MIHAYLO STEVEN G

Check this box

if no longer

subject to

Section 16.

Form 4 June 16, 2006

OMB APPROVAL

3235-0287

0.5

OMB

Number:

response...

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF **SECURITIES**

January 31, Expires: 2005 Estimated average burden hours per

> 10% Owner Other (specify

> > 7. Nature of

Form 4 or Form 5 Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, obligations Section 17(a) of the Public Utility Holding Company Act of 1935 or Section may continue.

30(h) of the Investment Company Act of 1940 See Instruction

1(b).

(Print or Type Responses)

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

2. Issuer Name and Ticker or Trading Symbol

5. Relationship of Reporting Person(s) to

Issuer

(First) (Middle) (Last)

(Street)

INTER TEL INC [INTL] 3. Date of Earliest Transaction

(Check all applicable)

(Month/Day/Year)

06/14/2006

Officer (give title below)

X Director

P.O. BOX 19790

4. If Amendment, Date Original

6. Individual or Joint/Group Filing(Check

Filed(Month/Day/Year)

Applicable Line) _X_ Form filed by One Reporting Person

Form filed by More than One Reporting

Person

RENO, NV 89511

(City) (State) (Zip)

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

1.Title of 2. Transaction Date 2A. Deemed Security (Month/Day/Year) Execution Date, if (Instr. 3)

(Month/Day/Year)

4. Securities TransactionAcquired (A) or Code Disposed of (D) (Instr. 8) (Instr. 3, 4 and 5)

5. Amount of 6. Ownership Securities Form: Direct Beneficially Owned Following

Indirect (D) or Indirect Beneficial Ownership (Instr. 4) (Instr. 4)

Reported (A) Transaction(s) or (Instr. 3 and 4)

Code V Amount (D) Price

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

Persons who respond to the collection of **SEC 1474** information contained in this form are not (9-02)required to respond unless the form displays a currently valid OMB control number.

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

1. Title of 3. Transaction Date 3A. Deemed 5. 6. Date Exercisable and 7. Title and Amount of 4. Derivative Conversion (Month/Day/Year) Execution Date, if TransactionNumber **Expiration Date Underlying Securities** Security or Exercise Code of (Month/Day/Year) (Instr. 3 and 4) (Instr. 3) Price of (Month/Day/Year) (Instr. 8) Derivative

8. F

Dei

Sec

(Ins

Edgar Filing: MIHAYLO STEVEN G - Form 4

| | Derivative Security | | | Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | | | |
|--------------------------------|------------------------|------------|-------------|---|---------------------|--------------------|-----------------|----------------------------------|
| | | | Code | V (A) (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares |
| Profit Sharing Agreement | (1) | 06/14/2006 | <u>J(1)</u> | 1 (2) | (3) | <u>(4)</u> | Common Stock | 5,179,498 |
| Profit Sharing Agreement | <u>(5)</u> | 06/14/2006 | <u>J(1)</u> | 1 (6) | <u>(7)</u> | (8) | Common Stock | 5,179,498 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | | | |
|--|---------------|-----------|---------|-------|--|--|
| 1 6 | Director | 10% Owner | Officer | Other | | |
| MIHAYLO STEVEN G P.O. BOX 19790 RENO, NV 89511 | X | X | | | | |

Signatures

Reporting Person

Steven G.
Mihaylo

**Signature of 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

- (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.
- 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)

Reporting Owners 2

Edgar Filing: MIHAYLO STEVEN G - Form 4

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. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.