovia Corp.  | 2,780 shares  | **          | 146,228              |
|     | Walgreen Company  | 203 shares  | **          | 7,782                |
|     | Washington Mutual Inc.                                      | 209 shares  | **          | 8,837                |
|     | Wattage Monitor, Inc.                                       | 6,000 shares  | **          | 1                    |
|     | Wheaton River Min. Ltd.                                     | 2,000 shares  | **          | 6,520                |
|     | Willis Group Holdings                                       | 300 shares  | **          | 12,351               |
|     | Xcelera, Inc.   | 50 shares   | **          | 17                   |
|     | Xerox Corp.   | 2 shares  | **          | 33                   |
|     | Y D I Wireless Inc.   | 450 shares  | **          | 2,628                |
|     | Yum Brands Inc.   | 75 shares   | **          | 3,538                |
|     | 3Com Corp.  | 100 shares  | **          | 416                  |
|     | 3M Company  | 460 shares  | **          | 37,790               |
|     | 8X8 Inc.  | 2,500 shares  | **          | 10,174               |
|     | Total common stocks   |   |             | 7,076,257            |
|     | Preferred Stock:  |   |             |                      |
|     | Annaly Mtg Mgmt Pfd.  | 150 shares  | **          | 3,750                |
|     | Mutual Funds:   |   |             |                      |
|     | Acadian Emerging Markets Port Instl.                        | 348 shares  | **          | 7,098                |
|     | AIM Technology Fund   | 59 shares   | **          | 1,505                |
|     | American Century Income & Growth                            | 359 shares  | **          | 11,011               |
|     | Ameristock Fund   | 61 shares   | **          | 2,462                |
|     | Ariel Appreciation Fund                                     | 165 shares  | **          | 7,884                |
|     | Ariel Fund  | 12,098 shares   | **          | 643,259              |
|     | Artisan International Fund                                  | 682 shares  | **          | 15,105               |

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|                                      |               |    |           |
|--------------------------------------|---------------|----|-----------|
| Artisan Midcap Fund                  | 169 shares    | ** | 5,004     |
| Baron Asset Fund                     | 63 shares     | ** | 3,293     |
| Baron Growth Fund                    | 63,468 shares | ** | 2,847,827 |
| Burnham Financial Services Fund      | 144 shares    | ** | 3,229     |
| Calamos Growth FD CL A               | 26,631 shares | ** | 1,410,938 |
| Calvert Income Fund                  | 149 shares    | ** | 2,534     |
| Clipper Focus Fund                   | 486 shares    | ** | 8,421     |
| Constellation Tip Health Biotech II  | 147 shares    | ** | 2,141     |
| Dodge & Cox Balanced Fund            | 574 shares    | ** | 45,584    |
| Dodge & Cox International Stock Fund | 2,196 shares  | ** | 67,299    |

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| (a) | (b) Identity of issue, borrower,<br>lessor or similar party | (c) Description of investment including maturity date, rate of interest, collateral, par or maturity value | (d) Cost | (e) Current value |
|-----|---|--|----------|-------------------|
|     | Dodge & Cox Stock Fund                                      | 36 shares  | **       | 4,623             |
|     | Dreyfus Appreciation Fund                                   | 992 shares   | **       | 38,377            |
|     | Dreyfus Premier Emerging Mkts CL A                          | 489 shares   | **       | 9,583             |
|     | Dreyfus Small Cap Stock Index                               | 146 shares   | **       | 2,969             |
|     | Equity Office Properties TR                                 | 50 shares  | **       | 1,456             |
|     | Excelsior Val & Restruct. Fund                              | 630 shares   | **       | 26,733            |
|     | Fidelity Magellan Fund                                      | 303 shares   | **       | 31,493            |
|     | First Eagle Gold Fund CL A                                  | 2,139 shares   | **       | 35,343            |
|     | First Eagle Overseas A                                      | 236,730 shares   | **       | 5,153,620         |
|     | Fording CA Coal Trust                                       | 55 shares  | **       | 4,243             |
|     | FPA Capital Fund  | 974 shares   | **       | 38,954            |
|     | FPA New Income  | 7,702 shares   | **       | 86,112            |
|     | Franklin Small Cap Growth CL A                              | 1,433 shares   | **       | 48,975            |
|     | Fremont US Micro Cap Fund                                   | 1,136 shares   | **       | 37,090            |
|     | Growth Fund of America CL F                                 | 194,777 shares   | **       | 5,332,963         |
|     | Harbor Bond Fund  | 104 shares   | **       | 1,227             |
|     | Harbor International Growth Fund                            | 157 shares   | **       | 1,444             |
|     | Hennessy Cornerstone Growth Fund                            | 557 shares   | **       | 10,274            |
|     | Icon Information Tech Fund                                  | 447,827 shares   | **       | 4,075,227         |
|     | Janus Growth & Income Fund                                  | 348 shares   | **       | 11,209            |
|     | Janus Mid Cap Value Inv Shares                              | 764 shares   | **       | 16,874            |
|     | Janus Overseas Fund   | 137 shares   | **       | 3,322             |
|     | Julius Baer Intl Equity FD CL I                             | 622 shares   | **       | 19,984            |
|     | JP Morgan Core Bond Fund                                    | 194,926 shares   | **       | 2,128,594         |
|     | Laudus US Small Cap Investor Shares                         | 118 shares   | **       | 1,617             |
|     | Loomis Sayles Small Cap                                     | 592 shares   | **       | 15,371            |
|     | Managers Special Equity Fund                                | 33 shares  | **       | 3,008             |
|     | Meridian Value Fund   | 610 shares   | **       | 23,238            |
|     | MFA Mortgage Investments                                    | 300 shares   | **       | 2,646             |
|     | MFS Research Fund CL A                                      | 82 shares  | **       | 1,659             |
|     | Navellier Mid Cap Growth                                    | 1,678 shares   | **       | 43,708            |
|     | NB Genesis Fund   | 127 shares   | **       | 3,782             |
|     | NB Ltd Maturity Bond Fund                                   | 462 shares   | **       | 4,313             |
|     | Oakmark Equity Income Fund                                  | 6,112 shares   | **       | 143,631           |
|     | Oakmark Fund  | 548 shares   | **       | 22,877            |
|     | Oakmark International Fund                                  | 283 shares   | **       | 5,990             |
|     | Pimco RCM Global Healthcare Class D                         | 554 shares   | **       | 12,115            |
|     | Pimco Real Return FD Instl.                                 | 487 shares   | **       | 5,591             |

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|                                     |                |    |           |
|-------------------------------------|----------------|----|-----------|
| Pimco Renaissance Fund D            | 194,664 shares | ** | 5,197,518 |
| Pimco Total Return Fund Instl Class | 5,903 shares   | ** | 62,983    |
| Pioneer Mid Cap Value Fund Class A  | 2,076 shares   | ** | 51,662    |
| Putnam Growth & Income CL A         | 1,772 shares   | ** | 34,377    |
| Putnam Intl Equity Fund CL A        | 113 shares     | ** | 2,671     |
| Royce Low Priced Stock Fund         | 556 shares     | ** | 8,523     |
| Royce Opportunity Fund              | 590 shares     | ** | 7,848     |

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| (a) | (b) Identity of issue, borrower,<br>lessor or similar party | (c) Description of<br>investment<br>including<br>maturity date,<br>rate of<br>interest,<br>collateral, par<br>or maturity<br>value | (d) Cost | (e) Current<br>value |
|-----|---|--|----------|----------------------|
|     | Royce Special Equity Fund                                   | 381 shares   | **       | 7,477                |
|     | Royce Total Return Fund                                     | 1,638 shares   | **       | 20,085               |
|     | RS Smaller Company Growth Fund                              | 749 shares   | **       | 16,912               |
|     | Rydex Juno Fund   | 1,063 shares   | **       | 20,384               |
|     | Rydex Venture 100 Fund                                      | 92 shares  | **       | 1,847                |
| *   | Schwab S&P 500 Investor SHS                                 | 234,277 shares   | **       | 4,364,578            |
| *   | Schwab Total Bd Mkt Index Fund                              | 1,344 shares   | **       | 13,504               |
| *   | Schwab Total Stock Mkt. Inv.                                | 11,782 shares  | **       | 239,878              |
| *   | Schwab 1000 Fund  | 408 shares   | **       | 14,113               |
|     | Selected American Shares                                    | 630 shares   | **       | 23,231               |
|     | Senior High Income Portfolio Inc.                           | 102 shares   | **       | 618                  |
|     | Sound Shore Fund  | 521 shares   | **       | 19,124               |
|     | Strong Advisor Common Stock FD CL                           | 624 shares   | **       | 14,127               |
|     | Strong Mid Cap Disciplined Fund                             | 275 shares   | **       | 6,142                |
|     | Strong Ultra Short Fund                                     | 1,608 shares   | **       | 14,796               |
|     | Tamarack Micro-Cap Value Fund CL                            | 863 shares   | **       | 17,629               |
|     | Templeton Developing Markets Trust                          | 816 shares   | **       | 15,119               |
|     | Templeton Dragon Fund                                       | 150 shares   | **       | 2,621                |
|     | Templeton Emerging Markets Fund                             | 175 shares   | **       | 2,888                |
|     | Templeton Foreign Fund CL A                                 | 4,460 shares   | **       | 54,854               |
|     | Third Avenue Value Fund                                     | 45 shares  | **       | 2,309                |
|     | Thompson Plumb Growth Fund                                  | 235 shares   | **       | 10,999               |
|     | Torray Fund   | 111 shares   | **       | 4,541                |
|     | Turner Midcap Growth Fund CL I                              | 192 shares   | **       | 4,695                |
|     | Van Kampen Real Estate Sec Fund                             | 556 shares   | **       | 12,860               |
|     | Vanguard GNMA Fund Investor SHS                             | 284 shares   | **       | 2,968                |
|     | Vanguard Growth Index Fund                                  | 645 shares   | **       | 17,035               |
|     | Vanguard Healthcare Fund                                    | 549 shares   | **       | 69,621               |
|     | Vanguard International Growth Portfolio                     | 765 shares   | **       | 14,422               |
|     | Vanguard 500 Index FD Investor SHS                          | 315 shares   | **       | 35,140               |
|     | Vanguard Windsor II Fund                                    | 181,906 shares   | **       | 5,589,981            |
|     | William Blair Intl Growth Fund                              | 509 shares   | **       | 11,233               |
|     | Total mutual funds  |  |          | 38,506,142           |
|     | Unit Investment Trusts:                                     |  |          |                      |
|     | Ishares MSCI Grmny Idx F                                    | 70 shares  | **       | 1,304                |
|     | Ishares TR GS Investop                                      | 10 shares  | **       | 1,115                |

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|                         |               |    |           |
|-------------------------|---------------|----|-----------|
| Ishares TR Lehman Tips  | 30 shares     | ** | 3,174     |
| Ishares Trust Dow Jones | 25,000 shares | ** | 1,535,000 |
| Nasdaq 100 Shares       | 500 shares    | ** | 19,958    |

Total unit investment trusts 1,560,551

Money Market Accounts:

|                                     |                  |    |           |
|-------------------------------------|------------------|----|-----------|
| * Schwab Money Market Fund          | 822,818 shares   | ** | 822,818   |
| * Schwab Cash Reserves Sweep Shares | 40,991 shares    | ** | 40,991    |
| * Schwab US Treasury Money Fund     | 19,592 shares    | ** | 19,592    |
| * Schwab Govt Security Fund         | 7,230,470 shares | ** | 7,230,469 |



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| (a) | (b) Identity of issue, borrower,<br>lessor or similar party | (c)<br>Description<br>of<br>investment<br>including<br>maturity<br>date, rate of<br>interest,<br>collateral,<br>par<br>or maturity<br>value | (d)<br>Cost | (e) Current<br>value |
|-----|---|---|-------------|----------------------|
| *   | Stock Liquidity   | 296 shares  | **          | 296                  |
|     | Total money market accounts                                 |   |             | 8,114,166            |
|     | Common/Collective Trusts:                                   |   |             |                      |
| *   | Schwab Managed Retirement 2010                              | 35,461 shares   | **          | 467,025              |
| *   | Schwab Managed Retirement 2020                              | 58,035 shares   | **          | 815,396              |
| *   | Schwab Managed Retirement 2030                              | 29,555 shares   | **          | 438,884              |
| *   | Schwab Managed Retirement 2040                              | 15,615 shares   | **          | 234,068              |
|     |   |   |             | 1,955,373            |
|     | Corporate Obligations                                       |   |             |                      |
|     | Swiss Govt  | 65,000 units  | **          | 61,039               |
|     | Limited Partnerships:                                       |   |             |                      |
|     | Beaconsfield LP Fund I                                      | 1 unit  | **          | 17,350               |
|     | Limited Liability Company Units                             |   |             |                      |
|     | Angstrom Preferred Holdings, LLC                            | 20,000 units  | **          | 30,200               |
|     | Promissory Note:  |   |             |                      |
|     | Baptist Foundation Promissory Note                          | Interest rate:<br>11.75%; maturity<br>date: November 7,<br>2012; unsecured  | **          | 12,612               |
| *   | Participant loans   | Interest rates<br>ranging from<br>6.0% to 11.5%   | **          | 1,435,900            |

Total investments

\$ 58,773,340

\* Denotes a party-in-interest

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

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**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

/s/ Kurt R. Kneip

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Inter-Tel, Incorporated  
Kurt R. Kneip  
Sr. Vice President and Chief Financial Officer  
Date: June 27, 2005

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**EXHIBIT INDEX**

Exhibit:

Exhibit 23.1 Consent of Independent Registered Public Accounting Firm

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