

MIHAYLO STEVEN G
Form 4
June 16, 2006

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
MIHAYLO STEVEN G

2. Issuer Name and Ticker or Trading Symbol
INTER TEL INC [INTL]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
P.O. BOX 19790

(Street)

3. Date of Earliest Transaction (Month/Day/Year)
06/14/2006

Director 10% Owner
 Officer (give title below) Other (specify below)

RENO, NV 89511

(City) (State) (Zip)

4. If Amendment, Date Original Filed (Month/Day/Year)

6. Individual or Joint/Group Filing (Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) | | |
|---------------------------------|--------------------------------------|----------------------------------------------------|--------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|----------------------------------------------------------|-----------------------------------|-----|-------|
| | | | | (A) or (D) | Code | V | Amount | (D) | Price |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | 8. P. Der. Sec. (Instr. 3 and 4) |
|--------------------------------------------|------------------------------------|--------------------------------------|----------------------------------------------------|--------------------------------|-------------------------|----------------------------------------------------------|---------------------------------------------------------------|----------------------------------|
|--------------------------------------------|------------------------------------|--------------------------------------|----------------------------------------------------|--------------------------------|-------------------------|----------------------------------------------------------|---------------------------------------------------------------|----------------------------------|

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| Derivative Security | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares |
|--------------------------|-----|------------|------|---|-----|-----|------------------|-----------------|--------------|----------------------------|
| Profit Sharing Agreement | (1) | 06/14/2006 | J | | | | (3) | (4) | Common Stock | 5,179,498 |
| Profit Sharing Agreement | (5) | 06/14/2006 | J | | | | (7) | (8) | Common Stock | 5,179,498 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|------------------------------------------------------|---------------|-----------|---------|-------|
| | Director | 10% Owner | Officer | Other |
| MIHAYLO STEVEN G P.O. BOX 19790 RENO, NV 89511 | X | X | | |

Signatures

Steven G. Mihaylo
06/16/2006

**Signature of Reporting Person
Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
 - ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- On March 3, 2006, a wholly owned affiliate of the reporting person entered into a letter agreement (the "RBC Letter Agreement") with RBC Capital Markets Corporation ("RBC"), pursuant to which the reporting person agreed to pay RBC an agreed upon topping fee in the event that (a) a third party transaction in which a majority of the capital stock or assets of the issuer is transferred for consideration to a person not affiliated with the reporting person or the issuer (a "Third Party Transaction") is consummated during the term of the RBC Letter Agreement or during the twelve months following the term, and (b) such Third Party Transaction is subsequent to any offer (whether written or oral) made by the reporting person to the issuer relating to a transaction whereby a majority of the capital stock or assets of the issuer is transferred for consideration to the reporting person or otherwise becomes beneficially owned by the reporting person.
- (1) Letter Agreement or during the twelve months following the term, and (b) such Third Party Transaction is subsequent to any offer (whether written or oral) made by the reporting person to the issuer relating to a transaction whereby a majority of the capital stock or assets of the issuer is transferred for consideration to the reporting person or otherwise becomes beneficially owned by the reporting person.
 - (2) One profit sharing agreement with respect to 5,179,498 shares of common stock of the issuer. See Note 1 above.
 - (3) The topping fee, if any, is payable in cash to RBC within 5 business days of the closing of such Third Party Transaction. On June 14, 2006, INTL Acquisition Corp. ("IAC"), an entity jointly formed by Vector (as defined below) and an affiliate of the reporting person, made an offer to acquire for cash all of the outstanding shares of common stock of the issuer, other than shares beneficially owned by IAC.
 - (4) Twelve months following the expiration or termination of the RBC Letter Agreement.
 - (5)

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On May 18, 2006, the reporting person and a wholly owned affiliate of the reporting person entered in a memorandum of understanding (the "MOU") with Vector Capital Corporation ("Vector"), pursuant to which, if, after the reporting person (or such wholly owned affiliate) and Vector extend a proposal to jointly acquire the issuer, the reporting person chooses to sell or vote his shares within twelve months of the termination of the MOU in favor of another change of control transaction (the "Other Transaction"), the reporting person (or such wholly owned affiliate) shall pay to Vector, either in cash or in the form of consideration received by the reporting person for his shares of the issuer's common stock in such Other Transaction, a specified amount as "overbid protection" in accordance with the formula set forth in the MOU.

- (6) One profit sharing agreement with respect to 5,179,498 shares of common stock. See Note 5 above.

The amount of "overbid protection" (if any) is payable to Vector upon the receipt by Mr. Mihaylo of consideration in such Other

- (7) Transaction. On June 14, 2006, IAC made an offer to acquire for cash all of the outstanding shares of common stock of the issuer, other than shares beneficially owned by IAC.

- (8) Twelve months following the termination of the MOU.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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