CAPTION SHEET CASE MANAGEMENT SYSTEM

1. REPORT DATE: 00/00/00 :
2. BUREAU: FUS :
3. SECTION(S): : 4. PUBLIC MEETING DATE:
5. APPROVED BY: : 00/00/00
DIRECTOR: :
SUPERVISOR: :
6. PERSON IN CHARGE: : 7. DATE FILED: 03/21/06
8. DOCKET NO: A-310881 F0002 : 9. EFFECTIVE DATE: 00/00/00

PARTY/COMPLAINANT:

RESPONDENT/APPLICANT: INTER-TEL NETSOLUTIONS INC

COMP/APP COUNTY: UTILITY CODE: 310881

ALLEGATION OR SUBJECT

APPLICATION OF INTER-TEL NETSOLUTIONS, INC., FOR APPROVAL TO OFFER, RENDER, FURNISH OR SUPPLY TELECOMMUNICATIONS SERVICES AS A COMPETITIVE LOCAL EXCHANGE CARRIER TO THE PUBLIC AS A RESELLER OF COMPETITIVE LOCAL EXCHANGE IN THE SERVICE TERRITORIES OF VERIZON PENNSYLVANIA, VERIZON NORTH AND SPRINT/UNITED.

DOCUMENT
FOLDER

DOCKETED
MAR 24 2006

ORIGINAL

Lance J.M. Steinhart, P.C.
Attorney At Law
1720 Windward Concourse
Suite 250
Alpharetta, Georgia 30005

Also Admitted in New York
and Maryland

Telephone: (770) 232-9200
Facsimile: (770) 232-9208
Email: lsteinhart@telecomcounsel.com

March 21, 2006

VIA OVERNIGHT DELIVERY

A-310881F0002

Ms. Doreen Trout
Secretary's Bureau
Pennsylvania Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, Pennsylvania 17120

RECEIVED
MAR 21 2006
PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Re: INTER-TEL NETSOLUTIONS, INC.

Dear Doreen:

Enclosed please find check number 3101324 in the amount of $250.00 in payment for the previously filed application for Inter-Tel NetSolutions, Inc.

I have enclosed an extra copy of this letter to be date stamped and returned to me in the enclosed, self addressed, postage prepaid envelope.

If you have any questions or if I may provide you with additional information, please do not hesitate to call me. Thank you.

Respectfully submitted,

Charlotte Lacey

Charlotte Lacey
Legal Assistant to Lance J.M. Steinhart
Attorney for Inter-Tel NetSolutions, Inc.

Enclosures

DOCUMENT
FOLDER

Lance J.M. Steinhart, P.C.
Attorney At Law
1720 Windward Concourse
Suite 250
Alpharetta, Georgia 30005

ORIGINAL

Also Admitted in New York
and Maryland

Telephone: (770) 232-9200
Facsimile: (770) 232-9208
Email: lsteinhart@telecomcounsel.com

November 22, 2005

VIA OVERNIGHT DELIVERY

A-310881F0002

RECEIVED
mar 21, 2006 dt
~~NOV 2 2 2005~~
PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Pennsylvania Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, Pennsylvania 17120

Re: Competitive Local Exchange Carrier Application
INTER-TEL NETSOLUTIONS, INC.

Dear Sir/Madam:

Enclosed please find for filing one original and three (3) copies of the above-referenced application for Inter-Tel NetSolutions, Inc.

I have enclosed a check payable to the Commonwealth of Pennsylvania in the amount of $250 for the application fee, as well as an extra copy of this letter to be date stamped and returned to me in the enclosed, self addressed, postage prepaid envelope.

If you have any questions or if I may provide you with additional information, please do not hesitate to call me. Thank you.

Respectfully submitted,

Lance J.M. Steinhart
Attorney for Inter-Tel NetSolutions, Inc.

Enclosures
cc: Jon Brinton

DOCUMENT
FOLDER

55

RECEIVED ORIGINAL PUC-377 Rev.05/04

Application of:

mar. 21, 2006
~~NOV 22 2005~~

A-310881F0002

Inter-Tel NetSolutions, Inc.,

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

for approval to offer, render, furnish or supply telecommunications services as a Competitive Local Exchange Carrier to the public in the Commonwealth of Pennsylvania.

1. **IDENTITY OF THE APPLICANT**: The name, address, telephone number, and fax number of the Applicant.

Inter-Tel NetSolutions, Inc.
4310 East Cotton Center Blvd., Suite A-100
Phoenix, Arizona 85040
Telephone: (602) 253-6004
Facsimile: (602) 254-9634

Please identify any predecessors of the Applicant and provide other names under which the Applicant has operated within the preceding five years, including name, address, and telephone number.

2. **ATTORNEY**: The name, address, telephone number, and fax number of the Applicant's attorney.

Lance J.M. Steinhart, Esq.
Lance J.M. Steinhart, P.C.
1720 Windward Concourse, Suite 250
Alpharetta, GA 30005
(770) 232-9200/Phone
(770) 232-9208/Fax
lsteinhart@telecomcounsel.com

DOCUMENT FOLDER

DOCKETED
MAR 24 2006

3. **CONTACTS:**

A) **APPLICATION:** The name, title, address, telephone number, and fax number of the person to whom questions about this application should be addressed.

Lance J.M. Steinhart, Esq.
Lance J.M. Steinhart, P.C.
1720 Windward Concourse, Suite 250
Alpharetta, GA 30005
(770) 232-9200/Phone
(770) 232-9208/Fax
lsteinhart@telecomcounsel.com

B) **PENNSYLVANIA EMERGENCY MANAGEMENT AGENCY (PEMA)**: The name, title, address, telephone number and FAX number of the person with whom contact should be made by PEMA.

Jon Brinton, President
Inter-Tel NetSolutions, Inc.
4310 East Cotton Center Blvd., Suite A-100
Phoenix, Arizona 85040
Telephone: (602) 253-6004
Facsimile: (602) 254-9634

C) **RESOLVING COMPLAINTS**: Name, address, telephone number, and FAX number of the person and an alternate person responsible for addressing customer complaints. These persons will ordinarily be the initial point(s) of contact for resolving complaints and queries filed with the Public Utility Commission or other agencies.

Allison Dunmire, Customer Service Manager
4310 East Cotton Center Blvd., Suite A-100
Phoenix, Arizona 85040
Telephone: (800) 821-1661
Facsimile: (602) 254-9634

4. FICTITIOUS NAME:

☒ The Applicant will not be using a fictitious name.

☐ The Applicant will be using a fictitious name. Attach to the Application a copy of the Applicant's filing with the Commonwealth's Department of State pursuant to 54 Pa. C.S. §311, Form PA-953.

5. BUSINESS ENTITY AND DEPARTMENT OF STATE FILINGS:

☐ The Applicant is a sole proprietor.

☒ The Applicant is a:

- ☐ General partnership
- ☐ Domestic limited partnership (15 Pa. C.S. §8511)
- ☐ *Foreign limited partnership (15 Pa. C.S. §8582)
- ☐ Domestic registered limited liability partnership (15 Pa. C.S. §8201)
- ☐ *Foreign registered limited liability general partnership (15 Pa. C.S. §8211)

**Provide name and address of Corporate Registered Office Provider or Registered Office within PA.*

Attach to the application the name and address of partners. If any partner is not an individual, identify the business nature of the partner entity and identify its partners or officers.

Attach to the application proof of compliance with appropriate Department of State filing requirements as indicated above.

5. (Continued)

☒ The Applicant is a:

- ☐ Domestic corporation (15 Pa. C.S. §1306)
- ☒ *Foreign corporation (15 Pa. C.S. §4124)
- ☐ Domestic limited liability company (15 Pa. C.S. §8913)
- ☐ *Foreign limited liability company (15 Pa. C.S. §8981)

**Provide name and address of Corporate Registered Office Provider or Registered Office within PA.*

TCS Corporate Services, Inc.
600 North 2nd St., Ste. 500
Harrisburg, PA 17101

The Applicant's Certificate of Authority to Transact Business in Pennsylvania is attached as Exhibit A. A copy of the Applicant's Certificate of Incorporation are attached as Exhibit B. ***The Applicant is incorporated in the State of Texas.***

Give name and address of officers:

Jon Brinton	President
Steven G. Mihaylo	Vice President & Director
Kurt R. Kneip	Vice President, Secretary & Director
John C. Abbott	Treasurer
Ross E. McAlpine	Director
Todd West	Vice President, Operations
Allison Dunmire	Manager of Provisioning & Customer Service
Doug Milliron	Manager of Dedicated & Managed Services
Holly Thomas	Controller

4310 East Cotton Center Blvd., Suite A-100
Phoenix, Arizona 85040

6. AFFILIATES AND PREDECESSORS WITHIN PENNSYLVANIA:

☒ The Applicant has no affiliates doing business in Pennsylvania or predecessors which have done business in Pennsylvania.

☐ The Applicant has affiliates doing business in Pennsylvania or predecessors which have done business in Pennsylvania. Name and address of the affiliates. State whether they are jurisdictional public utilities. Give docket numbers for the authority of such affiliates.

If the Applicant or an affiliates has a predecessor who has done business within Pennsylvania, give name and address of the predecessors and state whether they were jurisdictional public utilities. Give the docket numbers for the authority of such predecessors.

7. AFFILIATES AND PREDECESSORS RENDERING PUBLIC UTILITY SERVICE OUTSIDE PENNSYLVANIA:

☒ The Applicant has no affiliates rendering or predecessors which rendered public utility service outside Pennsylvania.

☐ The Applicant has affiliates rendering or predecessors which rendered public utility service outside Pennsylvania. Name and address of the affiliates. Name and address of the predecessors (please specify which).

8. APPLICANT'S PRESENT OPERATIONS: (Select and complete the appropriate statement)

☐ The applicant is not presently doing business in Pennsylvania as a public utility.

☒ The applicant is presently doing business in Pennsylvania as a:

- ☒ Interexchange Toll Reseller, InterLATA and/or IntraLATA, (e.g., MTS, 1+, 800, WATS, Travel and Debit Cards)
- ☐ Interexchange Toll Facilities-based carrier, InterLATA and/or IntraLATA, (e.g., MTS, 1+, 800, WATS, Travel and Debit Cards)
- ☐ Competitive Access Provider (dedicated point-to-point or multipoint service; voice or data)
- ☐ Competitive Local Exchange Carrier:
  - ☐ Facilities-Based
  - ☐ UNE-P
  - ☐ Data Only
  - ☐ Reseller
- ☐ Incumbent Local Exchange Carrier.
- ☐ Other (Identify).

9. **APPLICANT'S PROPOSED OPERATIONS**: The Applicant proposes to operate as a:

- ☐ Interexchange Toll Reseller, InterLATA and/or IntraLATA, (e.g., MTS, 1+, 800, WATS, Travel and Debit Cards)
- ☐ *Interexchange Toll Facilities-based carrier*, InterLATA *and/or* IntraLATA, (*e.g.*, MTS, 1+, *800*, WATS, Travel and Debit Cards)
- ☐ Competitive Access Provider (dedicated point-to-point or multipoint service; voice or data)
- ☒ Competitive Local Exchange Carrier:
  - ☐ Facilities-based
  - ☐ UNE-P
  - ☐ Data Only
  - ☒ Reseller
- ☐ Incumbent Local Exchange Carrier
- ☐ Other (Identify).

10. **PROPOSED SERVICES**: Describe in detail the services which the Applicant proposes to offer. If proposing to provide more than one category in Item #9, clearly and separately delineate the services within each proposed operation. If proposing to operate as a facilities based Competitive Local Exchange Carrier, provide a brief description of the Company's facilities.

Applicant proposes to provide competitive local exchange services offered by Verizon Pennsylvania, Verizon North and Sprint/United, including but limited to: local dial tone, calling features such as call waiting, voice-mail, directory and operator services, xDSL, carrier access and centrex. Applicant intends to provide resold local exchange services, utilizing LEC facilities. The company has no plans to install facilities in Pennsylvania for the provisions of local exchange service.

Applicant will not construct new or extend an existing outside plant.

11. **SERVICE AREA:** Describe the geographic service area in which the Applicant proposes to offer services. Clearly and separately delineate the service territory for each category listed in Item #9. For Competitive Local Exchange Carrier operations, you must name and serve the Incumbent Local Exchange Carriers in whose territory you request authority.

Applicant intends to provide local service in the Verizon Pennsylvania, Verizon North and Sprint/United territories.

12. **MARKET:** Describe the customer base to which the Applicant proposes to market its services. Clearly and separately delineate a market for each category listed in Item #9.

Applicant proposes to market its local services to residential customers and businesses.

13. **PROPOSED TARIFF(S):** Each category of proposed operations must have a separate and distinct proposed tariff setting forth the rates, rules and regulations of the Applicant. Every proposed tariff shall state on its cover page the nature of the proposed operations described therein, i.e., IXC R/S, CLEC, CAP, or IXC F/B. A copy of all proposed tariffs must be appended to each original and duplicate original and copy of Form 377.

Attached as Exhibit C.

14. **FINANCIAL:** Attach the following to the Application:

A general description of the Applicant's capitalization and, if applicable, its corporate stock structure;

The Company is authorized to issue 100,000,000 shares of common stock, and has issued 27,161,823 of those shares.

Current balance sheet, Income Statement, and Cash Flow Statement of Applicant or Affiliated Company, if relying on affiliate for financial security;

See Exhibit D attached hereto.

A tentative operating balance sheet and a projected income statement for the first year of operation within the Commonwealth of Pennsylvania; provide the name, title, address, telephone number and fax number of the Applicant's custodian for its accounting records and supporting documentation; and indicate where the Applicant's *accounting records and supporting documentation are, or will be, maintained.*

Inter-Tel NetSolutions, Inc.
4310 East Cotton Center Blvd., Suite A-100
Phoenix, Arizona 85040
Telephone: (602) 253-6004
Facsimile: *(602) 254-9634*

Applicant's accounting records and supporting documentation will be maintained at their principal place of business set forth above.

If available, include bond rating, letters of credit, credit reports, insurance coverage and reports, and major contracts.

See Exhibit E attached hereto.

15. **START DATE:** The Applicant proposes to begin offering services on or about **January 1, 2005 (approximate date).**

16. **FURTHER DEVELOPMENTS:** *Attach to the Application a statement of further developments, planned or* contemplated, to which the present Application is preliminary or with which it forms a part, together with a reference to any related proceeding before the Commission.

N/A

17. **NOTICE:** Pursuant to 52 Pa. Code §5.14, you are required to serve a copy of the signed and verified Application, with attachments, on the below-listed parties, and file proof of such service with this Commission:

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923

Office of Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101

Office of the Attorney General
Office of Consumer Protection
Strawberry Square, 14th Floor
Harrisburg, PA 17120

A certificate of service must be attached to the Application as proof of service that the Application has been served on the above-listed parties. A copy of any Competitive Local Exchange Carrier Application must also be served on any and/or all Incumbent Local Exchange Carrier(s) in the geographical area where the Applicant proposes to offer services.

18. **FEDERAL TELECOMMUNICATIONS ACT OF 1996**: State whether the Applicant claims a particular status pursuant to the Federal Telecommunications Act of 1996. Provide supporting facts.

N/A

19. **COMPLIANCE**: State specifically whether the Applicant, an affiliate, a predecessor of either, or a person identified in this Application has been convicted of a crime involving fraud or similar activity. Identify all proceedings, limited to proceedings dealing with business operations in the last five (5) years, whether before an administrative body or in a judicial forum, in which the Applicant, an affiliate, a predecessor of either, or a person identified herein has been a defendant or a respondent. Provide a statement as to the resolution or present status of any such proceedings.

Neither Applicant, nor any affiliate or predecessor of either, nor any person identified in this Application has been convicted of a crime involving fraud or any similar activity.

20. **FALSIFICATION**: The Applicant understands that the making of false statement(s) herein may be grounds for denying the Application or, if later discovered, for revoking any authority granted pursuant to the Application. This Application is subject to 18 Pa. C.S. §§4903 and 4904, relating to perjury and falsification in official matters.

21. CESSATION: The Applicant understands that if it plans to cease doing business within the Commonwealth of Pennsylvania, it is under a duty to request authority from the Commission for permission prior to ceasing business.

Applicant: ______________________

By: Jon Brinton

Title: President

22. AFFIDAVIT: Attach to the Application an affidavit as follows:

AFFIDAVIT

State of Arizona :
: ss.
County of Maricopa :

Jon Brinton, Affiant, being duly [sworn/affirmed] according to law, deposes and says that:

[He/She] is the President (Office of Affiant) of Inter-Tel NetSolutions, Inc. (Name of Applicant;)

That [he/she] is authorized to and does make this affidavit for said corporation;

That Inter-Tel NetSolutions, Inc., the Applicant herein, acknowledges that [he/she/it] may have an obligation to serve or to continue to serve the public by virtue of the Applicant commencing the rendering of service pursuant to this Application consistent with the Public Utility Code of the Commonwealth of Pennsylvania, Title 66 of the Pennsylvania Consolidated Statutes; with the Federal Telecommunications Act of 1996, signed February 6, 1996, or with other applicable statutes or regulations;

That Inter-Tel NetSolutions, Inc., the Applicant herein, asserts that [he/she/it] possesses the requisite technical, managerial, and financial fitness to render public utility service within the Commonwealth of Pennsylvania and that the Applicant will abide by all applicable federal and state laws and regulations and by the decisions of the Pennsylvania Public Utility Commission.

That Inter-Tel NetSolutions, Inc., the Applicant herein, asserts that [he/she/it] has contacted the appropriate 911 Coordinator(s) via certified letter, from the list provided from the PUC web site (www.puc.paonline.com), and that arrangements are under way for the provisioning of emergency 911 service in each of the Counties/Cities where service is to be provided. The applicant certifies (he/she/it) has attached a copy of the 911 Coordinator list indicating each 911 Coordinator contacted.

That the facts above set forth are [true and correct] to the best of [his/her] knowledge, information and belief, and that [he/she] expects said entity to be able to prove the same at any hearing thereof.

Signature of Affiant

Sworn and subscribe before me this 1st day of September, 2005.
Month Year

OFFICIAL SEAL
LORI PRIGGE
NOTARY PUBLIC - STATE OF ARIZONA
MARICOPA COUNTY
My Commission Expires Aug. 12, 2006

Signature of official administering oath

My Commission expires 8/12/06.

911 COORDINATORS

Adams
Ms. Donna M. Powers
County Courthouse, Room 6
111-117 Baltimore Street
Gettysburg, PA 17325-2313
Office Phone: 717-334-8603
Additional Phone: 717-334-8603 911 ctr
Fax: 717-334-1822
~~Email:~~dpowers@acc.pa.net

Armstrong
Mrs. Marie Mores
450 East Market Street
Kittanning, PA 16201-1409
Office Phone: 724-548-3430
Additional Phone: 724-548-5105
Fax: 724-548-3243
~~Email:~~armstrong911.mores@alltel.net

Bedford
Ms. Pam Cober
130 Vondersmith Avenue
Bedford, PA 15522
Office Phone: 814-623-1878
Additional Phone: 814-623-1105 911 ctr
Fax: 814-623-0799
Email:bedema@bedford.net

Blair
Mr. Rodney Bohner
Blair County 911 Center
615 4th. St.
Altoona, PA 16602
Office Phone: 814-940-5900
Additional Phone: 814-940-5901
Fax: 814-940-5907
~~Email:~~blair911@aasdcat.com

Bucks
Mr. Brenton T Wiggins
Administration Building
Broad & Court Streets
Doylestown, PA 18901
Office Phone: 215-348-6626
Additional Phone: 215-348-6600 911 ctr
Fax: 215-348-6689
Email:btwiggins@co.bucks.pa.us

Allegheny
Vacant
400 North Lexington Street
Pittsburgh, PA 15208-2521
Office Phone: 412-473-1000/3000
Additional Phone: 412-241-4119 ctr
Fax: 412-473-2589
Email:bjones@county.allegheny.pa.us

Beaver
Mr. Russell T Chiodo
250 East End Avenue
Beaver, PA 15009
Office Phone: 724-775-1700
Additional Phone: 724-773-3103 911 ctr
Fax: 724-775-1163
~~Email:~~kjoy@co.beaver.pa.us

Berks
Ms. Daphne Miller
18th Floor
33 North 6th Street
Reading, PA 19601
Office Phone: 610-655-4901
Additional Phone: 610-655-4931>4937 911 ctr
Fax: 610-655-4999
~~Email:~~dmiller@countyofberks.com

Bradford
Mr. Jeff Overdorff
R. D. #1, Box 179-C
Towanda, PA 18848
Office Phone: 570-265-9102
Additional Phone: 570-265-3131 911 ctr
Fax: 570-265-4774
Email:bcrema@epix.net

Butler
Mr. Frank P Matis
309 Sunnyview Circle
Butler, PA 16001-3549
Office Phone: 724-284-5211
Additional Phone: 724-284-5211 to 911 ctr
Fax: 724-287-8024
Email:fmatis@co.butler.pa.us

Cambria
Ms. Robbin Melnyk
401 Candlelight Drive
Suite 100
Ebensburg, PA 15931
Office Phone: 814-472-2050
Additional Phone: 814-472-2072
Fax: 814-472-2057
Email:rmelnyk@co.cambria.pa.us

Cameron
Mr. Kevin Johnson
20 E. 5th Street
Emporium, PA 15834
Office Phone: 814-486-1137
Fax: 814-486-1139
Email:camoes@adelphia.net

Carbon
Mr. Dick McGettigan
1264 Emergency Lane
Nesquehoning, PA 18240
Office Phone: 570-325-9123
Additional Phone: 570-325-9111
Fax: 570-325-9121
Email:cc911gck@ptd.net

Centre
Mr. Dan Tancibok
Willowbank Office Building
420 Holmes Street
Bellefonte, PA 16823
Office Phone: 814-355-6800
Additional Phone: 814-355-6904
Fax: 814-355-6776
Email:datancib@co.centre.pa.us

Chester
Mr. Edward J Atkins
Government Service Center
601 Westtown Road, Suite 12
West Chester, PA 19380-0990
Office Phone: 610-344-5000
Additional Phone: 610-344-5100
Fax: 610-344-5050
Email:eatkins@chesco.org

City of Allentown
Mr. Joseph D'Annibale
Department of Public Safety
1304 Fairview Street, Rear
Allentown, PA 18102
Office Phone: 610-437-7771
Additional Phone: 610-437-8715/8716
Fax: 610-437-8718
Email:dannibale@allentowncity.org

City of Bethlehem
Captain Frederick Mills
10 East Church Street
Bethlehem, PA 18018-6025
Office Phone: 610-865-7187
Additional Phone: 610-865-7155 Direct
Fax: 610-865-7389

City of Dubois
Mr. Nicholas Shaginaw
16 West Scribner Avenue
DuBois, PA 15801
Office Phone: 814-371-2323
Fax: 814-375-2702

City of Pittsburgh
Mr. John S Rowntree
Emergency Operations Center
2925 Railroad Street
Pittsburgh, PA 15201
Office Phone: 412-255-2916
Additional Phone: 412-255-2293
Fax: 412-255-4721
Email:john.rowntree@city.pittsburgh.pa.us

Clarion
Ms Marcie Emhoff
421 Madison Road
Clarion, PA 16214
Office Phone: 814-226-1172
Email:memhoff@oes.clarion.ps

Clearfield
Ms. Sharon B Porter
911 Leonard Street
Clearfield, PA 16830-3245
Office Phone: 814-765-1407
Additional Phone: 814-765-1533
Fax: 814-768-9920
Email:911director@clearfieldco.org

Columbia
Mr. Ronald F Kozma
Court House
P.O. Box 380
Bloomsburg, PA 17815
Office Phone: 570-784-6300
Additional Phone: 570-784-6300
Fax: 570-784-2975
Email:rkozma@columbiapa.org

Cumberland
Mr. Ted Wise
1 Courthouse Square
Carlisle, PA 17013
Office Phone: 717-240-6400
Additional Phone: 717-238-9676
Fax: 717-245-8710
Email:twise@ccpa.net

Delaware
Mr. James J Knapp
Government Center Building
Media, PA 19063-5594
Office Phone: 610-891-5400
Additional Phone: 610-565-8700(Truitt)
Fax: 610-891-5401
Email:knappj@co.delaware.pa.us

Erie
Mrs. Liz Schultz
1714 French Street
Erie, PA 16501
Office Phone: 814-870-9920
Additional Phone: 814-870-1911
Fax: 814-870-9930
Email:lschultz@ecema.org

Clinton
Mr. Dennis Caprio
22 Cree Drive
Lock Haven, PA 17745
Office Phone: 570-893-4096
Additional Phone: 570-748-8800
Fax: 570-893-4044
Email:dcaprio@cub.kcnet.org

Crawford
Mr. Stephen M Watt
903 Diamond Park
Meadville, PA 16335
Office Phone: 814-724-8110
Fax: 814-724-2563
Email:swatt@toolcity.net

Dauphin
Mr. Roy Hyatt
911 Gibson Boulevard
Steelton, PA 17113-1988
Office Phone: 717-558-6800
Additional Phone: 717-558-6810
Fax: 717-558-6950
Email:rhyatt@dauphinc.org

Elk
Ms. Bernice Jarbeck
P.O. Box 448
Ridgway, PA 15853-0448
Office Phone: 814-776-4600
Additional Phone: 814-772-0000
Fax: 814-772-1697
Email:bjarbeck@ncentral.com

Fayette
Mr. L. Guy Napolillo
24 East Main Street
Uniontown, PA 15401
Office Phone: 724-430-1277
Additional Phone: 724-430-9114
Fax: 724-430-1281
Email:gnapolillo@fcema.org

Forest
Mr. Jack B Kennedy
R. D. #1
Tidioute, PA 16351
Office Phone: 814-755-3541
Fax: 814-755-4404

Franklin
Mr. Gerald A Flasher
Court House
157 Lincoln Way East
Chambersburg, PA 17201
Office Phone: 717-264-2813
Additional Phone: 717-264-1633/267-2801
Fax: 717-267-3493
Email:jflasher@co.franklin.pa.us

Fulton
Ms. Lisa Sherman
116 W. Market St.
McConnellsburg, PA 17233
Office Phone: 717-485-3717
Fax: 717-485-9421
Email:ema@fultoncntypa.org.

Greene
Ms. Olga Jo Lewis
417 E. Roy Furman Hwy.
Suite 101
Waynesburg, PA 15370-8070
Office Phone: 724-852-5204
Additional Phone: 724-627-5387
Fax: 724-627-5342
Email:gelepc@greenepa.ne

Huntingdon
Mr. John Harris
530 Washington Street
Huntingdon, PA 16652
Office Phone: 814-643-6821
Additional Phone: 814-643-6820 911 Ctr
Fax: 814-643-2644
Email:jharris@huntingdonboro.com

Indiana
Mr. Paul R Beatty
85 Haven Dr.
Indiana, PA 15701
Office Phone: 724-349-9300
Additional Phone: 724-349-1428 911 Ctr
Fax: 724-465-3868
Email:pbeatty@indianacounty.org

Jefferson
Mr. Charles P Catanzarito
Emergency Services Building
R. D. #5, Box 44B
Brookville, PA 15825
Office Phone: 814-849-3185
Additional Phone: 814-849-1640 911 Ctr.
Fax: 814-849-1689
Email:jefferson911@alltel.net

Juniata
Mr. Fred Naylor
P.O. Box 68
Court House
Mifflintown, PA 17059
Office Phone: 717-436-2181
Additional Phone: 717-436-8448
Fax: 717-436-7733
Email:fnaylor@co.juniata.pa.us

Lackawanna
Mr. Thomas K. Dubas
Department of Emergency Services
Courthouse Administration Building
200 Adams Avenue
Scranton, PA 18503-1607
Office Phone: 570-963-6700
Additional Phone: 570-342-9111 911 Ctr.
Fax: 570-963-6529
Email:gtgaughan@aol.com

Lancaster
Mr. Michael W Weaver
28 South Charlotte Street
P.O. Box 219
Manheim, PA 17545-0219
Office Phone: 717-664-1100
Additional Phone: 717-664-1180 911Ctr
Fax: 717-664-1127
Email:mweaver@co.lancaster.pa.us

Lawrence
Mr. Frank Jannetti
110 E. Lincoln St.
New Castle, PA 16101
Office Phone: 724-656-4927
Additional Phone: 724-656-9300 911 ctr
Fax: 724-658-5760
Email:lcema@co.lawrence.pa.us

Lebanon
Mr. Clyde H Miller
Room 14
County-City Building
Lebanon, PA 17042
Office Phone: 717-272-7621
Additional Phone: 717-272-2025 911 ctr
Fax: 717-272-9509
Email:clyde@lebanonema.org

Lehigh
Ms. Laurie R Bailey
Lehigh County Court House
455 West Hamilton Street
Allentown, PA 18101
Office Phone: 610-782-3087
Additional Phone: 610-437-5252 ctr
Fax: 610-782-3428
Email:lauriebailey@lehighcounty.org
Website:www.lehighema.org

Luzerne
Mr. Norbert R O'Donnell
100 Young St.
Wilkes-Barre, PA 18711-1001
Office Phone: 570-826-3080
Additional Phone: 570-819-4923 911 ctr
Fax: 570-826-3056
Email:nodonnel@epix.net

Lycoming
Ms. Connie J. Turner
542 County Farm Road
Suite 101
Montoursville, PA 17754
Office Phone: 570-433-4461, Ext. 608
Additional Phone: 570-433-3166 911 ct
Fax: 570-433-4435
Email:connie_turner.Lyco@lyco.org

McKean
Mr. Jim Lewis
P.O. Box 305
Smethport, PA 16749
Office Phone: 814-887-5070
Additional Phone: 814-887-4911 911 ctr
Fax: 814-887-4910
Email:mckeanco911@pennswoods.net

Mercer
Mr. James R Thompson
205 S. Erie Street
Mercer, PA 16137
Office Phone: 724-662-6100 x 222 J. Thompson
Additional Phone: 724-662-6110 911 ctr
Fax: 724-662-6145
Email:jthompson@mcc.co.mercer.pa.us

Mifflin
Mr. Philip C Lucus Jr.
20 North Wayne Street
Lewistown, PA 17044
Office Phone: 717-248-9645
Additional Phone: 717-248-9607 911 ctr
Fax: 717-248-0300
Email:plucas@mifflinmail.com

Monroe
Mr. Gary Hoffman
Monroe County Public Safety Center
100 Gypsum Road
Stroudsburg, PA 18360
Office Phone: 570-992-4500
Email:ghoffman@monroeco911.com

Montgomery
Mr. Stephen D. Keeley
50 Eagleville Road
Eagleville, PA 19403
Office Phone: 610-631-6509
Additional Phone: 610-631-6541 911 ctr
Fax: 610-631-6536
Email:skeeley@mail.montcopa.org

Montour
Mr. Walter H Peters III
30 Woodbine Lane
Danville, PA 17821
Office Phone: 570-271-3045
Additional Phone: 570-275-1911 911 ctr
Fax: 570-271-3078
Email:montour@chilitech.net

Northumberland
Mr. Raymond Siko II
Department of Public Safety
911 Greenough Street, Suite 2
Sunbury, PA 17801
Office Phone: 570-988-4441
Additional Phone: 570-988-4539 911 ctr
Fax: 570-988-4546
Email:raysiko@sunlink.net

Philadelphia
Mr.Joe James
Department of Public Property
Room 632, City Hall
Philadelphia, PA 19102
Office Phone: 215-686-4444
Additional Phone: 215-686-1776 911 ctr
Fax: 215-686-9639

Potter
Mr. John P Hetrick
24 Buffalo Street
Coudersport, PA 16915
Office Phone: 814-274-8900
Additional Phone: 814-274-8690 PSP
Fax: 814-274-8901
Email:potterema@adelphia.net

Snyder
Mr. William Michaels
RR#1
Box 130-K
Selinsgrove, PA 17870
Office Phone: 570-372-0535
Additional Phone: 570-837-0606 911 ctr
Fax: 570-837-1859
Email:wmichael@snydercounty.org

Northampton
Mr. Richard Teasdale
Greystone Bldg.
R8 Gracedale Ave.
Nazareth, PA 18064-9278
Office Phone: 610-746-3194
Additional Phone: 610-330-2200 911 ctr
Fax: 610-746-3199
Email:dteas@epix.net

Perry
Mr. Larry Smeigh
P.O. Box 37
New Bloomfield, PA 17068
Office Phone: 717-582-2131, x-256
Additional Phone: 717-582-4311 911 ctr
Fax: 717-582-5165
Email:lsmeigh@perryco.org

Pike
Mr. J. Bernard Swartwood
Administration Building
506 Broad Street
Milford, PA 18337
Office Phone: 570-296-3465
Additional Phone: 570-296-7700 911 ctr
Fax: 570-296-3550
Email:911@pikepa.org

Schuylkill
Mr. John Mercuri
435 North Centre Street
Pottsville, PA 17901
Office Phone: 570-621-9911
Additional Phone: 570-621-9901 911 ctr
Fax: 570-621-9999
Email:jmercuri@co.schuylkill.pa.us

Somerset
Mr. David L. Fox
111 East Union Street
Somerset, PA 15501
Office Phone: 814-445-1525
Additional Phone: 814-445-1525 911 ctr
Fax: 814-443-1090
Email:fox@co.somerset.pa.us

Tioga
Mr. David R Cohick
Court House
118 Main Street
Wellsboro, PA 16901
Office Phone: 570-724-9110
Additional Phone: 570-724-7911 911 ctr
Fax: 570-724-6819
Email:tclepc@epix.net

Union
Mr. Thomas W Hess
103 South Second Street
Lewisburg, PA 17886
Office Phone: 570-523-3201
Additional Phone: 570-523-1113 911 ctr
Fax: 570-524-8720
Email:thess@unionco.org

Venango
Mr. Richard J Graff
1052 Grandview Road
Oil City, PA 16301
Office Phone: 814-677-0325
Additional Phone: 814-676-4545 911 ctr
Fax: 814-677-7459
Email:graff@csonline.net

Warren
Mr. Kenneth Klakamp
Court House
333 Hickory Street
Warren, PA 16365
Office Phone: 814-723-8478
Additional Phone: 814-723-7553 dispatch
Fax: 814-723-7895
Email:kklakamp@warren-county.net

Washington
Mr. Jeffrey Yates
Department of Public Safety
100 W. Beau Street, C-1
Washington, PA 15301
Office Phone: 724-228-6911
Additional Phone: 724-229-4607 911 ctr
Fax: 724-223-4706
Email:yatesj@wc.co.washington.pa.us

Wayne
Mr. Marty Hedgelon
Courthouse Annex
925 Court Street
Honesdale, PA 18431-1996
Office Phone: 570-253-9458
Additional Phone: 570-253-3109 911 ctr
Fax: 570-253-2943
Email:martyhedgelon@hotmail.com

Westmoreland
Mr. Joseph Niedzalkoski
Court House Square
Greensburg, PA 15601
Office Phone: 724-830-3007
Additional Phone: 724-830-3012 911 ctr
Fax: 724-830-3666
Email:jniedzal@co.westmoreland.pa.us

City of Allentown
Joseph D Annibale - Department of Public Safety
1304 Fairview Street
Allentown, PA 18102
Email: dannibale@allentowncity.org
Office Phone: 610-437-7771
Additional Phone: 610-437-8715/8716
Fax: 610-437-8718

York
Mr. Robert Fasick
108 Pleasant Acres Road
York, PA 17402
Office Phone: 717-840-7555 911 ctr
Fax: 717-840-7553
Email:rbfasick@york-county.org

City of Bethlehem
Frederick Mill - 911 Coordinator
10 East Church Street
Bethlehem, PA 18018-6025
Email: millfrep@bethlehem-pa.gov
Office Phone: 610-865-7187
Additional Phone: 610-865-7155
Fax: 610-865-7389

City of Pittsburgh
John S. Rowntree - 911 Coordinator
Emergency Operations Center
2925 Railroad Street
Pittsburgh, PA 15201
Email: john.rowntree@city.pittsburgh.pa.us
Office Phone: 412-255-2916
Additional Phone: 412-255-2293
Fax: 412-255-4721

Susquehanna County
Dawn Zalewski - 911 Coordinator
County Office Building
31 Public Avenue
Montrose, PA 18801
Email: 911@susq911.com
Office Phone: 570-278-4600
Additional Phone: 570-934-2749
Fax: 570-278-9269

Sullivan County
Merri A. Montgomery - 911 Coordinator
Court House
Laporte, PA 18626
Email: suldes@epix.net
Office Phone: 570-946-5010
Fax: 570-946-4122

Wyoming County
Chuck Story - 911 Coordinator
880 SR-6 West
Tunkhannock, PA 18657
Email: chief140@prodigy.net
Office Phone: 570-836-6161
Fax: 570-836-8887

23. VERIFICATION STATEMENT: Attach to the Application a verification statement as follows:

State of Arizona :
: ss.
County of Maricopa :

Jon Brinton, Affiant, being duly [sworn/affirmed] according to law, deposes and says that:

[He/She] is the President (Office of Affiant) of Inter-Tel NetSolutions, Inc. (Name of Applicant]

That [he/she] is authorized to and does make this affidavit for said corporation;

That the facts above set forth are true and correct to the best of [his/her] knowledge, information, and belief and that [he/she] expects said corporation to be able to prove the same at any hearing hereof.

Signature of Affiant

Sworn and subscribed before me this 1ST day of SEPTEMBER, 2005.
Month Year

Signature of official administering oath

My Commission expires 8/12/06

OFFICIAL SEAL
LORI PRIGGE
NOTARY PUBLIC - STATE OF ARIZONA
MARICOPA COUNTY
My Commission Expires Aug. 12, 2006

EXHIBITS

Exhibit A	Certificate of Authority to Transact Business
Exhibit B	Certificate of Incorporation
Exhibit C	Proposed Tariff
Exhibit D	Financial Information
Exhibit E	Tentative Operating Balance Sheet and Projected Income Statement

Exhibit A

Certificate of Authority to Transact Business

COMMONWEALTH OF PENNSYLVANIA

Department of State

November 17, 1993

TO ALL WHOM THESE PRESENTS SHALL COME, GREETING:

I DO HEREBY CERTIFY THAT,

INTER-TEL NETSOLUTIONS, INC.

is duly qualified to do business under the laws of the Commonwealth of Pennsylvania and remains a subsisting corporation so far as the records of this office show, as of the date herein.

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the Seal of the Secretary's Office to be affixed, the day and year above written.

Secretary of the Commonwealth

ck

Exhibit B

Certificate of Incorporation

FILED
In the Office of the
Secretary of State of Texas

JUN 1 9 1990

Corporations Section

ARTICLES OF INCORPORATION

OF

INTER-TEL NETSOLUTIONS, INC.

I, the undersigned natural person of the age of twenty-one (21) years or more, a citizen of the State of Texas, acting as an Incorporator of a corporation (hereinafter referred to as the "Corporation"), under the Texas Business Corporation Act (hereinafter referred to as the "Act"), do hereby adopt the following Articles of Incorporation for such Corporation:

ARTICLE ONE

INTER-TEL NETSOLUTIONS, INC.

The name of the Corporation is Inter-Tel NetSolutions, Inc.

ARTICLE TWO

Duration

The period of existence of the Corporation is perpetual.

ARTICLE THREE

Purposes and Powers

Section 3.01 Purposes and Powers in Addition to Statutory Powers: The purposes for which the Corporation is organized, and the powers, in addition to the general powers conferred by the Act, which the Corporation shall be entitled to exercise, all subject to the limiting provisions set forth in Section 3.03 of this Article are:

(a) To buy, sell, exchange, use and/or otherwise transfer telecommunication services, including but not limited to, equipment and long distance services.

(b) To engage in and transact all business and all activities for which a corporation may be properly organized and operated under the Act and subject to the provisions of the Texas Miscellaneous Corporation Laws Act.

(c) To have and exercise all powers which may be granted to corporations organized under the Act and subject to the provisions of the Act, whether granted by these Articles or construction of law.

Section 3.02. Direction of Purpose and Exercise of Powers of Directors: Subject to any limitations or restrictions imposed by the Act, by any other law, or by these Articles of Incorporation, the Board of Directors hereby is authorized to direct the purposes set forth in this Article and to exercise all the powers of the Corporation without previous authorization or subsequent approval by the Shareholders; and all parties dealing with the Corporation shall have the right to rely on any action taken by the Corporation pursuant to such action by the Board of Directors.

Section 3.03. Limiting Provisions: Nothing in these Articles of Incorporation is to be construed as authorizing or attempting to authorize the Corporation:

(a) To transact any business in the State of Texas expressly prohibited by any law of the State of Texas;

(b) To engage in any activity in the State of Texas which cannot lawfully be engaged in without first obtaining a license under the laws of the State of Texas, and which license cannot be granted to a corporation;

(c) To take any action in violation of the Anti-Trust laws of the State of Texas; or,

(d) To take any action in violation of Part Four of the Texas Miscellaneous Corporation Laws Act.

ARTICLE FOUR

Authorized Shares

The aggregate number of shares which the Corporation shall have authority to issue is One Million (1,000,000) shares, with a par value of One Dollar ($1.00) per share, all of which shares shall be known as "Common Stock".

ARTICLE FIVE

Initial Consideration for Issuance of Shares

The Corporation will not commence or transact any business or incur any indebtedness except such as shall be incidental to this organization or to obtaining subscriptions to or payment for its shares, until it has received for the issuance of its shares consideration of the value of at least ONE THOUSAND AND NO/100 DOLLARS ($1,000.00), consisting of money, labor done or property actually received.

ARTICLE SIX

Rights of Directors and Officers

to Deal with Corporation

No Director and no Officer of the Corporation shall be disqualified by reason of his office from dealing with or contracting with the Corporation either as vendor, seller, purchaser, vendee, buyer, mortgagee, mortgagor, or otherwise; and no transaction of this Corporation shall be void or voidable by reason of the fact that the Director or Officer of any firm in which a Director or Officer of this Corporation is a member, or any corporation of which a Director or Officer of this Corporation is a shareholder or a director or officer, is in any way interested in such transaction.

ARTICLE SEVEN

Denial of Preemptive Rights

No shareholder shall be entitled, as a matter of right, to subscribe for, purchase or receive any shares of stock or any rights or options of the Corporation which it may issue or sell, whether out of the number of shares authorized by these Articles of Incorporation or by amendment thereof, or out of the shares of the stock of the Corporation acquired by it after the issuance thereof, nor shall any shareholder be entitled, as a matter of right, to subscribe for, purchase or receive any bonds, debentures or other securities which the Corporation may issue or sell that shall be convertible into, or exchangeable for, stock, or to which shall be attached or appertain to any warrant or warrants or other instrument or instruments that shall confer upon the holder or owner of such obligations the right to subscribe for, purchase or receive from the Corporation any shares of its authorized capital stock; but all such additional issues of stock, rights and options or of bonds, debentures or other securities convertible into, or exchangeable for, stock or to which warrants shall be attached or appertain or which shall confer upon the holder the right to subscribe for, purchase or receive any shares of stock, may be issued, optioned for, and sold or disposed of by the Corporation pursuant to resolution of its Board of Directors to such persons, firms or corporations and upon such terms as may be lawful and may to such Board of Directors seem proper and advisable, without first offering such stock or securities or any part thereof to the shareholders. The acceptance of stock in the Corporation shall be a waiver of any preemptive rights or preferential rights which, in the absence of this provision might otherwise be asserted by shareholders of the Corporation or any of them.

ARTICLE EIGHT

Prohibition of Cumulative Voting

At each election for Directors, every shareholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are Directors to be elected and for whose election he has the right to vote, but it is expressly prohibited for any shareholder to cumulate his votes by giving one candidate as many votes as the number of such Directors multiplied by his shares shall equal, or by distributing such votes on such principle among any number of such candidates.

ARTICLE NINE

Provisions for Regulation of the Corporation and its Internal Affairs

The following provisions are set forth for the regulation of the Corporation and its internal affairs to the extent that such provisions are not inconsistent with the law:

Section 9.01. Bylaws: The power to alter, amend or repeal the bylaws and to adopt new bylaws shall be vested in the Board of Directors and in the shareholders entitled to vote for the election of Directors; provided, however, that any bylaw or amendment thereto as adopted by the Board of Directors may be altered, amended or repealed, or a new bylaw in lieu thereof maybe adopted, by vote of such shareholders; but no bylaw which has been altered, amended, or adopted by vote of such shareholders may be altered, amended or repealed by the Board of Directors, nor may the substance of any bylaw repealed by vote of such shareholders be again adopted by the Board of Directors, until one year shall have expired since such action by vote of such shareholders.

Section 9.02. Other Provisions: Other provisions for the regulation of the Corporation and its internal affairs not inconsistent with law or these Articles of Incorporation may be set forth in the bylaws, including but not limited to, provisions regulating and providing for compensation of directors, interest of directors in contracts, provisions for working capital, liability and indemnification of directors, officers and employees, and voting of shares by proxy. All rights of the shareholders, directors, officers, agent and employees of the Corporation shall be deemed subject to all provisions of the bylaws to the fullest extent permitted by law.

ARTICLE TEN

Initial Registered Office and Agent

The post office address of the initial registered office of the Corporation is Houston, Texas, and the name of the initial registered agent of the Corporation is Steven P. Nichols, 4900 Langfield Road, Houston, Texas 77040.

ARTICLE ELEVEN

Directors

Section 11.01. Number: The Board of Directors of the Corporation shall consist of three (3) members. The number of Directors shall be fixed by the bylaws and may be increased or decreased by amendment of the bylaws; but no decrease shall have the effect of shortening the terms of any incumbent Director. In the absence of a bylaw fixing the number of Directors, the number shall be identical to the number of initial Directors.

Section 11.02. Qualifications: The Directors need not be residents of the State of Texas or shareholders of the Corporation.

Section 11.03. Initial Directors: The number, names, and addresses of the persons who are to serve as Directors until the first annual meeting of the shareholders, or until their successors are elected and qualified, are:

Steven G. Mihaylo
6505 West Chandler Boulevard
Chandler, Arizona 85226

Ralph Marsh
6505 West Chandler Boulevard
Chandler, Arizona 85226

Steven Prescott Nichols
4900 Langfield Road
Houston, Texas 77040

ARTICLE TWELVE

Incorporator

The name and address of the Incorporator of the Corporation is:

John L. Gardner
9301 Southwest Freeway
Suite 225
Houston, Texas 77074

IN WITNESS WHEREOF, I have hereunto set my hand this the 12th day of June 1990.

JOHN L. GARDNER

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

I, the undersigned authority, a Notary Public in and for said County and State, do hereby certify that on this the 12th day of June 1990, personally appeared before me, John L. Gardner, who, being by me first duly sworn, declared that he is the person who signed the foregoing instrument as Incorporator, and that the statements therein contained are true.

Nina J. Berkley

Notary Public in and for
HARRIS COUNTY, T E X A S

NINA J. BERKLEY

Printed Name of Notary

My Commission Expires: 12/11/93

\intertel\netsolutions.aoi

Exhibit C

Proposed Tariff

INTER-TEL NETSOLUTIONS, INC.

REGULATIONS AND SCHEDULE OF CHARGES

APPLICABLE TO

THE RESELLING OF

COMPETITIVE LOCAL EXCHANGE CARRIER SERVICES

PROVIDED BY

INTER-TEL NETSOLUTIONS, INC.

IN

THE COMMONWEALTH OF PENNSYLVANIA

This tariff contains the descriptions, regulations, and schedule of rates and charges applicable to the furnishing of resold residential and business service for Telecommunications Services furnished by Inter-Tel NetSolutions, Inc.. The Company will mirror the local exchange calling areas and exchange area boundaries as listed in the maps in the tariffs of Verizon Pennsylvania, Inc., Verizon North and Sprint/United Telephone Company of Pennsylvania. Local exchange calling areas and rate classes are listed in Section 10 of this tariff.

The Company's tariff is in concurrence with all applicable State and Federal Laws (including, but not limited to, 52 Pa. Code, 66 Pa. C.S., the Telecommunications Act of 1996), and with the Commission's applicable Rules and Regulations and Orders. Any provisions contained in this Tariff that are inconsistent with the foregoing mentioned will be deemed inoperative and superseded.

CHECK SHEET

List of Changes made by this Supplement

Page Number	Revision	Page Number	Revision	Page Number	Revision	Page Number	Revision	Page Number	Revision
1	Original	26	Original	51	Original	76	Original	101	Original
2	Original	27	Original	52	Original	77	Original	102	Original
3	Original	28	Original	53	Original	78	Original	103	Original
4	Original	29	Original	54	Original	79	Original	104	Original
5	Original	30	Original	55	Original	80	Original	105	Original
6	Original	31	Original	56	Original	81	Original	106	Original
7	Original	32	Original	57	Original	82	Original	107	Original
8	Original	33	Original	58	Original	83	Original	108	Original
9	Original	34	Original	59	Original	84	Original	109	Original
10	Original	35	Original	60	Original	85	Original	110	Original
11	Original	36	Original	61	Original	86	Original	111	Original
12	Original	37	Original	62	Original	87	Original	112	Original
13	Original	38	Original	63	Original	88	Original	113	Original
14	Original	39	Original	64	Original	89	Original	114	Original
15	Original	40	Original	65	Original	90	Original	115	Original
16	Original	41	Original	66	Original	91	Original	116	Original
17	Original	42	Original	67	Original	92	Original	117	Original
18	Original	43	Original	68	Original	93	Original	118	Original
19	Original	44	Original	69	Original	94	Original	119	Original
20	Original	45	Original	70	Original	95	Original	120	Original
21	Original	46	Original	71	Original	96	Original	121	Original
22	Original	47	Original	72	Original	97	Original		
23	Original	48	Original	73	Original	98	Original		
24	Original	49	Original	74	Original	99	Original		
25	Original	50	Original	75	Original	100	Original		

Jon Brinton, President
Inter-Tel NetSolutions, Inc.
4310 East Cotton Center Blvd., Suite A-100
Phoenix, Arizona 85040

TABLE OF CONTENTS

Description

Jon Brinton, President
Inter-Tel NetSolutions, Inc.
4310 East Cotton Center Blvd., Suite A-100
Phoenix, Arizona 85040

EXPLANATION OF SYMBOLS

The following symbols shall be used in this tariff for the purpose indicated below:

(C) To signify change.

(D) To signify decrease in rate.

(I) To signify increase in rate.

Jon Brinton, President
Inter-Tel NetSolutions, Inc.
4310 East Cotton Center Blvd., Suite A-100
Phoenix, Arizona 85040

APPLICATION OF TARIFF

This tariff sets forth the service offerings, rates, terms and conditions applicable to the local exchange telecommunications services provided by Inter-Tel NetSolutions, Inc. to customers within the Commonwealth of Pennsylvania. Inter-Tel NetSolutions, Inc., will mirror the local exchange calling areas and exchange area boundaries as stated in Verizon Pennsylvania, Inc.'s Tariff. Local exchange calling areas are listed in Section 10 of this tariff.

SECTION 1.0 - DEFINITIONS

For the purpose of this tariff, the following definitions will apply:

Access Line - An arrangement which connects the Customer's location to a carrier's switching center or point of presence.

Account Codes - *Optional, Customer-defined digits that allow the Customer to identify the individual user,* department or client associated with a call. Account Codes appear on the Customer bill.

Advance Payment - Part or all of a payment required before the start of service.

Authorized User - A person, firm, corporation, or any other entity authorized by the Customer to communicate utilizing the Company's service.

Business - A class of service provided to individuals engaged in business, firms, partnerships, corporations, agencies, shops, works, tenants of office buildings, and individuals practicing a profession or operating a business who have no offices other than their residences and where the use of the service is primarily or substantially of a business, professional or occupational nature.

Commission - Pennsylvania Public Utilities Commission.

Company or Carrier - Inter-Tel NetSolutions, Inc., unless otherwise clearly indicated by the context.

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

Deposit - Refers to a cash or equivalent of cash security held as a guarantee for payment of the charges.

DID Trunk - A form of local switched access that provides the ability for an outside party to call an internal extension directly without the intervention of the Company operator.

Dial Pulse (or "DP") - The pulse type employed by rotary dial station sets.

Dual Tone Multi-Frequency (or "DTMF") - The pulse type employed by tone dial station sets.

End User - Any person, firm, corporation, partnership or other entity which uses the services of the Company under the provisions and regulations of this tariff. The End User is responsible for payment unless the charges for the services utilized are accepted and paid for by another Customer.

End Office - With respect to each NPA-NXX code prefix assigned to the Company, the location of the Company's "end office" for purposes of this tariff shall be the point of interconnection associated with that NPA-NXX code in the Local Exchange Routing Guide ("LERG"), issued by Bellcore.

SECTION 1.0 - DEFINITIONS

Hearing Impaired - Those persons with communication impairments, including those hearing impaired, deaf, deaf/blind, and speech impaired persons who have an impairment that prevents them from communicating over the telephone without the aid of a telecommunications device for the deaf.

Hunting - Routes a call to an idle station line in a prearranged group when the called station line is busy.

In-Only - A service attribute that restricts outward dial access and routes incoming calls to a designated answer point.

IXC or Interexchange Carrier - A long distance telecommunications services provider.

LATA - A Local Access and Transport Area established pursuant to the Modification of Final Judgement entered by the United States District Court for the District of Columbia in Civil Action No. 82-0192; or any other geographic area designated as a LATA in the National Exchange Carrier Association, Inc. Tariff F.C.C. No. 4.

LEC - Local Exchange Company

Minimum Point of Presence ("MPOP") - The main telephone closet in the Customer's building.

Monthly Recurring Charges - The monthly charges to the Customer for services, facilities and equipment, which continue for the agreed upon duration of the service.

Multi-Frequency or ("MF") - An inter-machine pulse type used for signaling between telephone switches, or between telephone switches and PBX/key systems.

Non-Recurring Charge ("NRC") - The initial charge, usually assessed on a one-time basis, to initiate and establish service.

Other Telephone Company - An Exchange Telephone Company, other than the Company.

PBX - Private Branch Exchange

Premises - A building or buildings on contiguous property.

Recurring Charges - The monthly charges to the Customer for services, facilities and equipment which continue for the agreed upon duration of the service.

Residence or Residential - A class of service furnished to a Customer at a place of dwelling where the actual or obvious use is for domestic purposes.

SECTION 1.0 - DEFINITIONS

Service commencement Date - The first day following the date on which the Company notifies the Customer that the requested service is available for use, unless extended by the Customer's refusal to accept service which does not conform to standards set forth in the Service Order and this tariff, in which case the Service Commencement Date is the date of the Customer's acceptance. The Company and Customer may mutually agree on a substitute Service Commencement Date.

Service Order - The written request for services executed by the Customer and the Company in the format devised by the Company. The signing of an Order by the Customer and acceptance by the Company initiates the respective obligations of the parties as set forth therein and pursuant to this tariff, but the duration of the service is calculated from the Service Commencement Date.

Two Way - A service attribute that includes outward dial capabilities for outbound calls and can also be used to carry inbound calls to a central point for further processing.

Usage Based Charges - Charges for minutes or messages traversing over local exchange facilities.

User or End User - A Customer, Joint User, or any other person authorized by a Customer to use service provider under this tariff.

SECTION 2.0 - RULES AND REGULATIONS

2.1 Undertaking of the Company

2.1.1 Scope

The Company undertakes to furnish communications service pursuant to the terms of this tariff in connection with one-way and/or two-way information transmission originating from points within the State of Pennsylvania, and terminating within a local calling area as defined herein.

The Company is responsible under this tariff only for the services and facilities provided hereunder, and it assumes no responsibility for any service provided by any other entity that purchases access to the Company network in order to originate or terminate its own services, or to communicate with its own Customers.

2.1.2 Shortage of Equipment or Facilities

(A) The Company reserves the right to limit or to allocate the use of existing facilities, or of additional facilities offered by the Company, when necessary because of lack of facilities, or due to some other cause beyond the Company's control.

(B) The furnishing of service under this tariff is subject to the availability on a continuing basis of all the necessary facilities and is limited to the capacity of the Company's facilities as well as facilities the Company may obtain from other carriers to furnish service from time to time as required at the sole discretion of the Company.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.3 Terms and Conditions

(A) Service is provided on the basis of a minimum period of at least one month, 24 hours per day. For the purpose of computing charges in this tariff, a month is considered to have thirty (30) days.

(B) Customers may be required to enter into written service orders which shall contain or reference a specific description of the service ordered, the rates to be charged, the duration of the services, and the terms and conditions in this tariff.

(C) Except as otherwise stated in the tariff, at the expiration of the initial term specified in each Service Order, or in any extension thereof, service shall continue on a month to month basis at the then current rates unless terminated by either party upon proper notice. Any termination shall not relieve the Customer of its obligation to pay any charges incurred under the service order and this tariff prior to termination. The rights and obligations which by their nature extend beyond the termination of the term of the service order shall survive such termination.

(D) Service may be terminated upon written notice to the Customer if:

(1) the Customer is using the service in violation of this tariff; or

(2) the Customer is using the service in violation of the law. See Section 2.9.

(E) Company complies with the requirements of Chapter 64 in Title 52 regarding billing standards and practices for residential customers. In instances where sections of this tariff may conflict with Chapter 64 regulations, the regulations in Chapter 64 will prevail.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.3 Terms and Conditions, (cont'd.)

(F) Any Other Telephone Company may not interfere with the right of any person or entity to obtain service directly from the Company. No person or entity shall be required to make any payment, incur any penalty, monetary or otherwise, or purchase any services in order to have the right to obtain service directly from the Company.

(G) To the extent that either the Company or any Other Telephone Company exercises control over available cable pairs, conduit, duct space, raceways, or other facilities needed by the other to reach a person or entity, the party exercising such control shall make them available to the other on terms equivalent to those under which the Company makes similar facilities under its control available to its Customers. At the reasonable request of either party, the Company and the Other Telephone Company shall jointly attempt to obtain from the owner of the property access for the other party to serve a person or entity.

(H) The Company hereby reserves its rights to establish service packages specific to a particular Customer. These contracts may or may not be associated with volume and/or term discounts.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.4 Limitations on Liability

(A) Except as otherwise stated in this section, the liability of the Company for damages arising out of either: (1) the furnishing of its services, including but not limited to mistakes, omissions, interruptions, delays, or errors, or other defects, representations, or use of these services or (2) the failure to furnish its service, whether caused by acts or omission, shall be limited to the extension of allowances to the Customer for interruptions in service as set forth in Section 2.7.

(B) Except for the extension of allowances to the Customer for interruptions in service as set forth in Section 2.7, the Company shall not be liable to a Customer or third party for any direct, indirect, special, incidental, reliance, consequential, exemplary or punitive damages, including, but not limited to, loss of revenue or profits, for any reason whatsoever, including, but not limited to, any act or omission, failure to perform, delay, interruption, failure to provide any service or any failure in or breakdown of facilities associated with the service.

(C) The liability of the Company for errors in billing that result in overpayment by the Customer shall be limited to a credit equal to the dollar amount erroneously billed or, in the event that payment has been made and service has been discontinued, to a refund of the amount erroneously billed.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.4 Limitations on Liability (Cont'd.)

(D) The Company shall be indemnified and saved harmless by the Customer from and against all loss, liability, damage and expense, including reasonable counsel fees, due to:

(1) Any act or omission of: (a) the Customer, (b) any other entity furnishing service, equipment or facilities for use in conjunction with services or facilities provided by the Company; or (c) common carriers or warehousemen, except as contracted by the Company;

(2) Any delay or failure of performance or equipment due to causes beyond the Company's control, including but not limited to, acts of God, fires, floods, earthquakes, hurricanes, or other catastrophes; national emergencies, insurrections, riots, wars or other civil commotions; strikes, lockouts, work stoppages or other labor difficulties; criminal actions taken against the Company; unavailability, failure or malfunction of equipment or facilities provided by the Customer or third parties; and any law, order, regulation or other action of any governing authority or agency thereof;

(3) Any unlawful or unauthorized use of the Company's facilities and services;

(4) Libel, slander, invasion of privacy or infringement of patents, trade secrets, or copyrights arising from or in connection with the material transmitted by means of Company-provided facilities or services; or by means of the combination of company-provided facilities or services;

(5) Breach in the privacy or security of communications transmitted over the Company's facilities;

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.4 Limitations on Liability (Cont'd.)

(D) (cont'd)

(6) Changes in any of the facilities, operations or procedures of the Company that render any equipment, facilities or services provided by the Customer obsolete, or require modification or alteration of such equipment, facilities or services, or otherwise affect their use or performance, except where reasonable notice is required by the Company and is not provided to the Customer, in which event the Company's liability is limited as set forth in paragraph (A) of this Subsection 2.1.4.

(7) Defacement of or damage to Customer premises resulting from the furnishing of services or equipment on such premises or the installation or removal thereof;

(8) Injury to property or injury or death to persons, including claims for payments made under Workers' Compensation law or under any plan for employee disability or death benefits, arising out of, or caused by, any act or omission of the Customer, or the construction, installation, maintenance, presence, use or removal of the Customer's facilities or equipment connected, or to be connected to the Company's facilities;

(9) Any non-completion of calls due to network busy conditions;

(10) Any calls not actually attempted to be completed during any period that service is unavailable;

(11) And any other claim resulting from any act or omission of the Customer or patron(s) of the Customer relating to the use of the Company's services or facilities.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.4 Limitations on Liability (Cont'd.)

(E) The Company does not guarantee nor make any warranty with respect to installations provided for use in an explosive atmosphere.

(F) The Company makes no warranties or representations, EXPRESS OR IMPLIED, either in fact or by operation of law, statutory or otherwise, including warranties of merchantability or fitness for a particular use, except those expressly set forth herein.

(G) Failure by the Company to assert its rights pursuant to one provision of this tariff does not preclude the Company from asserting its rights under other provisions.

2.1.5 Notification of Service-Affecting Activities

The Company will provide the Customer reasonable notification of service-affecting activities that may occur in normal operation of its business. Such activities may include, but are not limited to, equipment or facilities additions, removals or rearrangements and routine preventative maintenance. Generally, such activities are not specific to an individual Customer but affect many Customers' services. No specific advance notification period is applicable to all service activities. The Company will work cooperatively with the Customer to determine the reasonable notification requirements. With some emergency or unplanned service-affecting conditions, such as an outage resulting from cable damage, notification to the Customer may not be possible.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.6 Provision of Equipment and Facilities

(A) The Company shall use reasonable efforts to maintain only the facilities and equipment that it furnishes to the Customer. The Customer may not nor may the Customer permit others to rearrange, disconnect, remove, attempt to repair, or otherwise interfere with any of the facilities or equipment installed by the Company, except upon the written consent of the Company.

(B) The Company may substitute, change or rearrange any equipment or facility at any time and from time to time, but shall not thereby alter the technical parameters of the service provided by the Customer.

(C) Equipment the Company provides or installs at the Customer Premises for use in connection with the services the Company offers shall not be used for any purpose other than that for which the equipment is provided.

(D) Except as otherwise indicated, Customer provided station equipment at the Customer's premises for use in connection with the service shall be so constructed, maintained and operated as to work satisfactorily with the facilities of the Company.

(E) The Company shall not be responsible for the installation, operation, or maintenance of any Customer provided communications equipment. Where such equipment is connected to the facilities furnished pursuant to this tariff, the responsibility of the Company shall be limited to the furnishing of facilities offered under this tariff and to the maintenance and operation of such facilities. Subject to this responsibility, the Company shall not be responsible for:

(1) the through transmission of signals by Customer provided equipment or for the quality of, or defects in, such transmission; or

(2) the reception of signals by Customer-provided equipment; or

(3) network control signaling where such signaling is performed by Customer-provided network control signaling equipment.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.7 Non-Routine Installation

At the Customer's request, installation and/or maintenance may be performed outside the Company's regular business hours or in hazardous locations. In such cases, charges based on cost of the actual labor, material, or other costs incurred by or charged to the Company will apply. If installation is started during regular business hours but, at the Customer's request, extends beyond regular business hours into time periods including, but not limited to, weekends, holidays, and/or night hours, additional charges may apply.

2.1.8 Special Construction

Subject to the agreement of the Company and to all of the regulations contained in this tariff, special construction or facilities may be undertaken on a reasonable efforts basis at the request of the Customer. Special construction is construction undertaken:

(A) where facilities are not presently available, and there is no other requirement for the facilities so constructed;

(B) of a type other than that which the Company would normally utilize in the furnishing of its services;

(C) over a route other than that which the Company would normally utilize in the furnishing of its services;

(D) in a quantity greater than that which the company would normally construct;

(E) on an expedited basis;

(F) on a temporary basis until permanent facilities are available;

(G) involving abnormal costs; or

(H) in advance of its normal construction.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.9 Ownership of Facilities

Title to all facilities provided in accordance with this tariff remains in the Company, its partners, agents, contractors or suppliers.

2.2 Prohibited Uses

2.2.1 The services the Company offers shall not be used for any unlawful purpose or for any use as to which the Customer has not obtained all required governmental approvals, authorizations, licenses, consents and permits.

2.2.2 The Company may require applicants for service who intend to use the Company's offerings for resale and/or for shared use to file a letter with the Company confirming that their use of the Company's offerings complies with relevant laws and the Pennsylvania Public Utilities Commission's regulations, policies, orders, and decisions.

2.2.3 The Company may block any signals being transmitted over its Network by Customers which cause interference to the Company or other users. Customer shall be relieved of all obligations to make payments for charges relating to any blocked Service and shall indemnify the Company for any claim, judgment or liability resulting from such blockage.

2.2.4 A Customer, joint user, or authorized user may not assign, or transfer in any manner, the service or any rights associated with the service without the written consent of the Company. The Company will permit a Customer to transfer its existing service to another entity if the existing Customer has paid all charges owed to the Company for regulated communications services. Such a transfer will be treated as a disconnection of existing service and installation of new service, and non-recurring installation charges as stated in this tariff will apply.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.3 Obligations of the Customer

2.3.1 General

The Customer shall be responsible for:

(A) the payment of all applicable charges pursuant to this tariff;

(B) damage to or loss of the Company's facilities or equipment caused by the acts or omissions of the Customer; or the noncompliance by the Customer, with these regulations; or by fire or theft or other casualty on the Customer Premises, unless caused by the negligence or willful misconduct of the employees or agents of the Company;

(C) providing at no charge, as specified from time to time by the Company, any needed equipment, space and power to operate Company facilities and equipment installed on the premises of the Customer, and the level of heating and air conditioning necessary to maintain the proper operating environment on such premises;

(D) obtaining, maintaining, and otherwise having full responsibility for all rights-of-way and conduit necessary for installation of fiber optic cable and associated equipment used to provide Communications Services to the Customer from the cable building entrance or property line to the location of the equipment space described in Section 2.3.1(C). Any and all costs associated with the obtaining and maintaining the rights-of-way described herein, including the costs of altering the structure to permit installation of the Company provided facilities, shall be borne entirely by, or may be charged by the Company, to the Customer. The Company may require the Customer to demonstrate its compliance with this section prior to accepting an order for service.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.3 **Obligations of the Customer**

2.3.1 **General (cont'd.)**

(E) providing a safe place to work and complying with all laws and regulations regarding the working conditions on the premises at which Company employees and agents shall be installing or maintaining the Company's facilities and equipment. The Customer may be required to install and maintain Company facilities and equipment within a hazardous area if, in the Company's opinion, injury or damage to the Company employees or property might result from installation or maintenance by the Company. The Customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material (e.g., friable asbestos) prior to any construction or installation work;

(F) complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and permits as may be required with respect to, the location of Company facilities and equipment in an Customer premises or the rights-of-way for which Customer is responsible under Section 2.3.1(D); and granting or obtaining permission for Company agents or employees to enter the premises of the Customer at any time for the purpose of installing, inspecting, maintaining, repairing, or upon termination of service as stated herein, removing the facilities or equipment of the Company;

(G) not creating or allowing to be placed any liens or other encumbrances on the Company's equipment or facilities; and

(H) making Company facilities and equipment available periodically for maintenance purposes at a time agreeable to both the Company and the Customer. No allowance will be made for the period during which service is interrupted for such purposes.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.3 Obligations of the Customer (Cont'd.)

2.3.2 Liability of the Customer

(A) The Customer will be liable for damages to the facilities of the Company and for all incidental and consequential damages caused by the negligent or intentional acts or omissions of the Customer, its officers, employees, agents, invites, or contractors where such acts or omissions are not the direct result of the Company's negligence or intentional misconduct.

(B) To the extent caused by any negligent or intentional act of the Customer as described in (A), preceding, the Customer shall indemnify, defend and hold harmless the Company from and against all claims, actions, damages, liabilities, costs and expenses, including reasonable attorneys' fees, for (1) any loss, destruction or damage to property of any third party, and (2) any liability incurred by the Company to any third party pursuant to this or any other tariff of the Company, or otherwise, for any interruption of, interference to, or other defect in any service provided by the Company to such third party.

(C) The Customer shall not assert any claim against any other Customer or user of the Company's services for damages resulting in whole or in party from or arising in connection with the furnishing of service under this tariff including but not limited to mistakes, omissions, interruptions, delays, errors or other defects or misrepresentations, whether or not such other Customer or user contributed in any way to the occurrence of the damages, unless such damages were caused solely by the negligent to intentional act or omission of the other Customer or user and not by any act or omission of the Company. Nothing in this tariff is intended either to limit or to expand Customer's right to assert any claims against third parties for damages of any nature other than those described in the preceding sentence.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.4 Customer Equipment and Channels

2.4.1 General

A user may transmit or receive information or signals via the facilities of the Company. The Company's services are designated primarily for the transmission of voice-grade telephonic signals, except as otherwise stated in this tariff. A user may transmit any form of signal that is compatible with the Company's equipment, but the Company does not guarantee that its services will be suitable for purposes other than voice-grade telephonic communication except as specifically stated in this tariff.

2.4.2 Station Equipment

(A) Terminal equipment of the user's premises and the electric power consumed by such equipment shall be provided by and maintained at the expense of the user. The user is responsible for the provision of wiring or cable to connect its terminal equipment to the Company MPOP.

(B) The Customer is responsible for ensuring that Customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The magnitude and character of the voltages and currents impressed on Company-provided equipment and wiring by connection, operation, or maintenance of such equipment and wiring shall be such as not to cause damage to the Company-provided equipment and wiring or injury to the Company's employees or to other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the Customer's expense, subject to prior Customer approval of the equipment expense.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.4 Customer Equipment and Channels (Cont'd.)

2.4.3 *Interconnection of Facilities*

(A) Local Traffic Exchange provides the ability for another local exchange provider to terminate local traffic on the Company's network. In order to qualify for Local Traffic Exchange the call must: (a) be originated by an end user of a company that is authorized by the Pennsylvania Public Utilities Commission to provide local exchange service; (b) originate and terminate within a local calling area of the Company.

(B) Any special interface equipment necessary to achieve compatibility between the facilities and equipment of the Company used for furnishing Communications Services and the channels, facilities, or equipment of others shall be provided at the Customer's expense.

(C) Communications Services may be connected to the services or facilities of other communications carriers only when authorized by, and in accordance with, the terms and conditions of the tariffs of the other communications carriers which are applicable to such connections.

(D) Facilities furnished under this tariff may be connected to Customer provided terminal equipment in accordance with the provisions of this tariff. All such terminal equipment shall be registered by the Federal Communications Commission pursuant to Part 68 of Title 47, Code of Federal Regulations; and all user-provided wiring shall be installed and maintained in compliance with those regulations.

Jon Brinton, President
Inter-Tel NetSolutions, Inc.
4310 East Cotton Center Blvd., Suite A-100
Phoenix, Arizona 85040

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.4 Customer Equipment and Channels (Cont'd.)

2.4.4 Inspections

(A) Upon suitable notification to the Customer, and at a reasonable time, the Company may make such tests and inspections as may be necessary to determine that the Customer is complying with the requirements set forth in Section 2.4.2(B) for the installation, operation, and maintenance of Customer-provided facilities, equipment, and wiring in the connection of Customer-provided facilities and equipment to Company-owned facilities and equipment.

(B) If the protective requirements for Customer-provided equipment are not being complied with, the Company may take such action as it deems necessary to protect its facilities, equipment, and personnel. The Company will notify the Customer promptly if there is any need for further corrective action. Within ten days of receiving this notice, the Customer must take this corrective action and notify the Company of the action taken. If the Customer fails to do this, the Company may take whatever additional action is deemed necessary, including the suspension of service, to protect its facilities, equipment and personnel from harm.

(C) If harm to the Company's network, personnel or services is imminent, the Company reserves the right to shut down Customer's service immediately, with no prior notice required.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.5 Customer Deposits and Advance Payments

2.5.1 Advance Payments

To safeguard its interests, the Company may require a Customer to make an advance payment before services and facilities are furnished, where special construction is involved. The advance payment will not exceed an amount equal to the nonrecurring charge(s) and one (1) month's charges for the service or facilities. The advance payment will be credited to the Customer's initial bill. Advance payments do not accrue interest.

Payments may be required in advance of furnishing any of the following services:

1) Seasonal service;
2) The construction of facilities and furnishing of special equipment;
3) Temporary service for short-term use.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.5 Customer Deposits and Advance Payments (Cont'd.)

2.5.2 Deposits

(A) To safeguard its interests, the Company may require the Customer to make a deposit to be held as a guarantee for the payment of charges in accordance with 52 PA Code 64. The Company's credit and deposit policies will be equitable and non-discriminatory throughout *its service area without regard to the economic character of the area or any part there of.* The Company will inform a Customer, in writing, of the reasons for a deposit request and the process by which a customer can receive service without the posting of a deposit. The deposit will not exceed an amount equal to two twelfths of the estimated charge for the service for existing residential customers during the immediately preceding twelve month period.

(B) Upon discontinuance of service, the Company shall promptly and automatically refund the Customer's deposit plus accrued interest, or the balance, if any, in excess of the unpaid bills including any penalties assessed for service furnished by the Company in accordance with 52 PA Code 64.

(C) Deposits for business or residential customers will accrue interest annually at the rate per annum in accordance with 52 PA Code 64.41.

(D) The Company shall annually and automatically refund the deposits of Customers who have paid bills for twelve consecutive months without having had service discontinued for nonpayment or had more than one occasion on which a bill was not paid within the period prescribed and are not then delinquent in payment.

(E) When a Customer's service or facility is discontinued, deposits will be returned in accordance with Commission regulations in 52 PA Code 64.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.6 Payment Arrangements

2.6.1 Payment for Services

The Customer is responsible for the payment of all charges for facilities and services furnished by the Company to the Customer.

The Customer is responsible for the payment of federal excise taxes, state and local sales and use taxes and similar taxes imposed by governmental jurisdictions, all of which shall be separately designated on the Company's invoices. Any taxes imposed by a local jurisdiction (e.g., county and municipal) will only be recovered from those Customers residing in the affected jurisdictions.

Certain telecommunications services, as defined in the Pennsylvania Code, are subject to state sales tax at the prevailing tax rates, if the services originate, or terminate in Pennsylvania, or both, and are charged to a subscriber's telephone number or account in Pennsylvania.

2.6.2 Billing and Collection of Charges

The Customer is responsible for payment of all charges incurred by the Customer or other users for services and facilities furnished to the Customer by the Company. The Company complies with the requirements of Chapter 64 in Title 52 regarding billing standards and practices for residential customers. In instances where sections of this tariff may conflict with Chapter 64 regulations, the regulations in Chapter 64 will prevail.

(A) Non-recurring charges are due and payable within twenty-one (21) days after the date the invoice is mailed to the Customer by the Company.

(B) The Company shall present invoices for recurring charges monthly to the Customer, in advance of the month in which service is provided, and recurring charges shall be due and payable within twenty-one (21) days after the date the invoice is mailed to the Customer by the Company. When billing is based upon Customer usage, usage charges will be billed monthly for the preceding billing period.

(C) When service does not begin on the first day of the billing period, or end of the last day of the billing period, the charge for the fraction of the month in which service was furnished will be calculated on a pro rata basis. For this purpose, every month is considered to have thirty (30) days.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.6 Payment Arrangements (Cont'd.)

2.6.2 Billing and Collection of Charges (Cont'd.)

(D) Billing of the Customer by the Company will begin on the Service Commencement Date, which is the day on which the Company notifies the Customer that the service or facility is available for use, except that the Service Commencement Date may be postponed by mutual agreement of the parties, or if the service or facility does not conform to standards set forth in this tariff or the Service Order. Billing accrues through and includes the day that the service, circuit, arrangement or component is discontinued.

(E) If any portion of the payment is not received by the Company within 21 days of receipt of this bill, or if any portion of the payment is received by the Company in funds which are not immediately available upon presentment, then a late payment charge of 1.5% per month on unpaid balance for business customers and 1.25% per month on the unpaid balance for residential customers, shall be due to the Company. A late payment charge is not applicable to subsequent rebilling of any amount to which a late payment charge has already been applied. Late payment charges are to be applied without discrimination.

(F) The Customer should notify the Company of any disputed items on an invoice within thirty (30) days of receipt of the invoice. If the Customer and the Company are unable to resolve the dispute to their mutual satisfaction, the Customer may file an informal complaint with the Bureau of Consumer Services at the Pennsylvania Public Utilities Commission, P.O. Box 3265, Harrisburg, Pennsylvania 17105-3265, Phone: 1-800-782-1110, Fax: 717-787-6641, in accordance with the Commission's rules of procedure. The address, phone and fax of the Company is as follows:

Inter-Tel NetSolutions, Inc.
4310 East Cotton Center Blvd., Suite A-100
Phoenix, Arizona 85040
Phone: (602) 253-6004
Fax: (602) 254-9634
(800) 821-1661

(G) If service is disconnected by the Company, in accordance with Subchapter D of 52 Pa. Code (§§64.61 - 64.75), and later re-installed, re-installation of service will be subject to all applicable installation charges. If service is suspended by the Company (in accordance with Section 2.6.3 following) and later restored, restoration of service will be subject to the rates in Section 4.3.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.6 Payment Arrangements (Cont'd.)

2.6.3 Discontinuance of Service for Cause

The Company may discontinue service, in accordance with Subchapter D of 52 Pa. Code (§§64.61 - 64.75), *for the following reasons provided in this Section 2.6.3.*

(A) Prior to termination of service, the Company will mail or deliver written notice to the customer at least ten (10) days prior to the date of the proposed termination. Termination of service by the Company to a residential customer should follow a two step process, whereby the Company shall mail or deliver written notice to the customer at least seven (7) days prior to the date of proposed suspension regardless upon which suspension is sought. When at least 10 days have passed since suspension of service, the Company may terminate service for failure to pay a reconnection fee and to remedy the original grounds for suspension due to any of the following reasons: (1) failure to make satisfactory arrangements to pay arrearages; (2) failure to post a deposit; (3) failure to meet the requirements of a payment agreement; (4) failure to give adequate assurances that an unauthorized use of practice will cease.

(B) Upon condemnation of any material portion of the facilities used by the Company to provide service to a Customer or if a casualty renders all or any material portion of such facilities inoperable beyond feasible repair, the Company, by notice to the Customer, may discontinue or suspend service without incurring any liability.

(C) Upon the Customer's insolvency, assignment for the benefit of creditors, filing for bankruptcy or reorganization, or failing to discharge an involuntary petition within the time permitted by law, the Company may immediately discontinue or suspend service without incurring any liability.

(D) Without notice in the event of fraudulent use of the Company's network. The Customer will be liable for all related costs. The Customer will also be responsible for payment of any reconnection charges.

(E) Without notice in the event of Customer use of equipment or services in such a manner as to adversely affect the Company's service to others.

(F) Without notice in the event of tampering with the equipment or services furnished by the Company.

SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.6 Payment Arrangements, (Continued)

2.6.4 Notice to Company for Cancellation of Service

A Customer who wishes to have service discontinued must provide at least five days oral or written notice to the Company for discontinuance of service.

2.6.5 Cancellation of Application for Service

(A) Where the Company permits the Customer to cancel an application for service prior to the start of service or prior to any special construction, no charges will be imposed except for those specified below.

(B) Where, prior to cancellation by the Customer, the Company incurs any expenses in installing the service or in preparing to install the service that it otherwise would not have incurred, a charge equal to the costs the Company incurred, less net salvage, shall apply, but in no case shall this charge exceed the sum of the charge for the minimum period of services ordered, including installation charges, and all charges others levy against the Company that would have been chargeable to the Customer had service begun.

(C) Where the Company incurs any expense in connection with special construction, or where special arrangements of facilities or equipment have begun, before the Company receives a cancellation notice, a charge equal to the costs incurred, less net salvage, may apply. In such cases, the charge will be based on such elements as the cost of the equipment, facilities, and material, the cost of installation, engineering, labor, and supervision, general and administrative expense, other disbursements, depreciation, maintenance, taxes, provision for return on investment, and any other costs associated with the special construction or arrangements.

(D) The special charges described in 2.6.5(A) through 2.6.5(C) will be calculated and applied on a case-by-case basis.

SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.6 Payment Arrangements, (Continued)

2.6.6 Changes in Services Requested

If the Customer makes or requests material changes in circuit engineering, equipment specifications, service parameters, premises locations, or otherwise materially modifies any provision of the application for service, the Customer's installation fee shall be adjusted accordingly.

2.6.7 Bad Check Charge

A service charge equal to $20.00 will be assessed for all checks returned by a bank or other financial institution for: Insufficient or uncollected funds, closed account, apparent tampering, missing signature or endorsement, or any other insufficiency or discrepancy necessitating return of the instrument at the discretion of the drawee bank or other financial institution.

2.7 Allowances for Interruptions in Service

2.7.1 General

(A) A credit allowance will be given when service is interrupted, except as specified in Section 2.7.2 following. A service is interrupted when it becomes inoperative to the Customer, e.g., the Customer is unable to transmit or receive, because of a failure of a component furnished by the Company under this tariff.

(B) An interruption period begins when the Customer reports a service, facility or circuit to be inoperative and, if necessary, releases it for testing and repair. An interruption period ends when the service, facility or circuit is operative.

SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.7 Allowances for Interruptions in Service, (Continued)

2.7.1 General (Continued)

(C) If the Customer reports a service, facility or circuit to be interrupted but declines to release it for testing and repair, or refuses access to its premises for test and repair by the Company, the service, facility or circuit is considered to be impaired but not interrupted. No credit allowances will be made for a service, facility or circuit considered by the Company to be impaired.

(D) The Customer shall be responsible for the payment of service charges as set forth herein for visits by the Company's agents or employees to the premises of the Customer when the service difficulty or trouble report results from the use of equipment or facilities provided by any party other than the Company, including but not limited to the Customer.

2.7.2 *Limitations of Allowances*

No credit allowance will be made for any interruption in service:

(A) *Due to the negligence of or noncompliance with the provisions of this tariff by any person or* entity other than the Company, including but not limited to the Customer;

(B) Due to the failure of power, equipment, systems, connections or services not provided by the Company;

(C) Due to circumstances or causes beyond the reasonable control of the Company;

(D) During any period in which the Company is not given full and free access to its facilities and equipment for the purposes of investigating and correcting interruptions;

SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.7 Allowances for Interruptions in Service, (Continued)

2.7.2 Limitations of Allowances (Cont'd)

(E) A service will not be deemed to be interrupted if a Customer continues to voluntarily make use of the service. If the service is interrupted, the Customer can get a service credit, use another means of communications provided by the Company (pursuant to Section 2.7.3), or utilize another service provider:

(F) During any period when the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements;

(G) That occurs or continues due to the Customer's failure to authorize replacement of any element of special construction; and

(H) That was not reported to the Company within thirty (30) days of the date that service was affected.

2.7.3 Use of Another Means of Communications

If the Customer elects to use another means of communications during the period of interruption, the Customer must pay the charges for the alternative service used.

SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.7 Allowances for Interruption in Service, (Continued)

2.7.4 Application of Credits for Interruptions in Service

(A) Credits for interruptions in service that is provided and billed on a flat rate basis for a minimum period of at least one month, beginning on the date that billing becomes effective, shall in no event exceed an amount equivalent to the proportionate charge to the Customer for the period of service during which the event that gave rise to the claim for a credit occurred. A credit allowance is applied on a pro rata basis against the rates specified hereunder and is dependent upon the length of the interruption. Only those facilities on the interrupted portion of the circuit will receive a credit.

(B) For calculating credit allowances, every month is considered to have thirty (30) days.

(C) Interruptions Over 24 Hours and Less Than 72 Hours

Interruptions over 24 hours and less than 72 hours will be credited 1/5 day for each 3-hour period or fraction thereof. No more than one full days credit will be allowed for any period of 24 hours.

(D) Interruptions Over 72 Hours

Interruptions over 72 hours will be credited 2 days for each full 24-hour period. No more than thirty (30) days credit will be allowed for any one-month period.

SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.7 Allowances for Interruption in Service, (Continued)

2.7.5 Limitations on Allowances

No credit allowance will be made for:

(A) interruptions due to the negligence of or noncompliance with the provisions of this tariff by the Customer, authorized user or joint user;

(B) interruptions due to the negligence of any person other than the Company, including but not limited to the Customer;

(C) interruptions of service during any period in which the Company is not given full access to its facilities and equipment for the purpose of investigating and correcting interruptions;

(D) interruptions of service during a period in which the Customer continues to use the service on an impaired basis;

(E) interruptions of service during any period when the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements;

(F) interruption of service due to circumstances or causes beyond the reasonable control of Company; and

(G) that occur or continue due to the Customer's failure to authorize replacement of any element of special construction.

2.7.6 Cancellation For Service Interruption

Cancellation or termination for service interruption is permitted only if any circuit experiences a single continuous outage of eight (8) hours or more or cumulative service credits equaling sixteen(16) hours in a continuous twelve (12) month period. The right to cancel service under this provision applies only to the single circuit which has been subject to the outage or cumulative service credits.

SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.8 Cancellation of Service/Termination Liability

If a Customer cancels a service order or terminates services before the completion of the term for any reason other than a service interruption (as defined in Section 2.7.1) or where the Company breaches the terms in the service contract, Customer may be requested by the Company to pay to Company termination liability charges, which are defined below. These charges shall become due and owing as of the effective date of the cancellation or termination and be payable within the period set forth in Section 2.6.2.

2.8.1 Termination Liability

Customer's termination liability for cancellation of service shall be equal to:

(A) all unpaid non-recurring charges reasonably expended by Company to establish service to Customer, plus;

(B) any disconnection, early cancellation or termination charges reasonably incurred and paid to third parties by Company on behalf of Customer, plus;

(C) all recurring charges specified in the applicable Service Order for the balance of the then current term discounted at the prime rate announced in the *Wall Street Journal* on the third business day following the date of cancellation;

(D) minus a reasonable allowance for costs avoided by the Company as a direct result of Customer's cancellation.

2.9 Termination of Service

Termination of service will be in compliance with Subchapter F of 52 Pa. Code section 64.121 - 64.123.

2.10 Suspension of Service

Suspension of service will be in compliance with Subchapter E of 52 Pa. Code section 64.61 - 64.75.

2.11 Transfers and Assignments

Neither the Company nor the Customer may assign or transfer its rights or duties in connection with the services and facilities provided by the Company without the written consent of the other party, except that the Company may assign its rights an duties to a) any subsidiary, parent company or affiliate of the Company; b) pursuant to any sale or transfer of substantially all the assets of the Company; or c) pursuant to any financing, merger or reorganization of the Company.

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SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.12 Notices and Communications

2.12.2 The Customer shall designate on the service order an address to which the Company shall mail or deliver all notices and other communications, except that Customer may also designate a separate address to which the Company's bills for service shall be mailed.

2.12.3 The Company shall designate on the service order an address to which the Customer shall mail or deliver all notices and other communications, except that Company may designate a separate address on each bill for service to which the Customer shall mail payment on that bill.

2.12.4 Except as otherwise stated in this tariff, all notices or other communications required to be given pursuant to this tariff will be in writing. Notices and other communications of either party, and all bills mailed by the Company, shall be presumed to have been delivered to the other party on the third business day following placement of the notice, communication or bill with the U.S. Mail or a private delivery service, prepaid and properly addressed, or when actually received or refused by the addressee, whichever occurs first.

2.12.5 The Company or the Customer shall advise the other party of any changes to the addresses designated for notices, other communications or billing, by following the procedures for giving notice set forth herein.

SECTION 3.0 - SERVICE AREAS

3.1 Exchange Service Areas

Local exchange services are provided, subject to availability of facilities and equipment, in areas, as stated in Section 10 of this tariff, currently served by the following Incumbent LECs: 1) Verizon Pennsylvania, Inc. (Verizon); 2) Verizon North; and 3) Sprint.

3.2 Rate Groups

Charges for local services provided by the Company may be based, in part, on the Rate Group associated with the Customers End Office. The Rate Group is determined by the total access lines and PBX trunks in the local calling area which can be reached from each End Office.

In the event that an Incumbent LEC or the Pennsylvania Public Utilities Commission reclassifies an exchange from one Rate Group to another, the reclassification will also apply to customers who purchase services under this tariff. Local calling areas and Rate Group assignments are equivalent to those areas and groups specified in Verizon's PA P.U.C. Tariff #180A.

Rate Groups

A-3
A-4
D-3
D-4
F-3
F-4

SECTION 4.0 - SERVICE CHARGES AND SURCHARGES

4.1 Service Order and Change Charges

Non-recurring charges apply to processing Service Orders for new service, for changes in service.

	Residence	Business
Line Connection Charge		
First Line	$40.00	$75.00
Each Additional Line	$40.00	$75.00
Line Change Charge		
First Line	$20.00	$20.00
Each Additional Line	$20.00	$20.00

4.2 Maintenance Visit Charges

Maintenance Visit Charges apply when the Company dispatches personnel to a Customer's premises to perform work necessary for installing new service, effecting changes in service or resolving troubles reported by the Customer when the trouble is found to be caused by the Customer's facilities.

Maintenance Visit Charges will be credited to the Customer's account in the event trouble is not found in the Company facilities, but the trouble is later determined to be in those facilities.

The time period for which the Maintenance Visit Charges is applied will commence when Company personnel are dispatched at the Customer premises and end when work is completed. The rates for Maintenance of Service vary by time per Customer request.

Duration of time, per technician	Residential	Business
Initial 15 minute increment	$26.00	$26.00
Each Additional 15 minute increment	$15.00	$15.00

4.3 Restoration of Service

A restoration charge applies to the restoration of suspended service and facilities because of nonpayment of bills and is payable at the time that the restoration of the suspended service and facilities is arranged. The restoration charge does not apply when, after disconnection of service, service is later re-installed.

	Residence	Business
Per occasion	$25.00	$40.00

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS

5.1 General

5.1.1 Services Offered

The following Network Services are available to residence/business Customers and for resale by other carriers certificated by the Pennsylvania Public Utilities Commission:

Standard Residence Line Service
Standard Business Line Service
PBX Trunk Service
Direct Inward Dial (DID) Service
Optional Calling Features

The following services are available to residence/business Customers and are not offered on a resale basis as of the effective date of this page.

Listing Services (including Non Published and Non Listed Services)
Directory Assistance
Miscellaneous Services (including Vanity Numbers and Number Portability)

5.1.2 Application of Rates and Charges

All services offered in this tariff are subject to service order and change charges where the Customer requests new services or changes in existing services, as well as indicated Non-Recurring and Monthly Recurring Charges. Charges for local calling services may be assessed on a measured rate basis and are additional to monthly recurring charges shown for Business or Residence lines, PBX Trunks, DID Trunks and Digital/DS1 service.

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS, (CONT'D)

5.1 General (Continued)

5.1.3 9-1-1/Emergency Services

Host Telephone Company: The service provider, which is also the telecommunications public utility that provides 9-1-1 service to the county/municipality, and that houses the Automatic Location Identification (ALI)/MSAG data used for providing 9-1-1 service.

Telephone Company: A telecommunications public utility regulated by the Pennsylvania Public Utility Commission and which has or requests access to the county/municipality 9-1-1 system or connection to the servicing selective router, including, but not limited to, local exchange carriers and competitive local exchange carriers. This term is synonymous with 'service provider'.

Content: The data elements of the MSAG including (but not necessarily limited to) the data elements that are entered into the following fields A-I of a standard MSAG record:

A. Tax area record
B. Locality
C. Street
D. Thoroughfare
E. Directional [where required]
F. Even (E), odd (O), or all (A) [applied to house numbers]
G. Low-high range of house numbers
H. PSAP (Public Safety Answering Point)
I. LAT/LONG (Latitude/Longitude) [where required]

Formatting, Format: Shall include changes to the identity of fields, order of fields, and number and arrangement of data elements in each field, and a telephone company's rearrangement or regrouping of such data, without changing the MSAG content, for purposes of validating against MSAG records.

5.1.4 Regulations

A. The Telephone Company will comply with the Protocols as set forth in, and in the form of, Service Provider E-9-1-1 Protocols, Service Provider E-9-1-1 Questionnaire and Testing Procedures in accordance with the Petition of Bell Atlantic-Pennsylvania, Inc. for a Declaratory Order (MSAG); Docket No. P-00971203; Settlement Agreement of all Parties and Joint Petition entered August 7, 1998.

B. The Telephone Company is indemnified under the Public Safety Emergency Telephone Act, Act 78 of 1990.

C. The Telephone Company's liability and insurance provisions are fully stated in Pa. P.U.C. No. 2, Section 2.

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

D. Cases of Service interruptions affecting public health and safety shall receive priority attention under any and all conditions, particularly in time of disaster. Every appropriate resource will be utilized. The service provider will make reasonable best efforts to have its system fully functional as soon as possible, unless conditions beyond the service provider's control prevent service restoration.

E. The service provider will not use the county's/municipality's MSAG for any purpose that is not directly related to and required for the provision of 9-1-1 service.

F. The Host Telephone Company will install the county's/municipality's MSAG in 'read/write' format and will not modify the content of the MSAG unless required or permitted to do so by the county/municipality. A request to modify content by the Host Telephone Company shall be responded to by the county/municipality within ten (10) business days or the request is deemed to be approved. The request shall be granted provided the modification is necessary for the Host Telephone Company's provision, maintenance, or upgrading of the 9-1-1 service.

G. The Telephone Company shall not otherwise modify the content of the MSAG, but may make formatting changes approved by the county/municipality necessary to enable the MSAG to conform to the telephone company's information system(s). The request shall be in writing and shall set forth in reasonable detail the formatting changes and all reasons in support. The county/municipality shall respond to the request in ten (10) business days or the request is deemed to be approved. The request shall be granted provided the formatting change does not impair the integrity and accuracy of the MSAG database. For the purposes of this regulation, a content or formatting change does not include the use of the MSAG content in telephone companies' operation support systems to validate customer information for input to the ALI database.

H. The service provider will not sell, lease, rent, loan or provide, or transfer the county's/municipality's MSAG to any other person(s) or entity(ies) without the express written authorization of the county's/municipality's 9-1-1 coordinator, or his or her designee.

I. The Telephone Company will not, without the written consent of the county/municipality, modify or create any derivative of the county's/municipality's MSAG, except as follows: one (1) mirror image copy of the MSAG may be made in electronic form for archival purposes (the copy may be made in read/write format by the host telephone company, but shall be made solely in read-only format by all other telephone companies), and the telephone company may make a mirror image copy, solely in read-only format and only for database reconciliation, address verification for new connections of service, and other functions that are necessary to ensure that the name and address information provided by the service provider to the county/municipality is accurate and conforms to the county's/municipality's MSAG format.

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

Reserved for Future Use.

SECTION 5. 0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

Reserved for Future Use.

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

Reserved for Future Use.

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.5 Standard Residence Line

A Standard Residence Line provides the Customer with a single, analog, voice-grade telephonic communications channel, which can be used to place or receive one call at a time. Standard Residence Lines are provided for the connection of Customer-provided wiring and single station sets or facsimile machines. An optional per line Hunting feature is available for multi-line Customers which routes a call to an idle station line in a prearranged group when the called station line is busy.

5.6 Standard Business Line

The Standard Business Line provides a Customer with a single, analog, voice-grade telephonic communications channel, which can be used to place or receive one call at a time. Standard Business Lines are provided for the connection of Customer-provided wiring and single station sets or facsimile machines. An optional per line Hunting feature is available for multi-line Customers which routes a call to an idle station line in a prearranged group when the called station line is busy.

5.7 PBX Trunk Service

Basic PBX Trunk Service provides a Customer with a single, voice-grade telephonic communications channel, which can be used to place or receive one call at a time. Basic Trunks are provided for connection of Customer-provided private branch exchanges (PBX) to the public switched telecommunications network. Each Basic PBX Trunk is provided with touch-tone signaling and may be configured into a hunt group at no additional charge with other Company-provided Basic PBX Trunks. The signal is an analog signal at the DS0 level.

5.8 Direct Inward Dialing (DID) Service

Direct Inward Dialing (DID) permits calls incoming to a PBX system or other Customer Premises Equipment to be routed to a specific station without the assistance of an attendant. DID calls are routed directly to the station associated with the called number. DID service as offered by the Company provides the necessary trunks, telephone numbers, and out-pulsing of digits to enables DID service at a Customer's location. DID service requires special PBX software and hardware not provided by the Company. Such hardware and software is the responsibility of the Customer.

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SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.9 Optional Calling Features

The features listed in Section 5.9.1 are offered by the Company to Residential and Business Customers. Refer to Price Lists in Sections 6 and 7 of this tariff for specific features offered with each type of local exchange service.

5.9.1 Features Descriptions

(A) **Flexible Call Forwarding:** Provides end-user control for call forwarding capabilities via dial-accessed voice prompt menus. Customers may forward calls to a primary local or long distance. The end-user may specify a secondary location for routing of go unanswered at the forward-to location or reach a busy signal. This secondary location may be another telephone number, pager or voice messaging service. Other capabilities included with this feature include:

Speed Forwarding;
Priority Screening;
Ring Control; and
Timed Forwarding.

It is the responsibility of the Customer to subscribe to the telephone number, pager or voice messaging service used as the secondary location.

(B) **Call Forwarding Variable:** Permits the end-user to automatically forward (transfer) all incoming calls to another telephone number, and to restore it to normal operation at their discretion. The end-user must dial an activation code from his/her exchange line along with the forward-to number in order to turn the feature on. A separate code is dialed by the end-user to deactivate the feature.

(C) **Call Forwarding Variable, Remote Access:** Permits the end-user to automatically forward (transfer) all incoming calls to another telephone number, and to restore it to normal operation at their discretion. The end-user must dial an activation code along with the forward-to number in order to turn the feature on. A separate code is dialed by the end-user to deactivate the feature. Feature activation may be performed from the end-user's exchange line or remotely from some other line. Remote access requires the end-user to (1) dial a special access number 2) enter their seven-digit telephone number and 3) enter a personal identification number prior to forwarding their calls.

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.9 Optional Calling Features, (continued)

5.9.1 Feature Descriptions, (continued)

(D) **Call Forwarding Don't Answer:** Permits the forwarding of incoming calls when the end-user's line remains unanswered after a pre-designated ringing interval. The ringing interval before forwarding and the forward-to number are fixed by the service order.

(E) **Call Forwarding Busy Line:** Permits the forwarding of incoming calls when the end-user's line is busy. The forwarded number is fixed by the end-user service order.

(F) **Call Forwarding Busy Line & Don't Answer w/Customer Control:** Permits the forwarding of incoming calls when the end-user's line is busy. The forwarded number is fixed by the end-user service order. Permits the forwarding of incoming calls when the end-user's line remains unanswered after a pre-designated ringing interval. The ringing interval before forwarding and the forward-to number are fixed by the service order. However, the end-user has the ability to turn the feature on or off at his/her discretion.

(G) **Call Waiting:** Call Waiting provides a tone signal to indicate to a Customer already engaged in a telephone call that a second caller is attempting to dial in. It permits the Customer to place the first call on hold, answer the second call and then alternate between both callers. Cancel Call Waiting is provided with the feature and allows a Call Waiting end-user to disable the Call Waiting feature for the duration of a single outgoing telephone call. Cancel Call Waiting is activate by dialing a special code prior to placing a call, and is automatically deactivated when the Customer disconnects from the call.

(H) **Caller ID:** Permits the end-user to view a Directory Number of the calling party on incoming telephone calls. Information is displayed on a specialized CPE not provided by the Company. The feature also provides the date and time of each incoming call. It is the responsibility of the Customer to provide the necessary CPE.

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.9 Optional Calling Features, (continued)

5.9.1 Feature Descriptions, (continued)

(I) **Caller ID Name & Number:** Permits the end-user to view a Directory Name and Directory Number of the calling party on incoming telephone calls. Information is displayed on a specialized CPE not provided by the Company. The feature also provides the date and time of each incoming call. It is the responsibility of the Customer to provide the necessary CPE. In some situations, the calling party's city and state may be displayed rather than a Directory Name, depending on available call data.

(J) **Anonymous Call Rejection:** Permits the end-user to automatically reject incoming calls when the call originates from a telephone number which has blocked delivery of its calling number (see Calling Number Delivery Blocking). When active, calls from private numbers will be routed to a special announcement then terminated. The feature may be turned on or off by the end-user by dialing the appropriate feature control code.

(K) **Call Block:** Allows the end-user to automatically block incoming calls from up to six end-user pre-selected telephone numbers programmed into the features screening list. Callers whose numbers have been blocked will hear a recorded message stating that their call has been blocked. The end-user controls when the feature is active, and can add or remove calling numbers from the features screening list.

(L) **Call Return:** Allows the Customer to return a call to the last incoming call whether answered or not. Upon activation, it will redial the number automatically and continue to check the number every 45 seconds for up to 30 minutes if the number is busy. The Customer is alerted with a distinctive ringing pattern when the busy number is free. When the Customer answers the ring, the call is then completed. The calling party's number will not be delivered or announced to the call recipient under any circumstances.

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.9 Optional Calling Features, (continued)

5.9.1 Feature Descriptions, (continued)

(M) **Call Tracing:** Allows the tracing of nuisance calls to a specified telephone number suspected of originating from a given local office. The tracing is activated upon entering the specified dial code. The originating telephone number, outgoing trunk number or terminating number, and the time and date are generated for every call to the specified telephone number can then be identified.

(N) **Distinctive Ringing:** This feature allows an end user to determine the source of an incoming call from a distinctive ring. The end user may have up to two additional numbers assigned to a single line (i.e. Distinctive Ringing First Number and Distinctive Ringing Second Number). The designated primary number will receive a normal ringing pattern; other numbers will receive distinctive ringing patterns. The pattern is based on the telephone number that the calling party dials.

(O) **Calling Number Delivery Blocking:** Prevents the delivery, display and announcement of the end-user's Directory Number and Directory Name on all calls dialed from an exchange service equipped with this option. When active, the end-user's telephone name and number will not appear on the called party's Caller ID CPE or be disclosed in another way. The feature is available on a per call or per line basis. With per call Calling Number Delivery Blocking, it is necessary for the end-user to dial an activation code prior to placing the call. With the per line version of the feature, all calls are placed with the end-user's number blocked. Per line end-users must dial an activation code prior to utilization.

(P) **Repeat Dialing:** Permits the end-user to have calls automatically redialed when the first attempt reaches a busy number. The line is checked every 45 seconds for up to 30 minutes and alerts the Customer with a distinctive ringing pattern when the busy number and the Customer's line are free. The Customer can continue to make and receive calls while the feature is activated. The following types of calls cannot be reached using Repeat Dialing:

Calls to 800 Service numbers
Calls to 900 Service numbers
Calls preceded by an interexchange carrier access code
International Direct Distance Dialed calls
Calls to Directory Assistance
Calls to 911

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.9 *Optional Calling Features, (continued)*

5.9.1 Feature Descriptions, (continued)

(Q) **Speed Calling:** Permits the Customer to place calls to other telephone numbers by dialing a one or two digit code rather than the complete telephone number. The feature is available as either an eight (8) code list or a thirty (30) code list. Code lists may include local and/or toll telephone numbers. The Customer has the ability to add or remove telephone numbers and codes to/from the speed calling list without assistance from the Company.

(R) **Three Way Calling:** Permits the end-user to add a third party to an established connection. When the third party answers, a two-way conversation can be held before adding the original party for a three-way conference. The end-user initiating the conference controls the call and may disconnect the third party to reestablish the original connection or establish a connection to a different third party. The feature may be used on both outgoing and incoming calls.

(S) **Ultra Forward® Service:** Ultra Forward Service combines Call Forwarding Variable with remote access capability. In addition to the current Call Forwarding Variable feature access method, Ultra Forward Service provides customers access from any touch-tone or tone-signaling-capable telephone. The customer will dial a Remote Access Directory Number (RADN) and then be guided by voice prompts to enter required information, including a Personal Identification Number (PIN). Calls forwarded by this feature may be subject to local or toll charges as appropriate. Ultra Forward Service is only offered on a monthly subscription basis. Ultra Forward is a Remote Change Service.

(T) **Home Intercom:** Home Intercom allows telephone extensions sharing the same telephone number to be used as an intercom system. This service permits the user to signal other extensions sharing the same telephone number by dialing the telephone number associated with the residence customer's access line. When a Home Intercom call is initiated, all extensions ring with a distinctive ringing pattern. Home Intercom functions on Touch-Tone or dial pulse equipped access lines and will be provided to individual line residence customers by monthly subscription only.

(U) **Intercom Extra® Service:** Intercom Extra Service provides the following capabilities in addition to the Home Intercom feature: a) Intercom Code Dialing which permits the user to initiate intercom calls by dialing one of two available activation codes for a distinctive ringing pattern instead of dialing the telephone number of the user's access line; b) Selective Call Transfer which permits the user to transfer an outside call to an extension by dialing one of the two activation codes provided with Intercom Code Dialing for distinctive ringing; c) Call Hold which permits the user to place an outside call on hold by dialing an activation code, hang up the telephone to consult privately with other household members or to

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.9 ***Optional Calling Features, (continued)***

5.9.1 Feature Descriptions, (continued)

continue the call from another extension; d) Three-Way Calling capability (same as the Three-Way Calling feature description in A.3. preceding). Intercom Extra Service will be provided to individual line residence customers by monthly subscription only.

(V) **Distinctive Ring Service:** Distinctive Ring Service enables an individual line subscriber to have up to two telephone numbers (referred to as "Dependent" numbers) assigned to one dial tone line in addition to the main number (referred to as the "Master" number). Each number when dialed will result in a distinctive ring which facilitates the ability of the customer to determine which number is being called. Where facilities permit, a distinctive Call Waiting tone for each telephone number will be provided for customers who subscribe to Distinctive Ring Service and Call Waiting. Distinctive Ring Service is associated with incoming calls only and does not provide a separate dial tone line to place outgoing calls. Distinctive Ring Service is only offered on a monthly subscription basis.

(W) **Return Call (*69):** This service allows a customer to return the most recent incoming call and hear an announcement of the last telephone number that called. To activate Return Call (*69), the customer dials a code, then hears an announcement of the telephone number of the last party that called. If the customer wishes to return the call right away, voice prompts will instruct the customer to dial a certain digit and the call will automatically be returned.

If the called line is found to be busy, a 30-minute queuing process begins. The customer is then given an indication that the network will attempt to set up the call when the called line is idle. The network periodically tests the busy/idle status of the called line until both lines are found idle or the queuing process expires.

If a caller uses per call or line blocking, a called party who activates Return Call (*69) will not receive the voiceback of the calling party's telephone number and will not be able to return the call through the use of Return Call (*69) Service.

A Return Call (*69) activation is considered complete and billable after the feature is activated by dialing the first code, regardless of whether or not the call is returned, except in cases where the calling number is not available from the network (e.g., calls from areas not equipped to provide this service) or the originating caller is using per call or line blocking.

All telephone numbers, including Non-Published and Non-Listed telephone numbers will be announced to a Return Call (*69) user unless blocked on the originating end.

Customers can either pay per use so that a separate charge applies to each activation of this service; or subscribe to the service and incur a monthly charge for unlimited use.

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.9 **Optional Calling Features, (continued)**

5.9.1 **Feature Descriptions, (continued)**

(X) ***Priority Call:*** This service provides one distinctive audible signal to the called customer when a call from one of up to six prespecified telephone numbers. Through an interactive dialing sequence, the customer creates a screening list of up to six telephone numbers in the switching machines. This list can only be created from and for telephone numbers located in appropriately equipped offices. When a call arrives from one of the prespecified telephone numbers, the Priority Call rings distinctively. If the called customer subscribes to Call Waiting, and the call arrives while the line is busy, the Call Waiting tone has a distinctive pattern. For calls from a dial tone line with multilane hunting, the distinctive signal is only produced when the main telephone number has been entered in the screening list.

Customers can either incur a daily usage charge that applies for each day the Priority Call list is active; or subscribe to the service and incur a monthly charge for unlimited use.

(Y) **Select Forward:** This service allows the customer to select a maximum of six telephone numbers for forwarding. The customer activates this service by dialing a code to create a screening list via an interactive dialing sequence. This list can only be created from and for telephone numbers located in appropriately equipped offices. Only calls from those telephone numbers in the screening list may be forwarded to the designated telephone number.

For calls from a line within multiline hunting, the call is selectively forwarded only where the main telephone number has been entered in the screening list.

Customers can either incur a daily usage charge that applies for each day the list is active, or subscribe to the service and incur a monthly charge for unlimited use.

(Z) **Blocking:** A calling party may block the passage of his/her telephone number, associated main listed name and voiceback of calling identification information to users or subscribers to Optional Central Office Services which utilize Signaling System 7 (SS&) technology. Blocking will also prevent call completion through the use of Return Call (*69) Service.

a. **Per-Call Blocking:** To activate per-call blocking, a customer dials a special code prior to placing a call. Blocking will be activated for that outgoing call only. There is no charge for using per-call blocking, and it is provided on an unlimited basis.

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.9 Optional Calling Features, (continued)

5.9.1 Feature Descriptions, (continued)

b. **Line Blocking:** Line Blocking must be added to a customer's line by contacting the Telephone Company's business office and having a service order issued. All calls are automatically blocked when a customer subscribes to line blocking unless the blocking feature is deactivated.

If a customer subscribes to line blocking, he/she can deactivate blocking by dialing a special code prior to placing a call. Blocking will be deactivated for that outgoing call only.

As a facilities permit, a line blocking customer will be provided with a separate code to deactivate blocking, which is different from the per-call blocking code. Where this separate code is not available, the code for per-call blocking and the code to deactivate line blocking will be the same.

Line Blocking is provided without charge, except as discussed in the rate section of this *Tariff.*

Customers who use either per-call blocking or line blocking may be unable to complete calls to Caller ID/Caller ID With Name subscribers who have activated the Anonymous Call Rejection feature of Caller ID/Caller ID With Name. If a customer using blocking calls a Caller ID/Caller ID With Name subscriber who has activated Anonymous Call Rejection, he/she will hear an announcement that the Caller ID/Caller ID With Name subscriber is not accepting blocked calls. There are several ways to complete a call to a Caller ID/Caller ID With Name subscriber who has activated Anonymous Call Rejection: (1) place the call through a Company operator; (2) place the call on the Company's network using a Company telephone calling card; (3) place the call without blocking. Options (1) and (2) involve charges in addition to the cost of the call.

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SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.10 Directory Assistance

Provides for identification of telephone directory numbers, via an operator or automated platform. Customers are provided with a maximum of 2 listings per each call to Directory Assistance. Residential customers are entitled to two free directory assistance calls per month.

5.11 Miscellaneous Services

5.11.1 Pay Per Call Blocking/Unblocking

This service provides the option of blocking, or subsequent unblocking, all 900 and 976 calls on a per line basis. The Company will provide for per-line blocking where the Company's switching facilities permit.

5.11.2 Presubscription Services

This service provides for the Presubscription of local exchange lines provided by the Company to the intraLATA and interLATA long distance carrier(s) selected by the Customer. See Section 11.

SECTION 6.0 – PENNSYLVANIA RELAY SERVICE

6.1 General

The Pennsylvania Telecommunications Relay Service (TRS) is a relay telecommunications service for the deaf, hearing and/or speech disabled population of the Commonwealth. The service permits telephone communication between individuals with hearing and/or speech disabilities who must use a Text Telephone and individuals with normal hearing and speech as provided in the tariff filed by AT&T Communications of Pennsylvania, Inc. Tariff PA PUC #13.

6.2 Surcharge

In addition to the charges provided in this tariff and the Company's other intrastate tariffs, a surcharge will apply to all residence and business access lines served by this Company. This surcharge applies regardless of whether or not the access line users the Pennsylvania Telecommunications Relay Service.

This surcharge serves as the funding vehicle for the operation of the Pennsylvania Telecommunications Relay Service, and shall be calculated by the Pennsylvania Public Utility Commission (the Commission). The Commission shall compute the Pennsylvania Relay Service Surcharge each year and notify local exchange carriers of the surcharge amount to be applied for the twelve-month period commencing with July 1, of each year.

The Commission may revise the surcharge more frequently than annually at its discretion. Tariff revisions will be filed whenever the Commission calculates a new surcharge amount and notifies the Company.

The following surcharge rates apply to all bills issued on or after July 1, 2004:

	Monthly Rate
Per residence access line	$0.08
Per business access line	$0.15

Centrex lines will be charged on an equivalency basis as determined by the Commission.

6.3 Rates

Local calls will be charged at the applicable local flat rate or local measured service rate, except for calls originating from Pay Telephones, which shall be completed free of charge. All intraLATA toll calls placed through the Pennsylvania Telecommunications Relay Service will be rated according to the Rates Applicable on Messages Placed by Certified Speech and/or Hearing Disabled rates in the Pennsylvania Telephone Association Toll Tariff PA P.U.C. No. 10. This Company concurs in this tariff.

The Company will make available to the TRS user either a calling card or a prepaid debit card. The rates for either option will not exceed those that would apply to identical calls for non-TRS users of coin-sent-paid service.

SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST

7.1 General

Services provided in this tariff section are available on a Resale Service basis. Local Resale Services are provided through the use of resold switching and transport facilities obtained from Other Telephone Companies.

The rates, terms and conditions set forth in the section are applicable where the Company provides specified local exchange services to Customers through resale of local exchange services.

All rates set forth in this Section are subject to change and may be changed by the Company pursuant to notice requirements established by the Pennsylvania Public Utilities Commission. The rates, terms and conditions set forth in this Section are applicable as of the effective date hereof.

SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST, (CONTINUED)

7.2 Standard Residence Local Exchange Service

Standard Residence Local Exchange Service provides the Customer with a single, analog, voice-grade telephonic communications channel, which can be used to place or receive one call at a time. Standard Residence Local Exchange Service lines are provided for the connection of Customer-provided wiring, telephones, facsimile machines or other station equipment. An optional per line Hunting feature is available for multi-line Customers, which routes a call to the next idle line in a prearranged group when the called line is busy.

Local exchange service lines and trunks are provided on a single party (individual) basis only. No multi-party lines are provided. Service is available on a flat rate basis.

Recurring charges for Standard Residence Local Exchange Service are billed monthly in advance. Usage charges if applicable are billed in arrears. Usage charges may apply for calls placed from the Customer's line. No usage charges will apply to calls received by the Customer. Non-recurring charges for installation or rearrangement of service are billed on the next month's bill immediately following work performed by the Company.

SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

7.2 Standard Residence Local Exchange Service (Continued)

7.2.1 Monthly Recurring Charges

The following charges apply to Standard Residence Local Exchange Service lines per month. Rates and charges include Touch-tone Service. The rates and charges below apply to service provided on a month-to-month basis.

Pennsylvania Exchanges	Service Type			
Rate Groups	Local Area Standard	Local Area Unlimited	Extended Area Unlimited	Metropolitan Area
Rate Group A-3	$7.88	$9.08	$11.28	$40.00
Rate Group A-4	$8.28	$9.48	$13.13	$40.00
Rate Group D-3	$7.88	$10.48	$12.73	$40.00
Rate Group D-4	$8.28	$10.88	$13.13	$40.00
Rate Group F-3	$7.88	$12.13	$14.48	$40.00
Rate Group F-4	$8.28	$12.53	$14.88	$40.00

Philadelphia Exchanges	Service Type			
Rate Groups	Budget Usage	Local Area Standard	Local Area Unlimited	Metropolitan Area
Rate Group 1	$4.58	$7.18	$13.43	$25.58
Rate Group 2	$4.88	$7.48	$13.73	$25.88
Rate Group 3	$5.28	$7.88	$12.13	$31.28

Pittsburgh Exchanges	Service Type			
Rate Groups	Budget Usage	Local Area Standard	Local Area Unlimited	Metropolitan Area
Rate Group 1	$4.58	$7.18	$13.43	$25.58
Rate Group 2	$4.88	$7.48	$13.73	$25.88
Rate Group 3	$5.28	$7.88	$12.13	$31.28

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SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

7.2 Standard Residence Local Exchange Service (Continued)

7.2.2 Reserved for Future Use

7.2.3 Non-Recurring Charges

Non-recurring charges apply to each line installed for the Customer. All such charges will appear on the next bill following installation of the service.

Non-recurring charges for installation of Residential lines are:

First Line	$42.35
Each Additional Line	$42.35

SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

7.3 Standard Business Local Exchange Service

Standard Business Local Exchange Service provides the Customer with a single, analog, voice-grade telephonic communications channel, which can be used to place or receive one call at a time. Standard Business Local Exchange Service lines are provided for the connection of Customer-provided wiring, telephones, facsimile machines or other station equipment. An optional per line Hunting feature is available for multi-line Customers which routes a call to the next idle line in a prearranged group when the called line is busy.

Local exchange service lines and trunks are provided on a single party (individual) basis only. No multi-party lines are provided. Service is available on a flat rate, measured rate or message rate basis depending on the service plan selected by the Customer. Not all service plans will be available in all areas.

Recurring charges for Standard Business Local Exchange Service are billed monthly in advance. Usage charges, if applicable are billed in arrears. Usage charges may apply for calls placed from the Customer's line. No usage charges will apply to calls received by the Customer. Non-recurring charges for installation or rearrangement of service are billed on the next month's bill immediately following work performed by the Company.

SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

7.3 Standard Business Local Exchange Service, (Continued)

7.3.1 Monthly Recurring Charges

The following charges apply to Standard Business Local Exchange Service lines per month. Rates and charges include Touchtone Service for each line. The rates and charges below apply to service provided on a month-to-month basis.

Pennsylvania Exchanges Rate Groups	Service Type Local Area Standard	Local Area Valu-Pak	Local Area Unlimited	Extended Area Unlimited
Rate Group A-3 - Individual	$22.13	$24.43	$25.93	$30.23
Rate Group A-3 - Multiline	$20.03	$22.33	$23.83	$28.13
Rate Group A-4 - Individual	$24.63	$26.93	$28.43	$32.73
Rate Group A-4 - Multiline	$22.53	$24.83	$26.33	$30.63
Rate Group D-3 - Individual	$22.13	$29.03	$30.23	$34.48
Rate Group D-3 - Multiline	$20.03	$26.93	$28.13	$32.38
Rate Group D-4 - Individual	$24.63	$31.53	$32.73	$36.98
Rate Group D-4 - Multiline	$22.53	$29.43	$30.63	$34.88
Rate Group F-3 - Individual	$22.13	$29.03	$34.43	$38.73
Rate Group F-3 - Multiline	$20.03	$26.93	$32.33	$36.63
Rate Group F-4 - Individual	$24.63	$31.53	$36.93	$41.23
Rate Group F-4 - Multiline	$22.53	$29.43	$34.83	$39.13

Philadelphia Exchanges Rate Groups	Local Area Standard	Service Type Local Area Valu-Pak	Local Area Unlimited
Rate Group 1 - Individual	$17.13	$28.63	N/A
Rate Group 1 - Multiline	$15.03	$26.53	N/A
Rate Group 2 - Individual	$19.63	$31.13	N/A
Rate Group 2 - Multiline	$17.53	$29.03	N/A
Rate Group 3 - Individual	$22.13	$33.63	$38.73
Rate Group 3 - Multiline	$20.03	$31.53	$36.63

Pittsburgh Exchanges Rate Groups	Local Area Standard	Service Type Local Area Valu-Pak	Local Area Unlimited
Rate Group 1 - Individual	$17.13	$28.63	N/A
Rate Group 1 - Multiline	$15.03	$26.53	N/A
Rate Group 2 - Individual	$19.63	$31.13	N/A
Rate Group 2 - Multiline	$17.53	$29.03	N/A
Rate Group 3 - Individual	$22.13	$33.63	$38.18
Rate Group 3 - Multiline	$20.03	$31.53	$36.08

SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

7.3 Standard Business Local Exchange Service, (Continued)

7.3.2 Usage Sensitive Charges and Allowances

(A) Usage Charges

Call Bands	All Day/Night	All Day/Night
	1st Minute	Add'l Minute
Local & Call Band 1	$0.03	$0.03
Call Band 2	$0.04	$0.04
Call Band 3	$0.05	$0.05
Call Band 4	$0.05	$0.05
Call Band 5	$0.05	$0.05
Call Band 6	$0.05	$0.05

(B) Usage Allowance

Measured Service	
Local Valu-Pak	$24.00 per month
Local Standard	$ 8.00 per month

7.3.3 Non-Recurring Charges

Non-recurring charges apply to each line installed for the Customer. All such charges will appear on the next bill following installation of the service.

Non-recurring charges for installation of Business lines are:

First Line	$75.00
Each Additional Line	$75.00

SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

7.4 Business PBX Trunk Service

PBX Trunk service provides a Customer with a single, voice-grade telephonic communications channel which can be used to place one call at a time. Trunks are provided for connection of Customer-provided private branch exchanges (PBX) or other station equipment to the public switched telecommunications network.

PBX Trunks are available to Business Customers as Inward, Outward or Two-Way combination trunks where services and facilities permit.

PBX Trunks may also be equipped with Direct Inward Dialing (DID) capability and DID number blocks for additional charges (see Section 7.6).

Monthly Charge for PBX trunk is $56.50

SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

7.5 Direct Inward Dialing (DID) Service

Direct Inward Dialing (DID) permits calls incoming to a PBX system or other Customer Premises Equipment to be routed to a specific station without the assistance of an attendant. DID calls are routed directly to the station associated with the called number. DID service as offered by the Company provides the necessary trunks, telephone numbers, and out-pulsing of digits to enable DID service at a Customer's location. DID service requires special PBX software and hardware not provided by the Company. Such hardware and software is the responsibility of the Customer.

The following charges apply to Customers subscribing to DID service provided by the Company. These charges are in addition to recurring and non-recurring charges for PBX Trunks as shown in Section 7.5 of this tariff. The Customer will be charged for the number of DID numbers utilized out of the available 20 numbers.

	Installation Charge	Monthly Recurring
Establish Trunk Group and Provide 1st Block of 20 DID Numbers	$15.00	$5.60
Each Additional Block of 20 DID Numbers	$0.00	$5.60
DID Trunk Termination:	$25.00	$25.00
End User Port Charges, per trunk	$0.00	$0.70

SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

7.6 Reserved For Future Use

7.7 Optional Calling Features

The features in this section are made available on an individual basis or as part of multiple feature packages. All features are provided subject to availability. Certain features may not be available with all classes of service. Transmission levels for calls forwarded or calls placed or received using optional calling features may not be acceptable for all some uses in some cases.

7.7.1 Features Offered on a Usage Sensitive Basis

The following features are available to all local exchange Business and Residence line Customers where facilities and services permit. Customers may utilize each feature by dialing the appropriate access code. *The Customer will be billed the Per Feature Activation Charge shown in the* following table each time a feature is used by the Customer. Customers may subscribe to these features on a monthly basis at their option to obtain unlimited use of these features for a fixed monthly charge.

Optional Calling Features	Residence	Business
Three-Way Calling	$0.75	$0.75
Call Return	$0.75	$0.75
Repeat Dialing	$0.75	$0.75
Call Trace	$1.00	$1.00

Denial of per call activation for Three-Way Calling, Call Return and Repeat Dialing from any line or trunk is available to Customers upon request at no additional charge.

SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

7.7 Optional Calling Features, (Continued)

7.7.2 Features Offered on a Monthly Basis

The following optional calling features are offered to Customers on a monthly basis. Customers are allowed unlimited use of each feature. No usage sensitive charges apply. Multiline Customers must order the appropriate number of features based on the number of lines which will have access to the feature.

Optional Calling Feature	Residence	Business
Call Forwarding - Variable	$2.30	$2.69
Call Forwarding - Busy Line	$2.00	$2.00
Call Forwarding - Don't Answer	$2.00	$2.00
Call Forwarding - Busy Line & Don't Answer	$2.00	$2.00
Repeat Dialing	$2.00	$6.00
Distinctive Ringing	$4.50	$6.50
Caller ID - Standard	$6.55	$8.50
Caller ID - with Name	$7.50	$9.50
Call Block	$4.04	$6.06
Home Intercom	$2.25	N/A
Intercom Extra	$6.50	N/A
Call Waiting	$4.59	$7.65
Three-Way Calling	$2.30	$2.66
Speed Calling - 8 numbers	$2.30	$2.69
Speed Calling - 30 numbers	$3.43	$3.84
Priority Call	$4.00	$6.06
*69	$4.00	$6.00
Select Forward	$4.04	$6.06
Ultra Forward	$5.00	$7.00
Easy Voice (Voice Dialing)	$3.75	N/A

SECTION 8.0 - DIRECTORY ASSISTANCE SERVICES

8.1 Directory Assistance Services

8.1.1 Directory Assistance

A Directory Assistance charge applies per local directory assistance call. The Customer is allowed two (2) requests for Directory Assistance per call. Residential customers will be provided two (2) free Directory Assistance calls per month.

Each Local Directory Assistance Call	$0.57

SECTION 9.0 - LIFELINE & LINK UP AMERICA SERVICE

9.1 Lifeline Service

9.1.1 Description:
Lifeline Service is a Residence offering for low-income customers who qualify for this service in accordance with the following Regulations. Customers who qualify for Lifeline Service may also qualify for Link Up America Service.

9.1.2 Regulations:
Lifeline Service is available to qualified residence customers and is provided via a residence individual Dial Tone Line. Lifeline Service is limited to only one Service per qualified customer or household. A potential Lifeline customer who has an outstanding final bill for telephone service which is less than (4) years old must pay the entire balance for any Basic Service final bill before being eligible for Lifeline Service.

Residence Lifeline Service consists of the following tariffed standard features and optional customer elected services at the applicable rates, charges and regulations for each feature and service provided:

(a) One-Party Residence Unlimited Service and Local Measured Service, if available.
(b) Directory Listing (standard only).
(c) Non-Published or Non-Listed Telephone Number Service.
(d) Access to Directory Assistance Service.
(e) Touch-Tone Calling Service.
(f) Access to Message Toll Telephone Service and Optional Dial Station-To-Station Calling Plan Services. However, the Residence Lifeline Dial Tone Line will be blocked from dial station access to 976/556/900 and any other type of Audiotex Service.
(g) Access to Operator Services.
(h) Voluntary Toll Restriction Option.
(i) Line Up America (if eligible).
(j) Access to 800/888 Services.
(k) Access to Call Trace.
(l) Access to Alerting and Reporting Systems (9-1-1 dialing).
(m) Access to Pennsylvania Telecommunications Relay Service.
(n) Caller ID Per-call and Per-line Blocking.
(o) One optional vertical service (1)

(1) When a Lifeline customer subscribes to the Company's or a private vendor's voice mail service as the optional vertical service, a second vertical service may be added if necessary to make the voice mail service function.

SECTION 9.0 - LIFELINE & LINK UP AMERICA SERVICE

9.1 **Lifeline Service (Cont'd)**

9.1.2 **Regulations** (Cont'd)

An applicant for Lifeline Service must be a current participant in one of the following Pennsylvania Department of Public Welfare (DPW) programs, federal public housing, and be able to provide proof of income which is at or below 150% of the annual United States Census Bureau Poverty Level Guidelines For All States (Except Alaska and Hawaii) and the District of Columbia. Recertification of Lifeline Service participants will be conducted biennially by Company Name.

Pennsylvania Department of Public Welfare Lifeline Service Programs

- Temporary Assistance for Needy Families (TANF)
- General Assistance (GA)
- Supplemental Security Income (SSI)
- Medicaid
- Food Stamps
- Low Income Home Energy Assistance Program (LIHEAP)

The DPW Programs listed above must be certified by DPW. Such certification by DPW will be provided only when a DPW client requests Lifeline Service based on the client's status as a participant in any of the above eligibility programs. Certification by DPW will be limited to confirmation of the client's program status (i.e., participation or non-participation). Participation by DPW is subject to execution of an agreement with DPW and Company Name.

Lifeline Service will be provided to a customer only so long as such customer continues to meet the participation and certification guidelines in B-3 above. At the time of initial establishment of Lifeline Service, the customer agrees to have his or her eligibility recertified as determined by Company Name. When Company Name is notified by the customer or determines through recertification that the Lifeline Service customer is no longer a participant in the DPW programs in B.3. above or otherwise low-income eligible, the customer will be notified (by telephone or letter) that the Lifeline Service rate is no longer applicable. Within the stated customer notification period (10 working days from the date of the notification), the customer can contact the Company to negotiate new Dial Tone Service arrangements at applicable tariff rates (no connection charges will apply for existing services or options retained). If the customer does not contact the Company by the end of the notification period, the Lifeline Service will be changed to applicable Exchange Area Dial Tone Line service at existing tariff rates (no connection charges will apply to existing services or options retained). Upon contacting the Company, the customer will have ten (10) working days to complete the low-income certification or recertification process in order to retain Lifeline Service.

SECTION 9.0 - LIFELINE & LINK UP AMERICA SERVICE

9.1 Lifeline Service (Cont'd)

9.1.2 Regulations (Cont'd)

A Lifeline Service customer may not subscribe to any other type of residence Local Exchange Service at the same or other premises. Lifeline Service will not be provided via Foreign Exchange or Foreign Central Office Service arrangements.

Only services listed above will be provided to Lifeline customers. All other premium services offered by the Company will not be available.

Lifeline Service customers are required to apply for the Link Up America benefit when applicable.

Customer requested temporary suspension of Lifeline Service is not permitted.

Lifeline Service does not apply to applicants who are full time students living in university or college controlled housing.

The applicant must not be a dependent for Federal Income Tax purposes, unless he or she is 60 years of age or older.

Lifeline customers are subject to all Residence service regulations in this and other tariffs of Company Name.

Residence Lifeline Service cannot be resold by the Lifeline customer or the Lifeline customer's agent(s).

Resale of Lifeline Services are subject to wholesale rate obligations under Section 251©(4) of the Telecommunications Act of 1996.

All outstanding charges, account balances and service restrictions apply to existing customers who qualify for Lifeline Service. Service restrictions will remain until the arrearage(s) have been paid in full.

Any Lifeline customer who has a past due balance of Toll Charges will be treated with the appropriate Chapter 64 regulations. The Residence Toll Restoral Charge applies to Lifeline Customers who are suspended for non-payment and who subsequently pay their outstanding toll charges and request toll restoral. If a Lifeline customer is toll restricted for a second occurrence the Company may, at its discretion, place the Lifeline customer on permanent toll restriction.

Toll-Blocking and Toll-Control services will be provided at no charge to Lifeline Service subscribers, to the extent that they are offered.

SECTION 9.0 - LIFELINE & LINK UP AMERICA SERVICE

9.1 Lifeline Service (Cont'd)

9.1.3 Lifeline Service Dial Tone Line Monthly Rate

Applicable Residence Dial Tone monthly rate minus $1.75 (1).

Lifeline Service customers will be billed the applicable Subscriber Line Charge monthly rate and will be given credit for the same amount of the Subscriber Line Charge as prescribed by the Federal Communications Commission at Docket Nos. 00-256, 96-45, 98-77, 98-166 and 00-193.

Lifeline Service is subject to all applicable state, local and federal taxes, and Surcharges, and to all applicable tariff rates, charges, surcharges and regulations.

NOTE:

(1) The Dial Tone Line and Subscriber Line Charge monthly rate discounts will be reduced to the extent that application of the full discount would not result in rates that are less than zero.

SECTION 9.0 - LIFELINE & LINK UP AMERICA SERVICE

9.2 Link Up America Service

9.2.1 Description:
Link Up America Service is a program designed to promote universal service by providing a discount on service connection charges for qualified low-income customers. Customers who *qualify for Link Up America Service may also qualify for Lifeline Service.*

9.2.2 Regulations:
Link Up America is available to residence customers who meet the following eligibility criteria:

a) the applicant must not be a dependent for federal income tax purposes, unless he or she is 60 years of age or older. Applicant must self-certify the requirement set out in (a).

b) An applicant for Link Up America Service must be a current participant in one of the following Pennsylvania Department of Public Welfare (DPW) programs, federal public housing, and be able to provide proof of income which is at or below 150% of the annual United States Census Bureau Poverty Level Guidelines For All States (Except Alaska and Hawaii) and the District of Columbia. Recertification of Link Up America Service *participants will be conducted biennially by Company.*

Pennsylvania Department of Public Welfare Link Up America Service Programs

- Temporary Assistance for Needy Families (TANF)
- General Assistance (GA)
- Supplemental Security Income (SSI)
- Medicaid
- Food Stamps
- Low Income Home Energy Assistance Program (LIHEAP)

The DPW Programs listed above must be certified by DPW. Such certification by DPW will be provided only when a DPW client requests Link Up America Service based on the client's status as a participant in any of the above eligibility programs. Certification by DPW will be limited to confirmation of the client's program status (i.e., participation or non-participation). Participation by DPW is subject to execution of an agreement with DPW and Company.

c) *The Link Up America discount is applicable to one access line (dial tone line) when applied* to the installation or relocation of main service at a customer's principal residence.

SECTION 9.0 - LIFELINE & LINK UP AMERICA SERVICE

9.2.2 Regulations (cont'd)

d) Link Up America applicants are not exempt from Company deposit requirements.

e) Service will not be established at discounted rates prior to receipt of certification. Service will be established at full service connection charges. If certification is received within 60 days of original application, credit will be applied to provide the Link Up America discount.

f) The Link Up America discount does not apply to applicants who are full time students living in university or college controlled housing.

9.2.3 Rates

The Link Up America Program provides for a 50% discount on the Service Connection Charge associated with the connection of a new residence exchange access line (dial tone line) as specified in the Company's tariff. The total amount of the discount may not exceed $30.00 and the remaining charges will be billed to the Link Up America customer in monthly installments as specified in the Company's tariff.

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SECTION 10.0 - EXCHANGE AREAS

10.1 Exchange Areas (URG=Usage Rate Group - Dial Tone Line Cell)

EXCHANGE	URG	EXCHANGE	URG	EXCHANGE	URG
Alexandria	A-4	Aliquippa	D-4	Allentown	F-3
Altoona	D-4	Ambridge	D-3	Annville	D-4
Ashland	A-4	Austin	A-4	Avella	D-4
Avis	A-4	Avondale	F-4	Baden	D-3
Barnesboro	A-4	Bath	F-4	Beaver Falls	F-4
Bedminster	D-4	Bellefonte	D-4	Belle Vernon	D-4
Bellwood	D-4	Berwick	D-4	Bessemer	D-4
Bethlehem	F-3	Big Run	A-4	Black Lick	D-4
Blairsville	D-4	Bloomsburg	D-4	Boalsburg	D-4
Bolivar	A-4	Bradford	A-4	Brownsville	D-4
Buckingham	D-4	Burgettstown	A-4	Bushkill	D-4
California	D-4	Canonsburg	D-4	Carbondale	F-4
Carrolltown	A-4	Carversville	D-4	Catasauqua	F-3
Catawissa	D-4	Center Point	F-4	Centre Hall	D-4
Charleroi	D-4	Cherry Tree	A-4	Chester Springs	F-4
Clairton	D-3	Clarion	A-4	Claysville	D-4
Clearfield	D-4	Clymer	A-4	Coatesville	F-4
Collegeville	F-3	Connellsville	D-4	Coudersport	A-4
Cresco	F-4	Cresson	F-4	Curwensville	A-4
Danville	D-4	Dauphin	F-4	Dawson	A-4
Derry	D-4	Donora	D-4	Downington	F-3
Doylestown	D-3	Dublin	F-4	DuBois	A-4
Eagle	F-4	Easton	F-3	East Palestine	A-4
Ebensburg	D-4	Eldred	D-4	Elizabeth	F-4
Ellwood City	F-4	Elysburg	D-4	Endeavor	A-4
Exton	F-3	Fairchance	D-4	Farmington	D-4
Fayette City	D-4	Finleyville	D-4	Fleetwood	F-4
Frackville	D-4	Freeland	D-4	Frenchville	D-4
Galeton	A-4	Girardville	A-4	Glen Campbell	A-4
Glenmoore	F-4	Glenwillard	D-4	Green Lane	F-4
Greensburg	F-3	Greenville	A-4	Grove City	A-4
Halifax	F-4	Hamburg	F-4	Hamlin	F-4
Harleysville	F-3	Harrisburg	F-3	Hastings	A-4
Hawley	D-4	Hazleton	D-3	Hellertown	F-4
Herminie	D-4	Holidaysburg	D-4	Homer City	D-4
Honesdale	D-4	Honey Brook	D-4	Hookstown	F-4
Houtzdale	D-4	Hummelstown	F-4	Huntingdon	A-4
Imperial	D-4	Indiana	D-4	Jeannette	D-3
Jermyn	F-4	Jersey Shore	D-4	Jim Thorpe	D-4
Kane	A-4	Kemblesville	F-4	Kennett Square	F-3
Kingston	F-3	Kulpmont	A-3	Kutztown	F-4
Lake Ariel	F-4	Lake Como	A-4	Lancaster	F-3
Landenberg	F-4	Landisville	F-3	Lansdale	F-3
Latrobe	D-4	Lebanon	F-3	Leeper	A-4
Lehighton	A-4	Lenape	F-4	Lewistown	D-4
Ligonier	A-4	Line Lexington	F-3	Lock Haven	A-4
Lords Valley	F-4	Lowellville	F-4	Ludlow	A-4
Mahaffey	A-4	Mahanoy City	A-4	Marchand	A-4

SECTION 10.0 - EXCHANGE AREAS

10.1 Exchange Areas (Cont'd)

EXCHANGE	URG	EXCHANGE	URG	EXCHANGE	URG
Marienville	A-4	Marion Center	A-4	Masontown	D-4
McAdoo	D-4	McClellandton	D-4	McDonald	D-4
McMurray	F-3	McVeytown	A-4	Mechanicsburg	F-3
Mendenhall	F-4	Mercer	D-4	Middletown	F-4
Midland	D-4	Millersville	F-4	Milheim	F-4
Millville	A-4	Milton	D-4	Minersville	D-4
Monessen	D-3	Monongahela	D-4	Moosic	F-4
Morrisville	F-3	Mortonville	F-4	Moscow	D-4
Mountaintop	F-4	Mt. Carmel	A-4	Mt. Gretna	D-4
Mt. Jewett	D-4	Mt. Pleasant	F-4	Mt. Pocono	F-4
Mt. Union	A-4	Nanticoke	F-4	Nazareth	F-4
Nesquehoning	A-4	New Castle	D-4	New Florence	D-4
Newfoundland	D-4	New Hope	F-4	New Kensington	D-3
New Philadelphia	D-4	New Salem	D-4	Newtown	F-3
Northampton	F-4	Northumberland	D-4	North Wales	F-3
Numidia	A-4	Oakdale	D-4	Olyphant	F-4
Orwigsbur	D-4	Osceola Mills	D-4	Oxford	D-4
Palmyra	F-4	Paris	A-4	Parkesburg	D-4
Parkwood	A-4	Patton	D-4	Pennsburg	F-4
Perkasie	F-4	Perryopolis	D-4	Philipsburg	D-4
Phoenixville	F-3	Pittston	F-3	Plumsteadville	F-4
Plymouth	F-4	Point Marion	D-4	Portage	A-4
Port Allegany	A-4	Pottstown	F-3	Pottsville	D-3
Pughtown	F-4	Punxsutawney	A-4	Quakertown	D-4
Reading	F-3	Renovo	A-4	Republic	D-4
Rew	A-4	Reynoldsville	A-4	Riegelsville	F-4
Rochester	F-4	Roulette	A-4	Royersford	F-3
Russell	A-4	Saint Clair	D-4	Saxton	A-4
Schuylkill Haven	D-4	Schwenksville	F-4	Scottdale	D-4
Scranton	F-3	Shamokin	D-4	Sharon	D-3
Sharpsville	D-4	Shenandoah	A-4	Slatington	F-4
Smethport	A-4	Smithfield	D-4	Smiths Ferry	D-4
Smock	D-4	Snow Shoe	A-4	Souderton	F-3
Springdale	D-3	Spring Mills	F-4	Springtown	F-4
State College	D-3	Strasburg	F-4	Stroudsburg	F-4
Sugar Grove	D-4	Sunbury	D-4	Sykesville	A-4
Tamaqua	D-4	Tarentum	D-4	Taylor	F-3
Tidioute	D-4	Tionesta	A-4	Tyrone	D-4
Ulysses	A-4	Uniontown	D-4	Unionville	F-4
Upper Black Eddy	D-4	Wallenpaupack	D-4	Wampum	D-4
Warren	A-4	Washington	D-4	Washingtonville	D-4
Weatherly	D-4	West Alexander	D-4	West Chester	F-3
West Grove	F-4	West Middlesex	D-4	West Newton	A-4
Westtown	F-3	White Haven	D-4	Wilkes-Barre	F-4
Williamsport	D-4	Winburne	A-4	Woolrich	A-4
Wycombe	F-4	Wyoming	F-3	Yardley	F-3
Youngsville	A-4	Youngwood	D-4	Zelienople	D-4

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
Alexandria	
Local:	Alexandria, Huntingdon, McConnellstown (Sprint/United)
Aliquippa	Aliquippa, Ambridge, Baden, Glenwillard, Hookstown, , Pitb. Subn. Zone 16, Rochester,
Metropolitan Area:	All stations included in Local Area preceding plus Area the Pittsburgh Exchange and all other Zones of the Pittsburgh Suburban Exchange.
Allentown	
Local:	Allentown, Bath, Bethlehem, Catasauqua, Coopersburg (Commonwealth Tel.), Easton, Emmaus (VERIZON NORTH INC.), Hellertown, Ironton (Ironton Tel.), Kutztown, Nazareth, New Smithville (VERIZON NORTH INC.), New Tripoli (VERIZON NORTH INC.), Northampton, Riegelsville, Slatington, Springtown, Topton (Conestoga Tel.).
Altoona	
Local:	Altoona, Bellwood, Cresson, Hollidaysburg, Tyrone
Ambridge	
Local:	Aliquippa, Ambridge, Baden, Glenwillard, Pitb. Subn. Zone 16
Extended Area:	All stations included in Local Area preceding plus -Pitb. Subn. Zone 15, Rochester
Metropolitan Area:	All stations included in Extended Area preceding plus the Pittsburgh Exchange and all other Zones of the Pittsburgh Suburban Exchange.

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas

Exchange Areas		Local Calling Areas
Annville		
	Local:	Annville, Jonestown (VERIZON NORTH INC.), Lebanon, Hershey (VERIZON NORTH INC.), Mt. Gretna, Palmyra
Ashland		
	Local:	Ashland, Frackville, Girardville, Kulpmont, Mt. Carmel, Shenandoah
Austin		
	Local:	Austin, Coudersport
Avella		
	Local:	Avella, Burgettstown, Washington
Avis		
	Local:	Avis, Jersey Shore, Lock Haven, Woolrich
Avondale		
	Local:	Avondale, Coatesville, Hockessin, DE (Verizon), Kemblesville, Kennett Square, Landenberg, Lenape, Mendenhall, Mortonville, Oxford, Unionville, West Chester, West Grove, Westtown, Wilmington, DE (Verizon)
Baden		
	Local:	Aliquippa, Ambridge, Baden, Rochester
	Metropolitan Area Plus:	All stations included in Local Area preceding plus the Pittsburgh Exchange and all other Zones of the Pittsburgh Suburban Exchange.
Barnesboro		
	Local:	Barnesboro, Carrolltown, Cherry Tree, Glen Campbell, Hastings, Patton
Bath		
	Local:	Allentown, Bath, Bethlehem, Catasauqua, Nazareth, Northampton, Slatington

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
Beaver Falls	
Local:	Beaver Falls, Darlington (ALLTEL), Ellwood City, Enon Valley (ALLTEL), Hookstown, Midland, Rochester, Wampum, Zelienople
Bedminster	
Local:	Bedminster, Carversville, Doylestown, Dublin, Ferndale (Commonwealth Tel.) Perkasie, Plumsteadville, Quakertown
Bellefonte	
Local:	Bellefonte, Boalsburg, Centre Hall, Howard (Sprint), Snow Shoe, Spring Mills, State College, Zion (Sprint)
Belle Vernon	
Local:	Belle Vernon, California, Charleroi, Donora, Fayette City Monessen, Monongahela, Perryopolis, West Newton,
Metropolitan Area:	All stations included in Local Area preceding plus the Pittsburgh Exchange and all other Zones of the Pittsburgh Suburban Exchange.
Bellwood	
Local:	Altoona, Bellwood, Tyrone
Berwick	
Local:	Berwick, Bloomsburg, Shickshinny (Commonwealth Tel.), Wapwallopen (Commonwealth Tel.)
Bessemer	
Local:	Bessemer, New Castle
Bethlehem	
Local:	Allentown, Bethlehem, Catasauqua, Coopersburg (Commonwealth Tel.), Easton, Hellertown, Ironton (Ironton Tel.), Nazareth, Northampton, Riegelsville, Slatington, Springtown

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
Big Run	
Local:	Big Run, Punxsutawney
Black Lick	
Local:	Black Lick, Blairsville, Homer City, Indiana
Blairsville	
Local:	Black Lick, Blairsville, Bolivar, Derry, Latrobe, Homer City, Indiana
Bloomsburg	
Local:	Berwick, Bloomsburg, Catawissa, Danville, Millville, Numidia, Orangeville (Commonwealth Tel.), Washingtonville
Boalsburg	
Local:	Bellefonte, Boalsburg, Centre Hall, Spring Mills, State College
Bolivar	
Local:	Blairsville, Bolivar, New Florence
Bradford	
Local:	Bradford, Duke Center (Armstrong North), Eldred Limestone, NY (Verizon), Mount Jewett, Rew, Smethport
Brownsville	
Local:	Brownsville, California, Charleroi, New Salem, Republic, Smock, Uniontown
Buckingham	
Local:	Buckingham, Carversville, Doylestown, New Hope, Phila. Subn. Zone 45, Wycombe
Extended Area:	All stations included in Local Area preceding plus - Dublin, Line Lexington, Newtown, Phila. Subn. Zone 39, Phila. Subn. Zone 40, Plumsteadville
Metropolitan Area:	All stations included in Extended Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia

Suburban Exchange.

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
Burgettstown	
Local:	Avella, Burgettstown, Murdocksville (Armstrong), McDonald, Midway (ALLTEL), Paris
Bushkill	
Local:	Bushkill, Lords Valley (Verizon), Stroudsburg, NJ, Stroudsburg
California	
Local:	Belle Vernon, Brownsville, California, Charleroi, Fayette City
Canonsburg	
Local:	Canonsburg, Hickory (Hickory Tel.), McDonald, McMurray, Pitb. Subn Zone 13, Washington
Metropolitan Area:	All stations included in Local Area preceding plus the Pittsburgh Exchange and all other Zones of the Pittsburgh Suburban Exchange.
Carbondale	
Local:	Carbondale, Chapman Lake (VERIZON NORTH INC.), Clifford(NE PATel.), Forest City (NE PA Tel.) Jermyn, Olyphant, Scranton, Waymart (So. Canaan Tel.),
Carrolltown	
Local:	Barnesboro, Hastings, Carrolltown, Patton, Ebensburg
Carversville	
Local:	Bedminster, Dublin, Buckingham, New Hope, Carversville, Plumsteadville, Doylestown, Wycombe
Metropolitan Area	All stations included in Local Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Suburban Exchange.
Catasauqua	
Local:	Allentown, Bath, Bethlehem, Catasauqua, Easton, Hellertown,

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Ironton (Ironton Tel.) Nazareth, Northampton, Riegelsville, Slatington, Springtown

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
Catawissa	
Local:	Bloomsburg, Catawissa, Danville, Elysburg, Numidia
Center Point	
Local:	Center Point, Collegeville, Harleysville, Phila. Subn. Zone 30, Lansdale, North Wales, Schwenksville,
Extended Area:	All stations included in Local Area preceding plus - Green Lane, Phoenixville, Phila. Subn. Zone 29, Royersford, Phila. Subn. Zone 31, Souderton, Phila. Subn. Zone 33
Metropolitan Area:	All stations included in Extended Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Suburban Exchange.
Centre Hall	
Local:	Bellefonte, Boalsburg, Centre Hall, Millheim, Spring Mills, State College
Charleroi	
Local:	Belle Vernon, Brownsville, California, Charleroi, Donora, Fayette City, Monessen, Monongahela
Cherry Tree	
Local:	Barnesboro, Cherry Tree, Clymer, Glen Campbell,
Chester Springs	
Local:	Chester Springs, Eagle, Exton, Phila. Subn. Zone 28, Phoenixville, Pughtown, Royersford,
Extended Area	All stations included in Local Area preceding plus - Collegeville, Phila. Subn. Zone 29, Downingtown, Pottstown, Glenmoore, West Chester, Phila. Subn. Zone 26
Metropolitan Area	All stations included in Extended Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Suburban Exchange.

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SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
Clairton	
Local:	Clairton, Pitb. Subn. Zone 10, Elizabeth Pitb. Subn. Zone 11
Metropolitan Area	All stations included in Local Area preceding plus the Pittsburgh Exchange and all other Zones of the Pittsburgh Suburban Exchange.
Clarion	
Local:	Clarion, Knox (ALLTEL), Leeper, Strattanville (ALLTEL), Shippenville (ALLTEL), Sligo (ALLTEL),
Claysville	
Local:	*Claysville, West Alexander, Washington*
Clearfield	
Local:	Clearfield, Curwensville, Frenchville, Osceola Mills, Philipsburg, Winburne
Clymer	
Local:	Clymer, Indiana
Coatsville	
Local:	Avondale, Coatesville, Downingtown, Eagle, Exton, Glenmoore, Honey Brook, Kennett Square, Lenape, Mortonville, Parkesburg, Unionville, West Chester, West Grove, Westtown,
Metropolitan Area	All stations included in Local Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Suburban Exchange.
Collegeville	
Local:	Center Point, Collegeville, Green Lane, Harleysville, Phila. Subn. Zone 30, Phila. Subn. Zone 31, Phila. Subn. Zone 29, Phoenixville, Pottstown, Lansdale, North Wales, Royersford, Schwenksville, Souderton

Metropolitan Area	All stations included in Local Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Suburban Exchange.

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
Connellsville	
Local:	Connellsville, Dawson, Mount Pleasant, Scottdale, Uniontown,
Coudersport	
Local:	Austin, Coudersport, Roulette, Ulysses
Cresco	
Local:	Cresco, Lords Valley, Mount Pocono, Newfoundland, Stroudsburg,
Cresson	
Local:	Altoona, Cresson, Ebensburg, Hollidaysburg, Portage
Curwensville	
Local:	Clearfield, Curwensville Mahaffey,
Danville	
Local:	Bloomsburg, Catawissa, Danville, Elysburg, Northumberland, Sunbury, Washingtonville
Dauphin	
Local:	Dauphin, Harrisburg Zone 1, Halifax
Dawson	
Local:	Connellsville, Dawson, Perryopolis, Scottdale
Derry	
Local:	Blairsville, Derry, Greensburg, Latrobe
Donora	
Local:	Belle Vernon, Charleroi, Donora, Elizabeth, Monessen, Monongahela
Metropolitan Area	All stations included in Local Area preceding plus the Pittsburgh Exchange and Plus all other Zones of the Pittsburgh Suburban Exchange.

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
Downingtown	
Local:	Chester Springs, Coatesville, Downingtown, Eagle, Exton, Glenmoore, Honey Brook, Lenape, Mortonville, Phila. Subn. Zone 28, Pughtown, West Chester, Westtown,
Metropolitan Area	All stations included in Local Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Suburban Exchange.
Doylestown	
Local:	Buckingham, Carversville, Doylestown, Dublin, Line Lexington, Phila. Subn. Zone 45, Plumsteadville, Wycombe
Extended Area	All stations included in Local Area preceding plus - Bedminister, Phila. Subn. Zone 33, Lansdale Phila. Subn. Zone 38, New Hope Phila. Subn. Zone 39, Newtown Phila. Subn. Zone 40, North Wales, Souderton, Perkasie
Metropolitan Area	All stations included in Extended Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Suburban Exchange.
Dublin	
Local:	Bedminster, Buckingham, Carversville, Doylestown, Dublin, Lansdale, Line Lexington, Perkasie, Plumsteadville, Quakertown, Souderton
Metropolitan Area	All stations included in Local Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Suburban Exchange.
DuBois	
Local:	Brockway (ALLTEL), DuBois, Luthersburg (ALLTEL), Penfield (ALLTEL), Reynoldsville, Sykesville
Eagle	
Local:	Chester Springs, Coatesville, Downingtown, Eagle, Exton,

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	Glenmoore, Phila. Subn. Zone 28, Phoenixville, Pughtown, Royersford, West Chester
Metropolitan Area	All stations included in Local Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Suburban Exchange.

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
Easton	
Local:	Allentown, Bethlehem, Bloomsbury, NJ (Verizon), Catasauqua, Easton, Hellertown, Nazareth, Phillipsburg, NJ (Verizon), Riegelsville, Springtown, Upper Black Eddy,
East Palestine	
Local:	East Palestine, East Palestine, New Waterford, O. (AMERITECH, O.) Pa., O. (AMERITECH, O.), O. (AMERITECH, O.), Rogers,
Ebensburg	
Local:	Carrolltown, Colver (ALLTEL), Cresson, Ebensburg, Johnstown (VERIZON NORTH INC.) Nanty-Glo (VERIZON NORTH INC.),
Eldred	
Local:	Bradford, Duke Center (Armstrong North), Eldred Port Allegheny, Rew, Smethport
Elizabeth	
Local:	Clairton, Donora, Pitb. Subn. Zone 10, Elizabeth, Pitb. Subn. Zone 11, Monongahela,
Extended	All stations included in Local Area preceding plus - Finleyville, West Newton, Pitb. Subn. Zone 12
Metropolitan Area	All stations included in Extended Area preceding plus the Pittsburgh Exchange and all other Zones of the Pittsburgh Suburban Exchange.
Ellwood City	
Local:	Beaver Falls, Ellwood City, New Castle, Portersville (Sprint), Wampum, Zelienople,

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Elysburg

Local:	Catawissa, Danville, Elysburg, Kulpmont, Mt. Carmel, Numidia, Shamokin, Sunbury

Endeavor

Local:	Endeavor, Tionesta, Tidioute

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
Exton	
Local:	Chester Springs, Coatesville, Downingtown, Eagle, Exton, Glenmoore, Lenape, Mortonville, Phila. Subn. Zone 28, Pughtown, West Chester, Westtown
Metropolitan Area	All stations included in Local Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Suburban Exchange.
Fairchance	
Local:	Fairchance, Masontown, McClellandtown, Point Marion, Smithfield, Uniontown
Farmington	
Local:	Farmington, Uniontown
Fayette City	
Local:	Belle Vernon, California, Charleroi, Fayette City, Monessen, Perryopolis
Finleyville	
Local:	Finleyville, Monongahela, Pitb. Subn. Zone 11, McMurray, Pitb. Subn. Zone 12
Extended Area	All stations included in Local Area preceding plus - Clairton, Pitb. Subn. Zone 10, Elizabeth
Metropolitan Area	All stations included in Extended Area preceding plus the Pittsburgh Exchange and all other Zones of the Pittsburgh Suburban Exchange.
Fleetwood	
Local:	Fleetwood, Kutztown, Leesport (Commonwealth Tel.), Oley

	(Conestoga Tel.), Reading, Topton (Conestoga Tel.),
Frackville	
Local:	Ashland, Frackville, Girardville, Mahanoy City, Minersville, Pottsville, Saint Clair, Shenandoah
Freeland	
Local:	Freeland, Hazleton, McAdoo Weatherly, White Haven,

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
Frenchville	
Local:	Clearfield, Frenchville, Philipsburg, Snow Shoe, Winburne,
Galeton	
Local:	Galeton
Girardville	
Local:	Ashland, Frackville, Girardville, Mahanoy City, Shenandoah
Glen Campbell	
Local:	Barnesboro, Cherry Tree, Glen Campbell
Glenmoore	
Local:	Chester Springs, Coatsville, Downingtown, Eagle, Exton, Green Hills (Conestoga Tel.), Glenmoore, Honey Brook, Morgantown (Conestoga Tel.), Parkesburg, Pughtown, West Chester
Glenwillard	
Local:	Aliquippa, Glenwillard, Pitb. Subn. Zone 15, Ambridge, Pitb. Subn. Zone 16
Metropolitan Area	All Stations included in Local Area preceding plus the Pittsburgh Exchange and all other Zones of the Pittsburgh Suburban Exchange.
Green Lane	
Local:	Center Point, Collegeville, Green Lane, Harleysville, Lansdale, Perkasie, Quakertown, Schwenksville, Souderton, Sassamansville (Conestoga Tel.) Pennsburg,
Greensburg	
Local:	Delmont (ALLTEL), Greensburg, Herminie, Jeannette, Kecksburg (Citizens Tel.), Latrobe, New Alexandria (ALLTEL),

	Youngwood
Metropolitan Area	All stations included in Local Area preceding plus the Pittsburgh Exchange and Plus all other Zones of the Pittsburgh Suburban Exchange.
Greenville	
Local:	Greenville, Sharpsville, Sheakleyville (ALLTEL), Transfer (Pymatuning Ind. Tel.),

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
Grove City	
Local:	Blacktown (Sprint), Grove City, Harrisville (Sprint), Mercer, Wesley (VERIZON NORTH INC.)
Halifax	
Local:	Dauphin, Elizabethville (Commonwealth Tel.), Halifax Harrisburg Zone 1, Millersburg(Commonwealth Tel.)
Hamburg	
Local:	Hamburg, Kempton (VERIZON NORTH INC.), Leesport (Commonwealth Tel.), Reading
Hamlin	
Local:	Hamlin, Lake Ariel, Moscow, Newfoundland Olyphant, Scranton, Wallenpaupack,
Harleysville	
Local:	Center Point, Collegeville, North Wales, Perkasie, Phila. Subn. Zone 30, Green Lane, Harleysville, Lansdale, Line Lexington, Schwenksville, Souderton
Metropolitan Area	All stations included in Local Area preceding plus the Philadelphia Exchange Plus and all other Zones of the Philadelphia Suburban Exchange.
Harrisburg	
Local:	Dauphin, Halifax, Harrisburg Zone 1, Harrisburg Zone 2, Hershey (VERIZON NORTH INC.), Hummelstown, Lewisberry (Commonwealth Tel.) Zone 2, Marysville (Sprint/United), Mechanicsburg, Middletown, Shellsville (VERIZON NORTH INC.)
Hastings	
Local:	Barnesboro, Carrolltown, Hastings, Patton
Hawley	

Local:	Hawley, Honesdale, Lords Valley, Newfoundland, Wallenpaupack,

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
Hazleton	
Local:	Conyngham-Drums (Commonwealth Tel.), Freeland, McAdoo, Nuremburg (Commonwealth Tel.), Weatherly, Hazleton, White Haven
Hellertown	
Local:	Allentown, Bethlehem, Catasauqua, Easton, Hellertown, Riegelsville, Springtown
Herminie	
Local:	Greensburg, Herminie, Jeannette, Pitb. Subn. Zone 23
Extended Area	All stations included in Local Area preceding plus - Pitb. Subn. Zone 10, Youngwood, West Newton
Metropolitan Area	All stations included in Extended Area preceding plus the Pittsburgh Exchange and all other Zones of the Pittsburgh Suburban Exchange.
Hollidaysburg	
Local:	Altoona, Cresson, Hollidaysburg
Homer City	
Local:	Black Lick, Blairsville, Homer City, Indiana
Honesdale	
Local:	Beach Lake (VERIZON NORTH INC.), Galilee (VERIZON NORTH INC.), Hawley, Honesdale, Lake Ariel, Lords Valley, Pleasant Mount (NE PA Tel.), South Canaan (So. Canaan Tel.), Wallenpaupack, Waymart (So. Canaan Tel.)
Honey Brook	

Local:	Coatesville, Downingtown, Glenmoore, Green Hills (Conestoga Tel.), Honey Brook, Morgantown (Conestoga Tel.), Parkesburg

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas (Continued)

Exchange Areas	Local Calling Areas
Hookstown	
Local:	Aliquippa, Beaver Falls, East Liverpool, Hookstown, Midland, Chester, WV (Bell Atl.), Rochester, Smiths Ferry, O. (AMERITECH, O.)
Houtzdale	
Local:	Clearfield, Houtzdale, Osceola Mills, Philipsburg
Hummelstown	
Local:	Harrisburg Zone 1, Harrisburg Zone 2, Hershey (VERIZON NORTH INC.), Hummelstown, Middletown, Palmyra, Shellsville (VERIZON NORTH INC.)
Huntingdon	
Local:	Alexandria, Huntingdon, Marklesburg (Sprint Tel.), McConnellstown (Sprint/United), Mount Union
Imperial	
Local:	Imperial, McDonald, Murdocksville (Armstrong), Oakdale, Pitb. Subn. Zone 15, Pitb. Subn. Zone 14,
Metropolitan Area	All stations included in Extended Area preceding plus the Pittsburgh Exchange and all other Zones of the Pittsburgh Suburban Exchange.
Indiana	
Local:	Black Lick, Blairsville, Clymer, Elderton (ALLTEL), Homer City, Indiana, Marion Center, Parkwood
Jeannette	
Local:	Greensburg, Herminie, Harrison City (ALLTEL), Jeannette, Pitb. Subn. Zone 23
Metropolitan	All stations included in Local Area preceding plus the Area Pittsburgh Exchange and all other Zones of the Pittsburgh Suburban Exchange.
Jermyn	
Local:	Carbondale, Chapman Lake (VERIZON NORTH INC.), Jermyn, Olyphant, Scranton

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas (Continued)

Exchange Areas	Local Calling Areas
Jersey Shore	
Local:	Avis, Jersey Shore, Lock Haven, Oval (PA Tel.), Williamsport, Woolrich,
Jim Thorpe	
Local:	Jim Thorpe, Lehighton, Nesquehoning, Weatherly, White Haven
Kane	
Local:	Kane, Ludlow, Mount Jewett
Kemblesville	
Local:	Avondale, DE (Verizon), Hockessin, Kemblesville, Kennett Square, Landenburg, Mendenhall, Newark, Oxford, Unionville, West Grove
Kennett Square	
Local:	Avondale, Coatesville, DE (Verizon), Hockessin, Kemblesville, Kennett Square, Landenberg, Lenape, Mendenhall, Wilmington, Mortonville, Unionville, West Chester, West Grove, Westtown
Metropolitan Area	All stations included in Local Area preceding plus the Philadelphia Exchange Plus and all other Zones of the Philadelphia Suburban Exchange.
Kingston	
Local:	Center Moreland, Dallas (Commonwealth Tel.), Harveys Lake (Commonwealth Tel.), Mountaintop (Commonwealth Tel.), Nanticoke, Pittston, Plymouth, Trucksville (Commonwealth Tel.), Wilkes-Barre, Kingston, Wyoming
Kulpmont	
Local:	Ashland, Elysburg, Kulpmont, Mount Carmel, Shamokin
Kutztown	
Local:	Allentown, Fleetwood, Kempton (VERIZON NORTH INC.), Kutztown, Reading, Topton (Conestoga Tel.)
Lake Ariel	
Local:	Hamlin, Honesdale, Lake Ariel, Newfoundland, Olyphant, Scranton, South Canaan (So. Canaan Tel.), Wallenpaupack, Waymart (So. Canaan Tel.)

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas (Continued)

Exchange Areas	Local Calling Areas
Lake Como	
Local:	Lake Como
Lancaster	
Local:	Intercourse (Frontier Comm.), Lancaster, Landisville, Leola (Frontier Comm.), Lititz (Denver & Ephrata Tel.), Manheim (Denver & Ephrata Tel.), Millersville, Mount Joy (Sprint/United), Mountville (Sprint/United), New Holland (Frontier Comm.), Quarryville (Commonwealth Tel.), Rawlinsville (Commonwealth Tel.), Strasburg
Landenberg	
Local:	Avondale, DE (Verizon), Hockessin, Kemblesville, Kennett Square, Landenberg, Lenape, Mendenhall, Newark, Oxford, Unionville, Wilmington, DE (Verizon), West Chester, West Grove, Westtown
Landisville	
Local:	Lancaster, Millersville, Landisville, Lititz (Denver & Ephrata Tel.), Mount Joy (Sprint/United), Mountville (Sprint/United), Manheim (Denver & Ephrata Tel. Co.), Strasburg
Lansdale	
Local:	Center Point, Harleysville, Lansdale, Line Lexington, North Wales, Souderton
Extended Area	All stations included in Local Area preceding plus – Collegeville, Phila. Subn. Zone 33, Doylestown, Phila. Subn. Zone 38, Dublin, Phila. Subn. Zone 39, Green Lane, Phila. Subn. Zone 45, Perkasie, Schwenksville, Phila. Subn. Zone 30
Metropolitan Area	All stations included in Extended Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Suburban Exchange.
Latrobe	
Local:	Blairsville, Derry, Greensburg, Kecksburg (Citizens Tel.) Latrobe, Ligonier, New Alexandria (ALLTEL)

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10.2 Exchange Areas and Local Calling Areas (Continued)

Exchange Areas		Local Calling Areas
Lebanon		
	Local:	Annville, Frystown (VERIZON NORTH INC.), Hershey (VERIZON NORTH INC.), Jonestown (VERIZON NORTH INC.), Lebanon, Mt. Gretna, Myerstown (VERIZON NORTH INC.), Palmyra, Schaefferstown (VERIZON NORTH INC.)
Leeper		
	Local:	Clarion, Leeper, Marienville
Lehighton		
	Local:	Jim Thorpe, Lehighton, Nesquehoning, Palmerton (Pamlerton Tel. Co.)
Lenape		
	Local:	Avondale, Coatesville, Downingtown, Exton, Kennett Square, Landenberg, Lenape, Mendenhall, Mortonville, Phila. Subn. Zone 10, Phila. Subn. Zone 28, Unionville West Chester, West Grove, Westtown
	Metropolitan Area	All stations included in Local Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Suburban Exchange.
Lewistown		
	Local:	Belleville (Sprint/United), Lewistown, McVeytown, Mifflintown (Sprint/United), Port Royal (Sprint/United), Reedsville (Sprint Tel.)
Ligonier		
	Local:	Latrobe, Ligonier Stahlstown (Laurel Highland Tel.)
Line Lexingtown		
	Local:	Doylestown, Dublin, Harleysville, Lansdale, Line Lexington North Wales, Perkasie, Phila. Subn. Zone 45, Souderton
	Extended Area	All stations included in Local Area preceding plus - Buckingham, Phila. Subn. Zone 39, Phila. Subn. Zone 33, Plumsteadville, Phila. Subn. Zone 38
	Metropolitan Area	All stations included in Extended Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Suburban Exchange.

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas (Continued)

Exchange Areas	Local Calling Areas
Lock Haven	
Local:	Avis, Beech Creek (Sprint/United), Jersey Shore Lock Haven, Mill Hall (Sprint/United), Woolrich
Lords Valley	
Local:	Bushkill, Cresco, Hawley, Honesdale, Lords Valley, Mount Pocono, Newfoundland, Stroudsburg, Wallenpaupack
Lowellville	
Local:	Bessemer, Hubbard, O. (AMERITECH, O.), New Castle, North ima, O.(AMERITECH, O.), Lowellville, Lowellville, O. (AMERITECH, O.),Youngstown, O. (AMERITECH, O.)
Ludlow	
Local:	Kane, Ludlow
Mahaffey	
Local:	Curwensville, Mahaffey,
Mahanoy City	
Local:	Frackville, Girardville, Lakewood (Frontier Comm.), Mahanoy City, Shenandoah, Tamaqua
Marchand	
Local:	Marchand, Punxsutawney
Marienville	
Local:	Leeper, Marienville
Marion Center	
Local:	Indiana, Marion Center
Masontown	
Local:	Fairchance, Point Marion, Masontown, McClellandtown, Smithfield, Uniontown
McAdoo	
Local:	Freeland, Hazleton, McAdoo, Tamaqua, Weatherly,

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
McClellandtown	
Local:	Fairchance, Masontown, McClellandtown, Smithfield, Uniontown
McDonald	
Local:	Burgettstown, Canonsburg, Imperial, McDonald, Midway (ALLTEL), Oakdale, Pitb. Subn. Zone 13,
Metropolitan Area	All stations included in Local Area preceding plus the Pittsburgh Exchange and all other Zones of the Pittsburgh Suburban Exchange.
McMurray	
Local:	Canonsburg, Finleyville, McMurray, Pitb. Subn. Zone 12, Pitb. Subn. Zone 13,
Extended Area	All stations included in Local Area preceding plus the Washington exchange.
Metropolitan Area	All stations included in Extended Area preceding plus the Pittsburgh Exchange and all other Zones of the Pittsburgh Suburban Exchange.
McVeytown	
Local:	Lewistown, McVeytown
Mechanicsburg	
Local:	Dillsburg (VERIZON NORTH INC.), Harrisburg Zone 1, Lewisberry (Commonwealth Tel.), Mechanicsburg
Mendenhall	
Local:	Avondale, Hockessin, DE (Verizon), Kemblesville, Kennett Square, Landenberg, Lenape, Mendenhall, Phila. Subn. Zone 10, *Unionville, West Chester, West Grove, Westtown Wilmington,* DE (Verizon)
Metropolitan Area	All Stations included in Local Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Suburban Exchange.

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas (Continued)

Exchange Areas	Local Calling Areas
Mercer	
Local:	Blacktown (Sprint/United), Fredonia (ALLTEL Pa.), Grove City, Mercer, Sharon, S harpsville, Wesley (VERIZON NORTH INC.).
Middletown	
Local:	Elizabethtown (Sprint/United), Harrisburg Zone 1, Harrisburg Zone 2, Hershey (VERIZON NORTH INC.), Hummelstown, Middletown.
Midland	
Local:	Beaver Falls, Hookstown, Midland, Rochester, Smiths Ferry.
Millersville	
Local:	Lancaster, Landisville, Millersville, Mountville (Sprint/United) Strasburg
Millheim	
Local:	Bellefonte, Boalsburg, Centre Hall, Millheim, Spring Mills, State College
Millville	
Local:	Bloomsburg, Millville, Washingtonville
Milton	
Local:	Lewisburg (Buffalo Valley Tel.), Mifflinburg (Buffalo Valley Tel.), Milton, Northumberland, Sunbury, Washingtonville, Watsontown (ALLTEL).
Minersville	
Local:	Frackville, Minersville, New Philadelphia, Orwigsburg, Pottsville, Saint Clair, Schuylkill Haven, Tremont (Commonwealth Tel.).
Monessen	
Local:	Belle Vernon, Charleroi, Donora, Fayette City, Monessen, Monongahela
Monongahela	
Local:	Belle Vernon, Charleroi, Donora, Elizabeth, Finleyville, Monessen, Monongahela
Metropolitan Area	*All stations included in Local Area preceding plus the* Pittsburgh Exchange and Plus all other Zones of the Pittsburgh Suburban Exchange.

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10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
Moosic	
Local:	Moosic, Pittston, Scranton, Taylor, Wyoming
Morrisville	
Local:	Ewing, NJ (Verizon), Morrisville, Newtown, NJ (Verizon), Phila. Subn. Zone 42, Phila. Subn. Zone 43, Phila. Subn. Zone 44, Trenton, Yardley
Metropolitan Area	All Stations included in Local Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Suburban Exchange.
Mortonville	
Local:	Avondale, Coatesville, Downingtown, Exton, Kennett Square, Lenape, Mortonville, Parkesburg, Unionville, West Chester, West Grove, Westtown
Metropolitan Area	All stations included in Local Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Suburban Exchange.
Moscow	
Local:	Hamlin, Moscow, Newfoundland, Scranton, Wallenpaupack
Mountaintop	
Local:	Kingston, Mountaintop, Nanticoke, Nuangola (Commonwealth Tel.), Plymouth Wilkes-Barre
Mount Carmel	
Local:	Ashland, Elysburg, Kulpmont, Mount Carmel, Shamokin
Mount Gretna	
Local:	Annville, Lebanon, Mount Gretna, Palmyra
Mount Jewett	
Local:	Bradford, Kane, Mount Jewett

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
Mount Pleasant	
Local:	Connellsville, Greensbur, Kecksburg (Citizens Tel.), Mount Pleasant, Scottdale, Youngwood
Metropolitan Area	All stations included in Local Area preceding plus the Pittsburgh Exchange and Plus all other Zones of the Pittsburgh Suburban Exchange.
Mount Pocono	
Local:	Cresco, Lords Valley, Mount Pocono, Newfoundland, Stroudsburg
Mount Union	
Local:	Huntingdon, McConnellstown (Sprint/United), Mount Union
Nanticoke	
Local:	Kingston, Mountaintop, Nanticoke, Nuangola (Commonwealth Tel.) *Plymouth, Wilkes-Barre*
Nazareth	
Local:	Allentown, Bath, Bethlehem, Catasauqua, Easton, Nazareth
Nesquehoning	
Local:	Jim Thorpe, Lansford (ALLTEL), Lehighton, Nesquehoning
New Castle	
Local:	Bessemer, Ellwood City, New Bedford (VERIZON NORTH INC.), New Castle, New Wilmington (VERIZON NORTH INC.), Plain Grove (Sprint/United) , Princeton (VERIZON NORTH INC. No.), Volant (Sprint/United), Wampum
New Florence	
Local:	Bolivar, Johnstown (VERIZON NORTH INC.), New Florence

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas (Continued)

Exchange Areas	Local Calling Areas
Newfoundland	
Local:	Cresco, Hamlin, Hawley, Lake Ariel, Lords Valley, Mount Pocono, Moscow, Newfoundland, Wallenpaupack,
New Hope	
Local:	Buckingham, Carversville, Doylestown, Lambertville, New Hope, Newtown, NJ (Verizon), Plumsteadville, Wycombe, Yardley
Metropolitan Area	All stations included in Local Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Suburban Exchange.
New Kensington	
Local:	New Kensington, Pitb. Subn. Zone 20, Springdale, Tarentum
Metropolitan Area	All stations included in Local Area preceding plus the Pittsburgh Exchange and all other Zones of the Pittsburgh Suburban Exchange.
New Philadelphia	
Local:	Minersville, New Philadelphia, Orwigsburg, Pottsville, Saint Clair, Schuylkill Haven, Tamaqua
New Salem	
Local:	Brownsville, New Salem, Republic, Uniontown
Newtown	
Local:	Newtown, Wycombe, Phila. Subn. Zone 40, Yardley, Phila. Subn. Zone 43
Extended Area	All stations included in Local Area preceding plus - Buckingham Phila. Subn. Zone 38, Doylestown, Phila. Subn. Zone 39, Morrisville, Phila. Subn. Zone 42, New Hope, Phila. Subn. Zone 44, Phila. Subn. Zone 37, Phila. Subn. Zone 45
Metropolitan Area	All stations included in Extended Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Suburban Exchange.

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10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
Northampton	
Local:	Allentown, Bath, Bethlehem, Catasauqua, Ironton (Ironton Tel.), Northampton, Slatington
Northumberland	
Local:	Danville, Milton, Northumberland, Sunbury
North Wales	
Local:	Center Point, North Wales, Harleysville, Phila. Subn. Zone 30, Lansdale, Phila. Subn. Zone 33, Line Lexington, Souderton
Extended Area	All stations included in Local Area preceding plus - Collegeville, Phila. Subn. Zone 34, Doylestown, Phila. Subn. Zone 38, Phila. Subn. Zone 31, Phila. Subn. Zone 39, Phila. Subn. Zone 32, Phila. Subn. Zone 45
Metropolitan Area	All stations included in Extended Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Surburban Exchange.
Numidia	
Local:	Bloomsburg, Catawissa, Elysburg, Numidia
Oakdale	
Local:	Imperial, McDonald, Oakdale, Pitb. Subn. Zone 13, Pitb. Subn. Zone 14
Metropolitan Area	All stations included in Local Area Preceding plus the Pittsburgh Exchange and all other Zones of the Pittsburgh Suburban Exchange.
Olyphant	
Local:	Carbondale, Chapman Lake (VERIZON NORTH INC.), Hamlin, Jermyn, Lake Ariel, Olyphant, Scranton, Taylor
Orwigsburg	
Local:	Auburn (VERIZON NORTH INC.), Minersville, New Philadelphia, Orwigsburg, Pottsville, Saint Clair, Schuylkill Haven

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10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
Osceola Mills	
Local:	Clearfied, Houtzdale, Osceola Mills, Philipsburg
Oxford	
Local:	Avondale, Kemblesville, Kirkwood (Commonwealth Tel.), Landenberg, Oxford, West Grove
Palmyra	
Local:	Annville, Harrisburg Zone 1, Hershey (VERIZON NORTH INC.), Hummelstown, Lebanon, Mount Gretna, Palymra
Paris	
Local:	Burgettstown, Paris, Weirton, WV (Verizon)
Parkesburg	
Local:	Atglen (Commonwealth Tel.), Coatesville, Gap (Commonwealth Tel.), Glenmoore, Honey Brook, Mortonville, Parkesburg, West Grove
Parkwood	
Local:	Indiana, Parkwood
Patton	
Local:	Altoona, Barnesboro, Carrolltown, Hastings, Patton
Pennsburg	
Local:	Bally (Conestoga Tel.), Green Lane, Pennsburg, Perkasie, Sassamansville (Conestoga Tel.), SoudertonQuakertown
Perkasie	
Local:	Bedminster, Doylestown, Dublin, Green Lane, Harleysville, Lansdale, Line Lexington, Pennsburg, Perkasie, Plumsteadville, Quakertown, Schwenksville, Souderton
Metropolitan Area	All stations included in Local Area preceding plus the Philadelphia Exchange Plus and all other Zones of the Philadelphia Suburban Exchange.

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
Perryopolis	
Local:	Belle Vernon, Dawson, Fayette City, Perryopolis, Uniontown
Metropolitan Area	All stations in Local Area preceding plus the Pittsburgh Exchange and all other Plus Zones of the Pittsburgh Suburban Exchange.
Philipsburg	
Local:	Clearfield, Frenchville, Houtzdale, Osceola Mills, Philipsburg, Winburne
Phoenixville	
Local:	Chester Springs, Collegeville, Eagle, Pughtown, Phila. Subn. Zone 28, Phila. Subn. Zone 29, Phoenixville, Pughtown, Royersford
Extended Area	All stations included in Local Area preceding plus - Center Point, Phila. Subn. Zone 30, Phila. Subn. Zone 26, Pottstown
Metropolitan Area	All stations included in Extended Area preceding plus the Philadelphia Plus Exchange and all other Zones of the Philadelphia Suburban Exchange.
Pittston	
Local:	Harding (Commonwealth Tel.), Kingston, Moosic, Pittston, Scranton, Taylor, Wilkes-Barre, Wyoming
Plumsteadville	
Local:	Bedminster, Buckingham, Carversville, Doylestown, Dublin, Ferndale (Commonwealth Tel.), Line Lexington, New Hope, Perkasie, Plumsteadville, Quakertown.
Metropolitan Area	All stations included in Local Area preceding plus the Philadelphia Exchange Plus and all other Zones of the Philadelphia Suburban Exchange.
Plymouth	
Local:	Kingston, Mountaintop, Nanticoke, Plymouth Wilkes-Barre,
Point Marion	
Local:	Cheat Lake (Verizon), Fairchance, Masontown, Morgantown, Point Marion, Smithfield, Uniontown, WV (Verizon)

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas (Continued)

Exchange Areas	Local Calling Areas
Portage	
Local:	Cresson, Ebensburg, Johnston, Portage, Southfork
Port Allegany	
Local:	Eldred, Port Allegany, Roulette, Smethport
Pottstown	
Local:	Boyertown (Conestoga Tel.), Collegeville, Douglassville (Conestoga Tel.), Phoenixville, Pottstown, Pughtown, Royersford, Sassamansville (Conestoga Tel.), Schwenksville.
Pottsville	
Local:	Auburn (VERIZON NORTH INC.), Frackville, Friedensburg (VERIZON NORTH INC.), Minersville, New Philadelphia, Orwigsburg, Pottsville, Saint Clair, Schuylkill Haven, Tamaqua
Pughtown	
Local:	Chester Springs, Downingtown, Eagle, Exton, Glenmoore, Green Hills (Conestoga Tel.), Morgantown (Conestoga Tel.), Phoenixville, Pottstown, Pughtown, Royersford
Metropolitan Area	All stations included in Local Area preceding plus the Philadelphia Exchange Plus and all other Zones of the Philadelphia Suburban Exchange.
Punxsutawney	
Local:	Big Run, Marchand, Punxsutawney
Quakertown	
Local:	Bedminister, Dublin, Ferndale (Commonwealth Tel.), Green Lane, Pennsburg, Perkasie, Plumsteadville Quakertown, Souderton, Springtown.
Reading	
Local:	Adamstown (Denver & Ephrata Tel.), Bernville (VERIZON NORTH INC.), Birdsboro (Conestoga Tel.), Fleetwood, Green Hills (Conestoga Tel.), Hamburg, Kutztown, Leesport (Commonwealth Tel.), Morgantown (Conestoga Tel.), Oley (Conestoga Tel.), Reading, Robesonia (VERIZON NORTH INC.), Topton (Conestoga Tel.), Womelsdorf (VERIZON NORTH INC.), Yellow House (Conestoga Tel.).

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Exchange Areas	Local Calling Areas
Renovo	
Local:	Renovo
Republic	
Local:	Brownsville, New Salem, Republic, Uniontown
Rew	
Local:	Bradford, Duke Center (Armstrong No.), Eldred, Limestone, NY (Verizon), Rew, Smethport
Reynoldsville	
Local:	DuBois, Reynoldsville, Sykesville.
Riegelsville	
Local:	Allentown, Bethlehem, Catasauqua, Easton, Ferndale (Commonwealth Tel.), Hellertown, Milford, NJ (Verizon), Phillipsburg, NJ (Verizon), Riegelsville, Springtown, Upper Black Eddy
Rochester	
Local:	Aliquippa, Ambridge, Baden, Beaver Falls, Hookstown, Midland, Rochester.
Metropolitan Area	All stations included in Local Area preceding plus the Pittsburgh Exchange and Plus all other Zones of the Pittsburgh Suburban Exchange.
Roulette	
Local:	Coudersport, Port Allegany, Roulette
Royersford	
Local:	Center Point, Chester Springs, Collegeville, Eagle, Phila. Subn. Zone 29, Phila. Subn. Zone 30, Phoenixville, Pottstown, Pughtown, Royersford, Schwenksville.
Metropolitan Area	All stations included in Local Area preceding plus the Philadelphia Exchange Plus and all other Zones of the Philadelphia Suburban Exchange.
Russell	
Local:	Russell, Warren, Sugar Grove, Youngsville

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10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
Saint Clair	
Local:	Frackville, Pottsville, Minersville, Saint Clair, New Philadelphia, Schuylkill Haven, Orwigsburg
Saxton	
Local:	Hopewell (Sprint/United), Saxton
Schuylkill Haven	
Local:	Auburn (VERIZON NORTH INC.), New Philadelphia, Friedensburg (VERIZON NORTH INC.), Orwigsburg, Minersville,, Pottsville, Saint Clair, Schuylkill Haven
Schwenksville	
Local:	Center Point, Pottstown, Collegeville, Royersford, Green Lane, Sassamansville (Conestoga Tel.), Harleysville, Lansdale, Perkasie, Schwenksville, Phila. Subn. Zone 30, Souderton
Metropolitan Area	All stations included in Local Area preceding plus the Philadelphia Exchange Plus and all other Zones of the Philadelphia Suburban Exchange.
Scottdale	
Local:	Connellsville, Mount Pleasant, Dawson, Scottdale
Metropolitan Area	All stations included in Local Area preceding plus the Pittsburgh Exchange and all other Zones of the Pittsburgh Suburban Exchange.
Scranton	
Local:	Clarks Summit (Commonwealth Tel.), Lake Winola (Commonwealth Tel.), Dalton (Commonwealth Tel.), Moosic, Moscow, Factoryville (Commonwealth Tel.), Olyphant, Pittston, Hamlin, Scranton, Jermyn, Taylor, Lake Ariel, Wyoming
Shamokin	
Local:	Elysburg, Kulpmont, Mount Carmel, Shamokin, Sunbury, Trevorton (TDS-Mahanoy/Mahantango Tel.),
Sharon	
Local:	Mercer, Sharon, Pa., Sharpsville, Sharon, O. (AMERITECH, O.), Transfer (Pymatuning Ind. Tel.), West Middlesex

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
Sharpsville	
Local:	Greenville, Mercer, Sharon, O. (AMERITECH, O.), Sharon, Pa., Sharpsville, , Transfer (Pymatuning Ind. Tel.), West Middlesex
Shenandoah	
Local:	Ashland, Frackville, Girardsville, Mahanoy City, Ringtown (Commonwealth Tel.), Shenandoah
Slatington	
Local:	Allentown, Bath, Bethlehem, Catasauqua, Ironton (Ironton Tel.) New Tripoli (VERIZON NORTH INC.), Northampton, Slatington,
Smethport	
Local:	Bradford, Eldred, Port Allegany, Rew, Smethport,
Smithfield	
Local:	Fairchance, Masontown, McClellandtown, Point Marion, Smithfield, Uniontown
Smiths Ferry	
Local:	Chester, WV. (Verizon), Hookstown, East Liverpool, Midland, O. (AMERITECH, O.), Rochester, Smiths Ferry
Smock	
Local:	Brownsville, Smock, Uniontown
Snow Shoe	
Local:	Bellefonte, Frenchville, Snow Shoe
Souderton	
Local:	Center Point, Collegeville, Doylestown, Dublin, Green Lane, Harleysville, Lansdale, Line Lexington, North Wales, Pennsburg, Perkasie, Quakertown, Schwenksville, Souderton
Metropolitan Area	All stations included in Local Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Exchange.

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10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
Springdale	
Local:	Pitb. Subn. Zone 19, Pitb. Subn. Zone 20 New Kensington, Springdale, Tarentum
Metropolitan Area	All stations included in Local Area preceding plus the Pittsburgh Exchange and all other Zones of the Pittsburgh Suburban Exchange.
Spring Mills	
Local:	Bellefonte, Boalsburg, Centre Hall, Millheim, Spring Mills, State College
Springtown	
Local:	Allentown, Bethlehem, Catasauqua, Easton, Ferndale (Commonwealth Tel.), Hellertown, Milford, NJ (Verizon), Quakertown, Riegelsville, Springtown, Upper Black Eddy
State College	
Local:	Bellefonte, Boalsburg, Centre Hall, Port Matilda ALLTEL), Spring Mills, State College
Strasburg	
Local:	Gap (Commonwealth Tel.), Intercourse (Frontier Comm.), Lancaster, Landisville, Millersville, Quarryville (Commonwealth Tel.), Rawlinsville (Commonwealth Tel.), Strasburg
Stroudsburg	
Local:	Bushkill, Cresco, Lords Valley, Mount Pocono, NJ (Verizon), Saylorsburg (Commonwealth Tel.) Stroudsburg
Sugar Grove	
Local:	Russell, Sugar Grove, Warren, Youngsville
Sunbury	
Local:	Danville, Elysburg, Milton, Northumberland, Selinsgrove (VERIZON NORTH INC.), Shamokin, Sunbury
Sykesville	
Local:	DuBois, Luthersburg (ALLTEL), Reynoldsville, Sykesville

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10.2 Exchange Areas and Local Calling Areas

Exchange Areas		Local Calling Areas
Tamaqua		
	Local:	Lakewood (Frontier Comm.), Lansford (ALLTEL), Mahanoy City, McAdoo, New Philadelphia, Pottsville, Tamaqua
Tarentum		
	Local:	New Kensington, Pitb. Subn. Zone 20, Springdale, Tarentum
	Metropolitan Area	All stations included in Local Area preceding plus the Pittsburgh Exchange and all other Zones of the Pittsburgh Suburban Exchange.
Taylor		
	Local:	Moosic, Olyphant, Pittston, Scranton, Taylor, Wyoming
Tidioute		
	Local:	Endeavor, Tidioute, Tionesta, Warren
Tionesta		
	Local:	Endeavor, Tidioute, Tionesta
Tyrone		
	Local:	Altoona, Bellwood, Tyrone, Warriors Mark (ALLTEL)
Ulysses		
	Local:	Coudersport, Ulysses
Uniontown		
	Local:	Brownsville, Connellsville, Fairchance, Farmington, McClellandtown, Marion, Masontown, New Salem, Point Republic, Smithfield, Smock, Uniontown

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10.2 Exchange Areas and Local Calling Areas (Continued)

Exchange Areas	Local Calling Areas
Unionville	
Local:	Avondale, Coatesville, Kemblesville, Kennett Square, Landenberg, Lenape, Mendenhall, Mortonville, Unionville, West Chester, West Grove, Westtown
Metropolitan Area	All stations included in Local Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Suburban Exchange.
Upper Black Eddy	
Local:	Easton, Ferndale (Commonwealth Tel.), Frenchtown, Milford, NJ (Verizon), NJ (Verizon), Riegelsville, Springtown, Uhlerstown (Commonwealth Tel.), Upper Black Eddy,
Wallenpaupack	
Local:	Hamlin, Hawley, Honesdale, Lake Ariel, Lords Valley, Moscow, Newfoundland, Wallenpaupack
Wampum	
Local:	Beaver Falls, Ellwood City, New Castle, Wampum
Warren	
Local:	Russell, Sugar Grove, Tidioute, Sheffield (ALLTEL), Warren, Youngsville
Washington	
Local:	Avella, Buffalo (VERIZON NORTH INC.), Canonsburg, Claysville, Hickory (Hickory Tel.), McMurray, Taylorstown (VERIZON NORTH INC.), Washington, West Alexander,
Metropolitan Area	All stations included in Local Area preceding plus the Pittsburgh Exchange and all other Zones of the Pittsburgh Suburban Exchange.
Washingtonville	
Local:	Bloomsburg, Danville, Millville, Milton Turbotville (ALLTEL), Washingtonville
Weatherly	
Local:	Freeland, Hazleton, Jim Thorpe, McAdoo, Weatherly, White Haven

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SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
West Alexander	
Local:	Claysville, Washington, West Alexander
West Chester	
Local:	Downingtown, Exton, Lenape, Mendenhall, Mortonville, Phila. Subn. Zone 28, West Chester, Westtown
Extended Area	All Stations included in Local Area preceding plus -Avondale, Phila. Subn. Zone 10, Chester Springs, Phila. Subn. Zone 11, Coatesville, Phila. Subn. Zone 12, Eagle, Phila. Subn. Zone 22, Kennett Square, Landenberg, Unionville, West Grove
Metropolitan Area	All Stations included in Extended Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Suburban Exchange.
West Grove	
Local:	Avondale, Coatesville, Hockessin, DE (Verizon), Kemblesville, Kennett Square, Landenberg, Lenape, Mendenhall, Mortonville, Oxford, Parkesburg, Unionville, West Chester, West Grove, Westtown
West Middlesex	
Local:	Sharon, Pa., Sharpsville, Sharon, O. (AMERITECH, O.), West Middlesex
West Newton	
Local:	Belle Vernon, West Newton, Yukon (Yukon-Waltz Tel.)
Extended Area	All stations included in Local Area preceding plus - Donora, Elizabeth, Herminie, Monessen, Mount Pleasant, Perryopolis, Pitb. Subn. Zone 10, Scottdale
Metropolitan Area	All stations included in Extended Area preceding plus the Pittsburgh Exchange and all other Zones of the Pittsburgh Suburban Exchange.

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SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas

Exchange Areas	Local Calling Areas
Westtown	
Local:	Lenape, Mendenhall, Phila. Subn. Zone 10, West Chester, Westtown
Extended Area	All stations included in Local Area preceding plus - Avondale, Coatesville, Downingtown, Exton, Kennett Square, Landenberg, Mortonville, Phila. Subn. Zone 11, Phila. Subn. Zone 12, Phila. Subn. Zone 22, Phila. Subn. Zone 28, Unionville, West Grove
Metropolitan Area	All stations included in Extended Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Suburban Exchange.
White Haven	
Local:	Freeland, Hazleton, Jim Thorpe Weatherly, White Haven
Wilkes-Barre	
Local:	Center Moreland (Commonwealth Tel.), Dallas (Commonwealth Tel.), Harveys Lake (Commonwealth Tel.), Kingston, Mountaintop, Nanticoke, Nuangola (Commonwealth Tel.), Pittston, Plymouth, Trucksville (Commonwealth Tel.), Wilkes-Barre, Wyoming
Williamsport	
Local:	Jersey Shore, Loyalsock (VERIZON NORTH INC.), Oval (PA Tel.), Trout Run (VERIZON NORTH INC.), Williamsport
Winburne	
Local:	Clearfield, Frenchville, Philipsburg, Winburne
Woolrich	
Local:	Avis, Jersey Shore, Lock Haven, Woolrich

SECTION 10.0 - EXCHANGE AREAS

10.2 Exchange Areas and Local Calling Areas (*Continued*)

Exchange Areas	Local Calling Areas
Wycombe	
Local:	Buckingham, Doylestown, New Hope, Newtown, Phila. Subn. Zone 40, Phila. Subn. Zone 45, Wycombe
Extended Area	All stations included in Local Area preceding plus - Carversville Phila. Subn. Zone 39, Morrisville, Phila. Subn. Zone 43, Phila. Subn. Zone 37, Phila. Subn. Zone 44, Phila. Subn. Zone 38, Yardley
Metropolitan Area	All stations included in Extended Area preceding plus the Philadelphia Exchange and all other Zones of the Philadelphia Suburban Exchange.
Wyoming	
Local:	Kingston, Moosic, Morrisville, New Hope, Newtown, NJ (Verizon), Pittston, Scranton Yardley Ewing, Taylor, Wilkes-Barre, Wyoming, Phila. Subn. Zone 43, Phila. Subn. Zone 44, Phila. Subn. Zone 42, Trenton, NJ (Verizon), Wycombe, Yardley
Metropolitan Area	All stations included in Local Area preceding plus the Philadelphia Exchange mand all other Zones of the Philadelphia Suburban Exchange.
Youngsville	
Local:	Russell, Sugar Grove, Warren, Youngsville
Youngwood	
Local:	Greensburg, Mount Pleasant, Youngwood
Metropolitan Area	All stations in Local Area preceding plus the Pittsburgh Exchange and all other Zones of the Pittsburgh Suburban Exchange.
Zelienople	
Local:	Beaver Falls, Criders Corners (North Pitts. Tel.), Ellwood City, Evans City (Sprint/United), Zelienople

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SECTION 11.0 - MISCELLANEOUS SERVICES

1.1 INTRALATA TOLL PRESUBSCRIPTION

(A) IntraLATA toll presubscription is a procedure whereby a customer designates to the Telephone Company the IntraLATA Toll Provider ("ITP") which the customer wishes to be the carrier of choice for intraATA toll calls. Such calls are automatically directed to the designated carrier without the need to use carrier access codes of additional dialing to direct the calls to the designated carrier. IntraLATA presubscription does not prevent a customer, who has presubscribed to an IntraLATA toll carrier, from using carrier access codes or additional dialing to direct calls to an alternative intraLATA toll carrier on a per call basis.

Each carrier will have one or more access codes assigned to it for various types of service. When an end user selects a carrier as its preferred intraLATA toll provider, only one access code of that carrier may be incorporated into the switching system of the Telephone Company permitting access to that carrier by the end user without dialing an access code. Should the same end user wish to use other services of the same carrier, it will be necessary for the end user to dial the necessary access code(s) to reach that carrier's other service(s).

An ITP must use Feature Group D ("FGD") Switched Access Service to qualify as an intraLATA toll provider unless prior arrangements have been made with or by the Telephone Company. IntraLATA toll providers must submit an Access Service Request (ASR) prior to the intraLATA toll presubscription conversion date or prior to the date on which the carrier proposes to begin participating in IntraLATA toll presubscription, unless prior arrangements have been made with the Telephone Company.

Selection of an intraLATA toll provider by an end user is subject to the terms and conditions following.

(B) At the option of the ITP, the nonrecurring charge of a change in intraLATA toll presubscription, as provided, herein, may be billed to the ITP, instead of the end user. This may involve charges resulting from end-user initial free choice PIC changes, as specified in C.1 following.

This option for the ITP to be billed for the PIC change charge instead of the end user is not available for orders placed directly via the Telephone Company's Business Offices.

(C) Presubscribed Charge Application

(1) Existing end users may exercise an initial free presubscribed choice, either by contacting the Telephone Company or by contacting the ITP directly. The initial free choice must be made within 90 days following implementation of intraLATA toll presubscription. The charge for the initial free choice change will be billed to the new ITP at the discretion of the Telephone Company. End users' choices which constitute exercising the free initial choice are:

- Designating an ITP as their primary carrier thereby requiring no access code to access that ITP's service. Other carriers are accessed by dialing 10XXX, 101XXXX, or other required codes.

- Choosing no carrier as a primary carrier thus requiring 10XXX or 101XXXX code dialing to access all ITPs. This choice can be made by directly contacting the Telephone Company.

Following an existing end user's initial free selection, any subsequent selection made during the first 90 days after presubscription or any change made more than 90 days after presubscription is implemented is subject to a nonrecurring charge as set forth herein.

(2) New end users who subscribe to service after the presubsciption implementation date (including an existing customer who orders an additional line) will be asked to select a primary ITP when they place an order for Telephone Company Exchange Service. If a customer cannot decide upon an intraLATA toll carrier at the time, the Telephone Company may extend a 30-day period following completion of the service request to make an intraLATA PIC choice without charge. In the interim, the customer will be assigned a "No-PIC" and will have to dial an access code to make intraLATA toll calls.

Initial free selections available to new end users are:

- Designating an ITP as their primary carrier thereby requiring no access code to access that ITP's service. Other carriers are accessed by dialing 10XXX, 101XXXX, or other required codes.

- Choosing no carrier as a primary carrier thus requiring 10XXX or 101XXXX code dialing to access all ITPs. This choice can be made by directly contacting the Telephone Company. In addition, new users that do not select a preferred carrier will be assigned a "No-PIC"

(3) If an ITP elects to discontinue Feature Group D service after implementation of the intraLATA toll presubscription option, the ITP is obligated to contact, in writing, all end users who have selected the canceling ITP as their preferred intraLATA toll provider. The ITP must inform the end users that it is canceling its Feature Group D service, request that the end user select a new ITP, and state that the canceling ITP will pay the PIC change charge as provided herein. The ITP must provide written notification to the Telephone Company that this activity has taken place.

Following the ITP's discontinuance of service, the Telephone Company will bill the canceling ITP the change charge for each end user that is currently designated to the ITP at the time of discontinuance.

(4) An unauthorized PIC change is a change in the presubscribed intraLATA toll provider

that the end user denies authorizing. PIC disputes for end users are resolved through an investigative process.

If an unauthorized change in intraLATA presubscription occurs, the ITP making the unauthorized change will be assessed a charge for unauthorized change in presubscription as provided in G.2 following. In addition, the ITP will be assessed the applicable charge for returning the end userto their preferred intraLATA toll provider.

If an unauthorized change in intraLATA toll presubscription and interLATA presubsciption occurs at the same time, on the same Business/Residence line, and the presubscribed ITP is the same carrier for intraLATA and interLATA, presubscription change charges as provided herein and the Telephone Company's corresponding F.C.C. Access Tariff apply. In addition, the ITP will be assessed the applicable charges for returning the end user to their preferred intraLATA toll provider as herein and in the Telephone Company's corresponding F.C.C. Tariff.

(D) Equal Access Recovery Charge

The Equal Access Recovery Charge is a charge to recover the costs that the Company has directly incurred in connection with the implementation of intraLATA toll presubscription. The Equal Access Recovery Charge is billed to intraLATA toll providers.

(E) End User Charge Discrepancy

(1) When a discrepancy is determined regarding an end user's designation of a preferred intraLATA toll carrier, the following applies depending upon the situation described:

- A signed letter of authorization takes precedence over any order other than subsequent, directo customer contact with the Telephone Company.

- When two or more orders are received for an end user line generated by telemarketing, the date field on the mechanized record used to transmit PIC change information will be used as the PIC authorization date. The order with the latest application date/time determines customer choice.

- If an end user denies requesting a change in intraLATA toll presubscription as submitted by an ITP, and the ITP is unable to produce a letter of authorization, signed by the end user, the ITP will be assessed all applicable change charges. The nonrecurring change charges are provided herein. The ITP will also be assessed the intraLATA toll presubscription change charge as specified herein, which was previously billed to the end user.

(2) Verification of Orders for Telemarketing

Neither the ITP or the Telephone Company shall submit a PIC change order generated by outbound telemarketing unless and until the order has first been confirmed in accordance with the F.C.C.'s current anti-slamming practices and procedures.

(F) PIC Switchback Option-Business/Residence

PIC Switchback is an option under which no investigation activities are performed by the Telephone Company when an end user denies requesting a change in primary carrier submitted by the ITP. The ITP participating in PIC Switchback will be billed the PIC Switchback Charge, and the presubscription change charge, as specified herein, to switch the end user to the end user's previous carrier.

When the Telephone Company is contacted by an end user who denies requesting a change in ITP primary carrier, the end user will be credited the charge assessed for the disputed change in carrier, and will be switched back to the previous ITP at no charge. If this service is made available by the Telephone Company, ITPs may subscribe to or cancel PIC Switchback Service 30 days notice to the Telephone Company be submitting a written request. A letter of authorization from the ITP will not be request or accepted at a later date in the event of dispute of the charges assessed under the PIC Switchback option.

This option in no way relieves the ITP of the F.C.C. requirements for:

- Verifying all PIC orders obtained by outbound telemarketing prior to submitting those orders, or

- Instituting steps to obtain verification of orders submitted to the Telephone Company.

In addition, the end user has the option of initiating a complaint to the F.C.C. or the Public Utility Commission concerning unauthorized changes in carrier.

SECTION 12.0 - TELEPHONE MESSAGE SERVICES

12.1 Telephone Message Services

12.1.1 Notice: Any telephone message service that provides a commercial, informational, public service or other message for a specific charge billed to the caller by a local phone company, prior to the presentation of the message, shall warn the caller that the cost of the call will be charged and that the charge will be itemized on the caller's telephone bill. In the event the message requested contains explicit sexual material, the warning preceding the message shall also inform the caller the message contains explicit sexual material.

12.1.2 Intrastate Services: Before any call can be completed to a telephone message service containing explicit sexual material, the caller shall have first obtained an access code number or other personal identification number consisting of not less than nine digits from the telephone message service through written application to the telephone message service. This access code number or personal identification number must be presented to the telephone message service after the warning message and in order to complete the call.

12.1.3 Dissemination to Minors: Access codes or personal identification numbers obtained to complete calls containing explicit sexual material as defined in 18 Pa.C.S. §5903 (relating to obscene and other sexual materials) shall not be issued to a minor. Telephone message services shall exercise all reasonable methods to ascertain that the applicant is not a minor.

12.1.4 Telephone Company Duties: Every local telephone company and competitive interexchange telephone service shall list all telephone message service calls on the customer telephone bill and shall designate the type or title of message obtained. In addition, the telephone company shall provide, upon request, at no cost to the consumer, the name and address of any telephone service provider. All telephone companies shall include in their telephone message service tariffs, whether provided through the 976 exchange or otherwise, or in any contract with such telephone message service sponsor, a clause requiring compliance with this section as a condition for continuation of the service.

12.1.5 Costs of Service:

(A) All costs relating to this section shall be borne solely by the telephone message service.

(B) All telephone message services shall provide, in writing, to all telephone companies and competitive interexchange telephone companies providing service in this Commonwealth, their complete telephone number or numbers, including area codes and type or title of service provided. This information shall be provided at the time of newly established service, change in service and annually.

SECTION 12.0 - TELEPHONE MESSAGE SERVICES

12.1 Telephone Message Services (Cont'd.)

12.1.6 Blocking Access: Every telephone company shall, except to the extent that written authorization is required by a customer for availability of access to all or certain types of telephone message services, provide to customers the option of having access to such telephone message services blocked. The telephone company may not charge the customer any fee or other cost for blocking access to availability of telephone message services unless such telephone company has already provided such blocking to the customer without fee.

12.1.7 Enforcement:

(A) The Commission shall promulgate rules or regulations to ensure the compliance of telephone companies providing messages covered by this section.

(B) The failure of a telephone company to comply with this section shall be a violation of this section and the telephone company shall be subject to enforcement proceedings pursuant to Section 502 (relating to enforcement proceedings by Commission).

(C) Failure of a telephone message service to comply with this section shall be a violation of the act of December 17, 1968 (P.L. 1224, No. 387), known as the Unfair Trade Practices and Consumer Protection Law, and 18 Pa.C.S. Ch. 39 (relating to theft and related offenses).

12.2 Dissemination of Telephone Numbers and Other Identifying Information:

12.2.1 General Rule: Notwithstanding any other provision of law, but subject to the provisions of this title, any telephone call identification service offered in this Commonwealth by a public utility or by any other person, partnership, association or corporation that makes use of the facilities of a public utility shall be lawful if it allows a caller to withhold display of the caller's telephone number and other identifying information on both a per-call and per-line basis from the telephone instrument of the individual receiving the telephone call.

12.2.2 Charge Prohibited: There shall be no charge to the caller who requests that the caller's telephone number and other identifying information be withheld on a per-call basis. The commission may approve a charge to the caller who requests that the caller's telephone number and other identifying information be withheld on a per-line basis if the commission finds, after notice to all customers and an opportunity for hearing, that the charge is just and reasonable and that the charge should be imposed on the caller. Tariff rates shall not apply to victims of domestic violence receiving services from a domestic violence program or protected by a court order nor to social welfare agencies, such as women's shelters, health and counseling centers, public service hotlines and their staffs. In addition, the commission shall direct that the tariff rates shall not apply to customers who order the per-line blocking service within 60 days of its introduction or within 60 days of any request for new telephone service or transfer of existing

SECTION 12.0 - TELEPHONE MESSAGE SERVICES

12.2 *Dissemination of Telephone Numbers and Other Identifying Information (Cont'd.)*

12.2.3 Notice: A public utility offering a call identification service shall notify its subscribers that their calls may be identified to a called party at least 60 days before the service is offered and shall clearly advise its subscribers of their ability to withhold their telephone number and other identifying information on both a per-call and a per-line basis. The form of the required notices must be approved by the commission.

12.2.4 Exceptions: Notwithstanding any other provision of law, but subject to the provisions of this title, provision of any of the following caller identification services shall be lawful even if the caller cannot withhold display of the caller's telephone number and other identifying information from the instrument of the individual receiving the telephone call:

(A) An identification services which is used within the same limited system, including a Centrex or private branch exchange (PBX) system, as the recipient telephone.

(B) An identification service which is used on a public agency's emergency telephone line or on the line which receives the primary emergency telephone number 911.

(C) An identification service provided in connection with any "800" or "900" access code telephone service until the public utility develops the technical capability to comply with subsection (a), as determined by the commission. Until such capacity is developed, telephone subscribers shall be notified annually by the public utility that use of an "800" or "900" number may result in the disclosure of the subscriber's telephone number or other identifying information to the called party.

(D) An identification service for which the identification information is a necessary component of the communication being conveyed and for which, without such information, the called party would not reasonably be able to act upon or otherwise use the other portions of the communication. This exception is intended to cover services, such as health alert, home monitoring and other similar telemetry services.

SECTION 13.0 - RESERVED FOR FUTURE USE

13.1 [Reserved for Future Use]

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SECTION 14.0 - PROMOTIONAL OFFERINGS / CONTRACTS & ICB

14.1 Special Promotions

The Company may from time to time engage in special promotional trial service offerings of limited duration (not to exceed ninety days on a per Customer basis for non-optional, recurring charges) designed to attract new subscribers or to increase subscriber awareness of a particular tariff offering. Customers will be notified of promotions via bill inserts and advertising campaigns. Requests for promotional offerings will be presented to the Commission on one (1) day notice for its review and will be included in the Carrier's tariff as an addendum to the Carrier's price lists.

14.2 Contract Rates / Individual Case Basis (ICB) Arrangements

In lieu of the rates otherwise set forth in this tariff, rates and charges, including minimum usage, installation, special construction and recurring charges for Carrier's services may be established at negotiated rates on an individual case basis (ICB). ICB rates, terms and conditions will be set forth in individual Customer contracts. However, unless otherwise specified, the terms, conditions, obligations and regulation set forth in this tariff shall be incorporated into, and be part of, said contract, and shall be binding on Carrier and Customer. Specialized rates or charges will be made available to similarly situated customers on a non-discriminatory basis.

Exhibit D

Form 10-Q for the quarter ended March 31, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 2005	Commission File Number: 0-10211

INTER-TEL, INCORPORATED

Incorporated in the State of Arizona	I.R.S. No. 86-0220994

1615 S. 52nd Street
Tempe, Arizona 85281

(480) 449-8900

Title of Class	Outstanding as of March 31, 2005
Common Stock, no par value	26,709,745

ıdicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 5(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods ıat the registrant was required to file such reports), and (2) has been subject to such filing requirements ır the past 90 days. Yes ☑ No ☐

ıdicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).
es ☑ No ☐

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INTER-TEL, INCORPORATED AND SUBSIDIARIES

ART I. FINANCIAL INFORMATION

TEM 1. FINANCIAL STATEMENTS
NTER-TEL, INCORPORATED AND SUBSIDIARIES
ONDENSED CONSOLIDATED BALANCE SHEETS

n thousands, except share amounts)	March 31, 2005 (Unaudited)	December 31 2004 (Note A)
ASSETS		
CURRENT ASSETS		
Cash and equivalents	$ 125,824	$ 152,330
Short-term investments	55,314	52,644
TOTAL CASH AND SHORT-TERM INVESTMENTS	181,138	204,974
Accounts receivable, net of allowances of $9,442 in 2005 and $9,921 in 2004	42,938	45,176
Inventories	19,299	16,055
Net investment in sales-leases, net of allowances of $861 in 2005 and $886 in 2004	18,160	17,151
Income taxes receivable	6,102	4,017
Deferred income taxes	11,651	9,905
Prepaid expenses and other assets	8,706	7,194
TOTAL CURRENT ASSETS	287,994	304,472
LONG-TERM INVESTMENTS	5,900	9,900
PROPERTY, PLANT & EQUIPMENT	28,848	27,840
GOODWILL	26,460	19,890
PURCHASED INTANGIBLE ASSETS	26,870	10,987
NET INVESTMENT IN SALES-LEASES, net of allowances of $1,960 in 2005 and $1,810 in 2004	35,781	33,877
TOTAL ASSETS	$ 411,853	$ 406,966
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 32,274	$ 30,801
Accrued dividends payable on common stock	28,846	1,829
Other current liabilities	42,960	50,367
TOTAL CURRENT LIABILITIES	104,080	82,997
DEFERRED TAX LIABILITY	65,975	65,234
LEASE RECOURSE LIABILITY	12,721	12,241
OTHER LIABILITIES	7,018	7,063

SHAREHOLDERS' EQUITY		
Common stock, no par value-authorized 100,000,000 shares; issued–27,161,823 shares; outstanding–26,709,745 at March 31, 2005 and 26,125,799 shares at December 31, 2004	119,933	116,598
Retained earnings	106,240	134,455
Accumulated other comprehensive income	1,388	924
	227,561	251,977
Less: Treasury stock at cost – 452,078 shares at March 31, 2005 and 1,036,024 shares at December 31, 2004	(5,502)	(12,546
TOTAL SHAREHOLDERS' EQUITY	222,059	239,431
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 411,853	$ 406,966

ee accompanying notes.

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NTER-TEL, INCORPORATED AND SUBSIDIARIES

ONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

n thousands, except er share amounts)	Three Months Ended March 31, 2005	2004
NET SALES		
Telecommunications systems, software and related	$ 92,659	$86,049
Resale of local, long distance and network services	13,048	11,982
TOTAL NET SALES	105,707	98,031
COST OF SALES		
Telecommunications systems, software and related	43,397	38,875
Resale of local, long distance and network services	8,256	7,058
TOTAL COST OF SALES	51,653	45,933
GROSS PROFIT	54,054	52,098
Research and development	8,455	6,035
Selling, general and administrative	38,723	35,004
Amortization of purchased intangible assets	762	445
Write-off of in-process research and development costs	2,600	—
	50,540	41,484
OPERATING INCOME	3,514	10,614
Interest and other income	947	506
Foreign currency transaction gains (losses)	53	(161
Interest expense	(23)	(46
INCOME BEFORE INCOME TAXES	4,491	10,913
INCOME TAXES	2,556	4,093
NET INCOME	$ 1,935	$ 6,820
NET INCOME PER SHARE — BASIC	$ 0.07	$ 0.27
NET INCOME PER SHARE — DILUTED	$ 0.07	$ 0.25
DIVIDENDS PER SHARE	$ 1.08	$ 0.07
Average number of common shares outstanding — Basic	26,373	25,543

Average number of common shares outstanding — Diluted	27,788	27,35(

ee accompanying notes.

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NTER-TEL, INCORPORATED AND SUBSIDIARIES

ONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

n thousands)	Three Months Ended March 31, 2005	2004
OPERATING ACTIVITIES		
Net income	$ 1,935	$ 6,820
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of fixed assets	2,253	1,881
Amortization of patents included in R&D expenses	55	55
Amortization of purchased intangible assets	762	445
Purchased in-process research and development	2,600	
Provision for losses on receivables	481	429
Provision for losses on leases	769	1,045
Provision for inventory valuation	243	191
Decrease in other liabilities	(165)	(996
Loss on sale of property and equipment	19	—
Deferred income taxes	494	4,928
E-Rate settlement	(8,461)	—
Changes in operating assets and liabilities	(3,392)	1,122
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(2,407)	15,920
INVESTING ACTIVITIES		
Purchases of short-term investments	(10,269)	(19,989
Maturities and sales of short-term investments	11,599	22,383
Additions to property, plant and equipment	(2,218)	(1,219
Proceeds from disposal of property, plant and equipment	4	8
Cash used in acquisitions	(27,579)	—
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(28,463)	1,183
FINANCING ACTIVITIES		
Cash dividends paid	(1,829)	(1,525
Payments on term debt	(11)	(17
Proceeds from exercise of stock options	5,740	3,240
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,900	1,698
EFFECT OF EXCHANGE RATE CHANGES	464	292

INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(26,506)	19,093
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	152,330	115,197
CASH AND EQUIVALENTS AT END OF PERIOD	$125,824	$134,290

ee accompanying notes.

ITER-TEL, INCORPORATED AND SUBSIDIARIES

OTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
larch 31, 2005

OTE A—BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in onformity with U.S. generally accepted accounting principles applicable to interim financial information nd with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include ll of the information and footnotes required by generally accepted accounting principles for complete nancial statements. In the opinion of management, all adjustments (consisting of normal recurring ccruals) considered necessary for a fair presentation of the results for the interim periods presented have een included. Operating results for the quarter ending March 31, 2005 are not necessarily indicative of ie results that may be expected for the year ended December 31, 2005. The balance sheet at ecember 31, 2004 has been derived from the audited financial statements at that date, but does not iclude all of the information and footnotes required by accounting principles generally accepted in the nited States for complete financial statements. For further information, refer to the consolidated financial tatements and notes thereto included in the Company's annual report on Form 10-K for the year ended ecember 31, 2004.

Certain prior year amounts have been reclassified to conform with the current period presentation.

tock-Based Compensation

In 2002, the Financial Accounting Standards Board ("FASB") issued Statement No. 148 "Accounting fo tock-Based Compensation—Transition and Disclosure, an amendment of FASB Statement No. 123" SFAS No. 148"), which provides alternative methods of transition for an entity that voluntarily changes to ie fair value based method of accounting for stock-based employee compensation. It also amends the isclosure provisions of SFAS No. 123 to require prominent disclosure about the effects on reported net icome of an entity's accounting policy decisions with respect to stock-based employee compensation. inally, this statement amends APB Opinion No. 28, "Interim Financial Reporting," to require disclosure bout those effects in interim financial information. We adopted SFAS No. 148 in the fourth quarter of 002. Since we have not changed to a fair value method of stock-based compensation, the applicable ortion of this statement only affects our footnote disclosures.

We do not recognize compensation expense relating to employee stock options because we only grant ptions with an exercise price equal to the fair value of the stock on the effective date of grant. At larch 31, 2005, the Company has four stock-based employee and director incentive plans and an mployee stock purchase plan. The Company accounts for these plans under the recognition and ieasurement principles of APB No. 25, "Accounting for Stock Issued to Employees," and related iterpretations. Stock-based employee compensation costs are not reflected in net income, as all options ranted under the plans had an exercise price equal to the market value of the underlying common stock n the date of grant. If we had elected to recognize compensation expense using a fair value approach, nd therefore determined the compensation based on the value as determined by the modified Black-choles option pricing model, the pro forma net income and earnings per share would have been as ›llows:

n thousands, except er share amounts)	Three Months Ended March 31, 2005	2004
Net income, as reported	$ 1,935	$ 6,82C
Deduct: total stock-based compensation expense, determined under fair value based method for all awards, net of tax	(859)	(783
Pro forma net income	$ 1,076	$ 6,037
Earnings per share of common stock:		
Basic – as reported	$ 0.07	$ 0.27
Basic – pro forma	$ 0.04	$ 0.24
Diluted – as reported	$ 0.07	$ 0.25
Diluted – pro forma	$ 0.04	$ 0.22

Pro forma results disclosed are based on the provisions of SFAS 123 using the Black-Scholes option aluation model and are not likely to be representative of the effects on pro forma net income for future ears. In addition, the Black-Scholes option valuation model was developed for use in estimating the fair alue of traded options, which have no vesting restrictions and are fully transferable. In addition, option aluation models require the input of highly subjective assumptions including the expected stock price olatility. Because our stock options have characteristics significantly different from those of traded ptions, and because changes in the subjective input assumptions can materially affect the fair value stimate, in our opinion, the estimating models do not necessarily provide a reliable single measure of the ir value of our stock options. The option pricing model utilized the following weighted average ssumptions for 2005 and 2004: risk free interest rates of 3.73% for 2005 and 2.81% for 2004; dividend ields of 1.31% for 2005 and 0.82% for 2004; volatility factors of the expected market price of our stock veraged 0.45 for 2005 and 0.46 for 2004. Employee stock options granted through March 31, 2005 vest ver four to five year periods and director options vest at the end of six months from the grant date.

On April 26, 2005, the Compensation Committee of the Board of Directors of Inter-Tel, with the pproval of the board of directors, approved the acceleration of the vesting of certain unvested stock ptions previously granted to employees under the Company's 1994 Long Term Incentive Plan, 1997 ong Term Incentive Plan and the Acquisition Stock Option Plan. With the exception of any options ranted to all Directors and Named Executive Officers, all unvested options with exercise prices greater ian the closing price as of the close of the Nasdaq stock market on May 3, 2005 ($19.13) became xercisable in full. Such options would otherwise have vested from time to time over the next five years. pproximately 617,000 options were accelerated at grant prices ranging from $19.16 to $31.58. All other rms and conditions applicable to outstanding stock option grants, including the exercise prices and umber of shares subject to the accelerated options, were unchanged. The stock option agreements with espect to the options will be amended accordingly.

The Board of Directors considered several factors in determining to accelerate the vesting of these ptions, including the effect on the Company's reported stock option expense in future periods, dministrative burden required to track and account for the vesting periods under new accounting rules nd the potential benefit to the Company and its shareholders in retaining the services of the affected mployees. As currently drafted, Statement of Financial Accounting Standards No. 123 (Revised 2004) or FAS 123R will require the Company to treat unvested stock options as an expense effective with the scal quarter ending March 31, 2006.

ontingencies

We are a party to various claims and litigation in the normal course of business. Management's current stimated range of liability related to various claims and pending litigation is based on claims for which our anagement can estimate the amount and range of loss. Because of the uncertainties related to both the mount and range of loss on the remaining pending claims and litigation, management is unable to make reasonable estimate of the liability that could result from an unfavorable outcome. As

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dditional information becomes available, we will assess the potential liability related to our pending :igation and revise our estimates. Such revisions in our estimates of the potential liability could materially npact our results of operations and financial position.

On January 5, 2005, the Company received court approval of a civil settlement agreement (the "Civil ettlement") and a criminal plea agreement (the "Plea Agreement") with the United States of America, ach dated as of December 8, 2004 and disclosed on that same date. The court approval of the Civil ettlement and Plea Agreement resolves the investigation of the Department of Justice into the articipation of Inter-Tel Technologies, Inc., the Company's wholly-owned subsidiary ("Technologies") in a ederally administered "E-Rate program" to connect schools and libraries to the Internet. In connection ith the Civil Settlement, Technologies agreed to pay a penalty of $6,740,450 and forego the collection of ertain accounts receivable of $259,540 related to Technologies' participation in the E-Rate program. In onnection with the Plea Agreement, Technologies entered guilty pleas to charges of mail fraud and an ntitrust violation. Under the Plea Agreement, Technologies agreed to pay a fine of $1,721,000 and bserve a three-year probationary period, which will, among other things, require Technologies to nplement a comprehensive corporate compliance program. The penalties and fines described above ere paid during the first quarter of 2005.

In addition, on January 21, 2005, Inter-Tel Technologies received notification from the Federal ommunications Commission that Technologies was temporarily suspended from participation in the E-ate program pending a proposed debarment. Technologies has contested the scope and length of the roposed debarment from the E-Rate program, but there can be no assurance that Technologies will be uccessful in this regard. Revenues in 2004 relating to Technologies' participation in the E-Rate program ere not significant.

The existence and disclosure of the Civil Settlement, Plea Agreement and FCC Notice may have lready caused competitive harm to Inter-Tel, and these matters may further harm Inter-Tel's business.

ıventories

We value our inventories at the lower of cost (principally on a standard cost basis, which approximates ıe first-in, first-out (FIFO) method) or market.

:ecent Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123R *"Share Based Payment."* This statement is a evision to SFAS No. 123, supersedes APB No. 25, *"Accounting for Stock Issued to Employees,"* and mends SFAS No. 95, *"Statement of Cash Flows."* This statement will require us to expense the cost of mployee services received in exchange for an award of equity instruments. This statement also provides uidance on valuing and expensing these awards, as well as disclosure requirements, and is effective for ıter-Tel for the first interim reporting period that begins January 1, 2006. SFAS No. 123R permits public ompanies to choose between the following two adoption methods:

1. A "modified prospective" method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS No. 123R for all share-based payments granted after the effective date and (b) based on the requirements of SFAS No. 123 for all awards granted to employees prior to the effective date of SFAS No. 123R that remain unvested on the effective date, or

2. A "modified retrospective" method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under SFAS No. 123 for purposes of pro forma disclosures either (a) all prior periods presented or (b) prior interim periods of the year of adoption.

As permitted by SFAS No. 123, we currently account for share-based payments to employees using ie APB No. 25 intrinsic value method and recognize no compensation cost for employee stock options or ie employee stock purchase plan shares. As proposed, companies would be required to recognize an xpense for compensation costs related to share-based payment arrangements, including stock options nd employee stock purchase plans. The impact of the adoption of SFAS No. 123R cannot be predicted a ıis time because it will depend on levels of share-based payments granted in the future. However, aluation of employee stock options under SFAS No. 123R is similar to SFAS No. 123, with some xceptions. For information about what our reported results of operations and earnings per share would ave been had we adopted SFAS No. 123, see the table above under the heading "Stock Based ompensation." The adoption of SFAS No. 123R's fair value method will have a significant impact on our esults of operations, although it will have no impact on our overall financial position. Due to timing of the elease of SFAS No. 123R, we have not yet completed the analysis of the ultimate impact that this new ronouncement will have on the results of operations, nor the method of adoption for this new standard.

OTE B—EARNINGS PER SHARE

Diluted earnings per share assume that outstanding common shares were increased by shares suable upon the exercise of all outstanding stock options for which the market price exceeds exercise rice, less shares which could have been purchased with related proceeds, if the effect would not be ntidilutive.

he following table sets forth the computation of basic and diluted earnings per share:

n thousands, except er share amounts)	Three Months Ended March 31, 2005	2004
Numerator: Net income	$ 1,935	$ 6,82C
Denominator:		
Denominator for basic earnings per share – weighted average shares	26,373	25,543
Effect of dilutive securities:		
Employee and director stock options	1,415	1,807
Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversions	27,788	27,35C
Basic earnings per share	$ 0.07	$ 0.27
Diluted earnings per share	$ 0.07	$ 0.25
Options excluded from diluted net earnings per share calculations (1)	69	49

(1) At March 31, 2005 and 2004, options to purchase 69,000 and 49,000 shares, respectively, of Inter-Tel tock were excluded from the calculation of diluted net earnings per share because the exercise price of ıese options was greater than the average market price of the common shares for the respective fiscal

ears, and therefore the effect would have been antidilutive.

OTE C – ACQUISITIONS, TECHNOLOGY INVESTMENTS AND RESTRUCTURING CHARGES

Lake. On February 28, 2005, Inter-Tel Lake Ltd., a wholly owned Irish subsidiary of Inter-Tel ıcorporated ("Inter-Tel") executed an agreement for the purchase of 100% of the issued share capital of ake Communications Limited and certain affiliated entities (collectively, "Lake") for $28.7 million ncluding capitalized transaction costs of $0.7 million), plus an earn-out of up to $17.6 million based upon ertain targets relating to operating results for Lake through the first eighteen months following the closing ate of the transaction. The transaction closed out of escrow on March 4, 2005 upon the release from scrow of closing documentation. In total, the company recorded $19.3 million of intangible assets of 'hich $2.6 million was charged to expense in the first quarter of 2005 as in-process research and evelopment costs with the balance being amortized over eight years. Additionally we recorded 6.6 million of goodwill, which is non-amortizable.

ake, based in Dublin, Ireland, is a provider of converged communications products in the under 40 user ıarket, including EncoreCX® products currently being distributed by Inter-Tel in the United States. Lake esigns and develops its products for sale through a distribution network of telecom operators and istributors, including Inter-Tel in the United States. Lake outsources its manufacturing to third-party uppliers. For more than a year, Lake has sold certain communication products to the company in the rdinary course of business.

New Sales Offices in 2004. In January, July and October 2004, we acquired certain assets and ssumed certain liabilities relating to the customer bases of former dealers in Nashville and Memphis, ennessee; Greenville, South Carolina; Pittsburgh, Pennsylvania and Las Vegas, Nevada. The total ssets acquired and liabilities assumed from these acquisitions were approximately $1.7 million and 0.4 million, respectively. Purchased intangibles and goodwill recorded as a result of the transactions ›taled $0.9 million and $2.7 million, respectively. The goodwill is non-amortizable. The balances included ı other purchased intangible assets are being amortized over a period of five years from the date of each cquisition.

New Technology Investments in 2004. In October 2004, the Company acquired certain assets and ssumed certain liabilities of Converging Technologies, Inc. The acquired assets primarily include Web-ased conferencing solutions, notably Linktivity® software. Tangible assets acquired, liabilities assumed nd purchased intangibles (all technology related) acquired were $0.5 million, $0.3 million and 3.0 million, respectively. The purchased intangible is being amortized over five years. Also in ıctober 2004, the Company obtained a license of intellectual property from eDial, a division of Alcatel SA Marketing, Inc. for a total price of $1.0 million. The eDial intangible is being amortized over five years

New Sales Office in 2003. In connection with opening a new sales office in Philadelphia, Pennsylvanis uring December 2003, we acquired certain assets and assumed certain liabilities relating to a customer ase of a former dealer. The total assets acquired and liabilities assumed were approximately $0.6 million nd $0.9 million, respectively. Total goodwill and purchased intangibles recorded as a result of the ansaction were $0.2 million and $0.1 million, respectively. The goodwill balance is non-amortizable. The alance included in the $0.1 million in other purchased intangible assets is being amortized over a period f five years.

Technology Investment in 2003. In connection with the acquisition of the rights to certain developed ›chnology for a capitalized purchase price of $2.25 million (included in purchased intangible assets) uring the year ended December 31, 2003, the Company entered into an arrangement with the selling ntity under which the selling entity would perform additional development activities on a cost ›imbursement basis through August 15, 2004. Under the terms of the arrangement, the selling entity ɔuld also earn bonus payments totaling up to $1,000,000 for meeting certain development milestones. lilestone bonuses totaling $750,000 for the year ended December 31, 2004 were achieved and expensec s research and development costs. Technological feasibility of the underlying technology has not yet een achieved to provide for viable product sales. As of March 31, 2005, the remaining milestone bonus o 250,000 is dependent on future events and is not considered to be probable or reasonably estimable. he following table summarizes details of the expenses in connection with this technology investment ›corded during the respective periods:

n thousands)	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Milestone bonus payments	$ —	$ 250
Development activities on a cost reimbursement basis	—	259
Totals	$ —	$ 509

The values for acquired developed technology were determined based on the negotiated prices paid to cquire the technology. Each of our technology acquisitions was made primarily to acquire a specific echnology, rather than for the purpose of acquiring an operating company. The technologies acquired ave been used to add additional features/applications to our current products, sold separately as new roducts or obtained primarily for use with our next generation of products.

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The weighted-average amortization period for total purchased intangibles as of March 31, 2005 and ecember 31, 2004 was approximately 7.45 years and 6.8 years for each period, respectively. The eighted-average amortization period as of March 31, 2005 and December 31, 2004 for developed ›chnology was approximately 7.22 and 7.0 years for each period, respectively, and 7.75 and 5.0 years ›spectively for customer lists and non-compete agreements.

Each of the acquisitions discussed above were not material business acquisitions either individually or ɔllectively and each has been accounted for using the purchase method of accounting. The results of perations of each of these acquisitions have been included in our accompanying consolidated statement: f operations from the date of the acquisitions.

Executone Restructuring Charge. During the second quarter of 2000, we recognized a restructuring harge related to acquired Executone operations. We accounted for the restructuring of the Executone perations, including severance and related costs, the shut down and consolidation of the Milford facility nd the impairment of assets associated with the restructuring as identified in the table below. Accrued ɔsts associated with this plan were estimates, although the original estimates made for the second uarter of 2000 for reserve balances have not changed significantly through March 31, 2005.

Exit costs associated with the closure of the Milford facility also included liabilities for building, furniture nd equipment lease, and other contractual obligations. We were liable for the lease on the Milford uildings through January 2005. We entered into sublease agreements with third parties to sublease ortions of the facility and equipment through that date. The reserve activity for lease and other ɔntractual obligations is identified in the table below.

The total restructuring charge from this event totaled $50.9 million. The following table summarizes etails of the restructuring charge in connection with the Executone acquisition, including the description f the type and amount of liabilities assumed, and activity in the reserve balances from the date of the harge through March 31, 2005. Activity represents payments made or amounts written off.

Description	Cash/ Non-Cash	Restructuring Charge	Activity Through 2004	2005 Activity	Reserve Balance At 3/31/0!
Personnel Costs:					
Severance and termination costs	Cash	$ (1,583)	$ 1,583	$ —	$ —
Other plant closure costs	Cash	(230)	230	—	—
Lease termination and other contractual obligations (net of anticipated recovery):					
Building and equipment leases	Cash	(7,444)	7,436	8	—
Other contractual obligations	Cash	(1,700)	1,700	—	—
Impairment of Assets:					

Inventories	Non-Cash	(3,454)	3,454	—	—
Prepaid inventory and other expenses	Non-Cash	(2,485)	2,485	—	—
Accounts receivable	Non-Cash	(1,685)	1,685	—	—
Fixed assets	Non-Cash	(3,151)	3,034	3	114
Net intangible assets	Non-Cash	(29,184)	29,184	—	—
Total		**$ (50,916)**	**$50,791**	**$ 11**	**$ 114**

OTE D — SEGMENT INFORMATION

Inter-Tel follows Statement of Financial Accounting Standards No. 131, "Disclosures about Segments f an Enterprise and Related Information" ("SFAS 131"). SFAS 131 established standards for reporting ıformation regarding operating segments in annual financial statements and requires selected informatior ›r those segments to be presented in interim financial reports issued to stockholders. SFAS 131 also stablished standards for related disclosures about products and services and geographic areas. 'perating segments are identified as components of an enterprise about which separate discrete financial ıformation is available for evaluation by the chief operating decision maker, or decision-making group, in ıaking decisions as to how to allocate resources and assess performance. The Company's chief decision ıaker, as defined under SFAS 131, is the Chief Executive Officer.

We view our operations as primarily composed of two segments: (1) our principal segment, which ıcludes sales of telephone systems, telecommunications software, hardware and related services, and ?) network services, including resale of local and long distance calling services, voice circuits and data ircuits through NetSolutions®, as well as commissions earned by Network Services Agency, our division erving as an agent selling local and network services such as T-1 access, frame relay and other voice nd data circuit services on behalf of Regional Bell Operating Companies (RBOCs) and local exchange arriers (collectively, "Network Services"). Sales of these systems, software, related services and Network ervices are provided through the Company's direct sales offices and dealer network to business ustomers in North America, and in parts of Europe, Australia, South Africa and Asia. As a result, financial ıformation disclosed represents substantially all of the financial information related to the Company's two rincipal operating segments. Results of operations for the resale of local, long distance and network ervices segment, if the operations were not included as part of the consolidated group, could differ ıaterially, as the operations are integral to the total telephony solution offered by us to our customers.

For the quarters ended March 31, 2005 and 2004, we generated income from business segments as ›llows:

	Three Months Ended March 31, 2005		
ı thousands, except per share amounts)	Principal Segment	Resale of Local, Long Distance and Network Services	Total
Net sales	$ 92,659	$ 13,048	$ 105,707
Gross profit	49,262	4,792	54,05‹
Operating income	1,768	1,746	3,51‹
Interest and other income	906	41	947
Foreign currency transaction gains	53	—	5:
Interest expense	(23)	—	(2:
Net income	$ 786	$ 1,149	$ 1,93:
Net income per diluted share (1)	$ 0.03	$ 0.04	$ 0.07
Weighted average diluted shares (1)	27,788	27,788	27,78‹

Goodwill	$ 24,325	$ 2,135	$ 26,460
Total assets	403,885	7,968	411,853
Depreciation and amortization	3,062	8	3,070

ı thousands, except per share amounts)	Three Months Ended March 31, 2004 Principal Segment	Resale of Local, Long Distance and Network Services	Total
Net sales	$ 86,049	$ 11,982	$ 98,031
Gross profit	47,174	4,924	52,098
Operating income	8,455	2,159	10,614
Interest and other income	450	56	506
Foreign currency transaction losses	(161)	—	(161
Interest expense	(45)	(1)	(46
Net income	$ 5,444	$ 1,376	$ 6,820
Net income per diluted share (1)	$ 0.20	$ 0.05	$ 0.25
Weighted average diluted shares (1)	27,350	27,350	27,350
Goodwill	$ 15726	$ 2,135	$ 17,861
Total assets	348,511	$ 22,153	$ 370,664
Depreciation and amortization	2,367	14	2,381

l) Options that are antidilutive because the exercise price was greater than the average market price of ıe common shares are not included in the computation of diluted earnings per share.

ur revenues are generated predominantly in the United States. Total revenues generated from U.S. ustomers totaled $99.8 million, or 94.4% of total revenues, and $94.8 million, or 96.7% of total revenues ır the three months ended March 31, 2005 and 2004, respectively. Refer to the table below for additional eographical revenue data.

ource of net sales	Quarter Ended March 31, 2005 $	%	Quarter Ended March 31, 2004 $	%
Domestic	99,753	94.4%	94,781	96.7%
Lake Communications	2,590	2.4	—	—
Other International	3,364	3.2	3,250	3.3
Total net sales	105,707	100.0%	98,031	100.0%

In the first three months of 2005 and 2004, revenues from customers located internationally accounted ır 5.6% and 3.3% of total revenues, respectively. 2005 revenue percentages from foreign sources rimarily increased as a result of our acquisition of Lake in March 2005. Lake is based in Dublin, Ireland ith majority of its sales made to the United Kingdom, Australia, other European countries, and South frica. Other International revenues identified in the table above primarily consist of revenues from Inter-el's UK operations, including sales from Swan Solutions. Our UK offices sell predominantly into the nited Kingdom and other European countries. All sales made between Inter-Tel divisions are eliminated nd are not represented in the above amounts or in the Consolidated Statements of Income.

Our applicable long-lived assets at March 31, 2005, included Property, Plant & Equipment; Goodwill; nd Purchased Intangible Assets. The net amount located in the United States was $55.6 million and the mount in foreign countries was $26.6 million at March 31, 2005. At December 31, 2004, the net amount ›cated in the United States was $56.1 million and the amount in foreign countries was $2.6 million.

NOTE E — NET INVESTMENT IN SALES-LEASES

Net investment in sales-leases represents the value of sales-leases presently held under our Total olution program. We currently sell the rental payments due to us from most of the sales-leases. We ıaintain reserves against our estimate of potential credit losses for the balance of sales-leases held and ır the balance of sold rental payments remaining unbilled. The following table provides detail on the total et balances in sales-leases:

n thousands)	March 31, 2005	December 31 2004
ease balances included in consolidated accounts receivable, net of llowances of $1,206 in 2005, and $1,177 in 2004	$ 5,348	$ 6,390
Net investment in Sales-Leases:		
Current portion, net of allowances of $861 in 2005, and $866 in 2004	18,160	17,151
Long-term portion, includes residual amounts of $684 in 2005 and, $510 in 2004, net of allowances of $1,960 in 2005, and $1,810 in 2004	35,781	33,877
Total investment in Sales-Leases, net of allowances of $4,027 in 2005, and $3,873 in 2004	59,289	57,418
Sold rental payments remaining unbilled (subject to limited recourse provisions), net of allowances of $12,721 in 2005, and $12,241 in 2004	236,337	229,163
Total balance of sales-leases and sold rental payments remaining unbilled, net of allowances	$295,626	$ 286,581
Total allowances for entire lease portfolio (including limited recourse liabilities)	$ 16,748	$ 16,114

Reserve levels are established based on portfolio size, loss experience, levels of past due accounts nd periodic, detailed reviews of the portfolio. Recourse on the sold rental payments is contractually nited to a percentage of the net credit losses in a given annual period as compared to the beginning ortfolio balance for a specific portfolio of sold leases. While our recourse is limited, we maintain reserves t a level that we believe is sufficient to cover all anticipated credit losses. The aggregate reserve for ncollectible lease payments and recourse liability represents the reserve for the entire lease portfolio.

These reserves are either netted against consolidated accounts receivable, netted against current or ng-term "investment in sales-leases" or included in long-term liabilities for sold rental payments emaining unbilled. Sales of rental payments per period are as follows:

n thousands)	Three Months Ended March 31, 2005	Year Ended December 31, 2004
Sales of rental payments	$ 28,944	$ 113,172
Sold payments remaining unbilled at end of period	$ 249,058	$ 241,404

Sales of rental payments represent the gross selling price or total present value of the payment stream n the sale of the rental payments to third parties. Sold payments remaining unbilled at the end of the eriod represent the total balance of leases that is not included in our balance sheet. We do not expect to icur any significant losses in excess of reserves from the recourse provisions related to the sale of rental ayments.

During the first quarter of 2005, the Company entered into a "rate-lock" agreement (the "Agreement") 'ith a financial institution in the form of a commitment to sell the cash flow streams for leases with a resent value of at least $22.0 million in June 2005 at an interest rate to the financial institution of .25 percent and $17.0 million in December 2005 at an interest rate to the financial institution of .30 percent. Should interest rates decrease substantially, the Company has the option to pay $500,000 t(ıe financial institution to cancel the commitment for each of the two sales.

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

This Quarterly Report to Shareholders on Form 10-Q ("10-Q") contains forward-looking statements thaı ıvolve risks and uncertainties. The statements contained in this 10-Q that are not purely historical are ›rward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, nd Section 21E of the Securities Exchange Act of 1934, as amended, including without limitation ſatements regarding our expectations, beliefs, intentions or strategies for the future. All forward-looking ſatements included in this document are based on information available to us on the date hereof, and we ssume no obligation to update any such forward-looking statements. The cautionary statements made in ıis 10-Q should be read as being applicable to all related forward-looking statements wherever they ppear in this document. Our actual results could differ materially from those anticipated in these forward-›oking statements as a result of certain factors, including those set forth under "Factors That May Affect 'uture Operating Results" below and elsewhere in this document.

›verview

Inter-Tel (Nasdaq: INTL), Incorporated in 1969, is a single point of contact, full service provider of ɔnverged voice and data business communications systems, voice mail systems and networking pplications. Our customers include business enterprises, federal, state and local government agencies nd non-profit organizations. We market and sell the following products and services:

- Inter-Tel Axxess® and Inter-Tel 5000 Network Communications Solutions converged voice and data business communication systems,
- Lake Communications converged voice and data business communication systems, including thosɛ sold in the US under the EncoreCX® brand,
- Integrated voice mail, voice processing and unified messaging systems,
- IP telephony voice and data routers, and e-commerce software,
- managed services, including voice and data network design and traffic provisioning, custom application development, and financial solutions packages (leasing),
- networking applications, including the design and implementation of voice and data networks,
- local and long distance calling services, voice circuits, data circuits and other communications services and peripheral products,
- call accounting software, computer-telephone integration (CTI) applications, and

- maintenance and support services for our products.

We have developed a distribution network of direct sales offices, dealers and value added resellers /ARs), which sell our products to organizations throughout the United States and internationally, primarily ırgeting small-to-medium enterprises, service organizations and governmental agencies. As of March 31, 005, we had fifty-nine (59) direct sales offices in the United States and a network of hundreds of dealers nd VARs, primarily in the United States, that purchase directly from us. Included in our sales office in hoenix is the primary location for our national and government accounts division, as well as our local, ong distance and network services divisions. Our wholesale distribution center is located in Tempe, rizona, which is the primary location from which we distribute products to our network of direct sales ffices, dealers and VARs in North America. In addition, we maintain a wholesale distribution office in the nited Kingdom that supplies Inter-Tel's dealers and distributors throughout the UK and other parts of urope, and we have dealers in South Africa and Japan. We also maintain research and development and oftware sales offices in Tucson, Arizona and in the United Kingdom. In March 2005, as a result of the losing of the Lake acquisition identified below, we will also maintain a wholesale distribution office in ublin, Ireland that supplies Inter-Tel's dealers and distributors in the UK, Ireland, other parts of Europe nd Australia.

On October 14, 2004, Inter-Tel announced the purchase by an operating subsidiary of selected assets nd assumption of certain liabilities of Converging Technologies, Inc. and Linktivity, Inc. The acquired ssets primarily include Web-based conferencing solutions, notably Linktivity® software. These solutions rovide real-time communications and remote control software to enable instantaneous, browser-torowser Web conferencing and help desk support solutions. We expect the acquisition of these selected ssets to enable Inter-Tel to continue to expand its Presence Management and Collaboration tools. inktivity offers its products and services through its international distributors and certified North American ›sellers. On that same date, Inter-Tel also announced the license of intellectual property from eDial, a ivision of Alcatel USA Marketing, Inc., and provider of Session Initiation Protocol (SIP) audio onferencing and collaboration solutions for enterprises and service providers. The eDial and Linktivity ›chnologies were selected to complement Inter-Tel's Converged Business Communication systems and › allow Inter-Tel to further enhance its presence management, conferencing and collaboration products.

On February 28, 2005, Inter-Tel Lake Ltd., a wholly owned Irish subsidiary of Inter-Tel, Incorporated Inter-Tel") executed an agreement for the purchase of 100% of the issued share capital of Lake :ommunications Limited and certain affiliated entities (collectively, "Lake") for $28.7 million (including apitalized transaction costs of $0.7 million), plus an earn-out of up to $17.6 million based upon certain ırgets relating to operating results for Lake through the first eighteen months following the closing date of ıe transaction. The transaction closed out of escrow on March 4, 2005 upon the release from escrow of losing documentation. Lake, based in Dublin, Ireland, is a provider of converged communications roducts in the under 40-user market, including EncoreCX® products distributed by Inter-Tel in the United tates. Lake designs and develops its products for sale through a distribution network of telecom perators and distributors, including Inter-Tel in the United States. Lake outsources its manufacturing to ıird-party suppliers. For more than a year, Lake has sold certain communications products to the :ompany in the ordinary course of its business.

Key performance indicators that we use in order to manage our business and evaluate our financial nd operating performance include revenues, costs and gross margins, and cash flows.

Inter-Tel recognizes revenue from the following significant sources of revenue:

- *End-user sales and sales-type leases through our direct sales offices and government and national accounts division.* We recognize revenue from sales of systems and services to end-user customer: upon installation of the systems and performance of the services, respectively, allowing for use by our customers of these systems. We defer pre-payments for communications services and recognize these pre-payments as revenue as the communications services are provided. For our sales-type lease accounting, we record the discounted present values of minimum rental payments under sales-type leases as sales, net of provisions for continuing administration and other expense: over the lease period. We record the lease sales at the time of system sale and installation as discussed above for sales to end user customers, and upon receipt of the executed lease documents. The net rental streams are sold to funding sources on a regular basis with the income streams discounted by prevailing like-term rates at the time of sale. Gains or losses resulting from the sale of net rental payments from such leases are also recorded as net sales.

- *Dealer and VAR sales.* For shipments to dealers and other distributors, our revenue is recognized as products are shipped to the dealers or VARs and services are rendered, because the sales process is complete. Title to these products passes when goods are shipped (free-on-board shipping point). However, in connection with our recent Lake acquisition, shipments to one International dealer are initially held by that dealer on a consignment basis. Such Inventory is owned by Inter-Tel and reported on Inter-Tel's books and records until the Inventory is sold to third parties, at which time the revenue is recorded.

- *Resale of long distance.* We recognize revenue from long distance resale services as services are provided.

- *Software Sales.* We recognize revenues from sales of software, such as our new Linktivity products discussed above upon shipment to dealers or end-users.

- *Maintenance and software support.* Maintenance and software support revenue is recognized ratably over the term of the maintenance or support agreement.

Costs and gross margins. Our costs of products sold primarily consist of materials, labor and overhead ur costs of services performed consist primarily of labor, materials and service overhead. Total costs of oods and services sold increased 12.5%, or $5.7 million, to $51.7 million for the quarter ended March 31, 005, compared to $45.9 million for the corresponding period in 2004. Our consolidated gross margin ercentage was 51.1% in the first quarter of 2005 compared to 53.1% in the first quarter of

004. The increase in the dollar amount of the cost of goods sold was primarily attributable to the higher olume of net sales. However, the decrease in gross margin was principally attributable to significant ricing pressures and product discounts, in particular for larger deals, as well as greater than expected ales of lower margin products as a percentage of total sales, and lower than expected sales in our direct ales offices and government and national accounts businesses, which generally offer higher gross argins compared to our other distribution channels and operations. Other factors affecting both the icreases in costs of goods sold and reductions in overall gross margin percentage are described in reater detail in “Results of Operations” below.

Sales of systems through our direct sales organization typically generate higher gross margins than ales through our dealers and VARs, primarily because we recognize both the wholesale and retail argins on these sales. Conversely, sales of systems through our dealers and VARs typically generate wer gross margins than sales through our direct sales organization, although direct sales typically quire higher levels of selling, general and administrative expenses. In addition, our long distance ervices and Datanet products typically generate lower gross margins than sales of software and system roducts. For revenues recognized under sales-leases, we record the costs of systems installed as costs f sales. Our margins may vary from period to period depending upon the representation of various istribution channels, products and software as relative percentages of our total sales. In the event that ales through our direct sales offices increase as a percentage of net sales, our overall gross margin coul nprove. Conversely, in the event net sales to dealers or sales of long distance services increase as a ercentage of net sales, our overall gross margin could decline.

Additionally, our operating results depend upon a variety of factors, including the volume and timing of rders received during a period, general economic conditions and world events impacting businesses, atterns of capital spending by customers, the timing of new product announcements and releases by us nd our competitors, pricing pressures, the cost and impact of acquisitions and the availability and cost of roducts and components from our suppliers. Historically, a substantial portion of our net sales in a given uarter has been recorded in the third month of the quarter, with a concentration of such net sales in the ist two weeks of the quarter. There are several factors which attribute to this pattern, including the ollowing:

- Customer leases generally expire at end of the month and commence at the beginning of the month, which naturally leads to end-of-period sales. These factors apply to both end-user and dealer sales.
- Internal sales compensation programs for our sales personnel are linked to revenues and the sales commissions generally increase at accelerated rates as sales volumes increase. Sales performance bonuses are also frequently tied to quarter-end and year-end performance targets, providing incentives to sales personnel to close business before the end of each quarter.
- Some price discounting to our dealer channel occurs during the last month of a quarter or year, and some dealers purchase consistently to take advantage of potential pricing discounts or end-of-quarter promotions. Dealer buying habits have been consistently applied for years.

In addition, we are subject to seasonal variations in our operating results, as net sales for the first and ıird quarters are frequently less than those experienced during the fourth and second quarters, ›spectively. Net sales from the first quarter of 2005 followed this historical pattern, as sales declined ɔmpared to the fourth quarter of 2004, and we do not anticipate a significant change in the historical end.

Cash Flows. At March 31, 2005, Inter-Tel's cash and short-term investments totaled $181.1 million. We lso maintain a $10 million unsecured, revolving line of credit with BankOne, NA, which is available ırough June 1, 2006 and ordinarily used to support international letters of credit to suppliers, if necessary s of March 31, 2005, none of the credit line was used. Historically, our primary source of cash has come om net income plus non-cash charges for depreciation and amortization expenses. We have generated ash from continuing operations in every year since 1986. In 1993, 1995 and 1997, the Company received et proceeds from stock offerings, offset in part by cash expended to repurchase the Company's common tock in these and other periods. In addition, Inter-Tel historically has paid cash for capital expenditures elating to property and equipment or acquisitions. Inter-Tel has also received cash proceeds from the xercise of stock options and our Employee Stock Purchase Plan. We believe our working capital and redit facilities, together with cash generated from operations, will be sufficient to develop and expand our usiness operations, to finance acquisitions of additional resellers of telephony products and other trategic acquisitions or corporate alliances, to fund the special dividend of $1.00 per share to hareholders of record on March 31, 2005, to repurchase shares of the Company's common stock ursuant to a Board approved repurchase program of up to $75 million announced in February 2005, and provide adequate working capital for the foreseeable future.

Our consolidated net sales for the quarters ended March 31, 2005 and 2004 were $105.7 million and 98.0 million, respectively. The 7.8% increase in revenue in the first quarter of 2005 compared to the first uarter of 2004 was primarily attributable to acquisitions completed in the second half of 2004 and the ake acquisition in March 2005 (as the sales from these acquired entities were not included in the 2004 rst quarter results), as well as slightly higher net sales in our core business. The increase in net sales car lso be attributed in part to improved sales in our local, long distance resale and network services division et sales in the first quarter of 2005 were negatively impacted, however, by the delayed release of new roducts, in particular the Inter-Tel 5000 Network Communications Solutions, which were not released ntil late April 2005, and discounting of new product sales in our direct sales channels. We cannot provide ssurance that the recent increase in revenue will continue in the future, as we believe businesses may be eluctant to significantly increase spending on enterprise communications systems in the near future. In ddition, we believe uncertainty exists in the marketplace caused by the transition of communication ystems from circuit-switch to packet-switch architectures, including voice over Internet Protocol (VoIP) ystems, and some buyers may delay making investments in new systems.

We believe that enterprises continue to be concerned about their ability to increase revenues and rofitability, in part due to the continued uncertain economic environment and slowdown in the past few ears. To maintain or improve profitability, we believe that businesses have attempted to reduce costs anc apital spending. We expect continued pressure on our ability to generate or expand sales and it is not lear whether business communications spending will increase in the near term. We cannot predict the ature, timing and extent of future business investments in communications systems and as a result, if nd when our net sales will increase.

The markets in which we compete have been characterized by rapid technological changes and icreasing customer requirements. We have sought to address these requirements through the evelopment of software enhancements and improvements to existing systems and the introduction of ew systems, products, and applications. Inter-Tel's research and development efforts over the last everal years have been focused primarily on the development of, and enhancements to, the Inter-Tel 000 Network Communications Solutions, our Axxess system, including adding new applications, nhancing our IP convergence applications and IP endpoints, developing Unified Communications pplications, developing presence management applications, developing Session Initiation Protocol SIP) applications, and developing speech-recognition and text-to-speech applications. More recently, nter-Tel's research and development efforts have been focused on the development of converged ystems and software, including the Inter-Tel 5000 Network Communications Solutions, Session Initiation rotocol (SIP) interfaces and applications, as well as the development of a new line of multi-protocol SIP ᵓ endpoints. In addition, in October 2004, we acquired selected assets and assumed certain liabilities of inktivity, which develops Web-based conferencing solutions, notably Linktivity® software, and announcec n agreement to license certain intellectual property from eDial. These solutions are designed to provide eal-time communications and remote control software to enable instantaneous, browser-to-browser Web onferencing and help desk support solutions. We intend to further develop this technology and integrate ie applications and solutions into our product offerings.

We offer our customers a package of lease financing and other services under the name Total olution. Total Solution provides our customers lease financing, maintenance and support services, fixed rice upgrades and other benefits. We finance this program through the periodic resale of lease rental treams to financial institutions. Refer to Note E of Notes to Condensed Consolidated Financial tatements for additional information regarding our program.

:esults of Operations

The following table sets forth certain statement of operations data expressed as a percentage of net ales for the periods indicated:

	Three Months Ended March 31, 2005	2004
NET SALES		
Telecommunications systems, software and related	87.7%	88.5ʕ
Resale of local, long distance and network services	12.3	11.5
TOTAL NET SALES	100.0	100.0
COST OF SALES		
Telecommunications systems, software and related	41.1	39.7
Resale of local, long distance and network services	7.8	7.2
TOTAL COST OF SALES	48.9	46.9
GROSS PROFIT	51.1	53.1
Research and development	8.0	6.2
Selling, general and administrative	36.6	35.7
Amortization of intangibles	0.7	0.5
Write-off of in-process research and development costs	2.5	—
OPERATING INCOME	3.3	10.8
Interest and other income	0.9	0.5
Foreign currency transaction gains (losses)	0.1	(0.2)
Interest expense	(0.0)	(0.0)
INCOME BEFORE INCOME TAXES	4.2	11.1
INCOME TAXES	2.4	4.2
NET INCOME	1.8%	7.0ʕ

Net Sales. Net sales increased 7.8%, or $7.7 million, to $105.7 million in the first quarter of 2005, from 98.0 million in the first quarter of 2004. Excluding the Lake acquisition in first quarter of 2005, non-GAAP et sales increased 5.2% or $5.1 million compared to net sales for the corresponding prior year period. ales from our direct sales offices (including revenues from lease financing), increased 5.1%, or 2.8 million, in the first quarter of 2005 compared to the corresponding period in 2004. Sales attributable › our dealer network increased by 1.8%, or $0.4 million, in the first quarter of 2005, compared to the orresponding period in 2004. Sales from our local and long distance resale and network services division ıcreased by 8.9%, or $1.1 million, in the first quarter of 2005, compared to the corresponding period in 004. Sales from our DataNet division increased 25.3%, or $0.7 million, in the first quarter of 2005, ompared to the corresponding period in 2004. International revenues excluding the Lake acquisition ıcreased by 3.5%, or $0.1 million, in the first quarter of 2005, compared to the corresponding period in 004. Lake sales totaled $2.6 million in the first quarter of 2005. Overall, sales attributable to our overnment and national accounts division remained relatively unchanged in first quarter of 2005 ompared to the corresponding period in 2004.

The increase in net sales for the first quarter of 2005 compared to the corresponding period in 2004 om our direct sales offices, dealer channel, and international operations were primarily attributable to cquisitions completed in the second half of 2004 and the Lake acquisition in March 2005, offset in part by ontinued competitive pricing pressures and some delayed buying decisions and heavy discounting during ıe quarter in our direct sales offices. We believe that the announcement of the E-Rate settlement also esulted in some deferred or lost sales. The increases in net sales were also a result of higher volumes of ystems sold. In some instances, prices of various telecommunications systems decreased, and discounts r other promotions were offered to customers to generate sales in both our direct and indirect channels.

.ecurring revenues from existing customers increased on a percentage basis and dollar volume relative t(ales to new customers in our direct sales channel during the first quarter of 2005.

Sales from our local, long distance resale and network services divisions (NetSolutions® and Network ervices Agency) and our DataNet division increased in the first quarter of 2005 as compared to the orresponding period in 2004. Net sales increased by 6.9%, or $0.8 million, to $12.0 million in the first uarter of 2005, compared to $11.2 million in the corresponding period in 2004 for NetSolutions®, despite ownward pricing pressure and significant competition. Increased sales volume has allowed NetSolutions) to offer more competitive pricing, which improved sales to our existing customer base. Sales increased ı DataNet primarily due to additional sales to a few customers. Net sales from Network Services Agency, commission-based sales unit within the local, long distance resale and network services division acting s an agent to sell services for selected RBOC's and CLEC's, increased $0.3 million, to $1.0 million in the uarter ended March 31, 2005 compared to $0.7 million in the corresponding period in 2004. See Note D f Notes to Condensed Consolidated Financial Statements for additional segment reporting information.

Gross Profit. Gross profit for the first quarter of 2005 increased 3.8% to $54.1 million, or 51.1% of net ales, from $52.1 million, or 53.1% of net sales, in the first quarter of 2004. The increase in gross profit ollars in the first quarter of 2005 resulted primarily from a higher volume of consolidated net sales. The ecrease in gross profit as a percentage of sales was primarily a result of industry pricing pressures, ading to discounting and special promotions on telephone system sales. Increased sales from the resale f local and long distance services also had the effect of decreasing the consolidated gross profit ercentage, as these revenues typically generate lower gross margins. Higher relative recurring revenues om existing customers partially offset the decreases in gross profit percentage.

During the first quarter of 2005, recurring revenue dollars from existing customers in our direct sales, 'ataNet and national and government accounts channels increased from these same channels relative to ıe first quarter of 2004. As a percentage of sales, recurring revenues increased in the direct sales and 'ataNet channels and remained relatively constant for the national and government accounts channel. xisting customers accounted for a significant portion of our net sales from maintenance and other ervices, software additions and/or upgrades, and other peripheral products such as video conferencing, all logging solutions, wireless endpoints, power protection, wired and wireless headsets, audio onferencing units and networking products during the first quarter of 2005. Our business communications latforms allow for system migration without the complete replacement of hardware, enabling us to offer nhancements and new solutions through software-only upgrades to our existing customers. :onsequently, our gross margins are generally higher with recurring revenues because we incur less ıaterials costs relative to new installations.

Sales from NetSolutions® increased by 6.9%, or $0.8 million, in the first quarter of 2005 as compared) the first quarter of 2004. Gross margins are generally lower in this division than our consolidated ıargins. Sales from Network Services Agency, increased 40.0%, or $0.3 million, for the first quarter of 005 compared to the corresponding period in 2004. This division generally receives commissions on etwork services we sell as an agent for Regional Bell Operating Companies. Sales from this division arry little to no equipment costs and generated margins of 86.2% during the first quarter of 2005.

ccordingly, the increase in sales from this division offset in part our decrease in consolidated gross profit ercentage.

We cannot accurately predict future consolidated gross margins because of period-to-period variations ı a number of factors, including among others, competitive pricing pressures, sales of systems, software nd services through different distribution channels, supplier and agency agreements, and the mix of ystems, software and services we sell.

Research and Development. Research and development expenses for the first quarter of 2005 ıcreased 40.1% to $8.5 million, or 8.0% of net sales, from $6.0 million, or 6.2% of net sales, for the first uarter of 2004. Included in research and development expenses in both the first quarter of 2005 and the rst quarter of 2004 was amortization of patents totaling $55,000 in each period. The increases in esearch and development expenses for the first quarter ended March 31, 2005 were primarily attributable the increased engineering headcount and third-party outsourcing of selected development costs in onnection with our efforts to accelerate development of new products and software, as well as additional esearch and development costs associated with our acquired Lake and Linktivity operations. The ıcreases were also ttributable to increased research and development spending related to our development of convergence pplications and new SIP and IP endpoint technology. In the first quarter ended March 31, 2005, research nd development expenses were directed principally toward the continued development of converged ystems and software, including the Inter-Tel 5000, unified messaging and voice processing software, peech recognition and text-to-speech applications, call center applications, unified communications pplications, IP endpoint development, and certain CTI and IVR applications and SIP applications. hrough 2005, we expect that research and development expenses will increase in absolute dollars and s a percentage of net sales relative to 2004 due primarily to research and development costs from the cquired Lake and Linktivity operations, and our efforts to continue to develop and enhance existing and ew technologies and products.

Selling, general and administrative. In the first quarter of 2005, selling, general and administrative xpenses increased 10.6% to $38.7 million, or 36.6% of net sales, from $35.0 million, or 35.7% of net ales, in the first quarter of 2004. The increases in absolute dollars and as a percentage of net sales were rimarily due to higher expenses associated with the increases in consolidated net sales in 2005 ompared to 2004. Expenses also increased as a result of the acquisition of new sales offices in South arolina, Las Vegas, Pittsburgh and Tucson (Linktivity) during the second half of 2004, as well as the ake operations in Dublin, Ireland. In addition, higher net sales led to increased selling expenses and ommission costs in the first quarter of 2005 relative to such costs for the corresponding periods in 2004. the first quarter of 2005, selling, general and administrative expenses also increased as a result of igher depreciation expense, offset in part by lower bad debts relative to 2004. We expect that for the reseeable future selling, general and administrative expenses may vary in absolute dollars and as a ercentage of net sales.

Amortization of purchased intangible assets. We adopted Statement of Financial Accounting Standards o. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") effective in the beginning of fiscal 2002. In ccordance with SFAS 142, we ceased amortizing goodwill. We are required to perform goodwill npairment tests on an annual basis and between annual tests in certain circumstances. As of March 31, 005, no impairment of goodwill has been recognized in 2005. We face the risk that future goodwill npairment tests may result in charges to earnings.

Amortization of purchased intangible assets included in operating expenses was $762,000 in the first uarter of 2005, compared to $445,000 in the first quarter of 2004. In addition, $55,000 of amortization 'as included in research and development expenses for the first quarter of 2005 and the first quarter of 004. The increase in the amortization of purchased intangible assets for the first quarter 2005 compared the same period in 2004 was primarily related to the additional amortization from recent acquisitions, rimarily the Lake and Linktivity acquisitions. For additional information regarding purchased intangible ssets, see Note C "Acquisitions, Technology Investments and Restructuring Charges" to the Condensed onsolidated Financial Statements.

Write-off of in-process research and development (IPRD) costs. During the first quarter of 2005, Inter-el completed the acquisition of Lake (see NOTE C). The aggregate purchase price of the Lake cquisition was allocated to the fair value of the assets and liabilities acquired, of which $2.6 million, or 0.09 per diluted share, was written-off as purchased IPRD. Without this write-off, the Company would ave reported non-GAAP net income of $4.5 million ($0.16 per diluted share) for the three months ended larch 31, 2005 instead of the $1.9 million ($0.07 per diluted share) reported.

Interest and Other Income. Interest and other income in 2005 and 2004 consisted primarily of interest ıcome and foreign currency transaction gains or losses. The net increase in interest and other income of 441,000 in the first quarter of 2005 compared to the corresponding period in 2004 was due primarily to igher levels of invested funds, as well as higher interest rates. Net foreign currency transaction gains in ıe first three months of 2005 were $53,000 compared to losses of $161,000 in the first three months of 004. Interest expense was nominal in both periods, totaling $23,000 in the first three months of 2005 ɔmpared to $46,000 in the first three months of 2004.

Income Taxes. Inter-Tel's income tax rate for the first quarter of 2005 was 56.9% compared to 37.5% ɔr the first quarter of 2004. The increase in the rate was primarily attributable to the write-off of in-process ɛsearch and development costs in connection with our Lake acquisition, because these costs are ot deductible for tax purposes. Inter-Tel currently expects the full-year 2005 tax rate to be 37.8%, subject) prospective changes in the tax laws or other factors. Excluding the acquisition of Lake, the non-GAAP, r pro forma, full-year rate for 2005 is currently projected to be 36%, a decrease compared to 2004. This ro forma decrease compared to 2004 is expected due to several factors, including the differences etween the projected 2005 and 2004 results, in particular higher projected 2005 tax-exempt interest and igher utilization of 2005 research and development credits. The 2005 rate is subject to change based on ıe projected results of operations, including the Lake acquisition and other factors identified above.

Net Income. Net income for the first quarter of 2005 was $1.9 million ($0.07 per diluted share), a ecrease of 71.6% compared to net income of $6.8 million ($0.25 per diluted share) in the first quarter of 004.

The decrease in net income for the first quarter and of 2005 compared to the corresponding period in 004 was primarily attributable to the write-off of IPRD costs in connection with the Lake acquisition, lowe ross margins as a result of competitive pressures and product discounting, higher research and evelopment expenses, higher selling, general and administrative expenses, and higher amortization xpenses, offset in part by operating profits from higher relative net sales. Excluding the write-off of IPRD, ıe Company would have reported net income of $4.5 million ($0.16 per diluted share) for the three ıonths ended March 31, 2005. Additional information regarding other items is described in further detail bove.

ıflation/Currency Fluctuation

Inflation and currency fluctuations have not previously had a material impact on Inter-Tel's operations. ıter-Tel's International procurement agreements have traditionally been denominated in U.S. currency. loreover, a significant amount of contract manufacturing has been or may be moved to alternative ources. The expansion of international operations in the United Kingdom and Europe and increased ales, if any, in Ireland, Europe and Australia as a result of the 2005 Lake acquisition could result in highe ıternational sales as a percentage of total revenues; however, international revenues do not currently epresent a significant portion of our total revenues.

iquidity and Capital Resources

	Three Months Ended March 31,	
ı thousands)	2005	2004
Net cash (used in) provided by operating activities	$ (2,407)	$ 15,920
Net cash (used in) provided by investing activities	(28,463)	1,183
Net cash provided by financing activities	3,900	1,698
Effect of exchange rate changes	464	292
Increase (decrease) in cash and equivalents	(26,506)	19,093
Cash and equivalents at beginning of period	152,330	115,197

Cash and equivalents at end of period	$125,824	$134,29C

At March 31, 2005, cash and equivalents and short-term investments totaled $181.1 million, a ecrease of approximately $23.8 million from the balance at December 31, 2004. In addition, long-term ıvestments in marketable debt securities totaled $5.9 million at March 31, 2005, a decrease of 4.0 million from the balance at December 31, 2004. We maintain a $10 million unsecured, revolving line f credit with JPMorgan Chase Bank, N.A. (formerly BankOne, NA) that is available through June 1, 2006. nder the credit facility, we have the option to borrow at a prime rate or adjusted LIBOR interest rate. istorically, we have used the credit facility primarily to support international letters of credit to suppliers. s of March 31, 2005, none of the credit line was used. The remaining cash balances may be used for cquisitions, strategic alliances, working capital, dividends and general corporate purposes.

Net cash used in operating activities totaled $2.4 million for the three months ended March 31, 2005, ompared to $15.9 million provided by operating activities for the corresponding period in 2004. Cash sed in operating activities in the first three months of 2005 was primarily the result of an $11.9 million hange in operating assets and liabilities (including E-Rate of $8.5 million), offset by cash generated from rofitable operations, adding back non-cash items such as depreciation, amortization, purchased in rocess research nd development and provisions for losses. The net cash provided by operating activities in the first three ıonths of 2004 was primarily the result of cash generated from profitable operations as in 2005; however, ıe 2004 period did not include any purchased in-process research and development costs. In addition, ıe first three months of 2004 reflected cash generated by an increase in deferred income taxes of $4.9 ıillion and a change of operating assets and liabilities of $1.1 million. The cash used in the change in perating assets and liabilities in the first three months of 2005 was primarily due to the payment of the E-ıte settlement costs totaling $8.5 million (described below), as well as an increase in inventories, ıvestment in sales-leases and income tax receivables, offset in part by increases in accounts payable nd a decrease in accounts receivable. The $1.1 million cash provided by the change in operating assets nd liabilities in the first three months of 2004 was primarily a result of a decrease in the income tax ɘceivable and accounts receivable, offset in part by an increase in inventories and a decrease in accrued xpenses. We expect to expand sales through our direct sales offices and dealer networks, which is xpected to require the expenditure of working capital for increased accounts receivable, inventories and et investment in sales-lease.

Net cash used in investing activities totaled $28.5 million for the quarter ended March 31, 2005, ɔmpared to cash provided by investing activities of $1.2 million for the quarter ended March 31, 2004. he change from 2004 to 2005 was primarily a result of $27.6 million in cash used for acquisitions in the rst quarter of 2005. There was no cash used for acquisitions in the first quarter of 2004. Net cash enerated by maturities and sales of short-term investments during the first three months of 2005 was 11.6 million, offset by net cash used in the purchase of short-term investments of $10.3 million. Net cash 'as generated by maturities and sales of short-term investments of $22.4 million in the first quarter of 004, offset by cash used in the purchase of long-term and short-term investments of $20.0 million. Net ash of $2.2 million was used to acquire additional property, plant and equipment during the first quarter o 005 compared to $1.2 million for the corresponding period in 2004.

Net cash provided by financing activities totaled $3.9 million for the quarter ended March 31, 2005, ɔmpared to $1.7 million for the corresponding period in 2004. Net cash used for cash dividends totaled 1.8 million in the first quarter of 2005 compared to $1.5 million in the same period for 2004. Net cash rovided by proceeds from the exercise of stock options totaled $5.7 million in the first quarter of 2005 ɔmpared to $3.2 million in the same period for 2004. During the first quarter of 2005 we reissued treasury hares through stock option exercises and issuances, with the proceeds received totaling less than the ɔst basis of the treasury stock reissued. Accordingly, the difference was recorded as a decrease to ɘtained earnings of $1.3 million. During the first quarter of 2004 we reissued treasury shares through tock option exercises and issuances, with the proceeds received totaling more than the cost basis of the easury stock reissued. Accordingly, the difference was recorded as an increase to retained earnings of 0.5 million.

We offer to our customers lease financing and other services, including our Total Solution (formerly otalease) program, through our Inter-Tel Leasing, Inc. subsidiary. We fund our Total Solution program in art through the sale to financial institutions of rental payment streams under the leases. Sold lease ɘntals totaling $249.1 million and $241.4 million remained unbilled at March 31, 2005 and December 31, 004, respectively. We are obligated to repurchase such income streams in the event of defaults by lease ustomers and, accordingly, maintain reserves based on loss experience and past due accounts.

lthough, to date, we have been able to resell the rental streams from leases under the Total Solution rogram profitably and on a substantially current basis, the timing and profitability of lease resales could npact our business and operating results, particularly in an environment of fluctuating interest rates and conomic uncertainty. If we are required to repurchase rental streams and realize losses thereon in mounts exceeding our reserves, our operating results will be adversely affected.

During the first quarter of 2005, the Company entered into a "rate-lock" agreement (the "Agreement") 'ith a financial institution in the form of a commitment to sell the cash flow streams for leases with a resent value of at least $22.0 million in June 2005 at an interest rate to the financial institution of .25 percent and $17.0 million in December 2005 at an interest rate to the financial institution of .30 percent. Should interest rates decrease substantially, the Company has the option to pay $500,000 t ıe financial institution to cancel the commitment for each of the two sales.

On January 5, 2005, the Company received court approval of a civil settlement agreement (the "Civil ettlement") and a criminal plea agreement (the "Plea Agreement") with the United States of America, ach dated as of December 8, 2004 and disclosed on that same date. The court approval of the Civil ettlement and Plea Agreement resolves the investigation of the Department of Justice into the articipation of Inter-Tel Technologies, Inc., the Company's wholly-owned subsidiary ("Technologies") in a ederally administered "E-Rate program" to connect schools and libraries to the Internet.In connection with ie Civil Settlement, Technologies agreed to pay a penalty of $6,740,450 and forego the collection of ertain accounts receivable of $259,540 related to Technologies' participation in the E-Rate program.In onnection with the Plea Agreement, Technologies entered guilty pleas to charges of mail fraud and an ntitrust violation. Under the Plea Agreement, Technologies agreed to pay a fine of $1,721,000 and bserve a three-year probationary period, which will, among other things, require Technologies to nplement a comprehensive corporate compliance program. The penalties and fines described above ere paid in the first quarter of 2005.

In addition, on January 21, 2005, Inter-Tel Technologies received notification from the Federal ommunications Commission that Technologies was temporarily suspended from participation in the E-ate program pending a proposed debarment. Technologies has contested the scope and length of the roposed debarment from the E-Rate program, but there can be no assurance that Technologies will be uccessful in this regard. Revenues in 2004 relating to Technologies' participation in the E-Rate program ere not significant.

The existence and disclosure of the Civil Settlement, Plea Agreement and FCC Notice may have lready caused competitive harm to Inter-Tel, and these matters may further harm Inter-Tel's business.

We believe our working capital and credit facilities, together with cash generated from operations, will e sufficient to develop and expand our business operations, to finance acquisitions of additional resellers f telephony products and other strategic acquisitions or corporate alliances, to fund the special dividend f $1.00 per share to shareholders of record on March 31, 2005, to repurchase shares of the Company's ommon stock pursuant to the Board-approved $75 million repurchase program announced in ebruary 2005, and to provide adequate working capital for the foreseeable future. However, to the extent dditional funds are required in the future to address working capital needs and to provide funding for apital expenditures, expansion of the business or additional acquisitions, we will seek additional nancing. There can be no assurance additional financing will be available when required or on cceptable terms.

ff-Balance Sheet Arrangements

As part of our ongoing business, we do not participate in transactions that involve unconsolidated ntities or financial partnerships, such as entities often referred to as structured finance or special purpose ntities, which have been established for the purpose of facilitating off-balance sheet arrangements or ther contractually narrow or limited purposes. However, we offer to our customers lease financing and ther services through our Inter-Tel Leasing, Inc. subsidiary. We fund our Total Solution program in part irough the sale to financial institutions of rental payment streams under the leases. Such financial ıstitutions have the option to require us to repurchase such income streams, subject to limitations, in the vent of defaults by lease customers and, accordingly, we maintain reserves based on loss experience nd past due accounts. For more information regarding our lease portfolio and financing, please see .iquidity and Capital Resources" and Note E of Notes to Condensed Consolidated Financial Statements.

:ritical Accounting Policies and Estimates

The methods, estimates and judgments we use in applying our most critical accounting policies have a ignificant impact on the results we report in our condensed consolidated financial statements. We valuate our estimates and judgments on an on-going basis. We base our estimates on historical xperience and on assumptions that we believe to be reasonable under the circumstances. Our xperience and assumptions form the basis for our judgments about the carrying value of assets and abilities that are not readily apparent from other sources. Actual results may vary from what we anticipate nd different assumptions or estimates about the future could change our reported results. We believe the ›llowing accounting policies are the most critical to us, in that they are important to the portrayal of our nancial statements and they require our most difficult, subjective or complex judgments in the preparatior f our condensed consolidated financial statements:

Revenue Recognition. In December 2003, the Securities and Exchange Commission ("SEC") issued taff Accounting Bulletin No. 104 (SAB 104), "Revenue Recognition." The Company applies the provisions f SAB 104 to all revenue transactions. SAB 104 supercedes SAB 101, "Revenue Recognition in Financia tatements." The primary purpose of SAB 104 is to rescind accounting guidance contained in SAB 101 ›lated to multiple element revenue arrangements, superceded as a result of the issuance of EITF 00-21. .dditionally, SAB 104 rescinded the SEC's Revenue Recognition in Financial Statements Frequently sked Questions and Answers ("the FAQ") issued with SAB 101 that had been codified in SEC Topic 13, .evenue Recognition. Selected portions of the FAQ have been incorporated into SAB 104. While the 'ording of SAB 104 has changed to reflect the issuance of EITF 00-21, the revenue recognition principles f SAB 101 remain largely unchanged by the issuance of SAB 104. The issuance of SAB 104 did not have material impact on the Company's financial position, results of operations or cash flows.

End-user sales through our direct sales offices and government and national accounts division. :evenue is recognized when all four of the following criteria are met: (i) persuasive evidence that rrangement exists; (ii) delivery of the products and/or services has occurred; (iii) the selling price is both xed and determinable and; (iv) collectibility is reasonably probable. Revenue derived from sales of ystems and services to end-user customers is recognized upon primary installation of the systems and erformance of the services, respectively, allowing for use by our customers of these systems. Pre-ayments for communications services are deferred and recognized as revenue as the communications ervices are provided. We do not generally allow sales returns either by the terms of our contracts or in ractice, except for returns related to warranty provisions.

Dealer and VAR sales. For shipments to dealers and other distributors, our revenues are recorded as roducts are shipped and services are rendered, when the sales process is complete. These shipments re primarily to third-party dealers and distributors, and title passes when goods are shipped (free-on-oard shipping point). However, in connection with our recent Lake acquisition, shipments to one ıternational dealer are initially held by that dealer on a consignment basis. Such inventory is owned by ıter-Tel and reported on Inter-Tel's books and records until the inventory is sold to third parties, at which me the revenue is recorded. We do not generally allow sales returns either by the terms of our contracts r in practice, except for returns related to warranty provisions. We provide a number of incentives, romotions and awards to certain dealers and other distributors. These incentives primarily represent iscounts (which are recognized as a reduction of sales), advertising allowances and awards (which are ›cognized as marketing expense) and management assistance (which is expensed as incurred).

Resale of long distance. We recognize revenue from long distance resale services as services are rovided.

Maintenance revenues. We recognize maintenance revenue ratably over the term of applicable ıaintenance agreements.

Sales-Leases. For our sales-type lease accounting, we follow the guidance provided by FASB tatement No. 13, Accounting for Leases and FASB Statement No. 140, Accounting for Transfers and *ervicing of Financial Assets and Extinguishments of Liabilities – A Replacement of FASB Statement* o. 125. We record the discounted present values of minimum rental payments under sales-type leases s sales, net of provisions for continuing administration and other expenses over the lease period. We ecord the lease sales at the time of system sale and installation pursuant to Staff Accounting Bulletin o. 104, as discussed above for sales to end user customers. The costs of systems installed under these ales-leases are recorded as costs of sales. The net rental streams are sold to funding sources on a egular basis with the income streams discounted by prevailing like-term rates at the time of sale. Gains o sses resulting from the sale of net rental payments from such leases are recorded as net sales. We stablish and maintain reserves against potential recourse following the resales based upon historical los xperience, past due accounts and specific account analysis. The allowance for uncollectible minimum ase payments and recourse liability at the end of the year represents reserves against the entire lease ortfolio. Management reviews the adequacy of the allowance on a regular basis and adjusts the llowance as required. These reserves are either netted in the accounts receivable, current and long-term omponents f "Net investments in Sales-Leases" on the balance sheet, or included in long-term liabilities on our alance sheet for off-balance sheet leases.

Historically, our reserves have been adequate to cover write-offs. Our total reserve for losses related tc ıe entire lease portfolio, including amounts classified as accounts receivable in our balance sheet, ıcreased slightly from 5.32% at December 31, 2004 to 5.36% at March 31, 2005, primarily as a result of ›views of our write-off experience and accounts receivable agings. Should the financial condition of our ustomers deteriorate in the future, additional reserves in amounts that could be material to the financial tatements could be required.

Goodwill and Other Intangible Assets. On January 1, 2002, Inter-Tel adopted SFAS No. 141, *Business ;ombinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets.* Purchase prices of acquired usinesses that are accounted for as purchases have been allocated to the assets and liabilities acquired ased on the estimated fair values on the respective acquisition dates. Based on these values, the excess urchase prices over the fair value of the net assets acquired were allocated to goodwill.

Prior to January 1, 2002, Inter-Tel amortized goodwill over the useful life of the underlying asset, not to xceed 40 years. On January 1, 2002, Inter-Tel began accounting for goodwill under the provisions of FAS Nos. 141 and 142 and discontinued the amortization of goodwill after January 1, 2002. As of larch 31, 2005, Inter-Tel had gross goodwill of $31.5 million and accumulated amortization of $5 million. ıter-Tel completed one acquisition through March 31, 2005 and five in 2004 and has not recorded any mortization for these acquisitions on amounts allocated to goodwill in accordance with SFAS No. 141.

The Company performs an annual impairment test on Goodwill using the two-step process prescribed ı SFAS No. 142. The first step is a screen for potential impairment, while the second step measures the mount of the impairment, if any. In addition, the Company will perform impairment tests during any ›porting period in which events or changes in circumstances indicate that an impairment may have ıcurred. Inter-Tel performed the first step of the required impairment tests for goodwill as of 'ecember 31, 2004 and determined that goodwill is not impaired and it is not necessary to record any npairment losses related to goodwill. At March 31, 2005 and December 31, 2004, $24.4 million and 17.8 million, respectively, of the Company's goodwill, net of amortization, relates to the Company's rincipal segment and $2.1 million relates to the Resale of Local, Long Distance and Network Services egment. There is only one reporting unit (i.e., one component) as defined in paragraph 30 of SFAS 142 'ithin each of the Company's two operating segments as defined in paragraph 10 of SFAS 131. Therefore ıe reporting units are identical to the segments. Fair value has been determined for each segment in rder to determine the recoverability of the recorded goodwill. At December 31, 2004, the Company rimarily considered an allocated portion of the market capitalization for the entire Company using verage common stock prices in determining that no impairment had occurred. This allocated market apitalization value far exceeded the net carrying value of the goodwill included in the financial tatements. Therefore, the second step for potential impairment was unnecessary.

The Company evaluates the remaining useful lives of its purchased intangible assets, all of which are ubject to amortization, each reporting period. Any changes to estimated remaining lives prospectively ffect the remaining period of amortization. In addition, the purchased intangible assets are reviewed for ossible impairment whenever events or changes in circumstances indicate that the carrying amount of ar sset may not be recoverable. A loss would be recognized for any excess of the carrying amount over the stimated fair value. As of March 31, 2005, Inter-Tel had gross purchased intangible assets of 35.8 million and accumulated amortization of $8.9 million.

At March 31, 2005 and December 31, 2004, goodwill, net of accumulated amortization, totaled 26.5 *million and $19.9 million, respectively. Other acquisition-related intangibles, net of accumulated* mortization, totaled $26.9 million at March 31, 2005 and $11.0 million at December 31, 2004. .ccumulated amortization through March 31, 2005 was $13.9 million, including $5.0 million of ccumulated amortization attributable to goodwill and $8.9 million of accumulated amortization of other cquisition-related intangibles. Accumulated amortization through December 31, 2004 was $13.1 million, ıcluding $5.0 million of accumulated amortization attributable to goodwill and $8.1 million of accumulated mortization of other acquisition-related intangibles. Other acquisition-related intangibles, comprised rimarily of developed technology (5-10 year lives), customer lists (5-8 year lives) and non-competition greements (2-8 year lives), are amortized on a straight-line basis. The useful lives for developed ›chnology are based on the remaining lives of patents acquired or the estimated useful life of the ›chnology, whichever is shorter. The useful lives of the customer lists are based on the expected period f value for such lists. The useful lives for non-competition agreements are based on the contractual term: f the agreements.

Allowance for Doubtful Accounts. We maintain allowances for doubtful accounts for estimated losses ›sulting from the inability of our customers to make required payments. Additional reserves or allowance: ›r doubtful accounts are recorded for our sales-type leases, discussed above in "Sales-Leases." We stablish and maintain reserves against estimated losses based upon historical loss experience, past due ccounts and specific account analysis. Management reviews the level of the allowances for doubtful ccounts on a regular basis and adjusts the level of the allowances as needed. In evaluating our llowance we consider accounts in excess of 60 days old as well as other risks in the more current ortions of the accounts included. At March 31, 2005, our allowance for doubtful accounts for accounts ›ceivable were $9.4 million of our $52.4 million in gross accounts receivable. If the financial condition of ur customers or channel partners were to deteriorate, resulting in an impairment of their ability to make ayments, additional allowances may be required.

Inventories. We value our inventories at the lower of cost (principally on a standard cost basis, which pproximates the first-in, first-out (FIFO) method) or market. Significant management judgment is required › determine the reserve for obsolete or excess inventory and we make our assessment primarily on a ıgnificant product-by-product basis for the immediately preceding twelve-month period, adjusted for xpected changes in projected sales or marketing demand. Inventory on hand may exceed future demand ither because the product is outdated or obsolete, or because the amount on hand is more than can be sed to meet estimated future needs. We consider criteria such as customer demand, product life cycles, hanging technologies, slow moving inventory and market conditions and we reserve for our excess and ossible obsolete inventory. Historically, sales of scrap have not been material and have not affected our rofit margins. At March 31, 2005, our inventory reserves were $7.0 million of our $26.3 million gross ıventories. If actual customer demand, product life cycles, changing technologies and market conditions re less favorable than those projected by management, additional inventory reserves may be required in ıe future.

Contingencies. We are a party to various claims and litigation in the normal course of business. lanagement's current estimated range of liability related to various claims and pending litigation is based n claims for which management can estimate the amount and range of loss, or can estimate a minimum mount of a loss. Because of the uncertainties related to both the amount and range of loss on the ›maining pending claims and litigation, management is unable to make a reasonable estimate of the ability that could result from an unfavorable outcome. As additional information becomes available, we 'ill assess the potential liability related to our claims and pending litigation, revise our estimates and ccrue for any losses to the extent that they are probable and the amount is estimable. Such revisions in ur estimates of the potential liability could materially impact our results of operations and financial osition.

ACTORS THAT MAY AFFECT FUTURE OPERATING RESULTS

This Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of ıe Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as mended. Actual results could differ materially from those projected in the forward-looking statements as ε ɜsult of many risk factors including, without limitation, those set forth under "Factors That May Affect uture Results Of Operations" below. In evaluating Inter-Tel's business, shareholders and prospective ıvestors should consider carefully the following factors in addition to the other information set forth in this ocument.

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'isks Related to Our Business

'ur operating results have historically depended on a number of factors, and these factors may ause our operating results to fluctuate in the future.

Our quarterly operating results have historically depended on, and may fluctuate in the future as a esult of, many factors including:

- volume and timing of orders received during the quarter;
- gross margin fluctuations associated with the mix of products sold;
- the mix of distribution channels;
- general economic conditions and the condition of the markets our business addresses;
- patterns of capital spending by customers;
- the timing of new product announcements and releases by us and our competitors and other competitive factors;
- pricing pressures;
- the cost and effect of acquisitions;
- the availability and cost of products and components from our suppliers, including shipping and manufacturing problems associated with subcontracted vendors;
- the impact of the E-Rate settlement and possible FCC debarment, which could effect both our government business and our commercial business;
- the potential impact of new accounting pronouncements such as FAS 123R;
- national and regional weather patterns; and
- threats of or outbreaks of war, hostilities, terrorist acts or other civil disturbances.

In addition, we have historically operated with a relatively small backlog, with sales and operating esults in any quarter depending principally on orders booked and shipped in that quarter. In the past, we ave recorded a substantial portion of our net sales for a given quarter in the third month of that quarter, 'ith a concentration of such net sales in the last two weeks of the quarter. Market demand for investment ı capital equipment such as business communications systems and associated call processing and voice rocessing software applications depends largely on general economic conditions and can vary ignificantly as a result of changing conditions in the economy as a whole, as well as heightened ompetitive pressures. We cannot assure you that we can continue to be successful operating with a smal acklog or whether historical backlog trends will continue in the future.

Our expense levels are based in part on expectations of future sales and, if sales levels do not meet xpectations, our operating results could be harmed. In addition, because sales of business ommunications systems through our dealers typically produce lower gross margins than sales through ur direct sales organization, operating results have varied, and will continue to vary based upon the mix f sales through direct and indirect channels. In addition, in the recent past we have derived a significant art of our revenue from recurring revenue streams, which typically produce higher gross margins. If we o not maintain recurring revenue streams at current or historic levels, our operating results would suffer nless we significantly increased sales to new customers. Moreover, particularly in an environment of uctuating interest rates, the timing and profitability of lease resales from quarter to quarter could impact perating results. Long distance and DataNet sales, which typically carry lower gross margins than our ore business, have grown in recent periods at a faster rate than our overall net sales, although gross nargins may fluctuate in these divisions from period to period. Consolidated gross margins could be armed if long distance calling services continue to increase as a percentage of net sales or if gross nargins from this division decline. We also experience seasonal fluctuations in our operating results, as et sales for the first quarter is frequently less than the fourth quarter, and net sales for the third quarter is equently less than the second quarter. As a result of these and other factors, we have historically xperienced, and could continue to experience in the future, fluctuations in net sales and operating results n a quarterly basis.

ur market is subject to rapid technological change and to compete successfully, we must ontinually introduce new and enhanced products and services that achieve broad market cceptance.

The market for our products and services is characterized by rapid technological change, evolving ndustry standards and vigorous customer demand for new products, applications and services. To ompete successfully, we must continually enhance our existing telecommunications products, related

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ɔftware and customer services, and develop new technologies and applications in a timely and cost-ffective manner. If we fail to introduce new products and services that achieve broad market acceptance nd on a timely basis, or if we do not adapt our existing products and services to customer demands or volving industry standards, our business could be significantly harmed. Problems and delays associated ·ith new product development have in the past contributed to lost sales. In addition, current competitors o ew market entrants may offer products, applications or services that are better adapted to changing ɛchnology or customer demands and that could render our products and services unmarketable or bsolete.

In addition, if the markets for computer-telephony applications, Internet Protocol network products, or ɜlated products fail to develop or continue to develop more slowly than we anticipate, or if we are unable ɔr any reason to capitalize on any of these emerging market opportunities, our business, financial ɔndition and operating results could be significantly harmed.

ıur future success largely depends on increased commercial acceptance of our Inter-Tel 5000 etwork Communications Solutions, Axxess® system, the Lake OfficeLink product (branded ncoreCX® in North America), speech recognition, Interactive Voice Response, presence ıanagement, collaboration, messaging products, Session Initiation Protocol (SIP) applications, nd related computer-telephony products.

Over the past 18 to 24 months, we have introduced a number of new products and platforms, including nified Communicator® software, a web-based, speech-recognition, wireless PDA, and Wireless pplication Protocol (WAP) software application for controlling and managing calls, contacts and presence tatus; Enterprise® Conferencing and Enterprise® Instant Messaging software, a SIP-based web and udio conferencing application; Inter-Tel Webconferencing and Inter-Tel Remote support ɔollaboration) solutions; Model 8500 series digital endpoints; Model 8600 series Multi-protocol SIP ndpoints; Inter-Tel Application Platform, a highly flexible speech-recognition, text-to-speech and CTI pplication generation platform; enhanced convergence features on the Axxess system, including support f standard Session Initiation Protocol (SIP) endpoints and trunk gateways; and several other telephony-ɜlated products. In recent history, sales of our Axxess business communications systems and related ɔftware have comprised a substantial portion of our net sales. Our future success depends, in large part, pon increased commercial acceptance and adoption of the products or platforms identified above, as wel s the Axxess system, the Inter-Tel 5000 Network Communications products, the Application Platform, the nified Communicator and related computer-telephony products, the Linktivity collaboration technology, ıe Lake Communications converged systems and software, SIP standards-based applications and evices, new speech recognition and Interactive Voice Response products, and future upgrades and nhancements to these products and networking platforms. We cannot assure you that these products or latforms will achieve commercial acceptance in the future.

ıur products are complex and may contain errors or defects that are detected only after their ɜlease, which may cause us to incur significant unexpected expenses and lost sales.

Our telecommunications products and software are highly complex. Although our new products and pgrades are examined and tested prior to release, they can only be fully tested when used by a large ustomer base. Consequently, our customers have in the past and may in the future discover program rrors, or "bugs," or other defects after new products and upgrades have been released. Some of these ugs may result from defects contained in component parts or software from our suppliers or other third arties that are intended to be compatible with our products and over which we have little or no control. lthough we have test procedures and quality control standards in place designed to minimize the numbei f errors and defects in our products, we cannot assure you that our new products and upgrades will be ee of bugs when released. If we are unable to quickly or successfully correct bugs identified after elease, we could experience the following, any of which would harm our business:

- costs associated with the remediation of any problems;
- costs associated with design modifications;
- loss of or delay in revenues;
- loss of customers;
- damage to our reputation;
- failure to achieve market acceptance or loss of market share;
- increased service and warranty costs;

- liabilities to our customers; and
- increased insurance costs.

he complexity of our products could cause delays in the development and release of new roducts and services. As a result, customer demand for our products could decline, which could arm our business.

Due to the complexity of our products and software, we have in the past experienced and expect in the ıture to experience delays in the development and release of new products or product enhancements. If 'e fail to introduce new software, products or services in a timely manner, or fail to release upgrades to ur existing systems or products and software on a regular and timely basis, customer demand for our roducts and software could decline, which would harm our business.

usiness acquisitions, new business ventures, dispositions or joint ventures entail numerous sks and may disrupt our business, dilute shareholder value and distract management attention.

As part of our business strategy, we consider acquisitions of, or significant investments in, businesses ıat offer products, services and technologies complementary to ours. Such acquisitions could materially dversely affect our operating results and/or the price of our common stock. Acquisitions also entail umerous risks, some of which we have experienced and may continue to experience, including:

- unanticipated costs and liabilities;
- difficulty of assimilating the operations, products and personnel of the acquired business;
- difficulties in managing the financial and strategic position of acquired or developed products, services and technologies;
- difficulties in maintaining customer relationships;
- difficulties in servicing and maintaining acquired products, in particular where a substantial portion of the target's sales were derived from our competitor's products and services;
- difficulty of assimilating the vendors and independent contractors of the acquired business;
- the diversion of management's attention from the core business;
- inability to maintain uniform standards, controls, policies and procedures; and
- impairment of relationships with acquired employees and customers occurring as a result of integration of the acquired business.

In particular, in prior years our operating results were materially adversely affected by several of the ıctors described above, including substantial operating losses and impairment charges resulting from xecutone and Inter-Tel.NET. Refer to Note C to the Condensed Consolidated Financial Statements for dditional information concerning our acquisitions.

We completed two acquisitions in 2002, one acquisition and one technology investment in 2003, five cquisitions and one technology investment in 2004, and one acquisition in 2005. The 2002 acquisitions ıcluded certain assets and liabilities of an operating company and the stock of a United Kingdom ›chnology company. In 2003, we acquired selected assets and assumed certain liabilities of a former ıter-Tel dealer and we acquired the rights to certain developed technology. In 2004, we acquired certain ssets and assumed certain liabilities of four former Inter-Tel dealers. In addition, we completed one ›chnology related acquisition, coupled with a license of technology in 2004. In March of 2005, we cquired all of the outstanding stock of Lake and its several related entities in Ireland. These entities are imilar in nature to our wholesale operations and also include significant technology-related assets. These cquisitions are subject to risks and uncertainties including, but not limited to, those indicated above.

Finally, to the extent that shares of our stock or the rights to purchase stock are issued in connection ith any future acquisitions, dilution to our existing shareholders will result and our earnings per share ıay suffer. Any future acquisitions may not generate additional revenue or provide any benefit to our usiness, and we may not achieve a satisfactory return on our investment in any acquired businesses.

/e may not be able to adequately protect our proprietary technology and may be infringing upon ıird-party intellectual property rights.

Our success depends in part upon protecting our proprietary technology. As of March 31, 2005, we eld twenty-seven (27) U.S. patents for telecommunication and messaging products, systems and rocesses and had applied to the U.S. Patent and Trademark Office for fifteen (15) additional patents. We lso rely on copyright and trade secret law and contractual provisions to protect our intellectual property. 'espite these precautions, third parties could copy or otherwise obtain and use our technology without uthorization, or develop similar technology independently.

Any patent, trademark or copyright that we own or have applied to own is subject to being invalidated, ırcumvented or challenged by a third party. Effective protection of intellectual property rights may be navailable or limited in foreign countries. The telecommunications and networking industries are heavily atented and we cannot assure that the protection of our proprietary rights will be adequate or that ɔmpetitors will not independently develop similar technology, duplicate our services or design around an) atents or other intellectual property rights we hold. Litigation may be necessary in the future to enforce ur intellectual property rights, to protect our trade secrets, to determine the validity and scope of the roprietary rights of others, or to defend against claims of infringement or invalidity. Litigation could be ɔstly, absorb significant management time and harm our business.

Many of our competitors have large patent portfolios and we are subject to or could become subject to ıird party claims that our current or future products or services infringe upon the rights of others. For xample, we are subject to claims initiated by Avaya and Lucent, two of our primary competitors, alleging ıat certain of our key products infringe upon their intellectual property rights, including patents, ademarks, copyrights or other intellectual property rights. We have viewed presentations from Avaya lleging that our Axxess business communications system and associated applications utilize inventions ɔvered by certain of their patents. We have also made claims against Avaya for infringement of our atents. We are continuing the process of investigating these matters. The ultimate outcomes by their ature are uncertain and we cannot assure you that these matters, individually or collectively, would not ave a material adverse impact on our financial position and future results of operations.

When any such claims are asserted against us, among other means to resolve the dispute, we may ɘek to license the third party's intellectual property rights. Purchasing such licenses can be expensive, nd we cannot assure you that a license will be available on prices or other terms acceptable to us, if at ll. Alternatively, we could resort to litigation to challenge such a claim. Litigation could require us to xpend significant sums of cash and divert our management's attention. In the event a court renders an nforceable decision with respect to our intellectual property, we may be required to pay significant amages, develop non-infringing technology or acquire licenses to the technology subject to the alleged ıfringement. Any of these actions or outcomes could harm our business. If we are unable or choose not ı license technology, or decide not to challenge a third party's rights, we could encounter substantial and ɔstly delays in product introductions. These delays could result from efforts to design around asserted ıird party rights or our discovery that the development, manufacture or sale of products requiring these ːenses could be foreclosed.

/e have many competitors and expect new competitors to enter our market, which could increase rice competition and spending on research and development and which may impair our ability to ompete successfully.

The markets for our products and services are extremely competitive and we expect competition to ıcrease in the future. Our current and potential competitors in our primary business segments include:

- PABX, converged systems and IP-PBX providers, distributors, or resellers such as Alcatel, Altigen, Avaya, Cisco Systems, Comdial, 3Com, EADS Telecom, Iwatsu, Interactive Intelligence, Lucky Goldstar, Mitel, NEC, Nortel, Panasonic, Samsung, ShoreTel, Siemens, Toshiba, Vertical Networks/ ArtiSoft and Vodavi;

- large data routing and convergence companies such as 3Com, Adtran and Cisco Systems;

- voice processing applications providers such as ADC, InterVoice-Brite, Active Voice (a subsidiary of NEC America), Avaya, and Captaris (formerly AVT);

- web collaboration product and service providers, such as Centra, eDial (a division of Alcatel), IBM, Microsoft, Raindance Communications, and WebEx;

- long distance services providers such as AT&T, MCI, Qwest and Sprint;

- large computer and software corporations such as IBM, HP, Intel and Microsoft;
- regional Bell operating companies, or RBOCs, competitive local exchange companies (CLECs); cable television companies, IP Centrex service providers, and satellite and other wireless and wireline broadband service providers offering IP centrex services such as AT&T, Covad, Level-3, Qwest, SBC and Time-Warner Telecom; and
- independent leasing companies that provide telecom equipment financing.

These and other companies may form strategic relationships with each other to compete with us. hese relationships may take the form of strategic investments, joint-marketing agreements, licenses or ther contractual arrangements. Strategic relationships and business combinations could increase our ompetitors' ability to address customer needs with their product and service offerings.

Many of our competitors and potential competitors have substantially greater financial, customer upport, technical and marketing resources, larger customer bases, longer operating histories, greater ame recognition and more established relationships in the industry than we do. We cannot be sure that 'e will have the resources or expertise to compete successfully. Compared to us, our competitors may be ble to:

- develop and expand their product and service offerings more quickly;
- offer greater price discounts or make substantial product promotions;
- adapt to new or emerging technologies and changing customer needs faster;
- take advantage of acquisitions and other opportunities more readily;
- negotiate more favorable licensing agreements with vendors;
- devote greater resources to the marketing and sale of their products; and
- address customers' service-related issues more adequately.

Some of our competitors may also be able to provide customers with additional benefits at lower overal osts or to reduce their gross margins aggressively in an effort to increase market share. We cannot be ure we will be able to match cost reductions by our competitors. In recent periods, due to competitive ressures, we have discounted pricing on our telephone systems and offered promotions. In addition, we elieve there is likely to be further consolidation in our markets, which could lead to having even larger nd more formidable competition and other forms of competition that could cause our business to suffer.

ur reliance on a limited number of suppliers for key components and our dependence on ontract manufacturers *could impair our ability to manufacture and deliver our products and*

ervices in a timely and cost-effective manner.

/e currently obtain certain key components for our digital communication platforms, including certain ıicroprocessors, integrated circuits, power supplies, voice processing interface cards and IP telephony ards, from a limited number of suppliers and manufacturers. Our reliance on these limited suppliers and ontract manufacturers involves risks and uncertainties, including the possibility of a shortage or delivery elay for some key components. We currently manufacture our products, including products manufacture r Lake, through third-party subcontractors located in the United States, Mexico, the People's Republic of hina and the United Kingdom. Foreign manufacturing facilities are subject to changes in governmental olicies, imposition of tariffs and import restrictions and other factors beyond our control. We have xperienced occasional delays in the supply of components and finished goods that have harmed our usiness. If inventory levels are not adequately maintained and managed we are at risk of not having the ppropriate inventory quantities on hand to meet sales demand. We may experience similar delays in the ıture.

Our reliance on third party manufacturers and OEM partners involves a number of additional risks, ıcluding reduced control over delivery schedules, quality assurance and costs. Our business may be armed by any delay in delivery or any shortage of supply of components or finished goods from a upplier caused by any number of factors, including but not limited to the acquisition of the vendor by nother company (which has recently occurred with one of our primary suppliers). Our business may also e harmed if we are unable to develop alternative or additional supply sources as necessary. To date, we ave been able to obtain supplies of components and products in a timely manner even though we do not ave long-term supply contracts with any of our contract manufacturers. However, we cannot assure you

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'e will be able to continue to obtain components or finished goods in sufficient quantities or quality or on ıvorable pricing or delivery terms in the future.

/e derive a substantial portion of our net sales from our dealer network and if these dealers do ot effectively promote and sell our products, our business and operating results could be armed.

We derive a substantial portion of our net sales through our network of independent dealers. We face ıtense competition from other telephone, voice processing, and voice and data router system ıanufacturers for these dealers' business, as most of our dealers carry other products that compete with ur products. Our dealers may choose to promote the products of our competitors to our detriment. We ave developed programs and expended capital as incentives to our dealers to promote our products, anc 'e cannot assure you that these techniques will continue to be successful. The loss of any significant ealer or group of dealers, or any event or condition harming our dealer network, could harm our usiness, financial condition and operating results.

/e have been the subject of government investigations, which have resulted in convictions and ivil penalties and may cause further competitive and financial harm to our business.

On January 5, 2005, the Company received court approval of a civil settlement agreement (the "Civil ettlement") and a criminal plea agreement (the "Plea Agreement") with the United States of America, ach dated as of December 8, 2004 and disclosed on that same date. The court approval of the Civil ettlement and Plea Agreement resolves the investigation of the Department of Justice into the articipation of Inter-Tel Technologies, Inc., the Company's wholly-owned subsidiary ("Technologies") in a ederally administered "E-Rate program" to connect schools and libraries to the Internet. In connection 'ith the Civil Settlement, Technologies agreed to pay a penalty of $6,740,450 and forego the collection of ertain accounts receivable of $259,540 related to Technologies' participation in the E-Rate program. In onnection with the Plea Agreement, Technologies entered guilty pleas to charges of mail fraud and an ntitrust violation. Under the Plea Agreement, Technologies agreed to pay a fine of $1,721,000 and bserve a three-year probationary period, which will, among other things, require Technologies to nplement a comprehensive corporate compliance program. The penalties and fines described above 'ere paid during the first quarter of 2005.

In addition, on January 21, 2005, Inter-Tel Technologies received notification from the Federal :ommunications Commission that Technologies was temporarily suspended from participation in the E-.ate program pending a proposed debarment. Technologies has contested the scope and length of the roposed debarment from the E-Rate program, but there can be no assurance that Technologies will be uccessful in this regard. Revenues in 2004 relating to Technologies' participation in the E-Rate program 'ere not significant.

The existence and disclosure of the Civil Settlement, Plea Agreement and FCC Notice may have lready caused competitive harm to Inter-Tel, and these matters may further harm Inter-Tel's business.

Inter-Tel is also subject to litigation in the ordinary course of business. We cannot assure you that any dverse outcome in connection with such litigation would not impair our business or financial condition.

lanaging our international sales efforts may expose us to additional business risks, which may esult in reduced sales or profitability in our international markets.

We are currently expending resources to maintain and expand our international dealer network in the ountries in which we already have a presence and in new countries and regions. International sales are ubject to a number of risks, including changes in foreign government regulations and telecommunication tandards, export license requirements, tariffs and taxes, other trade barriers, difficulties in protecting our itellectual property, fluctuations in currency exchange rates, difficulty in collecting receivables, difficulty in taffing and managing foreign operations, and political and economic instability. In particular, the terrorist cts of September 11, 2001, continued hostilities in Iraq and turmoil in the Middle East and North Korea ave created an uncertain international economic environment and we cannot predict the impact of these cts, any future terrorist acts or any related military action on our efforts to expand our international sales. luctuations in currency exchange rates could cause our products to become relatively more expensive to ustomers in a particular country, leading to a reduction in sales or profitability in that country. In addition,

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ıe costs associated with developing international sales or an international dealer network may not be ffset by increased sales in the short term, or at all. Any of these risks could cause our products to ecome relatively more expensive to customers in a particular country, leading to reduced sales or rofitability in that country.

During the past year, Inter-Tel has been in the process of establishing a new dealer relationship in outh Africa and launched that relationship in 2005. It is possible that this business many not materialize s soon as expected and may require additional support expenses to reach the expected revenue levels.

In December 2004, we wrote off our Japan operations. As a result, Inter-Tel assigned selected assets nd the customer base of the Inter-Tel Japan direct sales office to a new dealer in Japan that will sell and upport Inter-Tel products to our Japan customers. We may continue to incur expenses related to the 'inding down of our direct presence over the next few quarters.

The Lake acquisition closed in March 2005. Among other acquisition-related risks, we face risks of eterioration of international sales during the integration process, loss of key customers or that projected rowth could be delayed or may not materialize at all.

we lose key personnel or are unable to hire additional qualified personnel as necessary, we may ot be able to achieve our objectives.

We depend on the continued service of, and our ability to attract and retain, qualified technical, ıarketing, sales and managerial personnel, many of whom would be difficult to replace. Competition for ualified personnel is intense, and we have historically had difficulty in hiring employees in the timeframe 'e desire, particularly skilled engineers or sales personnel. The loss of any of our key personnel or our ıilure to effectively recruit additional key personnel could make it difficult for us to manage our business, omplete timely product introductions or meet other critical business objectives. Moreover, our operating esults could be impaired if we lose a substantial number of key employees from recent acquisitions, ıcluding personnel from acquisitions identified in Note B to the Consolidated Financial Statements. We annot assure you we will be able to continue to attract and retain the qualified personnel necessary for ıe development of our business.

'ur IP network products may be vulnerable to viruses, other system failure risks and security oncerns, which may result in lost customers or slow commercial acceptance of our IP network roducts.

Inter-Tel's IP telephony and network products may be vulnerable to computer viruses or similar isruptive problems. *Computer viruses or problems caused by third parties could lead to interruptions,* elays or cessation of service that could harm our operations and revenues. In addition, we may lose ustomers if inappropriate use of the Internet or other IP networks by third parties jeopardizes the security f confidential information, such as credit card or bank account information or the content of conversations ver the IP network. In addition, user concerns about privacy and security may cause IP networks in eneral to grow more slowly, and impair market acceptance of our IP network products in particular, until ıore comprehensive security technologies are developed and deployed industry-wide.

/e may be unable to achieve or manage our growth effectively, which may harm our business.

The ability to operate our business in an evolving market requires an effective planning and ıanagement process. Our efforts to achieve growth in our business have placed, and are expected to ɔntinue to place, a significant strain on our personnel, management systems, infrastructure and other ɘsources. In addition, our ability to manage any potential future growth effectively will require us to uccessfully attract, train, motivate and manage new employees, to integrate new employees into our verall operations and to continue to improve our operational, financial and management controls and rocedures. Furthermore, we expect we will be required to manage an increasing number of relationships 'ith suppliers, manufacturers, customers and other third parties. If we are unable to implement adequate ɔntrols or integrate new employees into our business in an efficient and timely manner, our operations ɔuld be adversely affected and our growth could be impaired.

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he introduction of new products and services has lengthened our sales cycles, which may result ı significant sales and marketing expenses.

In the past few years, we introduced IP telephony enhancements to the Axxess® system as well as resence management and collaboration applications, which are typically sold to larger customers at a igher average selling price and often represent a significant expenditure in communications infrastructure y the prospective enterprise customer. Accordingly, the purchase of our products typically involves umerous internal approvals relating to the evaluation, testing, implementation and acceptance of new echnologies. This evaluation process frequently results in a lengthy sales process, which can range from few months to more than 12 months, thereby subjecting our sales cycle to a number of significant ncertainties concerning budgetary constraints and internal acceptance reviews. The length of our sales ycle also may vary substantially from customer to customer and along product lines. While our customers re evaluating our products before placing an order with us, we may incur substantial sales and marketing xpenses and expend significant management effort. In addition, installation of multiple systems for large, ıulti-site customers may occur over an extended period of time, and depending on the contract terms with ıese customers, revenues may be recognized over more than one quarter, as systems are completed in eparate phases and accepted by the customers. Consequently, if sales forecasted from a specific ustomer for a particular quarter are not realized in that quarter, our operating results could be materially dversely affected.

/e rely heavily upon third-party packaged software systems to manage and run our business rocesses and to produce our financial statements. From time to time we upgrade these systems) ensure continuation of support and to expand the functionality of the systems to meet our usiness needs. The risks associated with the upgrade process include disruption of our business rocesses, which could harm our business.

We currently run third-party applications for data processing in our distribution center operations, hipping, materials movement, customer service, invoicing, financial record keeping and reporting, and for ther operations and administrative functions. The nature of the software industry is to upgrade software ystems to make architectural changes, increase functionality, improve controls and address software ugs. Over time, older versions of the software become less supported or unsupported by our vendors for nancial and other reasons and eventually become obsolete. Oracle, the primary supplier of our third-party pplications, provides notice of the dates that Oracle will de-support the software and companies are xpected to either make plans to upgrade to newer versions or operate without Oracle support. While racle and other third-party vendors may provide advanced notice of product upgrade schedules and take ther steps to make the upgrade process as straightforward as possible, we are subject to risks ssociated with the process, and in some cases we may choose to continue to utilize and maintain the nsupported third-party software using our own information systems personnel. Our software systems ould become unstable following an upgrade process and impact our ability to process data properly in ıese systems, including timely and accurate shipment of products, invoicing our customers properly and ıe production of accurate and timely financial statements. There are risks associated with failing to apply ecessary security upgrades intended to resolve vulnerabilities. While we strive to take necessary recautions and properly test security-related upgrades before applying these upgrades, we must weigh ıe risks of not applying the upgrade against the risks of vulnerabilities being exploited for malicious urposes by an outside entity. Should a security vulnerability be exploited, our systems could become nstable and/or data could be compromised, thereby adversely affecting our business. We expect to affec oftware upgrades in the future and cannot assure you these software upgrades or enhancements will perate as intended or be free from bugs or that we will be able to operate effectively using unsupported ird-party software using our existing personnel and resources. If we are unable to successfully integrate ew software into our information systems, our operations, customer service and financial reporting could e adversely affected and could harm our business.

ur stock price has been and may continue to be volatile, impairing your ability to sell your shares t or above purchase price.

The market price for our common stock has been highly volatile. The volatility of our stock could be ubject to continued wide fluctuations in response to many risk factors listed in this section, and others eyond our control, including:

- announcements of developments relating to our business;
- fluctuations in our operating results;
- the impact of our dividend announcements, repurchase program or sales of stock by officers and directors;
- shortfalls in revenue or earnings relative to securities analysts' expectations;
- announcements of technological innovations or new products or enhancements by us or our competitors, including product delays;
- announcements of acquisitions or planned acquisitions of other companies or businesses;
- investors' reactions to acquisition announcements or any forecasts of our future results;
- general economic conditions in the telecommunications industry;
- the market for Internet-related voice and data products and services;
- changes in the national or worldwide economy;
- changes in legislation or regulation affecting the telecommunications industry;
- developments relating to our intellectual property rights and the intellectual property rights of third parties;
- litigation or governmental investigations of our business practices;
- the impact of the E-Rate settlement and possible FCC debarment, which could affect both our government business and our commercial business.
- changes in our relationships with our customers and suppliers, including shipping and manufacturing problems associated with subcontracted vendors;
- national and regional weather patterns; and
- threats of or outbreaks of war, hostilities, terrorist acts or other civil disturbances;

In addition, stock prices of technology companies in general, and for voice and data communications ompanies in particular, have experienced extreme price fluctuations in recent years which have often een unrelated to the operating performance of affected companies. We cannot assure you the market rice of our common stock will not experience significant fluctuations in the future, including fluctuations nrelated to our performance.

ıur Chairman of the Board of Directors, CEO and President controls 19.4% of our Common Stock nd is able to significantly influence matters requiring shareholder approval.

As of March 31, 2005, Steven G. Mihaylo, Inter-Tel's Chairman of the Board of Directors, Chief xecutive Officer and President, beneficially owned approximately 19.4% of the existing outstanding hares of the common stock of Inter-Tel. As a result, he has the ability to exercise significant influence ver all matters requiring shareholder approval. In addition, the concentration of ownership could have the ffect of delaying or preventing a change in control of Inter-Tel.

hanges in stock option accounting rules may adversely impact our reported operating results repared in accordance with generally accepted accounting principles, our stock price and our ompetitiveness in the employee marketplace.

Technology companies like ours have a history of using broad based employee stock option programs) hire, provide incentives for and retain our workforce in a competitive marketplace. Statement of inancial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") llowed companies the choice of either using a fair value method of accounting for options, which would esult in expense recognition for all options granted, or using an intrinsic value method, as prescribed by ccounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), with a ro forma disclosure of the impact on net income (loss) of using the fair value option expense recognition ıethod. We have elected to apply APB 25 and accordingly we generally do not recognize any expense 'ith respect to employee stock options as long as such options are granted at exercise prices equal to the ıir value of our Common Stock on the date of grant.

In December 2004, the FASB issued Statement No. 123 (revised 2004), Share-Based Payment ("SFAS 23R"), which replaces SFAS No. 123, Accounting for Stock-Based Compensation, (SFAS 123) and upersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. SFAS 123R requires all hare-based payments to employees, including grants of employee stock options and employee stock urchase plan shares, to be recognized in the financial statements based on their fair values beginning 'ith ıe Company's fiscal year beginning January 1, 2006. The pro forma disclosures previously permitted nder SFAS 123 no longer will be an alternative to financial statement recognition.

Under SFAS 123R, we must determine the appropriate fair value model to be used for valuing share-ased payments, the amortization method for compensation cost and the transition method to be used at ate of adoption. The transition methods include prospective and retroactive adoption options. Under the etroactive option, prior periods may be restated either as of the beginning of the year of adoption or for all eriods presented. The prospective method requires that compensation expense be recorded for all nvested stock options and restricted stock at the beginning of the first quarter of adoption of SFAS 123R, 'hile the retroactive methods would record compensation expense for all unvested stock options and estricted stock beginning with the first period restated. We are evaluating the requirements of SFAS 123F nd expect that the adoption of SFAS 123R will have a material impact on our consolidated results of perations and earnings per share.

We have not yet determined the method of adoption or the effect of adopting SFAS 123R, and we have ot determined whether the adoption will result in amounts that are similar to the current pro forma isclosures under SFAS 123. In addition, this new statement could impact our ability to utilize broad-basec mployee stock plans to reward employees and could result in a competitive disadvantage to us in the mployee marketplace.

'isks Related to Our Industry

:eductions in spending on enterprise communications equipment may materially and adversely ffect our business.

The overall economic slowdown of the last several years has had and may continue to have a harmful ffect on the market for enterprise communications equipment. Our customers have reduced significantly ıeir capital spending on communications equipment in an effort to reduce their own costs and bolster ıeir revenues. The market for enterprise communications equipment may only grow at a modest rate or ossibly not grow at all, and our financial performance has been and may continue to be materially and dversely affected by the reductions in spending on enterprise communications equipment.

he emerging market for IP network telephony is subject to market risks and uncertainties that ould cause significant delays and expenses.

The market for IP network voice communications products has begun to develop only recently, is volving rapidly and is characterized by an increasing number of market entrants who have introduced or eveloped products and services for Internet or other IP network voice communications. As is typical of a ew and rapidly evolving industry, the demand for and market acceptance of, recently introduced IP etwork products and services are highly uncertain. We cannot assure you that IP voice networks will ecome widespread. Even if IP voice networks become more widespread in the future, we cannot assure ıat our products, including the IP telephony features of the *Axxess* systems and Inter-Tel 5000 Network :ommunication Solutions, our IP endpoints and IP applications will successfully compete against other ıarket players and attain broad market acceptance.

Moreover, the adoption of IP voice networks and importance of development of products using industry ıtandards such as MGCP and SIP, generally require the acceptance of a new way of exchanging ıformation. In particular, enterprises that have already invested substantial resources in other means of ɔmmunicating information may be reluctant or slow to adopt a new approach to communications. If the ıarket for IP network voice communications fails to develop or develops more slowly than we anticipate, ur IP network telephony products could fail to achieve market acceptance, which in turn could ignificantly harm our business, financial condition and operating results. This growth may be inhibited by number of factors, such as quality of infrastructure; security concerns; equipment, software or other ɛchnology failures; regulatory encroachments; inconsistent quality of service; poor voice quality over IP etworks as compared to circuit-switched networks; and lack of availability of cost-effective, high-speed etwork capacity. Moreover, as IP-based data communications and telephony usage grow, the ıfrastructure used to support these IP networks, whether public or private, may not be able to support the emands placed on them and their performance or reliability may decline. The technology that allows ɔice and facsimile

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ɔmmunications over the Internet and other data networks, and the delivery of other value-added services : still in the early stages of development.

iovernment regulation of third party long distance and network service entities on which we rely ıay harm our business.

Our supply of telecommunications services and information depends on several long distance carriers, :BOCs, local exchange carriers, or LECs, and competitive local exchange carriers, or CLECs. We rely on ıese carriers to provide local and long distance services, including voice and data circuits, to our ustomers and to provide us with billing information. Long distance services are subject to extensive and ncertain governmental regulation on both the federal and state level. We cannot assure you that the ıcrease in regulations will not harm our business. Our current contracts for the resale of services through ıng distance carriers include multi-year periods during which we have minimum use requirements and/or ɔsts. The market for long distance services is experiencing, and is expected to continue to experience ignificant price competition, and this may cause a decrease in end-user rates. We cannot assure you tha 'e will meet minimum use commitments, that we will be able to negotiate lower rates with carriers if end-ser rates decrease or that we will be able to extend our contracts with carriers at favorable prices. If we re unable to secure reliable Network Services from certain long distance carriers, RBOCs, LECs and :LECs, or if these entities are unwilling or unable to provide telecommunications services and billing ıformation to us on favorable terms, our ability to expand our own Network Services will be harmed. :arriers that provide telecommunications services to us may also experience financial difficulties, up to nd including bankruptcies, which could harm our ability to offer telecommunications services.

:onsolidation within the telecommunications industry could increase competition and adversely ffect our business.

There has been a trend in the telecommunications industry toward consolidation and we expect this end to continue as the industry evolves. As a result of this consolidation trend, new stronger companies ıay emerge that have improved financial resources, enhanced research and development capabilities nd a larger and more diverse customer base. The changes within the telecommunications industry may dversely affect our business, operating results and financial condition.

errorist activities and resulting military and other actions could harm our business.

Terrorist attacks in New York and Washington, D.C. in September of 2001 disrupted commerce ıroughout the world. The continued threat of terrorism, the conflict in Iraq and the potential for additional ıilitary action and heightened security measures in response to these threats may continue to cause ignificant disruption to commerce throughout the world. To the extent that disruptions result in a general ecrease in corporate spending on information technology or advertising, our business and results of perations could be harmed. We are unable to predict whether the conflict in Iraq and its aftermath, the ıreat of terrorism or the responses thereto will result in any long-term commercial disruptions or if such ctivities or responses will have a long-term adverse effect on our business, results of operations or nancial condition. Additionally, if any future terrorist attacks were to affect the operation of the Internet or ey data centers, our business could be harmed. These and other developments arising out of the otential attacks may make the occurrence of one or more of the factors discussed herein more likely to ccur.

/e Are Exposed To Increased Costs And Risks Associated With Compliance With Changing Laws :egulations And Standards In General, and Specifically With Increased And New Regulation Of :orporate Governance And Disclosure Standards.

We are spending an increased amount of management time and external resources to comply with xisting and changing laws, regulations and standards in general, and specifically relating to corporate overnance and public disclosure, including the Sarbanes-Oxley Act of 2002, new SEC regulations, CAOB and Nasdaq Stock Market rules, as well as commercial dealings with other government entities. Ir articular, Section 404 of the Sarbanes-Oxley Act of 2002 requires management's annual review and valuation of our internal control systems, and attestations of the effectiveness of these systems by our ıanagement and by our independent auditors. We have completed our documentation and testing of our ıternal control systems and procedures for 2004. This process required us to hire additional personnel nd use outside advisory services and resulted in additional accounting and legal expenses. The results o ıe documentation and testing for 2004 indicate that we currently have adequate internal controls over nancial reporting; however, if in the future our chief executive officer, chief financial officer or independen uditors determine that our controls over financial reporting are not effective as defined under Section 404 ıvestor perceptions of Inter-Tel may be adversely affected and could cause a decline in the market price r our stock. Failure to comply with other existing and changing laws, regulations and standards could als dversely affect the Company.

TEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion about our market risk disclosures involves forward-looking statements. Actual esults could differ materially from those projected in the forward-looking statements. We are exposed to ıarket risk related to changes in interest rates and foreign currency exchange rates. We do not use erivative financial instruments.

IVESTMENT PORTFOLIO. We do not use derivative financial instruments in our non-trading investment ortfolio. Inter-Tel maintains a portfolio of highly liquid cash equivalents typically maturing in three months r less as of the date of purchase. Inter-Tel places its investments in instruments that meet high credit uality standards, as specified in our investment policy guidelines.

The Company also maintains short-term and long-term investments. Those investments that are lassified as available for sale have been recorded at fair value, which approximates cost. Those ıvestments that are classified as held-to-maturity have been recorded at cost and amortized to face alue. Short-term investments include certificates of deposit, auction rate certificates, auction rate referred securities, municipal preferred securities, federal agency issues and mutual funds. The auction ate securities are adjustable-rate securities with dividend rates that are reset periodically by bidders ırough periodic "Dutch auctions" generally conducted every 7 to 49 days by a trust company or broker/ ealer on behalf of the issuer. The Company believes these securities are highly liquid investments ırough the related auctions; however, the collateralizing securities have stated terms of up to thirty-four 34) years. The long-term investments consist of federal agency issues. Both the short-term and long-term ıstruments are rated A or higher by Standard & Poor's Ratings Group, or equivalent. The Company's ıvestments are intended to establish a high-quality portfolio that preserves principal, meets liquidity eeds, avoids inappropriate concentrations and delivers an appropriate yield in relationship to the ompany's investment guidelines and market conditions. Given the short-term nature of the majority of ıese investments, and that we have no borrowings outstanding, we are not subject to significant interest ate risk.

EASE PORTFOLIO. We offer to our customers lease financing and other services, including our Total olutions program, through our Inter-Tel Leasing subsidiary. We fund these programs in part through the ale to financial institutions of rental payment streams under the leases. Upon the sale of the rental ayment streams, we continue to service the leases and maintain limited recourse on the leases. We ıaintain reserves for loan losses on all leases based on historical loss experience, past due accounts anc ɔecific account analysis. Although to date we have been able to resell the rental streams from leases nder our lease programs profitably and on a substantially current basis, the timing and profitability of ːase resales could impact our business and operating results, particularly in an environment of fluctuatinc ıterest rates and economic uncertainty. If we were required to repurchase rental streams and realize ›sses thereon in amounts exceeding our reserves, our operating results could be materially adversely ffected. See "Liquidity and Capital Resources" and "Critical Accounting Policies and Estimates" in lanagement's Discussion and Analysis for more information regarding our lease portfolio and financing.

ɅPACT OF FOREIGN CURRENCY RATE CHANGES. We invoice the customers of our international ubsidiaries primarily in the local currencies of our subsidiaries for product and service revenues. Inter-Tel ; exposed to foreign exchange rate fluctuations as the financial results of foreign subsidiaries are anslated into U.S. dollars in consolidation. The impact of foreign currency rate changes have historically een insignificant.

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TEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. Except as discussed in the following paragraph, our ıanagement evaluated, with the participation of our Chief Executive Officer and our Chief Financial ıfficer, the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) nd 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the "Exchange Act") as of the nd of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our ıanagement, including our Chief Executive Officer and Chief Financial Officer have concluded that our isclosure controls and procedures are designed, and are effective to give reasonable assurance that ıformation we are required to disclose in reports that we file or submit under the Exchange Act, is ecorded, processed, summarized and reported within the time periods specified in Securities and xchange Commission rules and forms and to ensure that information required to be disclosed in the eports filed or submitted under the Exchange Act is accumulated and communicated to our management, ıcluding our Chief Executive Officer and Chief Financial Officer, in a manner that allows timely decisions egarding required disclosure.

ın February 28, 2005, the Company completed the acquisition of Lake. The recorded cost of the cquisition including capitalized transaction costs was $28.7 million. Net revenues from the Lake ubsidiary included in the consolidated net income for the quarter were $2.6 million. See Note C to the ondensed Consolidated Financial Statements for further discussion of this acquisition. We have not ompleted our evaluation of the design and operation of the disclosure controls and procedures for this onsolidated subsidiary as of March 31, 2005. We expect to complete such evaluation prior to the end of 005.

Changes in internal controls over financial reporting. There were no changes in our internal controls ver financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q ıat have materially affected, or are reasonably likely to materially affect, our internal controls over nancial reporting.

NTER-TEL, INCORPORATED AND SUBSIDIARIES

ART II. OTHER INFORMATION

TEM 1. LEGAL PROCEEDINGS

/e are involved from time to time in litigation incidental to our business. We believe that the outcome of urrent litigation will not have a material adverse effect upon our business, financial condition or results of perations and will not disrupt our normal operations.

TEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

oard Authorization to Repurchase up to $75 Million of Inter-Tel Stock. On February 15, 2005, Inter-Tel nnounced that its Board of Directors approved a stock repurchase program, with no stated expiration ate, in which Inter-Tel may purchase up to $75 million of its Common Stock in the open market from time) time, depending upon general market conditions, the Company's share price, the level of employee tock option exercises, the level of employee stock purchase plan purchases, the availability of funds and ther factors. While the Company has made and intends to continue to make repurchases in subsequent eriods, no Common Stock was repurchased pursuant to the Plan during the Company's first fiscal quarte f 2005.

TEM 3. DEFAULTS UPON SENIOR SECURITIES — Not Applicable

TEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS—Not Applicable

TEM 5. OTHER INFORMATION — Not Applicable

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ΓEM 6. EXHIBITS:

Exhibit 10:	Share Purchase Agreement, signed February 28, 2005
Exhibit 31.1:	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2:	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1:	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2:	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

ursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this ›port to be signed on its behalf by the undersigned thereunto duly authorized.

	INTER-TEL, INCORPORATED
lay 10, 2005	/s/ Steven G. Mihaylo Steven G. Mihaylo Chairman of the Board, Chief Executive Officer and President
lay 10, 2005	/s/ Kurt R. Kneip Kurt R. Kneip Senior Vice President and Chief Financial Officer

Exhibit E

TENTATIVE OPERATING BALANCE SHEET & PROJECTED INCOME STATEMENT

Since the Company is a Non-Facilities Based Reseller, the Company will not be employing assets in the State of Pennsylvania, therefore, the balance sheet is not applicable.

Projected intrastate revenues	$10,000.00
Projected intrastate costs	$ 8000.00
Projected operating income	$ 2000.00

CERTIFICATE OF SERVICE

A-310881F0002

I hereby certify that I have this day served a true copy of the foregoing document upon the participants, listed below, in accordance with the requirements of Section 1.54 (relating to service by a participant).

Dated this 22nd day of November, 2005.

Lance J.M. Steinhart

Counsel for **Inter-Tel NetSolutions, Inc.**

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923

Bernard A. Ryan, Jr.
Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, Pennsylvania 17101

Office of the Attorney General
Bureau of Consumer Protection
Strawberry Square, 14th Floor
Harrisburg, Pennsylvania 17120

RECEIVED
mar. 21, 2006
NOV 2 2 2005
PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

One Copy to each of the following:

Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, Pennsylvania 17105-3265

Ron Weigel
Verizon Pennsylvania, Inc.
4th Floor
Strawberry Square
Harrisburg, Pennsylvania 17101

Ron Weigel
Verizon North, Inc.
4th Floor
Strawberry Square
Harrisburg, Pennsylvania 17101

DOCUMENT
FOLDER

Sprint/United Telephone Co. of PA
Thomas A. Bailey
240 North 3rd Street
Suite 201
Harrisburg, Pennsylvania 17101

COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P. O. BOX 3265, HARRISBURG PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE
A-310881F0002

March 27, 2006

LANCE J M STEINHART ESQUIRE
LANCE J M STEINHARD PC
1720 WINDWARD CONCOURSE
SUITE 250
ALPHARETTA GEORGIA 30005

DOCUMENT
FOLDER

Dear Mr. Steinhart:

Please be advised that the Application of Inter-Tel NetSolutions, Inc., for approval to supply telecommunications services as a Reseller of Competitive Local Exchange Services to the public in the service territories of Verizon Pennsylvania, Verizon North, Inc., and Sprint/United, has been reviewed and found to be in compliance with the filing requirements of the Commission's Opinion and Order entered June 3, 1996, at Docket Number M-00960799. This application was originally filed in this office on November 22, 2005. The application was deficient in that the check was incorrectly addressed to the Commission. A new check was reissued to the Commission on March 21, 2006, which has become the new filing date of the application.

This matter is being referred to the Bureau of Fixed Utility Services for analysis and to schedule it for consideration by the Commission at Public Meeting.

Please be advised that Inter-Tel NetSolutions, Inc, now has provisional authority to provide certain telecommunications services in Pennsylvania. However, this provisional authority may be revoked if, upon further Commission review, the application is found to contain deficiencies.

Further, provisional authority carries certain obligations for Competitive Local Exchange Carriers such as filing an Annual Access Line summary Report, as well as collection and remittance of funds to certain entities, e.g., PA Telecommunications Relay Service and County 9-1-1- fee, etc.

Sincerely,

James J. McNulty

James J. McNulty
Secretary

DOCKETED
MAR 24 2006

JJM:ddt

COMMONWEALTH OF PENNSYLVANIA

DATE: March 27, 2006

SUBJECT: A-310881F0002

DOCUMENT FOLDER

TO: Bureau of Fixed Utility Services

FROM: James J. McNulty, Secretary *ddt*

Application of Inter-Tel NetSolutions, Inc.

We attach hereto a copy of the Application of Inter-Tel NetSolutions, Inc., for approval to provide telecommunication services as a Reseller of Competitive Local Exchange to the public in the service territories of Verizon Pennsylvania, Verizon North and Sprint/United, which has been captioned and docketed to the above number.

Please note this application was originally filed on November 22, 2005. It was deficient in that the check was not property addressed to the Commission. The applicant finally re-issued a corrected check on March 21, 2006. The March 21, 2006 date is the new filing date of the application.

This matter is being referred to your Bureau to schedule it for consideration by the Commission at Public Meeting.

ddt

Attachments

DOCKETED

MAR 24 2006

PENNSYLVANIA PUBLIC UTILITY COMMISSION

RECEIPT

The addressee named here has paid the PA P.U.C. for the following bill:

DATE: 3/27/2006
RECEIPT NO: 204189

INTER-TEL, INCORPORATED
1615 S. 52ND STREET
TEMPE AZ 85281-6233

DOCUMENT FOLDER

IN RE: Application fees for INTER-TEL, INCORPORATED

Docket Number A-310881F0002.................................. $250.00

REVENUE ACCOUNT: 001780-017601-102

CHECK NUMBER: 3101324
CHECK AMOUNT: $250.00

Stephen Reed
(for Department of Revenue)

DOCKETED
MAR 30 2006