FORM DEF 14A

Definitive proxy statements

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No. 1)

Filed by the Registrant [X]
Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement
[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12
[ ] Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

INTER-TEL, INCORPORATED

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.
[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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4) Proposed maximum aggregate value of transaction:

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5) Total fee paid:

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[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

INTER-TEL, INCORPORATED

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
APRIL 26, 1999

TO THE SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Inter-Tel, Incorporated (the "Company"), an Arizona corporation, will be held on April 26, 1999, at 10:00 a.m., local time, at the Company's offices located at 7300 W. Boston Street, Chandler, Arizona 85226 for the following purposes:

1. To elect directors to serve for the ensuing year and until their successors are elected and qualified.

2. To transact such other business as may properly come before the meeting or any adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. Each of these items will be discussed at the Annual Meeting with adequate time allotted for shareholder questions.

Only shareholders of record at the close of business on March 12, 1999 are entitled to notice of and to vote at the meeting. A copy of the Company's 1998 Annual Report to Shareholders, which includes certified financial statements, was mailed with this Notice and Proxy Statement on or about March 26, 1999, to all shareholders of record on the record date.

All shareholders are cordially invited to attend the meeting in person. However, to assure your representation at the meeting, you are urged to mark, sign, date and return the enclosed proxy card as promptly as possible in the postage-prepaid envelope enclosed for that purpose. Any shareholder attending the meeting may vote in person even if he or she has previously returned a proxy.

Sincerely,

KURT R. KNEIP,
Secretary

Phoenix, Arizona
March 26, 1999

INTER-TEL, INCORPORATED
120 NORTH 44TH STREET, SUITE 200
PHOENIX, ARIZONA 85034-1822

PROXY STATEMENT

INFORMATION CONCERNING SOLICITATION AND VOTING

GENERAL

This Proxy Statement is furnished by Inter-Tel, Incorporated ("Inter-Tel" or the "Company"), for use at the Annual Meeting of Shareholders to be held April 26, 1999 at 10:00 a.m., local time or at any postponement or continuation of the meeting, if applicable, or at any adjournment thereof (the "Annual Meeting"), for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Shareholders. The Annual Meeting will be held at the Company's offices located at 7300 W. Boston Street, Chandler, Arizona 85226.

These proxy solicitation materials were mailed on or about March 26, 1999 to all shareholders entitled to vote at the Annual Meeting.

RECORD DATE AND SHARE OWNERSHIP

Only shareholders of record at the close of business on March 12, 1999 (the "Record Date") are entitled to notice of and to vote at the Annual Meeting. As of the Record Date, 26,157,657 shares of the Company's Common Stock were issued and outstanding.

REVOCABILITY OF PROXIES

The enclosed proxy is solicited by the Board of Directors of the Company. Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by delivering to the Company a written notice of revocation or a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person. Attendance at the meeting will not, by itself, revoke a proxy.

VOTING AND SOLICITATION

Every shareholder voting at the Annual Meeting for the election of directors may either (i) cumulate such shareholder's votes and give one nominee for director a number of votes equal to (a) the number of directors to be elected, multiplied by (b) the number of shares of the Company's Common Stock held by such shareholder; or (ii) distribute such shareholder's votes on the same principle among as many nominees for director as the shareholder thinks fit, provided that votes cannot be cast for more than five nominees. However, no shareholder will be entitled to cumulate votes for any nominee unless such nominee's name has been placed in nomination prior to the voting and such shareholder, or another shareholder, has given notice at the Annual Meeting prior to the voting for directors of the intention of such shareholder to cumulate such shareholder's votes. On all other matters, one vote may be cast for each share held of the Company's Common Stock.

A quorum will be present if a majority of the votes entitled to be cast are present in person or by valid proxy. All matters to be considered and acted upon by the shareholders at the Annual Meeting must be approved by a majority of the shares represented at the Annual Meeting and entitled to vote. Consequently, abstentions will have the same legal effect as votes against a proposal. In contrast, broker "non-votes" resulting from a broker's inability to vote a client's shares on non-discretionary matters will have no effect on the approval of such matters.

If the enclosed proxy is properly executed and returned to the Company in time to be voted at the Annual Meeting, it will be voted as specified on the proxy, unless it is properly revoked prior thereto.

The cost of this solicitation will be borne by the Company. In addition, the Company may reimburse brokerage firms and other persons representing beneficial owners of shares for expenses incurred in forwarding solicitation material to such beneficial owners. Proxies also may be solicited by certain of the Company's directors, officers and regular employees, personally or by telephone or telecopier, without additional compensation.

DEADLINE FOR RECEIPT OF SHAREHOLDER PROPOSALS

Proposals of security holders of the Company that are intended to be presented by such shareholders at the annual meeting of the Company for the fiscal year ending December 31, 1999 must be received by the Company no later than November 23, 1999, in order to be included in the proxy statement and form of proxy relating to such meeting.

INDEPENDENT AUDITORS

The independent auditors of the Company for the fiscal year ended December 31, 1998 were Ernst & Young LLP. A representative of Ernst & Young LLP will attend the annual meeting for the purpose of responding to appropriate questions.

ELECTION OF DIRECTORS
(PROPOSAL NO. 1)

NOMINEES

Five directors are to be elected at the meeting. Each nominee named below is currently a director of the Company. In the event that any nominee of the Company becomes unavailable for any reason or if a vacancy should occur before election (which events are not anticipated), the shares represented by the enclosed proxy may be voted for such other person as may be determined by the holders of such proxy. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them cumulatively, in their discretion, in such a manner as to ensure the election of as many of the nominees listed below as possible. In such event, the specific nominees to be voted for will be determined by the proxy holders in their discretion. The term of office of each person elected as a director will continue until the next annual meeting and until his successor has been elected and qualified.

The names of the nominees and certain biographical information relating to the nominees are set forth below.

Name of Nominees	Age	Position(s)	Director Since
Steven G. Mihaylo	55	Chairman, Chief Executive Officer and President	1969
J. Robert Anderson	62	Director	1997
Gary D. Edens	57	Director	1994
Maurice H. Esperseth	73	Director	1986
C. Roland Haden	58	Director	1983

Mr. Mihaylo, the founder of the Company, has served as Chairman of the Board of Directors of the Company since September 1983, as Chief Executive Officer of the Company since its formation in July 1969, and President since May 1998. Mr. Mihaylo served as President of the Company from 1969 to 1983 and from 1984 to December 1994, and as Chairman of the Board of Directors from July 1969 to October 1982. Mr. Mihaylo also is a director of MicroAge, Inc. and Microtest, Inc.

Mr. Anderson has been a director of the Company since February 1997. Mr. Anderson held various positions at Ford Motor Company from 1963 to 1983, serving from 1978 to 1983 as President of the Ford Motor Land Development Corporation. He served as Senior Vice President, Chief Financial Officer and a member of the Board of Directors of The Firestone Tire and Rubber Company from 1983 to 1989, and as Vice Chairman of Bridgestone/Firestone, Inc. from 1989 through 1991. He most recently served as Vice Chairman, Chief Financial Officer and a member of the Board of Directors of the Grumman Corporation from 1991 to 1994. Mr. Anderson is currently semi-retired, and he is an active leader in various business, civic and philanthropic organizations.

Mr. Edens has been a director of the Company since October 1994. He was a broadcasting media executive from 1970 to 1994, serving as Chairman and Chief Executive Officer of Edens Broadcasting, Inc. from 1984 to 1994, when that

corporation's nine radio stations were sold. He is currently President of The Hanover Companies, Inc., an investment firm. He is an active leader in various business, civic and philanthropic organizations.

Mr. Esperseth has been a director of the Company since October 1986. Mr. Esperseth joined the Company in January 1983 as Senior Vice President-Research and Development, after a 32-year career with GTE, and served as Executive Vice President of Inter-Tel from 1986 to 1988. Mr. Esperseth retired as an officer of the Company on December 31, 1989.

Dr. Haden has been a director of the Company since 1983. Dr. Haden has been Vice Chancellor and Dean of Engineering of Texas A&M University since 1993. Previously, he served as Vice Chancellor of Louisiana State University from 1991 to 1993, Dean of the College of Engineering and Applied Sciences at Arizona State University from 1989 to 1991, Vice President for Academic Affairs at Arizona State University from 1987 to 1988, and Dean of the College of Engineering and Applied Sciences from 1978 to 1987. Dr. Haden holds a doctoral degree in Electrical Engineering from the University of Texas and has also served on the faculty of the University of Oklahoma.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE "FOR" EACH NOMINEE LISTED ABOVE.

SECURITY OWNERSHIP OF MANAGEMENT

The following table and footnotes thereto set forth the beneficial ownership of Common Stock of the Company as of the Record Date, by (a) each director and nominee for director of the Company who owned shares as of such date, (b) each of the Named Officers (defined below), (c) all directors and executive officers of the Company as a group and (d) each person known by the Company to be the beneficial owner of more than 5% of the outstanding shares of Common Stock:

	SHARES OF COMMON STOCK BENEFICIALLY OWNED	
NAME (1)	NUMBER OF SHARES	PERCENT OF TOTAL
Steven G. Mihaylo 120 North 44th Street, Suite 200 Phoenix, Arizona 85034	5,408,484	20.4
J. Robert Anderson	15,000 (2)	*
Gary D. Edens	30,000 (3)	*
Maurice H. Esperseth	33,529 (4)	*
C. Roland Haden	19,278 (4)	*
Norman Stout	45,000 (5)	*
Craig W. Rauchle	117,031 (6)	*
Ross E. McAlpine	57,466 (7)	*
Jeffrey T. Ford	91,359 (8)	*
Kurt R. Kneip	52,659 (9)	*
All directors and executive officers as a group (10 persons)	5,869,806 (10)	22.1
Other Beneficial Owners:		
Thomson Horstmann & Bryant, Inc. Park 80 West, Plaza Two Saddle Brook, NJ 07663	2,051,450 (11)	7.7

* Less than 1%.

(1) Determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended. Under this rule, a person is deemed to be the beneficial owner of securities that can be acquired by such person within 60 days from the Record Date upon the exercise of options. Each beneficial owner's percentage ownership is determined by assuming that all options held by such person (but not those held by any other person) that are exercisable within 60 days from that date have been exercised. All persons named in the table have sole voting and investment power with respect to all shares issuable pursuant to stock options. Unless otherwise noted, the Company believes that all persons named in the table have sole voting and investment power with respect to all shares of Common Stock beneficially owned by them.

(2) Includes 15,000 shares issuable pursuant to stock options which were exercisable on March 1, 1999, or within 60 days of that date.

(3) Includes 25,000 shares issuable pursuant to stock options which were exercisable on March 1, 1999, or within 60 days of that date.

(4) Includes 10,000 shares issuable pursuant to stock options which were exercisable on March 1, 1999, or within 60 days of that date

(5) Includes 25,000 shares issuable pursuant to stock options which were exercisable on March 1, 1999, or within 60 days of that date. Of these shares, 20,000 shares have shared voting and investment power with Mr. Stout's spouse.

(6) Includes 107,995 shares issuable pursuant to stock options which were exercisable on March 1, 1999, or within 60 days of that date.

(7) Includes 56,000 shares issuable pursuant to stock options which were exercisable on March 1, 1999, or within 60 days of that date.
(8) Includes 62,700 shares issuable pursuant to stock options which were exercisable on March 1, 1999, or within 60 days of that date. Of these shares, 27,417 shares have shared voting and investment power with Mr. Ford's spouse.
(9) Includes 36,000 shares issuable pursuant to stock options which were exercisable on March 1, 1999, or within 60 days of that date. Of these shares, 14,000 shares have shared voting and investment power with Mr. Kneip's spouse.
(10) Includes 347,695 shares issuable pursuant to stock options held by all directors and executive officers as a group which are currently exercisable or which will become exercisable within 60 days after March 1, 1999.
(11) Based solely upon information contained in a Schedule 13G filed January 28, 1999.

BOARD MEETINGS AND COMMITTEES

The Board of Directors of the Company held a total of four regularly scheduled meetings during the fiscal year ended December 31, 1998. Mr. Stout resigned from the board of directors and the Audit and Compensation Committees to become the Company's Executive Vice President and Chief Administrative Officer on June 1, 1998.

The Audit Committee of the Board of Directors consisted of directors Anderson, Esperseth, and Stout through May, 1998. Mr. Stout resigned from the board of directors and the Audit Committee on June 1, 1998. Mr. Esperseth also resigned from the Audit Committee and Mr. Haden was appointed to the Audit Committee on July 27, 1998. The Audit Committee consisted of directors Anderson and Haden at December 31, 1998. The Audit Committee met two times during the last fiscal year. This Committee recommends engagement of the Company's independent public accountants and is primarily responsible for approving the services performed by the Company's independent public accountants and for reviewing and evaluating the Company's accounting principles and its system of internal controls and financial management practices.

The Compensation and Stock Option Committee of the Board of Directors consisted of directors Esperseth, Edens and Stout through May, 1998. Mr. Stout resigned from the board of directors and the Compensation Committee on June 1, 1998. The Compensation Committee consisted of directors Esperseth and Edens at December 31, 1998. The Compensation Committee met three times during the last fiscal year. The Compensation Committee reviews employee compensation and makes recommendations thereon to the Board of Directors and administers the Company's Stock Incentive Plans. The Compensation Committee also determines, upon review of relevant information, the employees to whom options shall be granted.

There is no nominating committee or other committee performing similar functions.

During the fiscal year ended December 31, 1998, each director attended all meetings of the Board of Directors and of the committee(s) on which such director served, in person or by consent.

DIRECTOR COMPENSATION

Each director was paid a fee of $1,000 for each regularly scheduled Board of Directors meeting attended and $500 for each committee meeting attended. In addition, board members not employed by the Company received quarterly stipends of $4,000, and committee chairmen received an additional $500 per quarter. Board members received $1,000 each for attendance at special meetings of the board. All directors, except Mr. Mihaylo, are eligible to participate in the Company's 1990 Directors' Stock Option Plan, under which each director is granted options to purchase 5,000 shares of Common Stock annually at the market price five business days after the date of the third quarter board meeting.

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Section 16(a) of the Securities and Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than ten percent shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based on review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the year ended December 31, 1998, all Section 16(a) filing requirements applicable to its officers, directors and ten percent shareholders were complied with, except as follows: Mr. Stout failed to timely file one Form 4 with respect to two transactions at the end of July 1998 -- such transactions were subsequently reported on a Form 4 filing for August which included the July and August transactions and on Form 5.

EXECUTIVE COMPENSATION

The following Summary Compensation Table sets forth compensation paid by the Company for services rendered during the fiscal years 1998, 1997 and 1996 by the Chief Executive Officer and the five other most highly compensated executive officers of the Company (the "Named Officers"), whose aggregate salary and bonus exceeded $100,000 in 1998.

INTER-TEL, INCORPORATED
SUMMARY COMPENSATION TABLE
ANNUAL COMPENSATION

Name and Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Long-Term Compensation Awards: Number of Securities Underlying Options (#) (g)	All Other Compensation (1) ($) (i)
Steven G. Mihaylo (3)	1998	300,000	210,000	(160,000)	6,000
Chairman, Chief Executive	1997	300,000	100,000	400,000	8,525
Officer and President	1996	300,000	48,000	--	9,215
Norman Stout (3), (4)	1998	153,125	146,026	160,000	548,447
Exec. Vice President and	1997	--	--	--	--
Chief Administrative Officer	1996	--	--	--	--
Craig W. Rauchle	1998	241,154	232,750	--	10,953
Exec. Vice President --	1997	225,000	174,801	160,000	15,627
Corporate Development	1996	189,807	87,734	90,000	17,000
Ross E. McAlpine	1998	170,000	151,500	--	14,331
Senior Vice President	1997	141,724	114,580	100,000	6,702
	1996	110,000	89,646	--	5,529
Jeffrey T. Ford	1998	153,192	57,000	20,000	2,053
Sr. Vice President and	1997	126,154	20,000	48,000	3,019
Chief Technology Officer	1996	103,269	15,000	10,000	2,695
Kurt R. Kneip	1998	128,077	55,750	--	2,053
Vice President/CFO/	1997	120,000	45,000	40,000	2,053
Secretary/Asst. Treasurer	1996	112,039	11,040	--	2,375

(1) The Company contribution under 401(k) Retirement Plan for 1998 is estimated

to be $2,053 each for Messrs. Rauchle, McAlpine, Ford and Kneip. Messrs. Mihaylo, Stout and Rauchle also received auto allowances of $6,000; $3,762; and $6,000; respectively during 1998, and Messrs. Stout and Rauchle received reimbursements for club dues and expenses. In addition, each executive officer, except Norman Stout, was allocated common stock through 1997 under the Employee Stock Ownership Plan (a maximum for each executive officer of 44 shares in 1997 and 129 shares in 1996).

(2) No compensation is present under omitted columns (e), (f) and (h).

(3) Mr. Mihaylo was granted an option to purchase 400,000 shares of the Company's Common Stock during 1997. In 1998, Mr. Mihaylo forfeited an option to purchase 160,000 of these 400,000 shares, leaving Mr. Mihaylo an option to purchase a total of 240,000 shares as of June 1, 1998. Mr. Stout was granted an option to purchase 160,000 shares of the Company's Common Stock on this same date. Mr. Mihaylo's forfeited options were deemed to be forfeited on a pro-rata basis for vesting purposes.

(4) Other Compensation includes a payment for forfeited bonus and in-the-money stock options totaling $531,840 due to Mr. Stout during prior employment, $11,500 for services that Mr. Stout performed while on the board of directors, and other expenses as described in note (1) above.

AGGREGATED OPTION EXERCISES IN 1998 AND
DECEMBER 31, 1998 OPTION VALUES

Name (a)	Shares Acquired on Exercise (#) (b)	Value Realized ($) (c)	Number of Unexercised Options at December 31, 1998 (#) Exercisable/ Unexercisable (d)	Value of in-the-Money Options at December 31, 1998 ($) (1) Exercisable/ Unexercisable (e)
Steven G. Mihaylo				
Exercised	--	--		
Exercisable			48,000	741,000
Unexercisable			192,000	2,964,000
Norman Stout:				
Exercised	--	--		
Exercisable			25,000 (2)	327,188
Unexercisable			160,000	880,000
Craig W. Rauchle				
Exercised	--	--		
Exercisable			100,495	1,757,144
Unexercisable			193,000	3,100,688
Ross E. McAlpine				
Exercised	20,000	407,750		
Exercisable			50,000	893,000
Unexercisable			92,000	1,371,500
Jeffrey T. Ford				
Exercised	8,000	164,000		
Exercisable			54,600	1,042,188
Unexercisable			73,400	888,438
Kurt R. Kneip				
Exercised	3,600	68,850		
Exercisable			34,000	663,125
Unexercisable			40,000	678,500

(1) Potential unrealized value is (i) the fair market value of the Common Stock at December 31, 1998 ($23.375 per share) less (ii) the option exercise price multiplied by (iii) the number of shares held by each person.

(2) Options granted while Mr. Stout was a director of the Company, prior to his

election as an Officer.

OPTION GRANTS IN LAST FISCAL YEAR

The Company granted stock options to the Named Officers during the fiscal year ended December 31, 1998, as follows:

<TABLE>
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Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted To Employees in Fiscal Year (1)	Exercise Price ($/Sh)	Expiration Date (2)	Potential Realizable Value at Value Assumed Annual Rates of Stock Price Appreciation for Option Terms (3) 5%($)	10%($)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Norman Stout	160,000	27.7%	$17.875	6/1/2008	1,798,639	4,558,103
Jeffrey T. Ford	20,000	3.5%	$26.00	4/22/2008	327,025	828,746

Increase in market value of the Company's Common Stock for all stockholders at assumed annual rates of stock price appreciation (as used in the table above) from $23.375 per share, over the ten-year period, based on 26.0 million shares outstanding on December 31, 1998.	5%(to $38.08/sh) $382.3 million	10%(to $60.63/sh) $968.6 million

</TABLE>

(1) The Company granted options to purchase 576,928 shares of Common Stock to employees and directors in fiscal 1998 pursuant to the Company's 1994 and 1997 Long Term Incentive Plans and 1990 Director Stock Option Plan, as amended. With the exception of options granted to on April 23 and September 5, 1997 and April 22 and June 1, 1998, all executive officer option grants vest at a rate of 20% per year from the grant date only if the market price of the Company's Common Stock increases at least 30% per year over the option grant price. Options that do not vest pursuant to this accelerated vesting provision vest at the end of five years from the date of grant. Options granted on April 23 and September 5, 1997 and April 22 and June 1, 1998 vest at 20% per year on the anniversary of the grant date. All Director Stock Option Plan grants vest six months from the date of grant. All options to purchase Common Stock were granted with exercise prices equal to the fair market value of the Common Stock on the date of grant.

(2) The term of each option is ten years, with five year vesting provisions. Options may terminate before their expiration upon the termination of the optionee's status as an employee or consultant, or upon the death of the optionee.

(3) Potential realizable value assumes that the stock price increases from the date of grant until the end of the option term (10 years) at the annual rate specified (5% and 10%). Annual compounding results in total appreciation of 62.9% (at 5% per year) and 159.4% (at 10% per year). The assumed annual rates of appreciation are mandated by the rules of the Securities and Exchange Commission and do not represent the Company's estimate or projection of future stock price growth. Actual gains, if any, on stock option exercises are dependent upon the Company's future financial performance, overall market conditions and the option holders' continued employment or consultancy through the vesting period.

COMPENSATION COMMITTEE REPORT

EXECUTIVE COMPENSATION PRINCIPLES

The Company's Compensation Committee's responsibilities include determining the cash and non-cash compensation of executive officers. The Committee's policy regarding compensation of the Company's executive officers is to provide generally competitive salary levels and compensation incentives in order to attract and retain individuals of outstanding ability; to recognize individual performance and the performance of the Company; and to support the Company's primary goal of increasing shareholder value. Through 1998, non-cash compensation had been limited to stock option grants to purchase Common Stock at fair market value at the grant date. All executive officers and some middle managers of the Company participate in such stock incentive plans. All options to purchase Common Stock were granted with exercise prices equal to the fair market value of the Common Stock on the date of grant. These plans are designed to attract and retain qualified personnel and to tie their performance to the enhancement of shareholder value. Stock options granted to Named Officers on May 28, 1997 include market price "hurdles" which must be met in order to accelerate the stock option vesting provisions. These stock options vest at a rate of 20% per year from the grant date only if the market price of the Company's Common Stock increases at a rate of at least 30% per year from the exercise price. Options that do not vest pursuant to this accelerated vesting provision vest at the end of five years from the date of grant.

Executive officers, together with other permanent Inter-Tel employees, may also participate in the Company's 401(k) Thrift Savings Plan, the Inter-Tel Employee Stock Purchase Plan and the Inter-Tel Employee Stock Ownership Plan.

The Compensation Committee intends to continue to consider expansion of executive compensation to include deferred cash and equity-based compensation integrated with the attainment of specific long-term performance goals and shareholder value enhancement.

EXECUTIVE COMPENSATION PROGRAM

KEY EXECUTIVES

The total compensation program for executives includes both cash and equity-based compensation. The Committee determines the level of salary for executive officers and determines the salary or salary ranges based upon a review of base salary levels for comparable officer positions in similar companies of comparable size and capitalization. Salary changes are based upon the Committee's assessment of the executive's performance and the scope and complexity of the position held.

At the beginning of 1998, the Compensation Committee considered the Company's target earnings per share goals and the business plans of the Company. Consideration included past and anticipated performance, new product and market expectations, assets employed and similar factors. The Committee set earnings per share performance levels for the consolidated Company, upon which incentives were placed for each of the executives. Cash bonus awards, based upon meeting or exceeding such performance levels and limited to a percentage of base salary, were set for each executive officer. Maximum bonus awards, ranging from 50% to 100% of annual base compensation were set for the Named Officers. No Named Officer reached his maximum goal during 1998.

As indicated above, annual cash bonus awards are integrated with performance against specific earnings per share goals set forth in the Company's business plan. Performance benchmarks are tied to the specific earnings per share performance of the Company. The cash bonuses in the Summary Compensation Table reflect the performance of the named officers against the earnings per share targets established at the beginning of the year.

CHIEF EXECUTIVE OFFICER

The Chief Executive Officer's salary was determined based on a review of the salaries of Chief Executive Officers of similar companies of comparable size and capitalization and upon a review of the Chief Executive Officer's performance against the Company's 1997 performance. The Compensation Committee determined the CEO's 1998 bonus based on similar Company consolidated earnings performance criteria used to determine bonuses for the other executive officers. In May 1997, Mr. Mihaylo was granted stock options for the first time in the Company's history. The Compensation Committee granted an option to purchase 400,000 shares of Common Stock with an exercise price equal to the fair market value of the Common Stock on May 28, 1997. During 1998, Mr. Mihaylo forfeited 160,000 of those options, which were deemed to be forfeited on a pro-rata basis for vesting purposes. Mr. Mihaylo's options vest at a rate of 20% per year from the grant date only if the market price of the Company's Common Stock increases at least 30% per year over the option grant price. Stock options that do not vest pursuant to this accelerated vesting provision set forth above vest and become exercisable at the end of five years from the date of grant.

COMPENSATION COMMITTEE: Maurice H. Esperseth, Chairman; Gary D. Edens.

COMPARISON OF CUMULATIVE TOTAL RETURNS
AMONG INTER-TEL, PEER GROUP AND NASDAQ MARKET

The graph below compares the cumulative total return of the Company's Common Stock with the NASDAQ market index and a self-determined peer group index from December 31, 1993 to December 31, 1998. The Common Stocks of the peer group companies have been included on a weighted basis to reflect the relative market capitalization at the end of each period shown.

<TABLE>
<CAPTION>

Legend

Description	12/31/93	12/31/94	12/31/95	12/31/96	12/31/97	12/31/98
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Inter-Tel, Incorporated	100.0	82.9	176.4	217.1	442.9	535.5
Nasdaq Composite Index	100.0	96.8	135.4	166.2	202.2	282.3
Self-determined Peer Group	100.0	103.6	121.3	136.7	199.1	156.4

</TABLE>

Companies in the Self-determined Peer Group
Comdial Corp, Executone Information Sys Inc, Mitel Corp, Norstan Inc

Notes:

A. The lines represent monthly index levels derived from compounded daily returns that include all dividends.
B. The indexes are reweighted daily, using the market capitalization on the previous trading day.
C. If the monthly interval, based on the fiscal year-end, is not a trading day, the preceding trading day is used.
D. The index level for all series was set to $100.0 On 12/31/93.

OTHER MATTERS

The Board of Directors is not aware of any matters that will be presented for consideration at the Annual Meeting other than those described in this Proxy Statement. If any other matters properly come before the Annual Meeting, the persons named on the accompanying Proxy will have the authority to vote on those matters in accordance with their own judgment.

By Order of the Board of Directors

Kurt R. Kneip
Secretary

March 26, 1999

INTER-TEL, INCORPORATED

ANNUAL MEETING OF SHAREHOLDERS

MONDAY, APRIL 26, 1999
10:00 A.M. M.S.T.

INTER-TEL, INCORPORATED
7300 W. BOSTON STREET
CHANDLER, AZ 85226

INTER-TEL INCORPORATED
7300 W. BOSTON STREET
CHANDLER, AZ 85226 PROXY

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS FOR USE AT THE ANNUAL MEETING ON APRIL 26, 1999.

The shares of stock you hold in your account will be voted as you specify below.

IF NO CHOICE IS SPECIFIED, THE PROXY WILL BE VOTED "FOR" Items 1 and 2.

By signing the proxy, you revoke all prior proxies and appoint Norman Stout, Kurt R. Kneip, and N. Thomas Peiffer, and each of them, with full power of substitution, to vote your shares on the matters shown on the reverse side and any other matters which may come before the Annual Meeting and all adjournments.

See reverse for voting instructions.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ITEMS 1 AND 2.

1. Election of directors:

01 Steven G. Mihaylo	04 Maurice H. Esperseth
02 J. Robert Anderson	05 C. Roland Haden
03 Gary D. Edens	

[ ] Vote FOR all nominees
[ ] Vote WITHHELD from all nominees

(INSTRUCTIONS: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDICATED NOMINEE, WRITE THE NUMBER(S) OF THE NOMINEE(S) IN THE BOX PROVIDED TO THE RIGHT.)

2. To consider and act upon such other matters as may properly come before the meeting and adjournments thereof.

[ ] For [ ] Against [ ] Abstain

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED FOR EACH PROPOSAL.

Address Change? Mark Box [ ] Date
Indicate changes below: -------------------------

[ ]
Signature(s) in Box

Please sign exactly as your name(s) appear on Proxy. If held in joint tenancy, all persons must sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the proxy.