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February 20, 1991

Mr. Steve Tribble, Director
Division of Records & Reporting
Public Service Commission
Fletcher Building
101 E. Gaines Street
Tallahassee, Florida 32399-0870

Re: Application of Florida Power & Light Company
and Peace River Electric Cooperative, Inc.
for Approval of an Amendment to Territorial
Agreement - Docket #910148-EU

Dear Mr. Tribble:

Enclosed please find original and 15 copies of Appendix I with Exhibits A and B which I would appreciate your attaching to the Joint Application for Approval of an Amendment to the FPL-PRECO Territorial Agreement we filed with the Public Service Commission on February 12, 1991. Through inadvertence these attachments were omitted.

Thank you very much for your assistance.

Sincerely,

Chin Meffert

J. Christian Meffert

bbk

attachments

ACK _____
AFA _____
APP _____
CAF _____
CMU _____
CTR _____
EAG _____
LEG _____
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RCH _____
SEC _____
WAS _____
OTH _____

DOCUMENT NUMBER-DATE
01717 FEB 20 1991
FPSC-RECORDS/REPORTING

AMENDMENT TO TERRITORIAL AGREEMENT

BETWEEN

FLORIDA POWER & LIGHT COMPANY

AND

PEACE RIVER ELECTRIC COOPERATIVE

Florida Power & Light Company (FPL) and Peace River Electric Cooperative (PRECO) hereby amend, subject to the approval of the Florida Public Service Commission, the Territorial Agreement between PRECO and FPL entered into on July 17, 1987 and approved by the Florida Public Service Commission on October 22, 1987, Order No. 18332, as set forth below:

1. The Territorial Agreement between PRECO and FPL approved by the Florida Public Service Commission pursuant to Order No. 18332 remains in full force and effect except as amended herein.

APPENDIX I

DOCUMENT NUMBER-DATE
01717 FEB 20 1991
FPC-RECORDS/REPORTING

2. This amendment is to only modify Section 2 - Scope of the PRECO-FPL Territorial Agreement, which identified Exhibit A, the map depicting the PRECO-FPL territorial boundary.
3. Pursuant to this amendment, the territorial boundary identified in Exhibit A to the previous PRECO-FPL Territorial Agreement is modified as is depicted on Amendment Exhibit A, and which is more fully delineated in Amendment Exhibit B. Amendment Exhibits A and B are incorporated herein by reference.
4. On full execution of this Amendment, PRECO and FPL shall seek approval of this Amendment by filing a Joint Application for Approval with the Florida Public Service Commission.
5. This Amendment shall become effective upon approval by the Florida Public Service Commission.

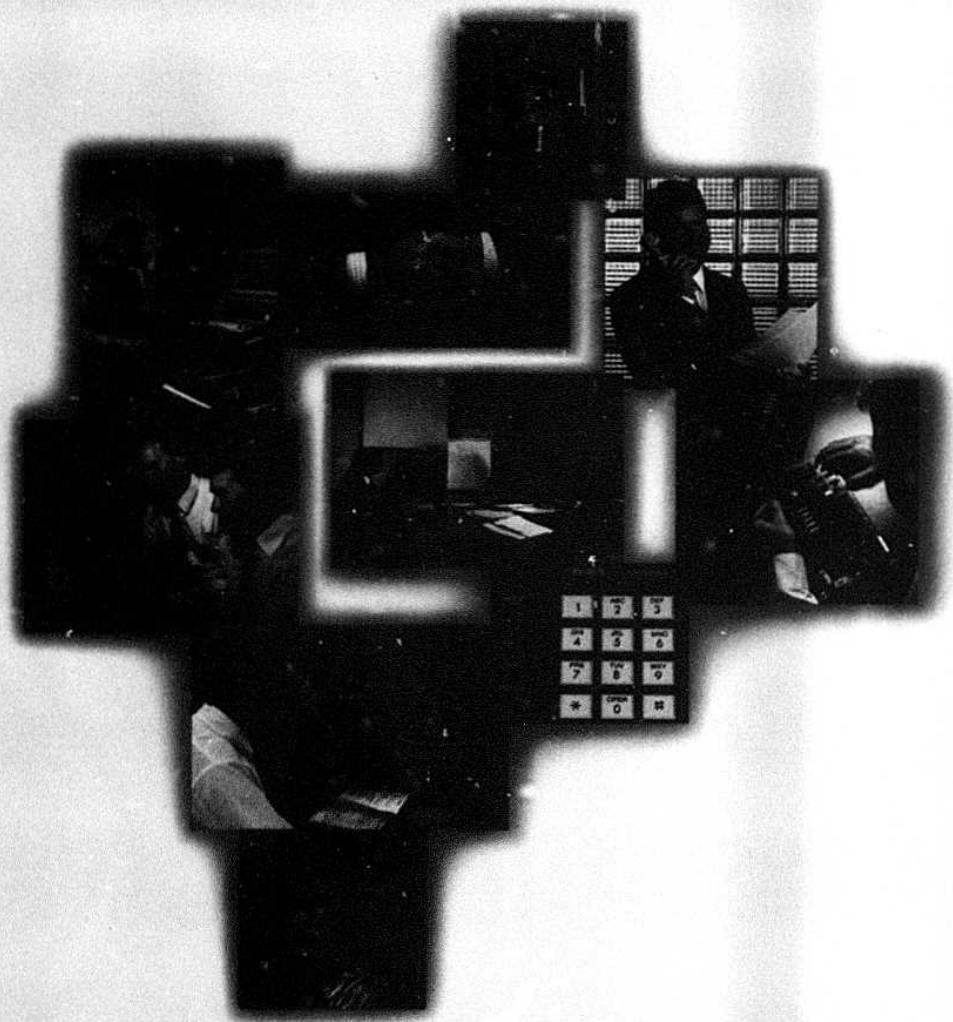
IN WITNESS WHEREOF Peace River Electric Cooperative, Inc. and
Florida Power & Light Company have caused this Amendment to
Territorial Agreement to be executed by their duly authorized
officers on the _____ day of _____, 1990.

Peace River Electric Cooperative, Inc.

By: _____
Richard Maenpaa
Peace River Electric Cooperative,
Inc.
P. O. Box 1310
Wauchula, Florida 33873

Florida Power & Light Company

By: J. T. Petillo
J. T. Petillo
Group Vice President
Florida Power & Light Company
P. O. Box 029100
Miami, Florida 33102-9100



1989 ANNUAL REPORT

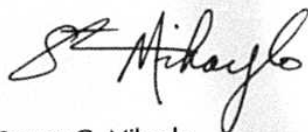
INTER-TEL[®]
People & Technology Serving People[™]

INTER-TEL'S MISSION...

... is to always keep in mind that Inter-Tel is in the business of SERVICE—before, during and after the sale. Every person at Inter-Tel knows that he or she works for the customer. And unless the customer receives more than just a product, the customer has received less than he deserves.

Next, we must provide quality PRODUCTS which are market driven. In other words, we must create technologically advanced products at a competitive price. Quality products which allow our customers—big or small—to function in a modern office environment at maximum efficiency.

Finally, in order for Inter-Tel to provide the best service and products, we must receive a fair PROFIT. With a fair profit, there can be peace of mind for our customers, there can be security for our people, there can be a return for our shareholders, and there can be growth for Inter-Tel, which ensures continued excellence in our service and products.



Steven G. Mihaylo
Chairman and Chief Executive Officer

INTER-TEL®
People & Technology Serving People™



FINANCIAL SUMMARY

(In thousands, except per share amounts)	For the years ended				
		<u>December 31,</u>		<u>November 30,</u>	
	1989	1988	1987	1986	1985
Net Sales	\$61,588	\$62,596	\$49,405	\$36,526	\$38,276
Other Income	511	625	733	554	686
Costs of Sales	37,236	38,514	30,033	22,786	25,387
Research & development expenses	3,101	2,500	1,989	1,503	2,308
Selling, general and administrative	19,358	18,310	13,754	11,374	10,861
Interest expense	1,553	900	758	649	1,259
Income taxes (Benefit)	330	1,245	1,661	360	(21)
Net Income (Loss) before Extraordinary Item	\$521	\$ 1752	\$ 1,943	\$408	\$(832)
Extraordinary Item - Tax Benefit Carryforward			300		
Net Income (Loss)	\$521	\$ 1,752	\$ 2,243	\$408	\$(832)
Earnings (Loss) per Share:					
Before Extraordinary Item	\$.06	\$.20	\$.23	\$.05	\$(.10)
Extraordinary Item			.04		
Net Income (Loss)	\$.06	\$.20	\$.27	\$.05	\$(.10)
Average shares outstanding	8,614	8,808	8,250	8,425	8,566
Total assets	\$45,774	\$44,186	\$43,936	\$25,775	\$28,220
Working capital	8,718	8,292	9,243	10,794	11,004
Long-term debt	8,557	8,309	8,742	5,470	6,245
Shareholders' equity	20,438	20,978	18,734	14,782	15,190

STOCK DATA

Inter-Tel common stock is traded over-the-counter (symbol INTL) and since February 1983 has been included in the NASD national market system. As of February 15, 1990, there were of record approximately 1,100 shareholders of the Company's common stock. The following table sets forth high and low closing prices reported by NASDAQ.

1989	High	Low	1988	High	Low
First Quarter	2 5/8	1 7/8	First Quarter	5 1/4	3 1/2
Second Quarter	2 5/8	2 1/2	Second Quarter	4 3/8	2 3/4
Third Quarter	2 3/8	1 3/4	Third Quarter	3 5/8	2 1/2
Fourth Quarter	2	1 1/8	Fourth Quarter	2 7/8	2 1/8

Inter-Tel intends to retain its earnings for use in the development of its business and does not intend to pay cash dividends.

TO OUR SHAREHOLDERS:

Inter-Tel's 20th year was as challenging as any in its history: competitive activity, both in pricing and other actions, has never been stronger. The continuing loss performance of most of our competitors led to more price pressure. Also, AT&T, the giant of the industry, filed a complaint with the Department of Commerce charging foreign manufacturers, including Inter-Tel's subcontractors, with selling its products in the United States market below the market in which they are produced even though Inter-Tel's products aren't sold in the producing subcontractors' market. This resulted in the imposition of import duty penalties on a portion of the assemblies used in Inter-Tel's systems.

Such actions, together with slowing business activity, resulted in unsatisfactory profit performance during the first half of 1989. The third quarter was further adversely affected by failure of a subcontractor to meet delivery schedules and by a special provision for severance costs related to the elimination of several personnel positions.

Yet, Inter-Tel finished the year with record fourth quarter sales, where shipments reached \$18.6 million. For the full year, revenues were \$62.1 million compared to \$63.2 million in 1988. Net income of \$521,000 or \$.06 a share compared to net income for 1988 of \$1,752,000 or \$.20 a share. As a result of better margins in our direct sales units, gross margins for the full year were better than a year ago despite competitive factors. However, higher operating and interest costs, research and development expenditures and initial expenses of Inter-Tel's new training center, hotel and office complex combined to reduce net income.

Operating costs are being contained through expense reduction programs instituted during the last half of 1989. Interest costs were 73% higher than 1988 as a result of increased rates and borrowings made necessary by new vendor terms. These higher costs are expected to continue. The training center, hotel and office complex profit performance is expected to improve as occupancy increases in 1990 and beyond. The start-up costs of Inter-Tel's United Kingdom and Japanese subsidiaries also affected 1989 income. However, these marketing development efforts have resulted in new orders and customers in the U.K. and the future in Japan is promising.

Inter-Tel continues its commitment to leadership in product development and market growth. Research and development expenditures were \$600,000 higher in 1989 than 1988, a full 56% greater than they were two years ago. These expenditures will assure further enhancement of Inter-Tel systems and peripheral products. Inter-Tel's new GX-400 and the Premier ESPDX systems have been an introductory success and demand remains high. These systems allow Inter-Tel to migrate its customer base into a new market niche and these systems allow Inter-Tel to sell to the larger users of communications and data systems. Our Direct and Dealer sales people are now able to serve an expanded market formerly closed because of system capacity. Moreover, Inter-Tel has kept its promise to its many loyal customers who can now grow into the Inter-Tel GX-400 or the Premier ESPDX with ease because of their compatibility with the Inter-Tel family.

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Our research and development engineers are continuing to expand and enhance the Inter-Tel family of systems. The GMX-152D, to be released in the second quarter of 1990, further integrates the family's system components and full voice mail capability for the medium size user. The GMX-48A, also to be released in the second quarter, allows its users to have voice mail, fax and modem capability in the system through its accessory port module. Such consistent commitment has resulted in the business communication systems that have continued Inter-Tel's profitability for the past four years, a record unique in the industry.

It is appropriate to thank Maurice H. Esperseth for his contribution to this development over recent years. He is retiring as Senior Vice President - Research and Development, but will remain on our Board of Directors. He leaves an outstanding team of engineers with the innovation and talent to continue his commitment.

The record backlog of orders as Inter-Tel begins its third decade assures that shipments during the first half of 1990 will be strong. The impact of import duty penalties will undoubtedly affect pricing and margins. However, most of Inter-Tel's competitors face higher duty penalties. We believe that Inter-Tel's marketing and alternative sourcing strategies, together with the superiority of its systems, will result in continued profitability.

Inter-Tel utilizes varying methods to increase the public awareness of its leadership in the industry. Among these is its participation as the featured company on "American Spotlight", the business information television program. It will be seen nationwide on the Learning Channel on Sunday, May 13, 1990 at 3:30 P.M. Eastern time.

Another marketing program instituted in 1989 was the production of a new corporate brochure which is included in its entirety on the following pages of this annual report. It begins with Inter-Tel's Mission Statement which has as its core our promise that Inter-Tel's business is SERVICE to our customers, while providing quality PRODUCTS at a fair PROFIT. We think you will agree that the brochure will be a valuable assist to the sales personnel in all distribution channels. We are confident that you will support our dedication to the fulfillment of our MISSION.



Steven G. Mihaylo
Chairman and Chief Executive Officer

WHO WE ARE

The telecommunications systems of the future are available today—from Inter-Tel.

Founded in 1969, we've pressed toward our future—as a multi-faceted, multi-national corporation . . . American-owned and financially secure. We research, engineer, produce, distribute, install and service the most technologically advanced telecommunications equipment in the industry.

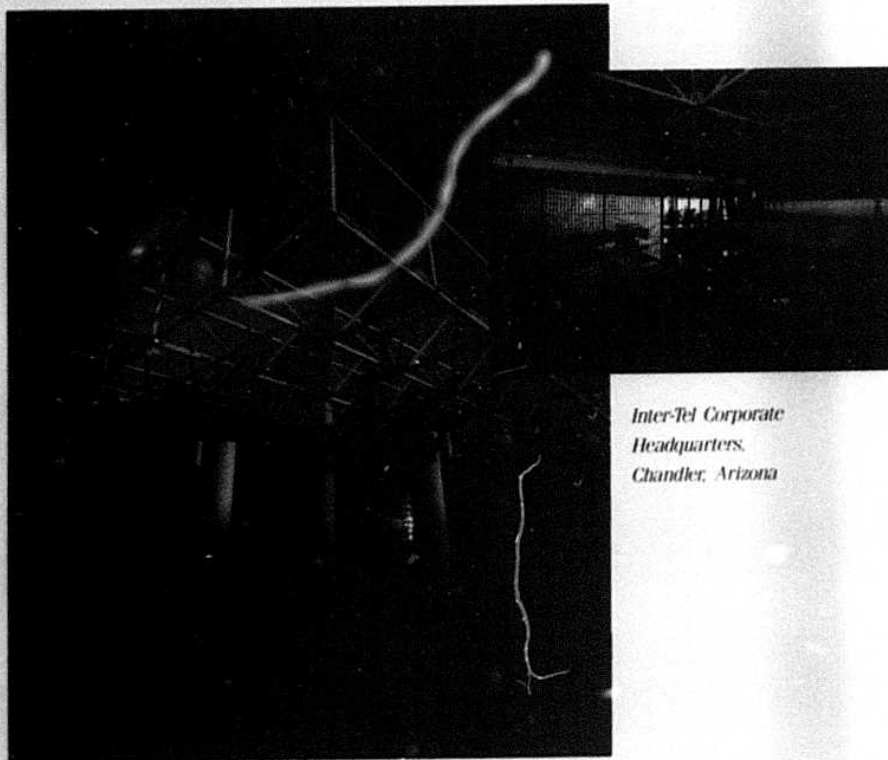
Our diversity and profitability are based on four distinct operations within our organization:

■ **Research and Development.** We don't wait for new technologies and software applications. We develop them—with direct input from our customers. And Inter-Tel will continue to lead the industry to the technologies of the future . . .

combining voice and data capabilities—even **visual** communications—to meet the changing needs of our customers.

- **Manufacturing Control.** Inter-Tel is one of the few companies in the industry to actually control the manufacturing of its products. Because we believe that to guarantee excellence, we must be directly involved.
- **Service.** Because we design and produce our systems, Inter-Tel technicians understand best the service and product support that our customers need.
- **Distribution.** Across America and around the world, Inter-Tel products are readily available. Our distribution network is broadly based in four distinct channels: Wholesale, Private Label, Direct and International.

The telecommunications systems of the future are available today—from Inter-Tel.



*Inter-Tel Corporate
Headquarters,
Chandler, Arizona*

At Inter-Tel, our approach to distribution is as innovative as our telecommunications systems.

A BROAD BASE IN DISTRIBUTION

At Inter-Tel, our approach to distribution is as innovative as our telecommunications systems.

Why have we established four distinct channels of distribution? Each channel offers us the opportunity to provide a unique product to a unique market.

But, more importantly, these four different channels of distribution provide four separate avenues for Inter-Tel's continued growth and profitability:

- **Wholesale.** An impressive network of hundreds of dealers nationwide who resell Inter-Tel products to the end-user. They trust us to provide a superior telecommunications system that they can sell at a reasonable profit.
- **Private Label.** Enables businesses to offer telecommunications systems with specifically requested features under their own company name to their own customers.

- **Direct.** Customers can purchase products directly from Inter-Tel. Those who do, benefit from Inter-Tel's extensive expertise in recommending, installing and maintaining their new system.

- **International.** Today, Inter-Tel's distribution network spans the globe: Great Britain, Europe, South America, the Far East and Pacific Rim countries. And our network is growing every day.

In addition to these four channels of distribution, we've created a National Accounts Program. Inter-Tel has aggressively pursued equipment approvals from America's top corporations and a variety of governmental agencies. The National Accounts Program is available to Inter-Tel customers throughout the country.



OUR COMMITMENT TO CUSTOMERS

Whether our customers have six telephones or 600, they need the same special relationship: **Direct** support and service from Inter-Tel.

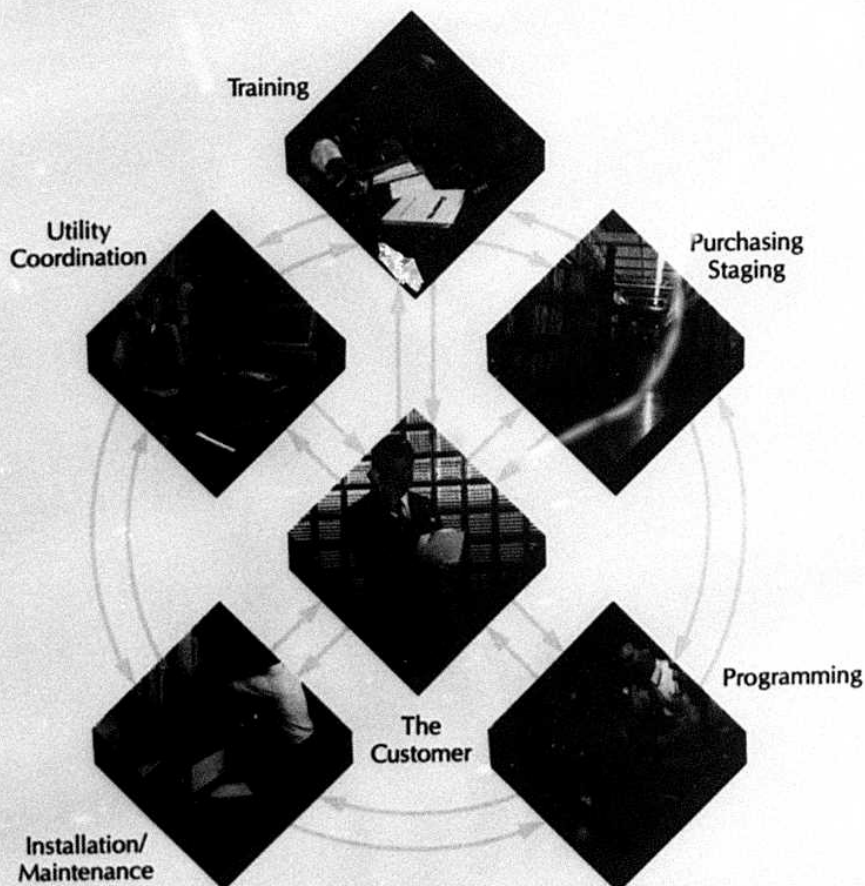
We firmly believe that communication is a two-way process. So we provide information and advice. Most important, we listen to our customers.

And we accept responsibility for every aspect of our systems: appearance, performance, ease of use, applications capabilities, reliability—literally everything. Because each element in the design, engineering and manufacturing of an Inter-Tel system is created to meet our customers' needs. Needs we've determined through their comments and personal input.

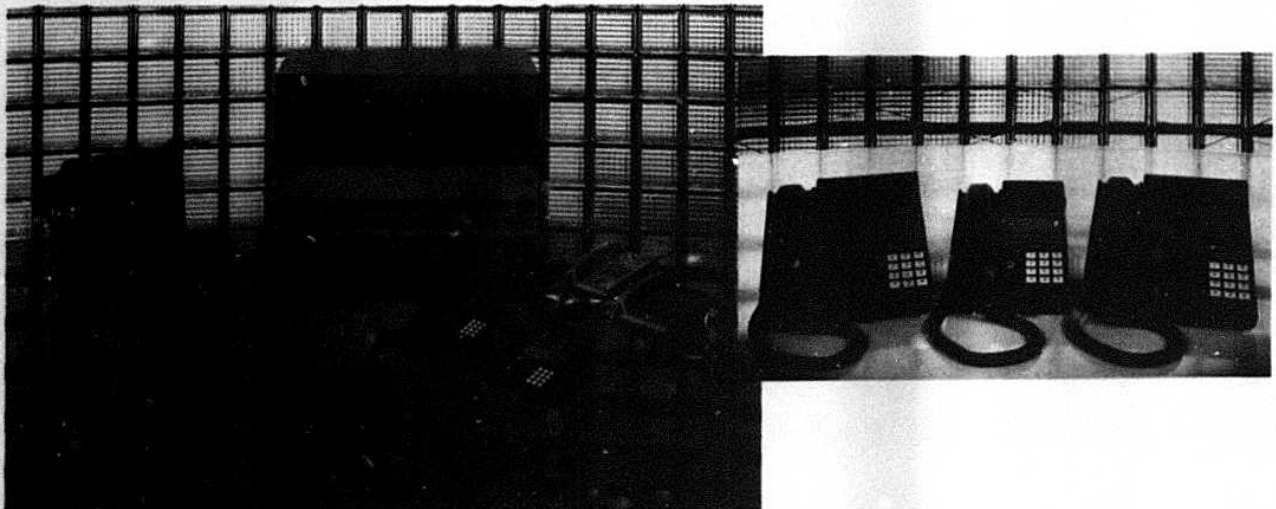
This direct relationship with our customers allows us to provide:

■ **Product and Support.** Communications consultants help our customers choose the system that fits their special needs—and then make sure it's installed according to Inter-Tel's exacting specifications. And, as each customer's business grows, the phone system can also grow—with a minimum investment **and** the committed, personal support of the local Inter-Tel direct office. But that's just the beginning of our direct connection with our customers. Inter-Tel products are backed by a service commitment unexcelled in the industry; in fact, our warranties on parts and labor, guaranteed maintenance agreements and repair requirements surpass most industry standards.

*Whether our customers have six telephones or 600, they need the same special relationship: **direct** support and service from Inter-Tel.*



- **Network.** Inter-Tel has established a network of local and national technical assistance centers to ensure customer satisfaction and serve as the focal point for continuing customer contact. From these local computerized centers, factory-certified technicians are dispatched to a customer's business to ensure responsive, timely service. And factory-certified service representatives keep each customer informed about technological developments at Inter-Tel.
- **Customer Training.** Certified customer service representatives personally instruct a customer's employees on the customized applications of their Inter-Tel telecommunications system.
- **Technical Assistance.** Local and national technical assistance centers are at our customer's service—24 hours a day in case of an emergency. In fact, our technical experts can simply "call" a customer's telecommunications system to remotely diagnose and monitor system performance.
- **Installation and Maintenance.** Inter-Tel telecommunications systems are installed and maintained by the people who know them best: our factory-trained, certified technicians. These individuals are radio/beeper dispatched from the local computerized center and will respond promptly to customer needs. Our commitment to service means that we strive for a perfect installation every time. Our customers also benefit from the remote maintenance and administration of Inter-Tel systems. This feature provides early diagnostics and immediate implementation of changes with fewer on-site visits.
- **Software Updates.** The Inter-Tel family of products is microprocessor-based. Our modular software packages provide customers with transparent growth. And new integrated software applications are made available to our customers as they are developed.
- **Parts Availability.** Parts for Inter-Tel telecommunications systems are warehoused locally and guaranteed to be available—in case of an emergency, 24 hours a day. And our 50,000 square foot warehouse at our Corporate Headquarters provides immediate parts availability nationwide.
- **Disaster Backup.** Our customers are protected. If the unforeseen—such as natural disaster or fire—should occur, Inter-Tel will provide and install back-up equipment immediately. In addition, we keep a copy of all programming for our customers in our local technical assistance center, so we can have a system operating again without time-consuming reprogramming.



A PARTNER IN BUSINESS

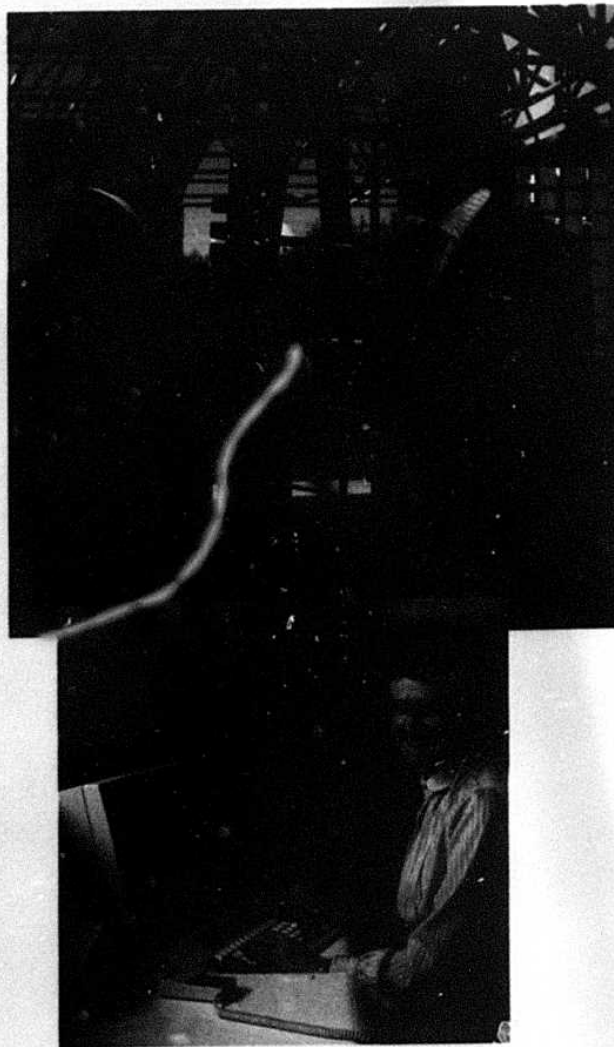
In today's business environment, a telecommunications system must be much more than just a telephone. It must be a working partner—a tool to increase management efficiency, productivity and profitability throughout the company.

Inter-Tel telecommunications systems provide the time- and money-saving features that businesses demand—because our system applications are designed in direct response to customer requests for solutions to their communications problems.

Our close attention to the needs of our customers means Inter-Tel telecommunications systems contribute to:

- **More Economical Operation.** An investment in an Inter-Tel telecommunications system is an investment in profitability. Because our systems provide features that actually **reduce** telecommunications expenses. For example, Station Message Detail Accounting (SMDA) generates daily, weekly or monthly reports on usage—allowing a company to identify calling patterns and track system performance. Least Cost Routing automatically selects the least expensive route for each call placed and dials private access codes—without input from the caller. And Remote Diagnostics and Programming capabilities allow a local Inter-Tel technician to dial in and maintain the system with programming changes, reducing—and sometimes eliminating—on-site service calls year after year.

In today's business environment, a telecommunications system must be much more than just a telephone.



■ **Productivity Improvements.** In addition to actual hard cash savings, Inter-Tel systems make a company more productive. Our advanced capabilities allow each employee to work more effectively—increasing manpower without increasing staff. Productivity improves with features such as Uniform Call Distribution (UCD), which automatically distributes calls evenly among all the employees in a department. Our Advanced Messaging features allow an employee to select a display message from a message menu. Then the receptionist or a co-worker who calls can see where the absent person is and when he will be available. And Inter-Tel's Simultaneous Voice and Data capabilities allow data terminals to communicate with each other, access external networks and share peripheral equipment—while an employee is on the telephone.

■ **Improved Professional Image.** The efficiency with which a business handles its communications directly impacts its image in the minds of its customers. That's why Inter-Tel has developed system features that help employees handle each call more quickly and professionally. Our Automated Attendant can answer any or all incoming calls automatically—providing customers with the prompt attention they deserve—while reducing staff and line costs each year. Uniform Call Distribution, as previously discussed, also allows each customer's call to be answered quickly and efficiently. And Inter-Tel telecommunications systems are integrated with our Voice Mail products. A caller can leave a personalized message in a private "mail box," so employees receive more accurate information and respond more efficiently to customer needs.



*Inter-Tel
Training Center,
Phoenix, Arizona*



THE INTER-TEL PRODUCT FAMILY

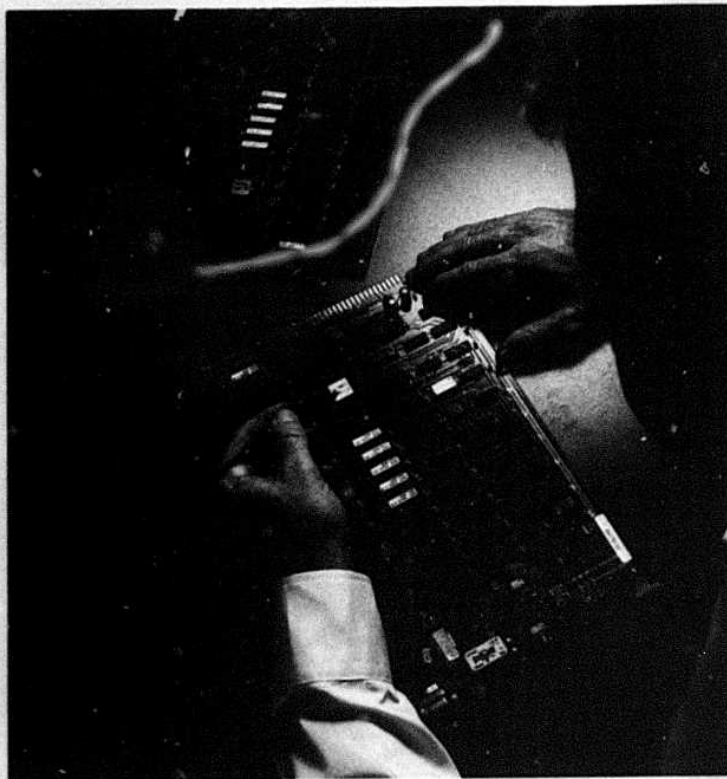
All Inter-Tel products are created to meet the needs of our customers—both now and in the future. And our systems are designed to be compatible—to create a network that can be expanded or upgraded with a minimal investment.

- **A "Family" of Products.** At the heart of each of our telecommunications systems is a sophisticated, proprietary Inter-Tel software base. This software provides consistency among all our products; but more importantly, it allows our customers to grow without interruptions in service, extensive—and expensive—changes in basic equipment or the need to retrain the system users.
- **Big System Capabilities.** Many of our customers have small system needs. But customers who need from six to 600 telephones all demand big system features. And

Inter-Tel delivers: Voice Messaging, Least-Cost Routing, Station Message Detail Accounting (SMDA), Uniform Call Distribution (UCD) and more. We design our systems to be "user-friendly," so features are accessible to every customer.

- **Outside System Compatibilities.** Our products are designed to create a telecommunications network that our customers can use effectively and efficiently. For example, Centrex and other networking systems are compatible with Inter-Tel products.
- **System Integration.** Our telecommunications systems are designed to be compatible with other products as well, including voice messaging systems, data transfer products and facsimile machines.

All Inter-Tel products are created to meet the needs of our customers—both now and in the future.



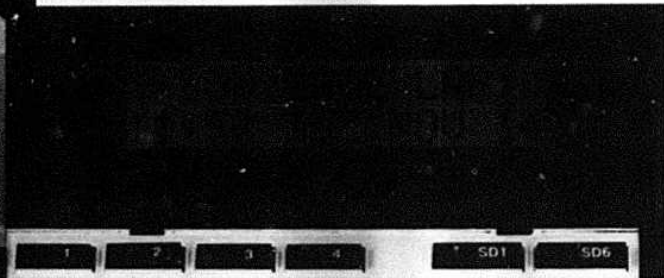
LEADERSHIP THROUGH SOFTWARE

Unlike many companies in the telecommunications industry, Inter-Tel directly develops the products we market.

Unlike many companies in the telecommunications industry, Inter-Tel directly develops the products we market. We're intimately involved at each stage of the design: At the drawing board. When choosing component parts. At the computer terminal writing the software.

This "hands-on" involvement with our products has made our history a history of "firsts":

- **1969.** Inter-Tel was founded to bring high-technology, cost-effective communications systems to business.
- **1973.** Inter-Tel made the transition from solely a distributor to a manufacturer and distributor—becoming the first in our industry to control the manufacturing of our products. We also formed our own Research and Development team.
- **1975.** KEY-LUX—the first system completely designed and produced by Inter-Tel—was introduced.
- **1976-78.** Inter-Tel became the first to use advanced computer-based technology in a telephone system—providing "big system" features for the small- to medium-sized user.
- **1980-82.** We pioneered the use of sophisticated microprocessors in the telephone and Remote Diagnostics to maintain our systems. In 1981, stock was offered and Inter-Tel went public.
- **1984-85.** Inter-Tel introduced expandable, modular software that controlled an entire family of products. We also became the first to offer a 32-character Liquid Crystal, Alpha Numeric, Dot Matrix Display Unit in the telephone instrument.
- **1987-88.** We continued to lead the industry in innovation—including the introduction of a 16-bit microprocessor in the under-twenty telephone market and the design of the Inter-Tel Audio Interface Module (AIM) custom designed VLSI chip. We also enhanced our existing systems with additional integrated software applications packages.
- **1989 to the future.** Inter-Tel entered the PABX market with a PC-based system. We also built in Integrated Services Digital Network (ISDN) compatibility with the "open-architecture" design of our systems. And Inter-Tel engineers continue to search for the breakthroughs that will carry telecommunications beyond the year 2000.



OUR COMMITMENT TO THE FUTURE

We know better than anyone how critical a telecommunications system is to your business. It's much more than a telephone—it's literally the heartbeat of your company. And after you've chosen a system, you shouldn't have to ever worry about it again.

Inter-Tel ensures that our equipment will work effectively for you. You'll receive expert assistance in selecting the proper system. And, after it's expertly installed, certified technicians—trained by Inter-Tel—will efficiently maintain it in peak operating condition.

But, above all, we'll be in business to support and update your system well into the 21st Century.

Before you make this vital investment, we invite you to compare Inter-Tel's commitment with our competition. If they can't provide even one item listed—you're getting less than you deserve.

A Financially Strong Company

- Over 20 years of financial stability
- Growth financed through corporate earnings
- Audited financial statements
- A diverse distribution system to ensure profitability

Responsive Customer Service

- Local service representatives backed by a centralized Technical Assistance Center

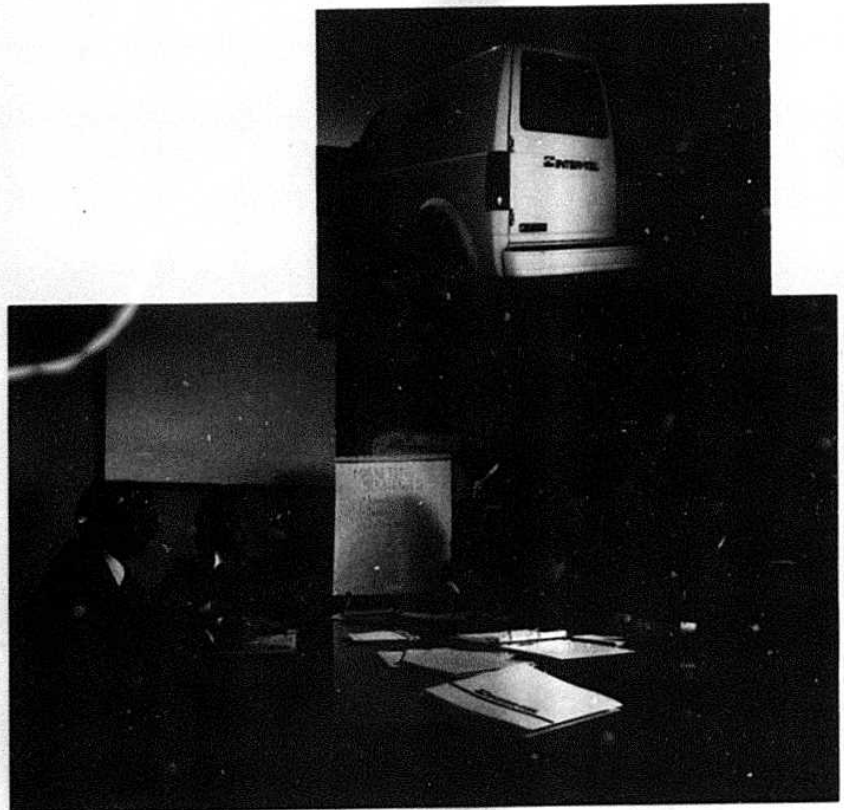
- Certified technicians who have completed factory-approved training
- Warranty on parts and labor
- Customer training

Leader in Technology and Innovation

- Large system features at an affordable price
- Installation of more than 100,000 systems worldwide
- Intensive field testing of software and hardware
- Continued product introductions and software enhancements
- A "family" of products that are easy to upgrade and expand

When you discover the difference, the choice is clear: Inter-Tel.

We know better than anyone how critical a telecommunications system is to your business.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Years Ended December 31, 1989 and 1988

Net sales of \$61.6 million in 1989 were 2% or \$1 million lower than net sales in 1988. The decrease was almost entirely attributable to lower sales to one international customer. Sales through Direct Sales branches increased by approximately \$1 million or 3%. Shipments to distributors, dealers and Inter-Tel's principal OEM customer were about equal to 1988.

With a record backlog of orders at year-end, net sales for the first half of 1990 are expected to exceed those of the first half of 1989. International orders are anticipated to increase and there has been most satisfactory acceptance of the new GX-400 and Premier ESPDX systems whose introduction in late 1989 contributed to record fourth quarter sales.

Costs of sales as a percentage of sales decreased to 60.5% from 61.5%. The improvement in this percentage occurred wholly in the Direct Sales units. The Wholesale Sales unit continued to experience highly competitive market conditions and slowing business activity. Future pressure on prices and margins can be expected as a result of the Department of Commerce assessment of a 13.4% additional import duty on certain assemblies produced by our Korean subcontractors. Such additional duties were in force at a lower rate during the last half of 1989. It is Inter-Tel's position that certain assemblies being imported are not covered by the assessment order. Accordingly, Inter-Tel has withheld payment of additional duty on these assemblies pending final determination. A provision of \$300,000 has been made in the 1989 financial statements for the possible assessment of the additional duties on these imports.

Research and development expenses were increased to 5% of sales in 1989, a full 24% greater than 1988 and 56% greater than 1987 increasing \$601,000 to \$3,101,000 from 1988 to 1989. To assure continued timely offering of

new system enhancements such expenses are expected to be maintained at their present dollar level.

Selling and administrative expenses increased to 31% of sales from 29% of sales in 1988, and during 1989 include the start up expenses of Inter-Tel's United Kingdom and Japanese subsidiaries. These aggregated over \$250,000 in 1989. In addition, expenses of the new training center, hotel and office complex were approximately \$350,000 higher in 1989 as operations expanded during the year. Initial operations of this complex resulted in a loss of \$557,000 after income tax benefits.

Interest expense increases are the result of higher rates and increased borrowings made necessary by new vendor terms. Total interest expense of \$1,553,000 in 1989 was \$653,000 or 73% greater than the year before. Borrowings are expected to remain near the present levels in 1990 as operating cash flows are absorbed by expanded working capital requirements.

Net income in 1989 of \$521,000 or \$.06 a share compared to net income of \$1,752,000 or \$.20 a share in 1988. Average shares outstanding during 1989 decreased by approximately 200,000 shares to 8,614,000 principally as a result of the stock repurchase program which was resumed during the year.

Years Ended December 31, 1988 and 1987

Net sales of \$62.6 million in 1988 were 27% higher than the net sales of \$49.4 million in 1987. This increase was principally attributable to the inclusion for a full year 1) of the Direct Sales operations acquired during the last quarter of 1987 and 2) of shipments under the contractual arrangement with Premier Telecom Products, Inc. which began in the last half of 1987.

Costs of sales as a percentage of sales increased to 61.5% from 60.8% as a result of greater proportion of lower margin wholesale contract sales offset by increased margins in Direct Sales operations reflecting continued acceptance of new systems.

Research and development expenses continued at a rate of 4% of sales, increasing \$510,000 to \$2,500,000. These expenditures during 1988 were directed principally at the completion of Inter-Tel's newest systems, the GMX-48 and the digital GX-400 and Premier ESPDX.

Selling and administrative expenses increased to 29% of sales from 28% of sales in 1987. The increase is related to increased compensation and marketing costs and to approximately \$350,000 in pre-opening and management expenses for the newly renovated training center, hotel and office complex. Rental activities at this complex were minimal in 1988.

The interest expense increase is the result of higher prime rates during the year and increased use of the short term credit line to support the expanded business activity. Lower balances of excess cash for temporary investment resulted in lower interest income.

The reduction in the effective income tax rate from 46% to 41% follows the provisions of the 1986 Tax Reform Act. Currently payable income taxes (and the corresponding reduction in deferred taxes) were increased by adjustments related to the uniform capitalization requirements and other changes under the Act.

Net income for 1988 was \$1,752,000, or \$.20 a share compared to net income before extraordinary item in 1987 of \$1,943,000 or \$.23 a share. Average shares outstanding during 1988 increased approximately 558,000 shares because of shares issued in the 1987 acquisitions and stock option exercises. The additional shares decreased net income per share for 1988 by \$.01. Net income for 1987 benefited from an extraordinary credit of \$300,000, or \$.04 per share, arising from income tax credit carryovers from prior years.

Liquidity and Capital Resources

With the completion of the investment in the training center, hotel and office complex, additions to property and equipment are being limited to tenant improvements, production

dies, and technical and marketing equipment. Additions are expected to be lower than funds provided from depreciation.

Working capital requirements for planned sales expansion are expected to be met by the Company's bank line of credit. Shortened vendor terms agreed to in exchange for pricing concessions have resulted in substantially increased direct borrowings. To provide for this the Company has obtained an increase in its bank line of credit to \$13,000,000. The Company believes this will be sufficient, together with funds from operations to provide for anticipated liquidity needs.

Believing the Company's common stock was undervalued on the open market, the Board of Directors approved the resumption of the stock repurchase program in 1989. During the year the Company repurchased for treasury 400,362 shares of its common stock at a total cost of \$1,099,591. If the market price of the common shares remains depressed the Company intends to continue the repurchase program. It has obtained an additional \$1,000,000 term loan to provide funds for this program.

Impact of Inflation

Although inflation and fluctuations in international currency values always have some impact on prices and sales margins, they have not been a principal factor in Inter-Tel's business in recent years. Inter-Tel believes that its position in relation to its competitors is not materially affected by these factors. However, because of the possible impact of the additional import penalty duties imposed by the Department of Commerce Inter-Tel is reviewing subcontract sourcing alternatives and opportunities. The impact on future operations of sourcing changes cannot be predicted.

REPORT OF INDEPENDENT AUDITORS

Ernst & Young

Board of Directors
Inter-Tel, Incorporated

We have audited the accompanying consolidated balance sheets of Inter-Tel, Incorporated and subsidiaries as of December 31, 1989 and 1988 and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 consolidated financial position of Inter-Tel, Incorporated and subsidiaries at December 31, 1989 and 1988 and the consolidated results of operations and cash flows for each of the three years in the period ended December 31, 1989, in conformity with generally accepted accounting principles.

Phoenix, Arizona
January 26, 1990

Ernst & Young

CONSOLIDATED BALANCE SHEETS

December 31, 1989 and 1988

	1989	1988
ASSETS		
CURRENT ASSETS		
Cash	\$ 3,342,765	\$ 1,007,826
Accounts and notes receivable, less allowances of \$734,000 in 1989 and \$820,000 in 1988	10,111,429	10,168,088
Inventories	11,363,881	11,303,579
Prepaid expenses and other assets	679,089	711,571
TOTAL CURRENT ASSETS	25,497,164	23,191,064
PROPERTY, PLANT & EQUIPMENT	17,979,925	18,480,814
OTHER ASSETS	654,209	723,627
EXCESS OF PURCHASE PRICE OVER NET ASSETS ACQUIRED	1,643,158	1,790,633
	\$45,774,456	\$44,186,138
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Drafts and notes payable	\$ 6,740,488	\$ 6,605,498
Accounts payable	2,864,222	1,717,550
Accrued expenses	4,847,050	3,802,520
Customer deposits	765,227	1,391,441
Income taxes payable	663,333	628,149
Current portion of long-term debt	898,653	753,557
TOTAL CURRENT LIABILITIES	16,778,973	14,898,715
LONG-TERM DEBT, less current portion	8,557,066	8,309,007
SHAREHOLDERS' EQUITY		
Common Stock, no par value — authorized 30,000,000 shares, issued 10,941,111 in 1989 and 10,915,286 in 1988	18,999,524	18,961,235
Additional paid-in capital	75,000	75,000
Retained earnings	7,883,169	7,361,866
	26,957,693	26,398,101
Less cost of Common Stock in treasury — 2,573,000 shares in 1989 and 2,172,638 shares in 1988	6,519,276	5,419,685
	20,438,417	20,978,416
COMMITMENTS		
	\$45,774,456	\$44,186,138

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31, 1989, 1988 and 1987

	1989	1988	1987
REVENUES:			
Net sales	\$61,588,398	\$62,596,351	\$49,405,408
Other income	482,261	536,743	512,473
Interest income	28,336	87,909	220,306
	62,098,995	63,221,003	50,138,187
COSTS AND EXPENSES:			
Costs of sales	37,236,070	38,513,748	30,033,329
Research and development	3,100,630	2,500,505	1,989,199
Selling, general and administrative	19,358,446	18,309,882	13,753,816
Interest	1,552,546	899,600	757,632
	61,247,692	60,223,735	46,533,976
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	851,303	2,997,268	3,604,211
INCOME TAXES			
Current	256,000	1,638,000	1,830,423
Deferred (credit)	74,000	(393,000)	(169,423)
	330,000	1,245,000	1,661,000
INCOME BEFORE EXTRAORDINARY ITEM EXTRAORDINARY ITEM	521,303	1,752,268	1,943,211
Tax benefit of utilization of tax credit carryforward			300,000
NET INCOME	\$521,303	\$ 1,752,268	\$ 2,243,211
Income per share of common stock:			
Income before extraordinary item	\$.06	\$.20	\$.23
Extraordinary item			.04
Net Income	\$.06	\$.20	\$.27

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY **Years Ended December 31, 1989, 1988 and 1987**

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
Balance at November 30, 1986	\$ 16,141,583	\$ 75,000	\$ 3,152,512	\$ (4,587,252)	\$ 14,781,843
Shares issued and exchanged pursuant to stock option and stock purchase plans	476,342			(182,372)	293,970
Shares issued in merger of Interconnect Communications Corporation	1,750,000				1,750,000
Shares issued in acquisition of Inter-Tel Communicators, Inc.	97,500				97,500
Treasury shares exchanged for assets				24,000	24,000
Tax benefit of stock options exercised			46,536		46,536
Purchase of treasury stock				(510,116)	(510,116)
Net income for December 1986			6,648		6,648
Net income for year ended December 31, 1987			2,243,211		2,243,211
Balance at December 31, 1987	18,465,425	75,000	5,448,907	(5,255,740)	18,733,592
Shares issued and exchanged pursuant to stock option and stock purchase plans	495,810			(163,945)	331,865
Tax benefit of stock options exercised			160,691		160,691
Net income for 1988			1,752,268		1,752,268
Balance at December 31, 1988	18,961,235	75,000	7,361,866	(5,419,685)	20,978,416
Shares issued pursuant to stock option plans	38,259				38,289
Purchase of treasury stock				(1,099,591)	(1,099,591)
Net income for 1989			521,303		521,303
Balance at December 31, 1989	\$ 18,999,524	\$ 75,000	\$ 7,883,169	\$ (6,519,276)	\$ 20,438,417

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 1989, 1988 and 1987

	1989	1988	1987
OPERATING ACTIVITIES:			
Net Income	\$ 521,303	\$ 1,752,268	\$ 2,243,211
Adjustments to reconcile net income to net cash provided by (used in) operations:			
Depreciation and amortization	1,963,977	1,723,875	1,244,979
Provision for losses on receivables	397,403	300,118	424,176
Provision for inventory valuation	173,297	518,984	239,000
(Gain) loss on sale of equipment	101,940	(5,594)	(34,520)
(Increase) Decrease in deferred income taxes	74,000	(393,000)	(169,423)
Changes in operating assets and liabilities	(4,162,371)	(3,673,792)	1,383,393
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(930,451)	222,859	5,330,816
INVESTING ACTIVITIES:			
Additions to property and equipment	(1,472,780)	(4,264,216)	(4,323,646)
Purchase of businesses, less cash acquired			(140,547)
Proceeds from sale of property and equipment	70,151	605,634	191,767
NET CASH USED IN INVESTING ACTIVITIES	(1,402,629)	(3,658,582)	(4,272,426)
FINANCING ACTIVITIES:			
Proceeds from credit line	24,325,000	11,090,000	1,750,000
Payments on credit line	(19,825,000)	(9,840,000)	(1,750,000)
Proceeds from new term notes	1,990,488		
Payments on long-term debt	(761,167)	(960,622)	(765,009)
Purchase of treasury stock	(1,099,591)		(339,483)
Proceeds from exercise of stock options	38,289	492,556	319,305
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	4,668,019	781,934	(785,187)
INCREASE (DECREASE) IN CASH	2,334,939	(2,653,789)	273,203
CASH AT BEGINNING OF YEAR	1,007,826	3,661,615	3,388,412
CASH AT END OF YEAR	\$ 3,342,765	\$ 1,007,826	\$ 3,661,615

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**December 31, 1989, 1988 and 1987**

NOTE A — SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of Inter-Tel, Incorporated and all significant subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Inventories: Inventories, consisting principally of telephone systems and related components, are stated at the lower of cost (first-in, first-out method) or market.

Property, Plant and Equipment: Property, plant and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful life of the related property. Amortization of equipment under capitalized leases is included with depreciation expense and is computed using the straight-line method over the terms of the related leases. Leasehold improvements are depreciated over the shorter of the related lease terms or the estimated useful lives of the improvements.

Excess of Purchase Price Over Net Assets Acquired: Purchase prices of acquired businesses have been allocated to the assets and liabilities acquired based on the estimated fair market values on the respective acquisition dates. Based on these values the excess purchase prices over the fair market value of the net assets acquired are being amortized over 40 years. Accumulated amortization through December 31, 1989 and 1988 totalled \$361,800 and \$213,000, respectively.

Income Taxes: Deferred income taxes result from timing differences in the recognition of revenues and expenses for financial reporting and income tax purposes.

Income Per Common Share: Income per common share is based on the weighted average number of common shares outstanding during each year and common stock equivalents consisting of dilutive stock options.

NOTE B — GEOGRAPHIC AND SEGMENT INFORMATION

The Company and its subsidiaries' principal activity is to design, produce, and market business telecommunication systems, including digital electronic key, hybrid, and PABX systems.

The Company had sales to one customer during 1989, 1988 and 1987 of 25%, 25% and 12% of sales, respectively. Export sales did not exceed 10% in any year.

During 1987 and 1988, the Company renovated buildings into an executive office and hotel complex for rental purposes and as a training center for Company employees and customers. Hotel and rental operations were minimal during that period. Identifiable assets for this business segment approximate \$9,300,000 at December 31, 1989. Initial operations in 1989 have generated approximately \$460,000 in revenues and resulted in a loss of \$557,000 after income tax benefits of \$354,000. During 1989 capital expenditures for this segment were \$503,000 and depreciation was \$203,000.

NOTE C — PROPERTY, PLANT AND EQUIPMENT

	December 31	
	1989	1988
Buildings	\$10,094,796	\$ 9,576,082
Machinery and equipment	5,589,917	5,556,705
Transportation equipment	1,647,359	1,919,654
Furniture and fixtures	2,190,582	2,074,656
Leasehold improvements	83,503	170,466
Land	<u>5,928,386</u>	<u>5,928,386</u>
	25,534,543	25,225,949
Less: Accumulated depreciation and amortization	<u>7,554,618</u>	<u>6,745,135</u>
	<u>\$17,979,925</u>	<u>\$18,480,814</u>

Interest costs totalling approximately \$154,000 and \$174,000 were capitalized in 1988 and 1987, respectively, as part of the cost of construction.

NOTE D — LONG-TERM DEBT

A summary of long-term debt and capital lease obligations follows:

	December 31	
	1989	1988
Industrial Development Authority Bonds, payable \$20,619 monthly, plus interest at prime rate plus 1% until June 1, 1993, when the remainder is due; collateralized by land and a building with a carrying amount of \$5,438,823 at December 31, 1989	\$ 4,515,432	\$ 4,762,860
Term loan notes payable \$16,667 monthly, plus interest at prime rate plus 1 1/8% until April 1992, when the remainder is due	3,433,333	3,633,333
Other long-term and capital lease obligations	<u>1,506,954</u>	<u>666,371</u>
	9,455,719	9,062,564
Less current portion	<u>898,653</u>	<u>753,557</u>
	<u>\$ 8,557,066</u>	<u>\$ 8,309,007</u>

Principal amounts of long-term debt and capital lease obligations maturing subsequent to December 31, 1989, are: 1990 — \$898,653, 1991 — \$806,809, 1992 — \$3,542,673, 1993 — \$4,207,584.

The Term Loan and IDA Bond Agreements contain certain restrictions on dividends and redemptions, other borrowings and capital expenditures and require the maintenance of specified financial ratios. In connection with the IDA Loan Agreement the Company has not met a specific technical covenant for its current ratio. However, the bondholder has waived this requirement for one year. The Term Loan Agreement also provides for a line of credit of \$13,000,000, of which \$8,817,906 was utilized at December 31, 1989. The line of credit bears interest at the prime rate and is collateralized by inventory, receivables, equipment and certain real estate and the available amount is reduced by any letters of credit, notes payable and drafts outstanding.

NOTE E — LEASES

Rental expense amounted to approximately \$1,089,000, \$1,033,000 and \$695,000 in 1989, 1988 and 1987, respectively.

Noncancellable operating leases are primarily for buildings. Certain of the leases contain provisions for rent increases based on a specified price index per year. At December 31, 1989, future minimum commitments under noncancellable leases are: 1990 — \$1,080,000, 1991 — \$808,000, 1992 — \$565,000, 1993 — \$343,000, 1994 — \$237,000, Thereafter — \$8,000.

NOTE F — OTHER INCOME

Included in other income is \$471,000, \$431,000 and \$431,000 received from the rental of a portion of the Company's corporate headquarters and other property during 1989, 1988 and 1987, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

December 31, 1989, 1988 and 1987

NOTE G — INCOME TAXES

The deferred tax effect of timing differences is as follows:

	1989	1988	1987
Inventory basis differences	\$ (79,702)	\$ (184,157)	\$ (183,251)
Accelerated depreciation	(39,089)	13,622	53,533
Accrued vacation pay	(3,878)	(57,080)	(41,772)
State franchise tax	(18,565)	24,517	(20,933)
Bad debts	91,818	(143,720)	
Reinstatement of previously deferred taxes			25,469
Accrued expenses	194,750		
Other	(71,334)	(46,182)	(2,462)
	<u>\$ 74,000</u>	<u>\$ (393,000)</u>	<u>\$ (169,423)</u>

Included in other assets at December 31, 1989 is \$109,000 of prepaid income taxes.

Federal and state income taxes consisted of the following:

	1989	1988	1987
Federal	\$ 244,600	\$ 954,300	\$ 1,373,000
State	85,400	290,700	288,000
	<u>\$ 330,000</u>	<u>\$ 1,245,000</u>	<u>\$ 1,661,000</u>

The tax provision for all years presented has been computed under the provisions of Accounting Principles Board Opinion 11. The Company expects to adopt FASB Statement 96, Accounting for Income Taxes, on a prospective basis for the year ending December 31, 1992. Adoption of Statement 96 is not expected to have a significant impact on the Company's financial position or results of operations. The Company does not expect to restate prior-year financial statements to reflect the new rules.

NOTE H — STOCK OPTIONS AND COMMON STOCK

Under various stock options plans, officers and key employees may purchase Common Stock of the Company at amounts not less than

the fair market value at the date of grant. The options, which have a term of five years, are exercisable over four years commencing one year from the date of grant.

Option activity for the past three years is as follows:

	Shares		
	1989	1988	1987
Outstanding at beginning of year	715,575	793,825	652,700
Granted	482,500	90,000	415,000
Exercised	25,825	131,425	229,925
Expired or cancelled	351,700	36,825	43,950
Outstanding at end of year	820,550	715,575	793,825
Exercise price range	\$1.13-\$6.38	\$1.44-\$6.38	\$1.44-\$6.50
Exercisable at end of year	236,800	269,450	271,400

Prior to 1989, the Company also had a non-compensatory Employee Stock Purchase Plan which permitted employees to purchase the Company's Common Stock through payroll deductions at 85 percent of the fair market value of the Common Stock. During 1988 and 1987, employees purchased 104,275 and 44,812 shares, respectively, pursuant to this Plan.

At December 31, 1989, the Company has reserved 1,189,475 shares of Common Stock for issuance in connection with the stock option plans.

NOTE I — RETIREMENT PLAN

The Company has a 401(k) Retirement Plan for the benefit of all of its employees. Participants may contribute an amount not exceeding 10 percent of compensation received during the period of participation in the Plan. The Company makes voluntary annual contributions to the plan based on a percentage of the total contributions made by Plan participants. Contributions to the Plan totaled \$79,000, \$124,000 and \$110,000 in 1989, 1988 and 1987, respectively.

NOTE J — SUPPLEMENTAL CASH FLOW INFORMATION

	Years Ended December 31		
	1989	1988	1987
Cash paid for:			
Interest	\$ 1,513,559	\$ 1,068,383	\$ 902,663
Income Taxes	\$ 220,817	\$ 2,316,060	\$ 45,845
Changes in operating assets and liabilities:			
(Increase) in receivables	\$ (26,826)	\$ (159,669)	\$ (5,312,205)
(Increase) in inventories	(139,599)	(1,133,630)	(2,933,114)
(Increase) in prepaid expenses	(36,796)	(141,518)	(71,203)
(Increase) in investment in affiliates	(202,500)		
Increase (Decrease) in drafts payable	(5,355,498)	(2,569,233)	6,387,988
Increase in accounts payable and accrued expenses	2,189,878	658,606	1,503,637
Increase (Decrease) in customer deposits	(626,214)	325,844	369,235
Increase (Decrease) in income taxes payable	35,184	(654,192)	1,439,555
	<u>\$ (4,162,371)</u>	<u>\$ (3,673,792)</u>	<u>\$ 1,383,393</u>

NOTE L — QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

A summary of the quarterly results of operations for the years ended December 31, 1989 and 1988, follows:

(In thousands, except per share amounts)	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
1989				
Revenues	\$ 15,235	\$ 14,650	\$ 13,466	\$ 18,748
Gross margin	6,014	5,967	5,314	7,057
Net income (loss)	90	10	(491)	912
Net income (loss) per common share	.01	—	(.06)	.11
Average number of shares outstanding	8,796	8,645	8,481	8,445
1988				
Revenues	\$ 16,213	\$ 16,514	\$ 15,755	\$ 14,739
Gross margin	6,256	6,289	6,102	5,435
Net income	616	478	410	248
Net income per common share	.07	.05	.05	.03
Average number of shares outstanding	8,721	8,820	8,825	8,762

NOTE K — COMMITMENT AND CONTINGENCIES

During 1989, the Department of Commerce assessed an additional import duty on certain assemblies produced by the company's foreign subcontractors. The company does not believe that all of the assemblies are covered by the assessment. However, the company has provided \$300,000 in the 1989 financial statements pending determination of the applicability of the assessment.

DIRECTORS — INTER-TEL, INCORPORATED

Steven G. Mihaylo
Chairman of the Board of Directors,
President and
Chief Executive Officer

Jerry Chapman
President, Insight Partners
Incorporated

Robert H. Craft
Chairman of the Board,
A.B.S. Industries, Inc.

Maurice H. Esperseth
Senior Vice President -
Research and Development

C. Roland Haden
Dean, College of Engineering
& Applied Sciences,
Arizona State University

Robert S. Ingersoll
International Industrialist
and Diplomat

James S. Rice
President, James S. Rice and
Associates

OFFICERS — INTER-TEL, INCORPORATED

Steven G. Mihaylo
Chairman of the Board of Directors,
President and
Chief Executive Officer

Maurice H. Esperseth
Senior Vice President - Research
and Development

Thomas C. Parise
Senior Vice President -
Wholesale Sales

Ralph Marsh
Vice President - Chief Financial
Officer, Secretary/Treasurer

OFFICERS — INTER-TEL COMMUNICATIONS, INC.

Steven G. Mihaylo
President

Steven P. Nichols
Senior Vice President -
Eastern Region

Craig W. Rauchle
Senior Vice President -
Western Region

Jack Hart
Vice President -
Southern California Operations

Raymond McCloud
Vice President -
Mountain Region

Joe T. Sparks
Vice President -
North Texas Operations

Barry E. Wichansky
Vice President -
Northeastern Region

Kris Brown
Vice President -
Southeastern Region

OFFICERS — INTER-TEL EQUIPMENT, INC.

Thomas C. Parise
President

Jimmy C. Chumney
Vice President -
Engineering

N. Thomas Peiffer, Jr.
Vice President -
Technical Services

Louis (Skip) Welch III
Vice President -
Systems Engineering

Thomas M. Hanson
Vice President -
Operations

GENERAL INFORMATION

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Inter-Tel, Incorporated
6505 West Chandler Boulevard
Chandler, Arizona 85226

**Independent
Accountants**
Ernst & Young
100 West Washington
Suite 900
Phoenix, Arizona 85003

Additional Information
A copy of Inter-Tel's Form
10-K Report filed with the
Securities and Exchange
Commission is available
upon request without charge
by writing to:

Shareholder Relations
Inter-Tel, Incorporated
6505 West Chandler Blvd.
Chandler, Arizona 85226

Transfer Agent
First Interstate Bank
of Arizona
First Interstate Bank Plaza
Phoenix, Arizona
85036

Annual Meeting
The annual meeting of Inter-Tel,
Incorporated will be held at
10:00 a.m. on April 25, 1990 at
Inter-Tel, Incorporated
6505 West Chandler Blvd.
Chandler, Arizona 85226

DIRECT SALES OFFICES:

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10219 Southard Drive
Beltsville, MD 20705
(301) 937-1880

MISSOURI

St. Louis
1923 Beltway Drive
St. Louis, MO 63114
(314) 426-4002

NEW JERSEY

Kenilworth
124 Market Street
Kenilworth, NJ 07033
(201) 245-8700

NEW YORK

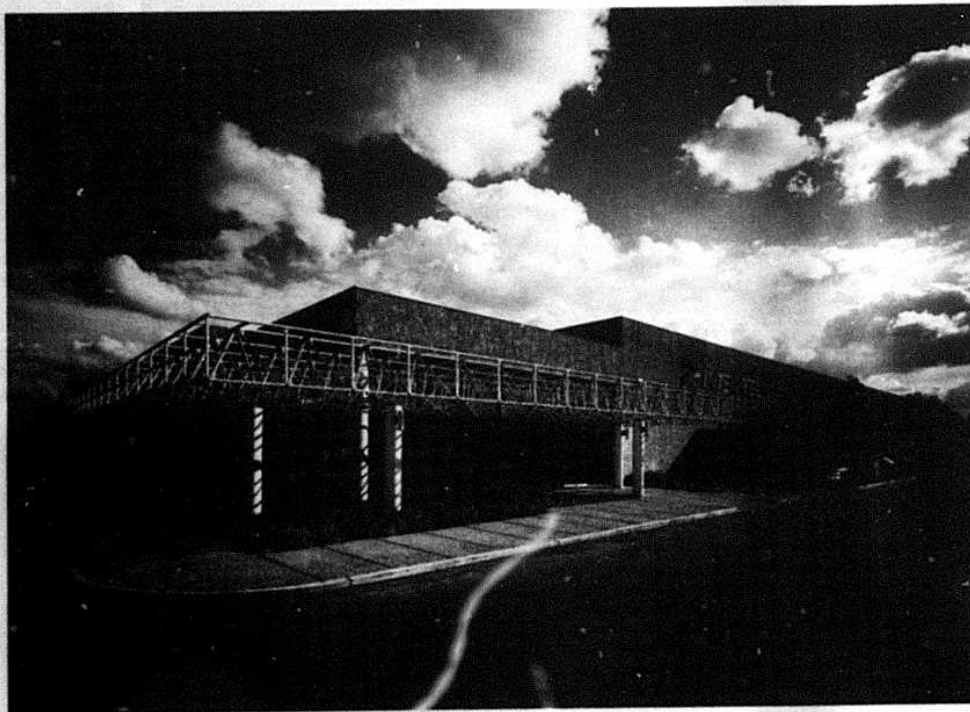
Manhattan
37 Union Square West
New York, NY 10003
(212) 840-0355

TEXAS

Dallas
11488 Luna Road
Dallas, TX 75234
(214) 830-7700

Fort Worth
801 Cherry Street, Suite 1025
Fort Worth, TX 76102
(817) 338-1011

Houston
4900 Langfield Road
Houston, TX 77040
(713) 690-4900



INTER-TEL®

Corporate Headquarters
6505 West Chandler Boulevard
Chandler, AZ 85226
(602) 961-9000

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Subject to change without notice
Litho USA-835.1151

**** APPENDIX B ****

INTRASTATE NETWORK

1. POP: addresses where located, and indicate if owned or leased.

1) Not applicable. INS is 2)
a switchless reseller
and does not have any
POPs.

3) 4)

2. SWITCHES: Address where located, by type of switch, and indicate if owned or leased.

1) Not applicable. INS 2)
does not have any
switches.

3) 4)

3. TRANSMISSION FACILITIES: Pop-to-Pop facilities by type of facilities (microwave, fiber, copper, satellite, etc.) and indicate if owned or leased.

1)	<u>POP-to-POP</u>	<u>TYPE</u>	<u>OWNERSHIP</u>
----	-------------------	-------------	------------------

2) Not applicable. INS does not own or lease any transmission facilities.

4. ORIGINATING SERVICE: Please provide the list of exchanges where you are proposing to provide originating service within thirty (30) days after the effective date of the certificate (Appendix D).

All Florida equal access areas, especially Tampa, St. Petersburg, and Clearwater.

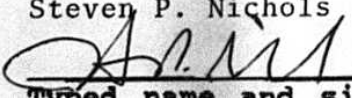
5. **TRAFFIC RESTRICTIONS:** Please explain how the applicant will comply with the EAEA requirements contained in Commission Rule 25-24.471 (4) (a) (copy enclosed).

INS currently provides service by reselling the services of its underlying interexchange carriers. INS' underlying carriers, e.g., Sprint, utilize FGD access whereby all intra-EAEA traffic is routed to the LECs.

6. **CURRENT FLORIDA INTRASTATE SERVICES:** Applicant has () or has not (X) previously provided intrastate telecommunications in Florida. If the answer is has, fully describe the following:

- a) What services have been provided and when did these services begin?
- b) If the services are not currently offered, when were they discontinued?

Steven P. Nichols


Typed name and signature
of Owner or Chief Officer

President
Title

February 13, 1991
Date

**** APPENDIX C ****

FLORIDA TELEPHONE EXCHANGES

AND

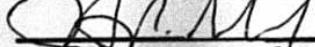
EAS ROUTES

Describe the service area in which you hold yourself out to provide service by telephone company exchange. If all services listed in your tariff are not offered at all locations, so indicate.

In an effort to assist you, attached is a list of major exchanges in Florida showing the small exchanges with which each has extended area service (EAS).

INS will provide service throughout the State of Florida, including the exchanges attached hereto.

Steven P. Nichols



Typed name and signature
of Owner/Chief Officer

President

Title

February 13, 1991

Date

FLORIDA TELEPHONE EXCHANGES

PERSON COMPLETING FORM	SIGNATURE			DATE		
Alachua.....	Cherry Lake.....	Ft. Meade.....	Jacksonville.....	Melbourne.....	Panama City.....	Spring Lake.....
Alford.....	Chiefland.....	Ft. Myers.....	Jacksonville Bch..	Melrose.....	Panama City Beach..	Starke.....
Alligator Point...	Chipley.....	Ft. Myers Beach....	Jasper.....	Miami.....	Paxton.....	Stuart.....
Altha.....	Citra.....	Ft. Pierce.....	Jay.....	Micanopy.....	Pensacola.....	Sugarloaf Key.....
Apalachicola.....	Clearwater.....	Ft. Walton Beach...	Jennings.....	Middleburg.....	Perrine.....	Sunny Hills.....
Apopka.....	Clermont.....	Ft. White.....	Jensen Beach.....	Milton.....	Perry.....	Tallahassee.....
Arcadia.....	Clewiston.....	Fresport.....	Julington.....	Molino.....	Pierson.....	Tampa.....
Archer.....	Cocoa.....	Frostproof.....	Jupiter.....	Monticello.....	Pine Island.....	Tarpon Springs....
Astor.....	Cocoa Beach.....	Gainesville.....	Keaton Beach.....	Montverde.....	Plant City.....	Tavares.....
Avon Park.....	Coral Springs.....	Geneva.....	Kenansville.....	Moore Haven.....	Polk City.....	The Beaches.....
Baker.....	Cottondale.....	Glendale.....	Key Largo.....	Mount Dora.....	Pomona Park.....	Titusville.....
Baldwin.....	Crawfordville.....	Graceville.....	Key West.....	Mulberry.....	Pompano Beach.....	Trenton.....
Bartow.....	Crescent City.....	Grand Ridge.....	Keystone Heights..	Munson.....	Ponce De Leon.....	Trilacoochee.....
Belle Glade.....	Crestview.....	Green Cove Spc....	Kingsley Lake.....	Myakka.....	Ponte Vedra Beach..	Tyndall AFB.....
Bellevue.....	Cross City.....	Greensboro.....	Kissimmee.....	Naples.....	Port Charlotte....	Umatilla.....
Beverly Hills.....	Crystal River.....	Greenville.....	La Belle.....	New Port Richey...	Port St Joe.....	Valparaiso.....
Big Pine.....	Dade City.....	Greenwood.....	Lady Lake.....	New Smyrna Beach..	Port St Lucie.....	Venice.....
Blountstown.....	Daytona Beach.....	Gretna.....	Lake Buena Vista..	Nesberry.....	Punta Gorda.....	Vernon.....
Boca Grande.....	Deberry.....	Groveland.....	Lake Butler.....	North Cape Coral..	Quincy.....	Vero Beach.....
Boca Raton.....	Deerfield Beach...	Gulf Breeze.....	Lake City.....	North Dade.....	Raiford.....	Waldo.....
Bonifay.....	Defuniak Springs..	Haines City.....	Lake Placid.....	North Fort Myers..	Reedy Creek.....	Walnut Hill.....
Bonita Springs....	DeLand.....	Hastings.....	Lake Wales.....	North Key Largo...	Reynolds Hill.....	Wauchoke.....
Bowling Green.....	DeLeon Springs....	Havana.....	Lakeland.....	North Naples.....	St. Augustine.....	Weekiwachee Spa...
Boynton Beach.....	Delray Beach.....	Hawthorne.....	Laurel Hill.....	North Port.....	St. Cloud.....	Welaka.....
Bradenton.....	Destin.....	High Springs.....	Lawtey.....	Oak Hill.....	St. Marks.....	Wellborn.....
Brantford.....	Douling Park.....	Hilliard.....	Lee.....	Ocala.....	St. Petersburg....	West Kissimmee....
Bristol.....	Dunnellon.....	Hobe Sound.....	Leesburg.....	Okeechobee.....	Salt Springs.....	West Palm Beach...
Bronson.....	East Orange.....	Holley Navarre....	Lehigh Acres.....	Oklawaha.....	San Antonio.....	Westville.....
Brooker.....	Eastpoint.....	Hollywood.....	Live Oak.....	Old Town.....	Sanderson.....	Wauhatchie.....
Brooksville.....	Eau Gallie.....	Homestead.....	Lynn Haven.....	Orange City.....	Sanford.....	White Springs.....
Bunel.....	Englewood.....	Homosassa Springs..	Luraville.....	Orange Park.....	Sanibel-Captive...	Wildwood.....
Bushnell.....	Eustis.....	Hosford.....	MacClennay.....	Orange Springs....	Santa Rosa Beach..	Williston.....
Callahan.....	Everglades.....	Howey.....	Nadison.....	Orlando.....	Sarasota.....	Windermere.....
Cantonment.....	Fernandina Beach..	Hudson.....	Malone.....	Oviedo.....	Seagrave Beach....	Winter Garden.....
Cape Coral.....	Flagler Beach.....	Immokalee.....	Marathon.....	Pace.....	Sebastian.....	Winter Haven.....
Cape Haze.....	Florahome.....	Indian Lake.....	Marco Island.....	Pahokee.....	Sebring.....	Winter Park.....
Carrabelle.....	Fla Boys Ranch....	Indiantown.....	Marianna.....	Palatka.....	Shalimar.....	Yankeetown.....
Cedar Keys.....	Forest.....	Interlachen.....	Maxville.....	Palm Coast.....	Silver Spc. Shores..	Youngstown-Fount..
Century.....	Ft. George.....	Inverness.....	Mayo.....	Palmetto.....	Sneads.....	Yulee.....
Chattahoochee.....	Ft. Lauderdale.....	Islamorada.....	McIntosh.....	Parade.....	Sopchoppy.....	Zephyrhills.....
						Zolfo Springs.....

**** FLORIDA EAS FOR MAJOR EXCHANGES ****

Extended Service Area	with	These Exchanges
PENSACOLA:		Cantonment, Gulf Breeze, Pace, Milton Holley-Navarre.
PANAMA CITY:		Lynn Haven, Panama City Beach, Tyndall AFB and Youngstown-Fountain.
TALLAHASSEE:		Crawfordville, Havana, Monticello, Panacea, Sopchoppy and St. Marks.
JACKSONVILLE:		Baldwin, Ft. George, Jacksonville Beach, Callahan, Maxville, Middleburg Orange Park, Ponte Vedra and Julington.
GAINESVILLE:		Alachua, Archer, Brooker, Hawthorne High Springs, Melrose, Micanopy, Newberry and Waldo.
OCALA:		Belleview, Citra, Dunnellon, Forest Lady Lake (B21), McIntosh, Oklawaha, Orange Springs, Salt Springs and Silver Springs Shores.
DAYTONA BEACH:		New Smyrna Beach.
TAMPA:	Central East North South West	None Plant City Zephyrhills Palmetto Clearwater
CLEARWATER:		St. Petersburg, Tampa-West and Tarpon Springs.
ST. PETERSBURG:		Clearwater.
LAKELAND:		Bartow, Mulberry, Plant City, Polk City and Winter Haven.
ORLANDO:		Apopka, East Orange, Lake Buena Vista Oviedo, Windermere, Winter Garden, Winter Park, Montverde, Reedy Creek, and Oviedo-Winter Springs.

**** FLORIDA EAS FOR MAJOR EXCHANGES CONTINUED ****

WINTER PARK:	Apopka, East Orange, Lake Buena Vista Orlando, Oviedo, Sanford, Windermere Winter Garden, Oviedo-Winter Springs Reedy Creek, Geneva and Montverde,.
TITUSVILLE:	Cocoa and Cocoa Beach.
COCOA:	Cocoa Beach, Eau Gallie, Melbourne and Titusville.
MELBOURNE:	Cocoa, Cocoa Beach, Eau Gallie and Sebastian.
SARASOTA:	Bradenton, Myakka and Venice.
FT. MYERS:	Cape Coral, Ft. Myers Beach, North Cape Coral, North Ft. Myers, Pine Island, Lehigh Acres and Sanibel-Captiva Islands.
NAPLES:	Marco Island and North Naples.
WEST PALM BEACH:	Boynton Beach and Jupiter.
POMPANO BEACH:	Boca Raton, Coral Springs, Deerfield Beach and Ft. Lauderdale.
FT. LAUDERDALE:	Coral Springs, Deerfield Beach, Hollywood and Pompano Beach.
HOLLYWOOD:	Ft. Lauderdale and North Dade.
NORTH DADE:	Hollywood, Miami and Perrine.
MIAMI:	Homestead, North Dade and Perrine

**** APPENDIX D ****

GLOSSARY OF TERMS

(See attached)

**** GLOSSARY ****

ACCESS CODE. The term denotes a uniform four or seven digit code assigned to an individual IXC. The five digit code has the form 10XXX and the seven digit code has the form 950-10XX.

BYPASS. Transmission facilities that go direct from the local exchange end user to an IXC point of presence, thus bypassing the local exchange company.

CARRIERS CARRIER. An IXC that provides telecommunications service, mainly bulk transmission service, to other IXC only.

CENTRAL OFFICE. A local operating unit by means of which connections are established between subscribers' lines and trunk or toll lines to other central offices within the same exchange or other exchanges. Each three (3) digit central office code (NXX) used shall be considered a separate central office unit.

CENTRAL OFFICE CODE. The term denotes the first three digits (NXX) of the seven (7) digit telephone number assigned to a customer's telephone exchange service.

COMMISSION. The Florida Public Service Commission.

COMPANY, TELEPHONE COMPANY, UTILITY. These terms may be used interchangeably herein and shall mean any person, firm, partnership or corporation engaged in the business of furnishing communication service to the public under the jurisdiction of the Commission.

DEDICATED FACILITY. The term denotes a transmission circuit which is permanently for the exclusive use of a customer or a pair of customers.

END USER. The term denotes any individual, partnership, association, corporation, governmental agency or any other entity which (A) obtains a common line, uses a pay telephone or obtains interstate service arrangements in the operating territory of the company or (B) subscribes to interstate services provided by an IXC or uses the services of the IXC when the IXC provides interstate service for its own use.

EQUAL ACCESS EXCHANGE AREAS. EAEA means a geographic area, configured based on 1987 planned toll center/access tandem areas, in which local exchange companies are responsible for providing equal access to both carriers and customers of carriers in the most economically efficient manner.

EXCHANGE. The entire telephone plant and facilities used in providing telephone service to subscribers located in an exchange area. An exchange may include more than one central office unit.

EXCHANGE (SERVICE) AREA. The territory, including the base rate suburban and rural areas served by an exchange, within which local telephone service is furnished at the exchange rates applicable within that area.

EXTENDED AREA SERVICE. A type of telephone service furnished under tariff provision whereby subscribers of a given exchange or area may complete calls to, and receive messages from, one or more other contiguous exchanges without toll charges, or complete calls to one or more other exchanges without toll message charges.

FACILITIES BASED. An IXC that has its own transmission and/or switching equipment or other elements of equipment and does not rely on others to provide this service.

FOREIGN EXCHANGE SERVICES. A classification of exchange service furnished under tariff provisions whereby a subscriber may be provided telephone service from an exchange other than the one from which he would normally be served.

FEATURE GROUPS. General categories of unbundled tariffs to stipulate related services.

Feature Group A: Line side connections presently serving specialized common carriers.

Feature Group B: Trunk side connections without equal digit or code dialing.

Feature Group C: Trunk side connections presently serving AT&T-C.

Feature Group D: Equal trunk access with subscription.

INTEREXCHANGE COMPANY. means any telephone company, as defined in Section 364.02(4), F.S., which provides telecommunication service between exchange areas as those areas are described in the approved tariffs of individual local exchange companies.

INTER-OFFICE CALL. A telephone call originating in one central office unit or entity but terminating in another central office unit or entity both of which are in the same designated exchange area.

INTRA-OFFICE CALL. A telephone call originating and terminating within the same central office unit or entity.

INTRASTATE COMMUNICATIONS. The term denotes any communications in Florida subject to oversight by the Florida Public Service Commission as provided by the laws of the State.

INTRA-STATE TOLL MESSAGE. Those toll messages which originate and terminate within the same state.

LOCAL ACCESS AND TRANSPORT AREA. LATA means the geographic area established for the administration of communications service. It encompasses designated exchanges, which are grouped to serve common social, economic and other purposes.

LOCAL EXCHANGE COMPANY. (LEC) means any telephone company, as defined in Section 364.02(4), F.S., which, in addition to any other telephonic communication service, provides telecommunication service within exchange areas as those areas are described in the approved tariffs of the telephone company.

OPTIONAL CALLING PLAN. An optional service furnished under tariff provisions which recognizes a need of some subscribers for extended area calling without imposing the cost on the entire body of subscribers.

900 SERVICE. A service similar to 800 service, except this service is charged back to the customer based on first minute plus additional minute usage.

PIN NUMBER. A group of numbers used by a company to identify their customers.

PAY TELEPHONE SERVICE COMPANY. Means any telephone company, other than a Local Exchange Company, which provides pay telephone service as defined in Section 364.335(4), F.S.

POINT OF PRESENCE (POP). Bell-coined term which designates the actual (physical) location of an IXC's facility. Replaces some applications of the term "demarcation point."

PRIMARY SERVICE. Individual line service or party line service.

RESELLER. An IXC that does not have certain facilities but purchases telecommunications service from an IXC and then resells that service to others.

STATION. A telephone instrument consisting of a transmitter, receiver, and associated apparatus so connected as to permit sending and/or receiving telephone messages.

SUBSCRIBER, CUSTOMER. These terms may be used interchangeably herein and shall mean any person, firm, partnership, corporation, municipality, cooperative organization, or governmental agency supplied with communication service by a telephone company.

SUBSCRIBER LINE. The circuit or channel used to connect the subscriber station with the central office equipment.

SWITCHING CENTER. Location at which telephone traffic, either local or toll, is switched or connected from one circuit or line to another. A local switching center may be comprised of several central office units.

TRUNK. A communication channel between central office units or entities, or private branch exchanges.

**** APPENDIX E ****

SUMMARY OF RESALE CERTIFICATE APPLICATION

1. Principal U.S. Office:

11488 Luna Rd.
Dallas, Texas 75234

2. Principal Florida Office:

5670 W. Cypress Street, Suite G
Tampa, Florida 33607

3. Contact Person:

Henry Jordan
Director
Inter-Tel NetSolutions, Inc.
11488 Luna Rd.
Dallas, Texas 75234
(214) 830-7700

4. Nonrecurring Charges: None

5. Rate Offering: See Appendix F, Tariff Section 4

6. Deposit Practices:

INS will not collect advance payments for service more than one month in advance and will not collect deposits from residential customers. INS is submitting the attached Request For Waiver of Bond Requirement for purposes of allowing INS to collect deposits from business customers with unsatisfactory credit or payment histories.

7. Service Locations: (List the exchanges you plan to start service in.)

All equal access exchanges, including Tampa, St. Petersburg and Clearwater.

**** APPENDIX F ****

TRANSMITTAL LETTER AND TARIFF

RECORDED COPY
727
BOND
DIVISIONAL



Bickerstaff, Heath & Smiley

SAN JACINTO CENTER, SUITE 1800
98 SAN JACINTO BOULEVARD
AUSTIN, TEXAS 78701-4039

512/472-8021
TELECOPY ONLY: 512/320-5638

STEVE BICKERSTAFF	MANUEL O. MENDEZ*
C. ROBERT HEATH*	SYDNEY W. FALK, JR.
MARTHA E. SMILEY	DAVID MENDEZ*
THOMAS M. POLLAN*	CATHERINE BROWN FRYER*
ANN CLARKE SNELL	PATRICIA E. RANT
ANDREW KEVER*	J. GREG HUDSON
CAROLYN E. SHELLMAN	WILLIAM D. DUGAT III
DOUGLAS G. CAROOM*	JESUS SIFUENTES
LINDA AAKER	DEBORAH HERZBERG LOOMIS
MYRA A. McDANIEL	BARNEY L. KNIGHT
SUSAN C. GENTZ	KELLEY K. ATKINSON
ROBIN A. CASEY	VALARIE SCOTT BRISTOL
KATIE BOND	LYNN RAY SHERMAN

February 14, 1991

*Board Certified, Administrative Law—
Texas Board of Legal Specialization

Mr. Steve Tribble
Director, Division of Records and Reporting
State of Florida Public Service Commission
Fletcher Building
101 East Gaines Street
Tallahassee, Florida 32399-0870

RE: Inter-Tel NetSolutions, Inc.'s Application for
Certificate of Public Convenience and Necessity to
Provide Interexchange Telecommunication Services

Dear Mr. Tribble:

Inter-Tel NetSolutions, Inc. (INS) hereby transmits for filing twelve copies of its Proposed Florida Telecommunications Tariff consisting of Original Sheet Nos. 1-22.

The purpose of this filing is to prescribe the terms and conditions under which INS will offer intrastate, interLATA, interexchange telephone communication service in the State of Florida.

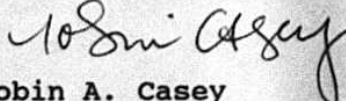
This filing will not increase any rate or charge, cause the withdrawal of service, or conflict with other schedules or rules. INS requests that this filing become effective on regular notice the 40th calendar day after the file date.

If there are any questions regarding this filing, please contact attorney for INS:

Ms. Robin A. Casey
Bickerstaff, Heath & Smiley
San Jacinto Center, Suite 1800
98 San Jacinto Boulevard
Austin, Texas 78701-4039
(512) 472-8021

Thank you for your assistance in this matter.

Very truly yours,


Robin A. Casey

RAC:me

TITLE SHEET

FLORIDA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service and facilities for telecommunications services provided by Inter-Tel NetSolutions, Inc., with principal offices at 11488 Luna Road, Dallas, Texas. This tariff is on file with the Florida Public Service Commission, and copies may be inspected, during normal business hours, at the Company's principal place of business.

Issued: February 14, 1991Effective:

by:

Henry Jordan, Director
Inter-Tel NetSolutions, Inc.
11488 Luna Road
Dallas, Texas 75234

CHECK SHEET

Sheets 1 through 22 inclusive of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this page.

SHEETREVISION

1	Original
2	Original
3	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
15	Original
16	Original
17	Original
18	Original
19	Original
20	Original
21	Original
22	Original

Issued: February 14, 1991

Effective: _____

by:

Henry Jordan, Director
Inter-Tel NetSolutions, Inc.
11488 Luna Road
Dallas, Texas 75234

TABLE OF CONTENTS

Title Page	1
Check Sheet	2
Table of Contents	3
Explanation of Tariff Format	4
Symbols	5
Section 1 - Technical Terms and Abbreviations	6
Section 2 - Rules and Regulations	7
Section 3 - Description of Service	15
Section 4 - Rates	21

Issued: February 14, 1991

Effective: _____

by:

Henry Jordan, Director
Inter-Tel NetSolutions, Inc.
11488 Luna Road
Dallas, Texas 75234

EXPLANATION OF TARIFF FORMAT

To assist its customers and potential customers in reviewing Inter-Tel NetSolutions, Inc.'s tariff, a sample tariff format provided by the Florida Public Service Commission is attached hereto.

Issued: February 14, 1992 Effective: _____

by:

Henry Jordan, Director
Inter-Tel NetSolutions, Inc.
11488 Luna Road
Dallas, Texas 75234

TARIFF FORMAT

- A. Sheet Numbering - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.
- B. Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the FPSC. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc. the FPSC follows in their tariff approval process, the most current sheet number on file with the Commission is not always the tariff page in effect. Consult the Check Sheet for the sheet currently in effect.
- C. Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

2.
2.1.
2.1.1.
2.1.1.A.
2.1.1.A.1.
2.1.1.A.1.(a).
2.1.1.A.1.(a).I.
2.1.1.A.1.(a).I.(i).
2.1.1.A.1.(a).I.(i).(1).

- D. Check Sheets - When a tariff filing is made with the FPSC, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this page if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some pages). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the FPSC.

I PLEASE INCLUDE A COPY OF THIS PAGE AS IT WILL HELP THE READER TO UNDERSTAND THE TARIFF FORMAT. I

Issued: March 15, 1988

Effective: _____

by:

Mark Long, President
Bogus LD, Inc.
101 East Monet Street
Tallahassee, Fl. 32301

SYMBOLS

The following are the only symbols used for the purposes indicated below:

D - Delete or Discontinue

I - Change Resulting In An
Increase to A Customer's Bill

M - Moved From Another Tariff Location

N - New

R - Change Resulting In A Reduction to A Customer's Bill

T - Change In Text or Regulation
But No Change In Rate or Charge

Issued: February 14, 1991

Effective: _____

by:

Henry Jordan, Director
Inter-Tel NetSolutions, Inc.
11488 Luna Road
Dallas, Texas 75234

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

Company - Inter-Tel NetSolutions, Inc. ("INS")

Customer or subscriber - The person, firm, corporation or other entity which orders service and is responsible for payment of charges due and compliance with the Company's tariff regulations.

Day - From 8:00 AM up to and including 4:59 PM local time Monday through Friday.

Evening - From 5:00 PM up to and including 10:59 PM local time Sunday through Friday.

Night/Weekend - Sunday through Friday from 11:00 PM up to and including 7:59 AM the following day and from 11:00 PM Friday through 4:59 PM Sunday.

Holidays - Inter-Tel NetSolutions, Inc.'s, Night/Weekend rate applies to the following holidays:

New Year's Day
Independence Day
Labor Day
Thanksgiving Day
Christmas Day

Issued: February 14, 1991

Effective: _____

by:

Henry Jordan, Director
Inter-Tel NetSolutions, Inc.
11488 Luna Road
Dallas, Texas 75234

SECTION 2 - RULES AND REGULATIONS2.1 Undertaking of Inter-Tel NetSolutions, Inc.

Inter-Tel NetSolutions, Inc. provides long distance telecommunications services originating and terminating throughout the State of Florida in accordance with the terms of this Tariff.

Service is provided on a monthly basis and is available 24 hours per day, 7 days a week. Service will continue to be provided until terminated in accordance with the terms of this tariff.

INS is authorized to serve as its customers' agent for purposes of ordering changes to and maintenance of the telecommunications services provided by any interexchange and/or local exchange carrier that may be necessary to implement and maintain INS' services provided to a customer. INS is authorized by its customers to deal directly with any such carriers and with any other vendor in all matters pertaining to its provision of service to a customer. A customer's appointment of INS as its agent shall not apply to any software modifications that may be necessary with respect to traffic routing or least-cost routing features or functions, which modifications must be made by the customer through appropriate interaction with the responsible vendor of such features or functions. INS' appointment as a customer's agent remains in effect unless modified or revoked in writing.

2.2 Limitations

2.2.1 Service is offered subject to the availability of facilities and the provisions of this Tariff.

2.2.2 INS reserves the right to discontinue furnishing service, or limit the use of service necessitated by conditions beyond its control; or when the customer is using service in violation of the law or the provisions of this Tariff.

Issued: February 14, 1991 Effective: _____

by:

Henry Jordan, Director
Inter-Tel NetSolutions, Inc.
11488 Luna Road
Dallas, Texas 75234

2.3 Disclaimer of Warranties and Limitation of Liability

- 2.3.1 As to INS' service, INS makes no promises, agreements, understandings, representations or warranties, express or implied, including any warranty of merchantability or fitness for a particular purpose.
- 2.3.2 The liability of INS for damages arising out of mistakes, omissions, interruptions, delays, errors or defects in transmission occurring in the course of furnishing service or other facilities and not caused by the negligence of the customer, commences upon activation of service and in no event exceeds an amount equivalent to the proportionate charge to the customer for the period of service during which such mistakes, omissions, interruptions, delays, errors or defects in transmission occur. For the purpose of computing such amount, a month is considered to be thirty (30) days.
- 2.3.3 INS is not liable to the customer for direct, indirect, or consequential damages, including but not limited to, loss of use of INS' services or lost revenues or profits.
- 2.3.4 INS is not liable to the customer for any act or omission of any other company or companies furnishing a portion of the customer's service.
- 2.3.5 INS is not liable for and the customer indemnifies and holds INS harmless against any and all losses, claims, demands, suits or other actions, or any liability whatsoever whether suffered, made, instituted or asserted by the customer or by any other party or person or persons, and for any loss, damage, defacement or destruction of the premises of the customer or any other property, whether owned by the customer or others, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, removal, presence, condition, location or use of equipment or wiring provided by INS where such

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installation, operation, failure to operate, maintenance, removal, presence, condition, location or use is not the direct result of the negligence of INS. No agents or employees of other carriers shall be deemed to be agents or employees of INS.

2.3.4 INS also is not liable for and the customer indemnifies and holds INS harmless against:

- (A) Claims for libel, slander, or infringement of copyright or unauthorized use of any trademark, trade name or service mark arising out of the material, data, information, or other content transmitted over INS' network.
- (B) Claims for patent infringement arising from combining or connecting INS facilities with apparatus and systems of the customer.
- (C) All other claims arising out of any act or omission of the customer in connection with any service provided by INS.

2.4 Customer Application for Service

Businesses or residential customers wishing to obtain service from INS execute a customer service agreement which includes the customer's authorization for INS to instruct other carriers and vendors to provide certain services on the customer's behalf.

2.5 Establishment and Reestablishment of Credit

Applicants may be required at any time to make an advance payment up to an amount equaling one month's actual or estimated charges for the services to be provided.

INS reserves the right to examine a credit record of all applicants and customers and require a deposit of business customers which are unable to demonstrate good credit or payment histories.

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2.6 Continuity of Service

In the event of INS' foreknowledge of an interruption of service for a period exceeding 24 hours, INS will use its best efforts to notify the customer in advance by telephone or in writing.

2.7 Notices

2.7.1 Except as provided in 2.6 above, any notice or demand required of customer or INS will be effective when it is mailed, properly addressed, with postage prepaid to the other party at the address shown on the reverse side.

2.7.2 Unless otherwise provided by these rules, any notice, including changes of address, from any customer or his authorized representative must be given by written notice, by mail, to INS' business office.

2.8 Rendering and Payment of Bills

2.8.1 Service is provided on a monthly (30 day) basis. Initial service for a partial month will be prorated.

2.8.2 The bill statement date is dependent on the billing cycle assigned to the customer.

2.8.3 Customers will receive bills by one of two methods:

(A) Customers may be billed directly by INS.

(B) Customers may be billed on INS' behalf by a third party billing service.

2.8.4 Each customer's monthly bill will provide detailed information on charges for long distance services obtained through INS, including the specific date and time of each call, its duration, place of termination, and charge.

2.8.5 Bills are payable upon receipt and in accordance with the terms of this tariff.

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Bills may be paid by mail or at INS' business office. All charges for services are payable only in United States currency, and may be made by check, money order, or cashiers check.

- 2.8.6 Payment of the customer's bill is due within 30 days of the bill statement date specified on the bill. If payment is not received at INS' premises by the due date on the customer's invoice, INS, at its discretion, may debit any credit card number provided by the customer for the full amount of the invoice plus any late charges that may apply.
- 2.8.7 The customer shall be responsible for payment of all costs of collection of past due amounts, including reasonable attorney's fees incurred by INS.
- 2.8.8 A rebilling fee, at the rate of 1.5% per month, will be charged for past due accounts unless otherwise prescribed by law, in which event the rebilling fee will be charged at the highest rate allowed by the law.
- 2.8.9 A charge of \$15.00 will be assessed customers for any insufficiently funded check returned to INS.
- 2.8.10 In the event that any change in the rates or tariffs of the carriers whose services INS resells to its customers, INS shall provide its customers 30 days written notice of any effect of such change in the billing rate of or service provided to the customer. Unless a customer notifies INS in writing of its request for alteration or termination of services, any new billing rate or service change shall be deemed accepted and effective the date specified in INS' notice.

2.9 Disputed Bills

- 2.9.1 If notice of a dispute as to charges is not received, in writing, by INS within thirty (30) days after an invoice is rendered, such

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invoice shall have been deemed correct and binding upon the customer.

In the case of a billing dispute between a customer and INS for service furnished to the customer, which cannot be settled with mutual satisfaction, the customer can take the following course of action within 30 days of the disputed bill's issue date.

- (A) First, the customer may request, and INS will comply with the request, an in-depth review of the disputed bill. The undisputed portion of the customer's bill, and subsequent bills, must be paid on a timely basis or the service will be subject to disconnect.
- (B) Second, if there is still a disagreement about the disputed amount after the investigation and review by a manager of INS, the customer may appeal to the Florida Public Service Commission for their investigation and decision.

The address of the Commission is:

Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32399-0870

2.10 Discontinuance, Restoration and Transfer of Service

2.10.1 Cancellation by Customer

Service will be provided for the term of service elected by the customer in the service agreement it enters into with INS. Unless INS receives in writing a notice of termination of services by the customer on or before thirty (30) days from the end of the agreed service period, the services provided hereunder shall continue on a monthly basis until either party shall give the other party at least thirty (30) days written notice. The customer is responsible for payment of all charges for service furnished customer prior to the actual termination of customer's service. In

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addition, in the event a customer terminates its service agreement with INS prior to the end of the service period specified therein, the customer shall pay, in addition to all other charges due for service provided, a sum equal to the average of one month's service and long distance billing plus a sum equal to the value of any promotional credit awarded the customer during the term of the agreement.

2.10.2 Cancellation by INS

INS may discontinue service or cancel an application for service without incurring any liability under the following circumstances:

- (A) When there is an unpaid bill for any sum due to the carrier for service that is more than 60 days beyond the actual usage for such service;
- (B) The violation by the customer of any law, rule or regulation of any governmental authority having jurisdiction over the service;
- (C) The prohibition against INS from furnishing services by order of a court or other governmental authority having jurisdiction; or
- (D) The providing of false or misleading credit information by the customer.

INS will provide the customer written notice of such discontinuance five days prior to discontinuance.

2.10.3 Restoration Procedure

To restore service, a customer must submit an application for service as provided in Section 2.4 and pay all outstanding amounts due INS. At INS' discretion, payment of a deposit as provided in Sections 2.5 and 2.11 may be required.

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2.10.4 Transfer of Service

A customer's service from INS may not be assigned or transferred by a customer without INS' express written approval.

2.11 Deposits

INS does not require deposits from its residential customers. A deposit may be required of any business customer who is unable to demonstrate a good credit or payment history.

2.12 Taxes

All state and local taxes (i.e., gross receipts tax, sales tax, municipal utilities tax) are listed as separate line items and are not included in the quoted rates.

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SECTION 3 - DESCRIPTION OF SERVICE3.1 Timing of Calls3.1.1 Billing Increments

Calls for all INS services are billed in 6-second increments. As provided in Section 3.3, calls for certain services have a 30-second minimum billing. Travel card calls are billed in 1 minute increments.

3.1.2 Rate Period Overlap

For messages which overlap one or more rate periods, the rate in effect at the time of call origination in the originating area applies to the entire duration of that call.

3.2 Calculation of Distance

Usage charges for all mileage sensitive products are calculated by INS' underlying carriers and are typically based on the airline distance between rate centers associated with the originating and terminating points of the call.

The airline mileage between rate centers is determined by applying the formula below to the vertical and horizontal coordinates associated with the rate centers involved. The Company uses the rate centers and associated vertical and horizontal coordinates that are produced by Bell Communications Research in their NPA-NXX V & H Coordinates Tape and Bell's NECA Tariff No. 4.

FORMULA:

$$\sqrt{\frac{(V1 - V2)^2 + (H1 - H2)^2}{10}}$$

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3.3 Minimum Call Completion Rate

A customer can expect a call completion rate (number of calls completed/number of calls attempted) of not less than 90% during peak use periods for all FGD services ("1+" dialing).

3.4 Service Offerings

3.4.1 Description of Services

(A) 1 Plus WATS

Basic "1+" direct-dialed interLATA telecommunications service available in all equal access areas for use by subscribers 24 hours a day. For billing purposes, timing of a call begins when the called party answers the phone and ends when the parties disconnect. Calls are billed in 6-second increments. Each call has a 30-second minimum billing. One to five-digit accounting codes are available to enable customers to easily track calls by project, client, department or other accounting group. A travel card is available to customers at no extra charge.

Interstate calls made by 1+ WATS customers are rated on a per minute and mileage basis.

(B) 1 Plus WATS-FLAT

Basic "1+" direct-dialed interLATA telecommunications service available in all equal access areas for use by subscribers 24 hours a day. For billing purposes, timing of a call begins when the called party answers the phone and ends when the parties disconnect. Calls are billed in 6-second increments. Each call has a 30-second minimum billing. One to five-digit accounting codes are available to enable customers to easily track calls by project, client, department or other accounting group. A travel card is available to customers at no extra charge.

On an intrastate basis, this service is the same as "1 Plus WATS." However, with this

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service, interstate calls are rated on a per minute and volume basis and rates are not distance sensitive.

(C) Dedicated WATS Service

Calls are originated at the customer's premises via T-1 lines or Dedicated Access Lines. Charges for intrastate calls are based on a fixed rate per minute. Interstate calls are banded so that the rate paid by the customer is determined by the distance called and the time of day the call is placed. T-1 access partitioning feature is available to enable the subscriber to subscribe to two services on the same 800 service. No minimum call period applies. Usage charges are based on 6-second billing increments. For billing purposes, timing of a call begins when the called party answers the phone and ends when the parties disconnect. One to five-digit account codes are available on either a validated or invalidated basis.

(D) Switched 800 Service

This in-bound toll service permits calls to be completed at the subscriber's location without charge to the calling party. Access to this service is gained by dialing a 10-digit telephone number (800-NXX-XXXX) which will terminate at the subscriber's location. 800 access is available from anywhere in the United States. The subscriber may elect to permit calls to originate from any location within the state or may geographically restrict access based on the caller's area code.

Calls are billed in 6-second increments. For billing purposes, timing of a call begins when the called party answers the phone and ends when the parties disconnect.

Switched 800 calls are originated and terminated via normal shared use facilities. The intrastate charge for switched 800 service

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is a fixed rate per minute. A volume discount applies to interstate calls.

(E) Dedicated 800 Service

This in-bound toll service permits calls to be completed at the subscriber's location without charge to the calling party. Access to this service is gained by dialing a 10-digit telephone number (800-NXX-XXXX) which will terminate at the subscriber's location. 800 access is available from anywhere in the United States. The subscriber may elect to permit calls to originate from any location within the state or may geographically restrict access based on the caller's area code.

Calls are billed in 6-second increments. For billing purposes, timing of a call begins when the called party answers the phone and ends when the parties disconnect.

Dedicated 800 calls are originated via normal shared use facilities and are terminated via dedicated access lines between the subscriber's premises and the underlying carrier's POP in the terminating city. The intrastate charge for Dedicated 800 service is a fixed rate per minute. A volume discount applies interstate calls.

Calls under this service originate over dedicated T-1 facilities or Dedicated Access Line. By ordering T-1 Access Partitioning, customers can place outbound calls on the same T-1 used for in-bound calls. Dedicated 800 service can be combined with Dedicated WATS service.

(F) Special WATS Features

1. The following special features are available with Switched and Dedicated 800 Service:

- a. Enhanced 800 Routing - Routing is available to improve call handling

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efficiency and productivity by allowing the customer to route traffic by service group, area code, time of day, day of week and day of the year.

- b. Area Code Selection - Area Code Selection allows a customer to geographically restrict access to its 800 number based on the call's area code.

2. The following special features are available with Dedicated 800 Service:

- a. Route Advance - Route Advance ensures that all calls are answered during peak calling periods by overflowing to the customer's local business lines.
- b. Uniform Call Distribution - Uniform Call Distribution (UCD) enables a customer's operators to work more efficiently by evenly distributing 800 calls over all lines in a service group.
- c. Dialed Number Identification - Dialed Number Identification Service permits multiple 800 numbers to terminate on the same service group to increase the efficiency and cost effectiveness of each service group. Customer's operators can provide more personalized customer service because they immediately know the 800 number the caller has dialed.

3.4.2 Travel Card Service

INS' travel card service ensures 100% digital fiber-optic access on all domestic calls. Travel card calls can be placed from rotary and touch tone phones. A scrambled 14-digit code provides security and lessens the chance for code abuse. A misdialed/correction feature permits fast, easy correction of

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misdialed numbers. Call detail is provided in conjunction with travel card service and permits the customer to monitor usage. INS will replace lost or stolen cards quickly and at no charge to the customer.

3.4.3 Directory Assistance

Local exchange directory assistance operators may be accessed by dialing 1+(area code)+555-1212.

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SECTION 4 - RATES

4.1 Direct Access ("1+") Long Distance Service

<u>Service Type</u>	<u>Day</u>	<u>Eve</u>	<u>N/W</u>
1 Plus WATS	.2000	.1500	.1500
1 Plus WATS-Flat	.2000	.1500	.1500
Switched 800	.1915	.1915	.1915
Dedicated WATS	.1355	.1011	.1011
Dedicated 800	.1393	.1088	.1088

4.2 Operator-Assisted Calls

INS does not directly provide operator services. However, INS customers desiring operator assistance for local calls may dial "0" and will be assisted by the local exchange telephone company. INS customers desiring operator assistance in making or billing long distance calls dial "00" and will be afforded access to an operator of a carrier that is authorized to provide operator services in the State of Florida. Long distance operator assisted calls routed to INS' underlying carrier are charged at the following rates and are not marked-up by INS:

Station-to-Station:	\$1.00
Person-to-Person:	\$2.50
Collect-to-Station:	\$1.55
Collect-to-Person:	\$3.00
Problem Assistance:	\$0.00

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4.3 Travel Card Service

		<u>DAY</u>	<u>EVE</u>	<u>N/W</u>
BAND	MILEAGE			
1	1-10	\$.1124	\$.0831	\$.0549
2	11-22	.2168	.1381	.0912
3	23-55	.2424	.1805	.1199
4	56-124	.2549	.1906	.1262
5	125-292	.2649	.1974	.1312
6	293-430	.2649	.1974	.1312
7	431+	.2749	.2049	.1362

4.4 Directory Assistance

Charges for all calls made to directory assistance, regardless of the time of day or date completed:

0 + (xxx) 555-1212: \$ 0.65

No additional measured use or per call charges apply to calls made to directory assistance.

4.5 Uncompleted calls

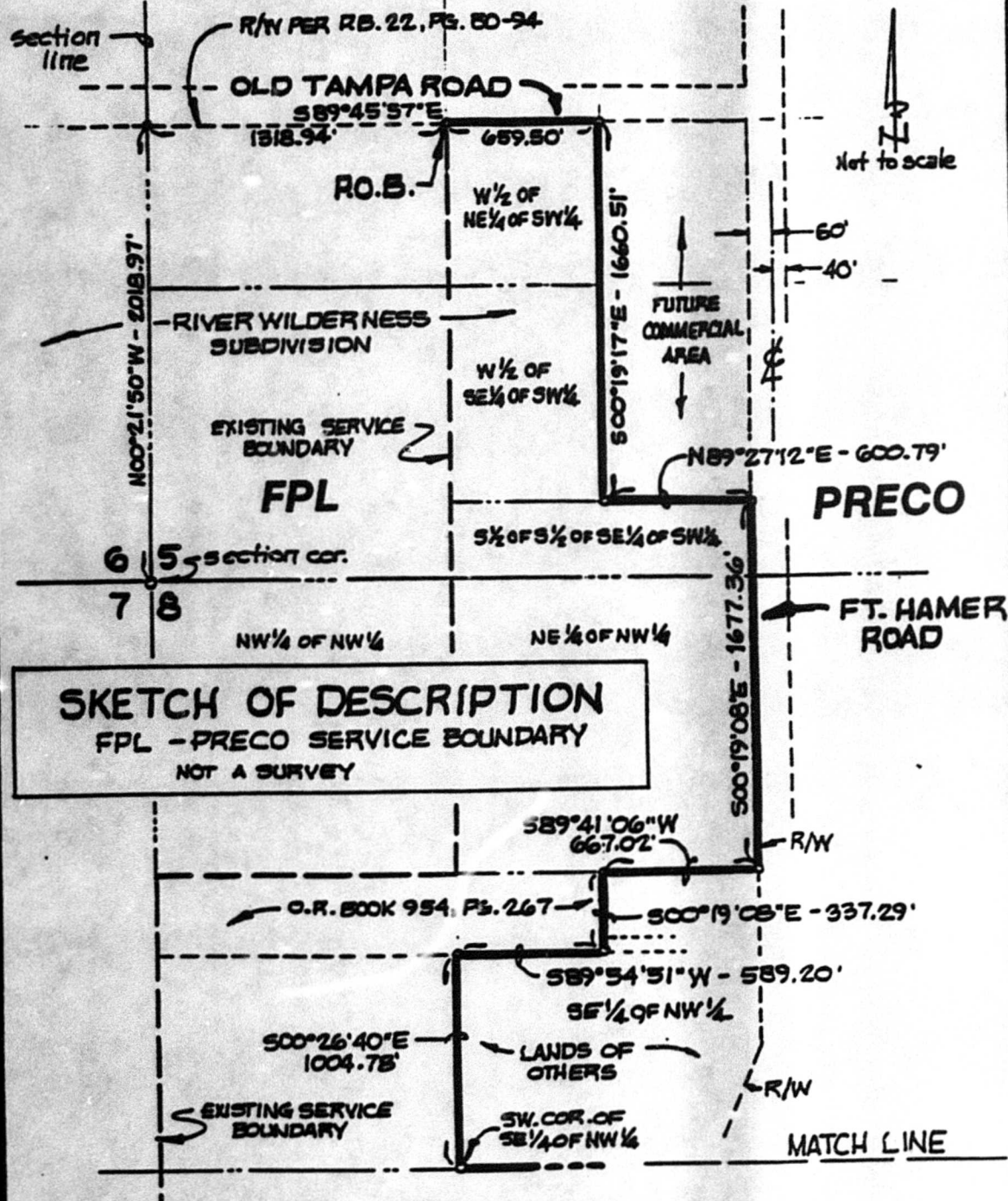
No charge will be incurred for calls where there is a busy signal, or no answer from the called party.

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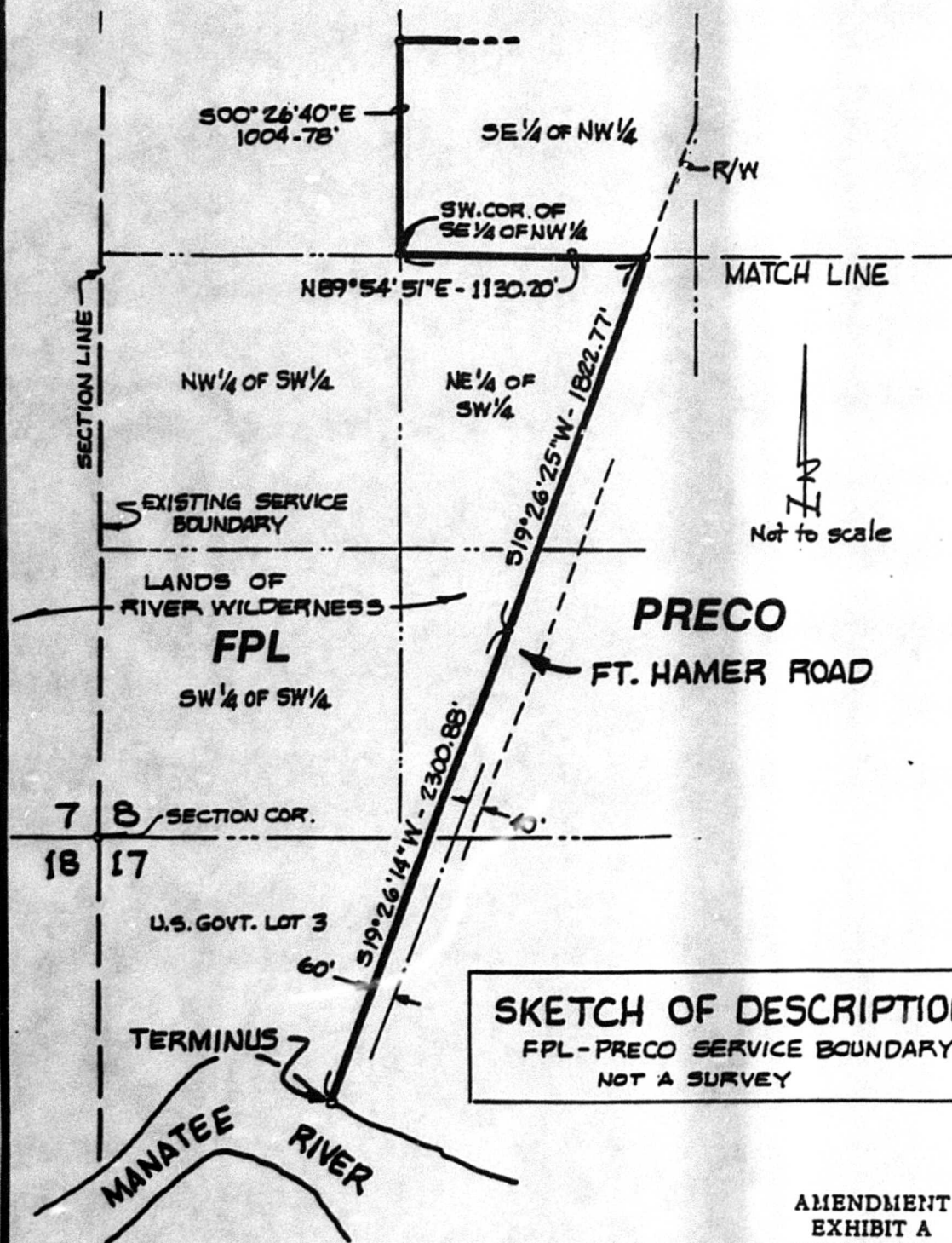


AMENDMENT
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FPL-PRECO
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DESCRIPTION: REVISED FPL-PRECO SERVICE BOUNDARY

COMMENCE AT THE CORNER COMMON TO SECTIONS 5, 6, 7 & 8, TOWNSHIP 34 S., RANGE 19 E.; THENCE N 00°21'50" W, ALONG THE LINE COMMON TO SECTIONS 5 AND 6 OF SAID TOWNSHIP 34 S., RANGE 19 E., A DISTANCE OF 2018.97 FT. TO THE INTERSECTION WITH THE SOUTH R/W OF "OLD TAMPA ROAD", AS SHOWN ON THE PLAT OF RIVER WILDERNESS, PHASE I, AS RECORDED IN PLAT BOOK 22, PAGES 80 THROUGH 94, PUBLIC RECORDS OF MANATEE COUNTY, FLORIDA; THENCE S 89°45'57" E, ALONG THE SOUTH R/W OF SAID "OLD TAMPA ROAD", A DISTANCE OF 1318.94 FT. TO THE INTERSECTION WITH THE WEST LINE OF THE NORTHEAST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 5, TOWNSHIP 34 S., RANGE 19 E., (SAME BEING THE EASTERLY LINE OF THE EXISTING FLORIDA POWER & LIGHT COMPANY SERVICE BOUNDARY), FOR A POINT OF BEGINNING; THENCE CONTINUE S 89°45'57" E, ALONG SAID SOUTH R/W, A DISTANCE OF 659.50 FT. TO THE INTERSECTION WITH THE EAST LINE OF THE WEST 1/2 OF THE NORTHEAST 1/4 OF THE SOUTHWEST 1/4 OF SAID SECTION 5; THENCE S 00°19'17" E, ALONG THE EAST LINE OF SAID WEST 1/2 OF THE NORTHEAST 1/4 OF THE SOUTHWEST 1/4 AND THE EAST LINE OF THE WEST 1/2 OF THE SOUTHWEST 1/4 OF SAID SOUTHWEST 1/4, A DISTANCE OF 1660.51 FT. TO THE INTERSECTION WITH THE NORTH LINE OF THE SOUTH 1/2 OF THE SOUTH 1/2 OF SAID SOUTHWEST 1/4 OF THE SOUTHWEST 1/4; THENCE N 89°27'12" E, ALONG THE NORTH LINE OF SAID SOUTH 1/2 OF THE SOUTH 1/2 OF THE SOUTHWEST 1/4 OF THE SOUTHWEST 1/4, A DISTANCE OF 600.79 FT. TO THE INTERSECTION WITH THE WEST R/W OF "FT. HAMER ROAD"; THENCE S 00°19'08" E, ALONG SAID WEST R/W, (APPROXIMATELY 60 FT. WEST OF CENTERLINE), A DISTANCE OF 1677.36 FT. TO THE INTERSECTION WITH THE NORTH LINE OF THE SOUTHWEST 1/4 OF THE NORTHWEST 1/4 OF SECTION 8, TOWNSHIP 34 S., RANGE 19 E.; THENCE S 89°41'06" W, ALONG THE NORTH LINE OF SAID SOUTHWEST 1/4 OF THE NORTHWEST 1/4, A DISTANCE OF 667.02 FT. TO THE INTERSECTION WITH THE EASTERLY LINE OF THAT CERTAIN PARCEL OF LAND AS RECORDED IN OFFICIAL RECORDS BOOK 954, PAGE 267, AFORESAID PUBLIC RECORDS; THENCE S 00°19'08" E, ALONG THE EAST LINE OF SAID CERTAIN PARCEL AND THE SOUTHERLY EXTENSION THEREOF, A DISTANCE OF 337.29 FT. TO THE INTERSECTION WITH THE SOUTH LINE OF SAID CERTAIN PARCEL; THENCE S 89°54'51" W, ALONG THE SOUTH LINE OF SAID CERTAIN PARCEL, A DISTANCE OF 589.20 FT. TO THE INTERSECTION WITH THE WEST LINE OF SAID SOUTHWEST 1/4 OF THE NORTHWEST 1/4; THENCE S 00°26'40" E, ALONG THE WEST LINE OF SAID SOUTHWEST 1/4 OF THE NORTHWEST 1/4, A DISTANCE OF 1004.78 FT. TO THE SOUTHWEST CORNER THEREOF; THENCE N 89°54'51" E, ALONG THE SOUTH LINE OF SAID SOUTHWEST 1/4 OF THE NORTHWEST 1/4, A DISTANCE OF 1130.20 FT. TO THE INTERSECTION WITH THE WESTERLY R/W OF "FT. HAMER ROAD"; THENCE S 19°26'25" W, ALONG SAID WESTERLY R/W (APPROXIMATELY 60 FT. WEST OF CENTERLINE), A DISTANCE OF 1822.77 FT.; THENCE S 19°26'14" W, ALONG SAID WESTERLY R/W, A DISTANCE OF 2300.88 FT. MORE OR LESS TO THE INTERSECTION WITH THE NORTHERLY LINE OF THE "MANATEE RIVER", FOR THE TERMINUS OF THIS DESCRIPTION LINE.

ALL OF THE ABOVE DESCRIBED LINE FALLS WITHIN SECTIONS 5, 8 AND 17, TOWNSHIP 34 S., RANGE 19 E., MANATEE COUNTY, FLORIDA.

(SEE SKETCH ATTACHED ON PAGE 2 AND 3 OF 3)

07/30/1990
DATE
(NOT VALID UNLESS EMBOSSED
BY SURVEYOR'S SEAL)

JAN L. SKIPPER
PROFESSIONAL L.A.
EX. REGISTRAR

AMENDMENT
EXHIBIT B
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