

INTER TEL (DELAWARE), INC
Form DEFM14A
May 29, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

Inter-Tel (Delaware), 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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

Common stock, par value \$0.001 per share, of Inter-Tel (Delaware), Incorporated.

2) Aggregate number of securities to which transaction applies:

27,235,068 shares of Inter-Tel common stock (representing the number of shares outstanding as of May 22, 2007); 3,992,042 options to purchase Inter-Tel common stock (representing the number of options outstanding as of May 22, 2007); and 153,250 performance shares (representing the number of performance shares outstanding as of May 22, 2007).

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):

The maximum aggregate value was determined based upon the sum of (A) 27,235,068 shares of Inter-Tel common stock multiplied by \$25.60 per share; (B) options to purchase 3,992,042 shares of Inter-Tel common stock with exercise prices less than \$25.60

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multiplied by \$6.43 (which is the difference between \$25.60 and the weighted average exercise price of \$19.17 per share); and (c) 153,250 performance shares multiplied by \$25.60 per share. In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying 0.0000307 by the sum calculated in the preceding sentence.

4) Proposed maximum aggregate value of transaction:

\$726,809,771

5) Total fee paid:

\$22,313

.. Fee paid previously with preliminary materials.

x 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:

\$22,228

2) Form, Schedule or Registration Statement No.:

Schedule 14A

3) Filing Party:

Inter-Tel (Delaware), Incorporated

4) Date Filed:

May 11, 2007

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SPECIAL MEETING OF STOCKHOLDERS

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Inter-Tel (Delaware), Incorporated stockholder:

The Board of Directors of Inter-Tel (Delaware), Incorporated, based in part on the recommendation of the Special Committee of the Board of Directors, approved an Agreement and Plan of Merger dated as of April 26, 2007, by and among Inter-Tel, Mitel Networks Corporation, a corporation organized under the laws of Canada, and Arsenal Acquisition Corporation, a wholly-owned subsidiary of Mitel Networks Corporation. Pursuant to the merger agreement, Arsenal Acquisition Corporation will be merged with and into Inter-Tel, and Inter-Tel will survive the merger as a wholly-owned subsidiary of Mitel. Additional information about the votes of the Special Committee and the Board of Directors is included in the attached proxy statement.

If the merger is completed, at the effective time of the merger, each share of common stock of Inter-Tel will be converted into the right to receive \$25.60 in cash, without interest.

At a special meeting, Inter-Tel stockholders will be asked to consider and vote upon a proposal to adopt the merger agreement described in the proxy statement. The Board of Directors, based in part on the recommendation of the Special Committee, has approved the merger agreement and declared the merger, the merger agreement and the transactions contemplated by the merger agreement advisable, fair to and in the best interests of Inter-Tel and its stockholders, and resolved to recommend that the Inter-Tel stockholders adopt the Merger Agreement.

Accordingly, Inter-Tel's Board of Directors recommends that Inter-Tel stockholders vote FOR adoption of the merger agreement.

The date, time and place of the special meeting to consider and vote upon a proposal to adopt the merger agreement are as follows:

June 29, 2007

10:00 a.m., local time

Snell & Wilmer LLP

400 East Van Buren Street

One Arizona Center

Phoenix, Arizona 85004

The proxy statement attached to this letter provides you with detailed information about the special meeting of Inter-Tel stockholders and the proposed merger. Please read the entire proxy statement carefully and the merger agreement itself, which is attached as *Annex A* to the proxy statement.

Your vote is very important. Whether or not you plan to attend the special meeting, if you are a holder of Inter-Tel common stock please take the time to vote your shares by completing, signing, dating and mailing the enclosed proxy card in the envelope provided, or vote by telephone or over the Internet, in accordance with the instructions contained on the enclosed proxy card or instructions contained on the voting form provided by your broker or bank.

/s/ NORMAN STOUT
Norman Stout
Chief Executive Officer
Inter-Tel (Delaware), Incorporated

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1615 S. 52nd Street

Tempe, Arizona

(480) 449-8900

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON JUNE 29, 2007

To Inter-Tel stockholders:

On April 26, 2007, the Board of Directors of Inter-Tel (Delaware), Incorporated, a Delaware corporation, approved an Agreement and Plan of Merger dated as of April 26, 2007, by and among Inter-Tel, Mitel Networks Corporation, a corporation organized under the laws of Canada, and Arsenal Acquisition Corporation, a wholly-owned subsidiary of Mitel Networks Corporation. Pursuant to the merger agreement, Arsenal Acquisition Corporation will be merged with and into Inter-Tel, and Inter-Tel will survive the merger as a wholly-owned subsidiary of Mitel Networks Corporation. At the effective time of the merger, each share of Inter-Tel common stock, par value \$0.001 per share, will be converted into the right to receive \$25.60 in cash, without interest. The Board of Directors, based in part on the recommendation of the Special Committee of the Board of Directors, has approved the merger agreement, and declared the merger, the merger agreement, and the transactions contemplated by the merger agreement, advisable, fair to and in the best interests of Inter-Tel and its stockholders, and resolved to recommend that the Inter-Tel stockholders adopt the merger agreement.

A special meeting of Inter-Tel stockholders will be held on June 29, 2007, at 10:00 a.m., local time, at the offices of Snell & Wilmer LLP, 400 East Van Buren Street, One Arizona Center, Phoenix, Arizona, 85004 for the following purposes:

To consider and vote upon a proposal to adopt the merger agreement; and

To consider and vote upon a proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the merger agreement at the special meeting.

The Board of Directors has fixed the close of business on May 25, 2007 as the record date for determining the stockholders entitled to notice of, and to vote at, the special meeting and any adjournment or postponement thereof. Only stockholders of record at the close of business on the record date are entitled to notice of, and to vote at, the special meeting, including at any adjournments or postponements of the special meeting.

At the close of business on the record date, there were 27,280,859 shares of Inter-Tel common stock outstanding and entitled to vote at the special meeting. Holders of Inter-Tel common stock are entitled to appraisal rights under the Delaware General Corporation Law in connection with the merger if they meet certain conditions. See The Merger - Appraisal Rights, beginning on page 49 of the attached proxy statement.

Your vote is important. Even if you plan to attend the special meeting in person, please complete, sign, date and return the enclosed proxy card in the envelope provided to ensure that your shares will be represented at the special meeting if you are unable to attend. You may also vote by telephone or over the Internet by following the instructions on the enclosed proxy card. If you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be voted FOR adoption of the merger agreement and FOR the adoption of the proposal to adjourn or postpone the special meeting, if

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necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the merger agreement at the special meeting.

The Board of Directors recommends that you vote **FOR** adoption of the Merger Agreement and **FOR** the adoption of the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if that there are not sufficient votes in favor of the adoption of the merger agreement at the special meeting.

This proxy statement is dated May 29, 2007 and is first being mailed to Inter-Tel stockholders on or about May 30, 2007.

/s/ NORMAN STOUT
Norman Stout

**Chief Executive Officer
Inter-Tel (Delaware), Incorporated**

Tempe, Arizona

May 29, 2007

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SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

This proxy statement contains forward-looking statements, as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, concerning Inter-Tel's current expectations, assumptions, estimates and projections about Inter-Tel, Inter-Tel's industry and the proposed Merger. Statements that are not historical or current facts, statements based on assumptions, suppositions and uncertainties, statements about beliefs and expectations, and Inter-Tel management's projections and evaluations of future events are forward-looking statements. Forward-looking statements may be statements in the future tense and often include the words may, might, could, would, should, believes, expects, anticipates, estimates, intends, plans, targets, potentially, objectives, strategies, goals or similar expressions.

Forward-looking statements are subject to various risks and uncertainties. In particular, any statements contained herein regarding expectations with respect to future sales and profitability, product development or introductions, statements regarding the proposed Merger with Mitel, and other matters are subject to known and unknown risks, uncertainties and contingencies, many of which are beyond Inter-Tel's control and may cause actual results, performance or achievements to differ materially from those projected or implied in such forward-looking statements.

Important factors that might affect actual results, performance or achievements include, among other things, failure to complete the proposed Merger; effects of the announcement and pendency of the Merger on Inter-Tel's business; the potential for diversion of management from Inter-Tel's business; employee recruiting, retention and attrition during the period prior to the completion of the Merger; the potential effect of the proposed Merger on Inter-Tel's relations with suppliers, customers, service providers and other stakeholders; the ability to retain existing dealers and customers; market acceptance of new and existing Inter-Tel products, software and services; evolution in customer demand for Inter-Tel's products and services; fluctuations in quarterly results and seasonality; uncertainty of future operating results; availability of inventory from vendors and suppliers; industry, competitive and technological changes; the composition, product and channel mixes, timing and size of orders from and shipments to major customers; price and product competition; international sales and operations; protection of intellectual property, dependence on licensed technology and new product development; risk of product defects and product liability; expansion of indirect channels; management of growth; consolidation in Inter-Tel's industry sectors, and general market trends or economic changes; and the impact of recently enacted or proposed regulations. Certain other important factors relating to the proposed Merger that may cause actual events not to occur as expressed in such forward-looking statements include, but are not limited to, the failure to obtain the necessary approval of the Merger by Inter-Tel stockholders; the failure to obtain antitrust and other governmental approvals in a timely manner or at all; the failure of Mitel to satisfy the conditions to the financing commitments for the proposed Merger; and the failure of various other closing conditions contained in the Merger Agreement to be satisfied as provided therein. For additional information about risk factors that could cause actual results to differ materially from those described in the forward-looking statements, please see Inter-Tel's filings with the SEC, including Inter-Tel's Form 10-K filed on March 15, 2007, Inter-Tel's Form 10-K/A filed on April 30, 2007, Inter-Tel's Form 8-K filed on April 27, 2007, and Inter-Tel's Quarterly Reports on Form 10-Q, as described under "Where You Can Find More Information" on page 66.

Reliance on forward-looking statements involves risks and uncertainties. Although Inter-Tel believes that the assumptions on which Inter-Tel's forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate or incomplete, and, as a result, the forward-looking statements based on those assumptions could be incorrect. In light of these and other uncertainties, you should not conclude that Inter-Tel will necessarily achieve any plans, objectives or projected financial results referred to in any of the forward-looking statements. Inter-Tel does not undertake any obligation to update or revise any forward-looking statements to reflect future events or circumstances, except to the extent expressly required by law.

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CERTAIN DEFINITIONS

The following defined terms are referenced in this proxy statement:

Arsenal Acquisition Corporation means Arsenal Acquisition Corporation, a wholly-owned subsidiary of Mitel Networks Corporation.

Board of Directors means the Board of Directors of Inter-Tel (Delaware), Incorporated.

DGCL means the Delaware General Corporation Law.

Inter-Tel means Inter-Tel (Delaware), Incorporated.

Merger Agreement means the Agreement and Plan of Merger dated as of April 26, 2007 by and among Inter-Tel, Mitel Networks Corporation, a corporation organized under the laws of Canada, and Arsenal Acquisition Corporation.

Merger means the merger of Arsenal Acquisition Corporation with and into Inter-Tel pursuant to the Merger Agreement, with Inter-Tel surviving the Merger as a wholly-owned subsidiary of Mitel Networks Corporation.

Merger Consideration means the \$25.60 in cash without interest, payable per share of Inter-Tel common stock pursuant to the Merger.

Mitel means Mitel Networks Corporation.

SEC means the Securities and Exchange Commission.

Special Committee means the Special Committee of the Board of Directors.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

The questions and answers below highlight selected information contained elsewhere in this proxy statement and may not describe all of the information that is important to you. To understand the Merger and its legal terms fully, you should carefully read the entire proxy statement and the documents referred to herein and the annexes attached hereto. See also **Where You Can Find More Information** on page 66.

The Merger Agreement is attached as *Annex A* to the proxy statement. Please read the Merger Agreement in its entirety, as it is the legal document that governs the Merger.

Q: What will Inter-Tel stockholders receive in the Merger?

A: As a result of the Merger, Inter-Tel stockholders will receive \$25.60 in cash, without interest, for each share of Inter-Tel common stock they own. For example, if you own 100 shares of Inter-Tel common stock, you will receive \$2,560.00 in cash pursuant to the Merger in exchange for your Inter-Tel shares.

Q: What am I being asked to vote on?

A: At the special meeting, you will be asked to vote on the following two proposals:

A proposal to adopt the Merger Agreement; and

A proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the Merger Agreement at the special meeting.

Q: How does the Board of Directors recommend I vote?

A: The Board of Directors, based in part on the recommendation of the Special Committee, has approved the Merger Agreement and declared the Merger, the Merger Agreement, and the transactions contemplated by the Merger Agreement, advisable, fair to and in the best interests of Inter-Tel and its stockholders and resolved to recommend that the Inter-Tel stockholders adopt the Merger Agreement.

Accordingly, the Board of Directors of Inter-Tel recommends that Inter-Tel stockholders vote FOR adoption of the Merger Agreement. The Board also recommends that Inter-Tel stockholders vote FOR adoption of the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the Merger Agreement at the special meeting.

For additional information regarding these recommendations and the votes of the Special Committee and the members of the Board of Directors on these matters, see **The Merger - Reasons for the Merger and Recommendation by the Board of Directors** beginning on page 27.

Q: What do I need to do now?

A:

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Please read this proxy statement carefully, including its annexes, and carefully consider how the Merger will affect you and how you want to vote on the proposal to adopt the Merger Agreement and the other matters to be voted on at the special meeting. Then simply mail your completed, dated and signed proxy card in the enclosed return envelope as soon as possible so that your shares can be voted at the special meeting. You may also vote in person at the special meeting, or by telephone or over the Internet by following the procedures described in the following paragraphs.

Q: What happens if I do not return a proxy card?

A: The failure to execute and return your proxy card, or to submit a proxy by telephone or over the Internet, will have the same effect as voting against the adoption of the Merger Agreement and no effect on the

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adoption of the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the Merger Agreement at the special meeting. See *The Special Meeting - Voting of Proxies* beginning on page 13.

Q: May I vote in person?

A: Yes. If you hold shares in your name as the stockholder of record and not in street name, you may vote those shares in person at the meeting by filling out and submitting a ballot at the special meeting before voting is closed. If you want to do that, please bring proof of identification with you. Even if you plan to attend the special meeting, the Board of Directors recommends that you vote your shares in advance by mail, telephone or over the Internet, as described in this proxy statement, so your vote will be counted even if you later decide not to attend. See *The Special Meeting - Revocability of Proxies* on page 14.

If you hold shares in street name through a broker, bank or other nominee, you may vote those shares in person at the special meeting only if you obtain and bring with you a signed proxy from the necessary bank, broker, or other nominee giving you the right to vote the shares. To do this, you should contact your bank, broker, or other nominee.

Q: If my broker holds my shares in street name, will my broker vote my shares for me?

A: Your broker will not vote your shares without instructions from you. You should instruct your broker to vote your shares at the special meeting by following the procedure provided by your broker. Without instructions, your broker will not vote your shares, which will have the effect of a vote against the adoption of the Merger Agreement and no effect on the voting for the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the Merger Agreement at the special meeting. See *The Special Meeting - Voting of Proxies* beginning on page 13.

Q: How do I vote without attending the special meeting?

A: If you hold shares in your name as the stockholder of record and not in street name, you may vote your shares without attending the special meeting by completing, signing, dating and returning the proxy card in the envelope provided. You may also vote by telephone or over the Internet by following the instructions on the enclosed proxy card.

If you hold your shares in street name through a broker, bank, or other nominee, you may vote by completing and returning the voting form provided by your broker, bank, or nominee, or by telephone or over the Internet if telephone and Internet voting are provided by your broker or bank. If Internet or telephone voting is available through your broker or bank, please follow the instructions for telephone or Internet voting provided by your broker or bank. Your broker will not vote your shares unless you provide your broker with voting instructions by following the voting procedures provided to you by your broker. See *The Special Meeting - Voting of Proxies* beginning on page 13.

Q: May I change my vote after I have submitted a proxy?

A: Yes. You may change your vote at any time before the vote is taken at the special meeting. You can do this in one of three ways:

You can send a signed, dated notice to the Corporate Secretary of Inter-Tel, stating that you would like to revoke your proxy;

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You can complete, date, sign and return a later dated proxy card, or submit a later dated vote by telephone or over the Internet in accordance with the instructions set forth on the enclosed proxy card; or

If your shares are registered in your name, you can attend the meeting and vote in person.

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Your attendance at the special meeting alone will not revoke your proxy. If you have instructed a broker on how to vote your shares, you must follow directions received from your broker to change those instructions. See [The Special Meeting - Revocability of Proxies](#) on page 14.

Q: Should I send in my Inter-Tel stock certificates now?

A: No, you should not send any stock certificates now. After the Merger is completed, you will receive written instructions for surrendering your shares of Inter-Tel common stock for the Merger Consideration of \$25.60 per share in cash, without interest, for each share of Inter-Tel common stock you own. See [The Merger - Conversion of Shares; Procedures for Exchange of Certificates](#) on page 44.

Q: When do you expect the Merger to be completed?

A: The parties have agreed in the Merger Agreement to use their respective reasonable best efforts to complete the Merger as quickly as possible. Inter-Tel currently expects the Merger to be completed in the third quarter of 2007. In addition to obtaining Inter-Tel stockholder approval, before the Merger can be completed, all closing conditions in the Merger Agreement must be satisfied or waived, including the expiration or termination of waiting periods under applicable United States and foreign anti-trust and competition laws.

Q: Am I entitled to appraisal rights?

A: Yes. Inter-Tel stockholders have the right under the DGCL to dissent from the adoption of the Merger Agreement and to exercise appraisal rights under the DGCL, as described in detail in this proxy statement under the caption [The Merger - Appraisal Rights](#) beginning on page 49.

Q: What will happen to my Inter-Tel stock options or other equity incentive awards?

A: Pursuant to the Merger Agreement, all options to purchase shares of Inter-Tel common stock under Inter-Tel's equity incentive plans and all performance share awards for which Inter-Tel common stock may be issued upon attaining specified performance goals granted under the 1997 Long-Term Incentive Plan that are outstanding immediately prior to the effective time of the Merger will vest and be canceled, in exchange for cash in an amount determined by multiplying:

the excess, if any, of the Merger Consideration of \$25.60 per share of Inter-Tel common stock, without interest, over the applicable exercise price of the option or other equity incentive award, by

the number of shares of common stock that

the holder could have purchased in the case of a stock option (assuming full vesting of such stock options); or

that could be issued to the holder in connection with a performance share award (assuming full vesting of such awards and attainment of specified performance goals).

See [The Merger - Treatment of Outstanding Stock Options and Equity Awards](#) on page 44.

Q: Will I owe taxes as a result of the Merger?

A: The exchange of Inter-Tel common stock for the cash Merger Consideration will be a taxable transaction to Inter-Tel stockholders for United States federal income tax purposes. See The Merger - Material United States Federal Income Tax Consequences of the Merger beginning on page 47 for additional information about the tax consequences of the Merger.

Please note that the particular tax consequences of the Merger to you will depend on your particular facts and circumstances, and you should consult with your own tax advisor to fully understand the tax consequences of the Merger to you.

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Q: Who can help answer my other questions?

A: If you would like additional copies of this proxy statement or the enclosed proxy card, or if you need assistance in voting your shares, you should contact Innisfree M&A Incorporated, Inter-Tel's proxy solicitor for the special meeting, at:
Innisfree M&A Incorporated

501 Madison Avenue, 20th Floor

New York, NY 10022

Stockholders Call Toll-Free at: (888) 750-5834

Banks and Brokers Call Collect at: (212) 750-5833

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SUMMARY

This summary highlights selected information contained elsewhere in this proxy statement and may not describe all of the information that is important to you. To understand the Merger and its legal terms fully, you should carefully read this entire proxy statement and the documents referred to herein and the annexes attached hereto. See **Where You Can Find More Information on page 66.**

The Merger Agreement is attached as *Annex A* to this proxy statement. Please read the Merger Agreement in its entirety as it is the legal document that governs the Merger.

The Companies

Inter-Tel (Delaware), Incorporated.

Inter-Tel is a single-point-of-contact, full-service provider of IP and converged voice, video and data business communications platforms, multi-media contact center applications, remote-control software to provide real-time communications and instantaneous, browser-to-browser Web conferencing and help desk support solutions. Inter-Tel also provides a wide range of managed services, including voice and data network design and traffic provisioning, local and long distance calling services, custom application development, maintenance, leasing, and support services for its products. Inter-Tel's customers include business enterprises, government agencies and non-profit organizations. Inter-Tel was originally incorporated in Arizona in 1969 and was reincorporated in Delaware in 2006.

Inter-Tel's offices are located at 1615 S. 52nd Street, Tempe, AZ 85281, telephone: 480-449-8900.

See **The Companies - Inter-Tel** on page 15 for additional information about Inter-Tel.

Mitel Networks Corporation

Mitel, a corporation organized and existing under the laws of Canada, is a leading provider of integrated communications solutions and services for business customers. Mitel's Internet Protocol, or IP, based communications solutions consist of a combination of telephony hardware products, such as communications platforms and desktop devices, and software applications that integrate voice, video and data communications with business applications and processes. Mitel complements its communications solutions with a range of services, including the design of communications networks, implementation, maintenance, training and support services. Mitel has been a leading vendor of business communications systems for over 25 years. Mitel offers packaged software applications that are designed to solve particular business communications challenges, including applications for contact centers, mobility, teleworking, messaging and collaboration. Mitel also develops solutions that focus on specific industries as well as custom software applications that address the needs of specific customers. Mitel's customers include prominent hotel chains, governmental agencies, retail chains and healthcare providers worldwide. Mitel operates from over 40 locations around the world and sells its communications solutions through a distribution network of over 1,400 channel partners that includes wholesale distributors, solutions providers, authorized resellers, communication services providers, systems integrators, and other distribution channels.

Mitel's offices are located at 350 Legget Drive, Kanata, Ontario, Canada K2K 2W7, Telephone: (613) 592-2122.

For more information about Mitel, see **The Companies - Mitel Networks Corporation** on page 15.

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Arsenal Acquisition Corporation

Arsenal Acquisition Corporation is a Delaware corporation and a wholly-owned subsidiary of Mitel. Arsenal Acquisition Corporation was organized solely for the purpose of entering into the Merger Agreement with Inter-Tel and completing the Merger and has not conducted any business operations.

Arsenal Acquisition Corporation is located at c/o Mitel Networks Corporation, Mitel Networks Corporation, 350 Legget Drive, Kanata, Ontario, Canada K2K 2W7, Telephone: (613) 592-2122.

See *The Companies - Arsenal Acquisition Corporation* on page 15 for additional information about Arsenal Acquisition Corporation.

Merger Consideration

If the Merger is completed, you will receive \$25.60 in cash, without interest, in exchange for each share of Inter-Tel common stock that you own immediately prior to the Merger. After the Merger is completed, you will have the right to receive the Merger Consideration but you will no longer have any rights as an Inter-Tel stockholder, except to the extent you have dissented from adoption of the Merger Agreement and asserted your rights to an appraisal of the fair value of your shares under the DGCL.

See *The Merger - Merger Consideration* on page 43 and *The Merger Appraisal Rights* beginning on page 49.

Treatment of Outstanding Stock Options and Equity Awards

Pursuant to the Merger Agreement, all options to purchase shares of Inter-Tel common stock under Inter-Tel's equity incentive plans and all performance share awards for which Inter-Tel common stock may be issued upon attaining specified performance goals granted under the 1997 Long-Term Incentive Plan that are outstanding immediately prior to the effective time of the Merger will vest and be canceled, in exchange for cash in an amount determined by multiplying:

the excess, if any, of the Merger Consideration of \$25.60 per share of Inter-Tel common stock, without interest, over the applicable exercise price of the option or other equity incentive award, by

the number of shares of common stock that

the holder could have purchased in the case of a stock option (assuming full vesting of such stock options); or

that could be issued to the holder in connection with a performance share award (assuming full vesting of such awards and attainment of specified performance goals).

See *The Merger - Treatment of Outstanding Stock Options and Equity Awards* on page 44 for additional information.

Interests of Inter-Tel's Directors and Management in the Merger

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When considering the recommendation of the Board of Directors FOR the adoption of the Merger Agreement, you should be aware that members of the Board of Directors and certain officers of Inter-Tel have interests in the Merger that are different from yours, including, the following:

Norman Stout, Inter-Tel's Chief Executive Officer, entered into an employment agreement with Inter-Tel, pursuant to which he is entitled to certain severance and termination benefits if his employment is terminated under specified circumstances before or after the Merger.

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Certain of Inter-Tel's officers and directors have entered into change of control agreements with Inter-Tel pursuant to which they are entitled to receive certain severance and termination benefits if their employment is terminated under specified circumstances before or after the Merger.

Pursuant to the Merger Agreement, the certificate of incorporation and bylaws of the surviving corporation will include provisions for exculpation and indemnification of directors and officers that are equivalent in all material respects to those set forth in Inter-Tel's certificate of incorporation and bylaws in effect as of the date of the Merger Agreement, which provisions may not be amended for a period of six years after the effective time of the Merger, except as required by law or to enlarge the scope of the indemnification provided.

Pursuant to the Merger Agreement, directors' and officers' liability insurance for persons who are covered by Inter-Tel's directors' and officers' liability insurance as of the date of the Merger Agreement will be maintained for six years after the effective time of the Merger on terms comparable to those currently in effect.

Pursuant to the Merger Agreement, Mitel agreed to make available up to \$150,000 of cash to pay retention bonuses to individuals, in amounts and upon terms and conditions, to be agreed by Mitel and Inter-Tel. Although these bonuses have not been fixed and will not be paid to Inter-Tel's directors, or its Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Technical Officer or the General Counsel, it is possible that other members of management could receive payments from this bonus pool.

Each of Inter-Tel's directors and executive officers currently holds options to acquire Inter-Tel common stock or performance share awards to be issued Inter-Tel common stock upon achieving certain specified performance goals. All such stock options and performance share awards will be accelerated and fully vested upon the effective time of the Merger, and, as a result of the merger, will be exchanged for cash in the amount of (a) \$25.60 per share of Inter-Tel common stock that the holder of such option could have purchased or that could have been issued to such holder in connection with a performance share award *less* (b) the applicable exercise price, if any, for such shares, whether or not such options and performance share awards were vested and exercisable at such time, and regardless of whether specified performance goals were attained as of the effective time of the Merger with respect to performance share awards.

See The Merger - Interests of Inter-Tel's Directors and Management in the Merger beginning on page 45 for additional information.

Reasons for the Merger

The Board of Directors has approved the Merger Agreement, and declared the Merger, the Merger Agreement, and the transactions contemplated by the Merger Agreement, advisable, fair to and in the best interests of Inter-Tel and its stockholders, based in part on the recommendation of the Special Committee and on various other factors more fully described in this proxy statement, and resolved to recommend that the Inter-Tel stockholders adopt the Merger Agreement.

See The Merger - Reasons for the Merger and Recommendation by the Board of Directors beginning on page 27.

Recommendation to Stockholders

Inter-Tel's Board of Directors, having approved the Merger Agreement, based in part on the recommendation of the Special Committee, having declared the Merger, the Merger Agreement, and the

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transactions contemplated by the Merger Agreement, advisable, fair to and in the best interests of Inter-Tel and its stockholders, and having resolved to recommend that the Inter-Tel stockholders adopt the Merger Agreement:

recommends that Inter-Tel stockholders vote FOR the adoption of the Merger Agreement; and

recommends that Inter-Tel stockholders vote FOR the adoption of the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the Merger Agreement at the special meeting.

For additional information regarding the Board's recommendations and the votes of the Special Committee and the Board of Directors with respect to these matters, see The Merger - Reasons for the Merger and Recommendation by the Board of Directors beginning on page 27.

Opinion of Inter-Tel's Financial Advisor

UBS Securities LLC, Inter-Tel's financial advisor (UBS), delivered to the Board of Directors its written opinion dated as of April 26, 2007 that, subject to various assumptions, matters considered and limitations described in the written opinion, as of April 26, 2007, the Merger Consideration of \$25.60 per share to be received by holders of Inter-Tel common stock (excluding Mr. Mihaylo and his affiliates), was fair, from a financial point of view, to such holders.

The full text of the UBS written opinion, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken by UBS, is attached as *Annex B* to this proxy statement and is incorporated by reference in its entirety into this proxy statement. Holders of Inter-Tel common stock are encouraged to read the opinion carefully in its entirety. UBS provided its opinion to the Special Committee and the Board of Directors to assist the Special Committee and Board of Directors in their evaluation of the Merger Consideration from a financial point of view.

UBS opinion does not address any other aspect of the Merger and does not constitute a recommendation to any stockholder as to how to vote or act in connection with the Merger. See The Merger - Opinion of Inter-Tel's Financial Advisor beginning on page 30.

Certain Projections

Inter-Tel does not, as a matter of course, provide financial guidance or publicly disclose projections of future revenues, earnings or other financial performance.

In connection with the review of the proposed acquisition of Inter-Tel by Mitel, Inter-Tel's management prepared non-public financial projections reflecting management's views as to possible future performance of Inter-Tel for the final three quarters of fiscal year 2007 and fiscal years 2008 through 2011. The projections for the final three quarters of 2007 were provided to Mitel on a confidential basis, but the projections for fiscal years 2008 through 2011 were not provided to Mitel before executing the Merger Agreement. All of these projections were provided to UBS. The inclusion of these projections should not be regarded as an indication that Inter-Tel or Mitel considered or now considers these projections to be a reliable prediction of future results. Inter-Tel has not updated the projections for the last three quarters of 2007 since they were provided to Mitel, or the projections for fiscal years 2008 through 2011, since they were provided to UBS.

Inter-Tel does not intend to update or otherwise revise any of the projections included in this proxy statement. Please see The Merger - Certain Projections beginning on page 35 for additional information about the projections.

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Financing of the Merger

Mitel is financing the Merger Consideration, in part, with the proceeds of equity and debt financings, as well as Inter-Tel cash on hand at the closing of the Merger. Mitel estimates that the total amount of funds necessary to fund the Merger Consideration and to make payments to holders of Inter-Tel's options and equity incentive awards as required by the Merger Agreement, consummate the Merger and the related transactions contemplated thereby will be approximately \$727 million. According to Mitel, the following arrangements are in place as of the date of the Merger Agreement to provide Mitel the necessary financing to consummate the Merger (see "The Merger - Financing of the Merger" beginning on page 38 for additional information):

Equity Financing. Mitel has received an equity financing commitment (referred to in this proxy statement as the Equity Financing Commitment) of \$303,546,000 from Francisco Partners II, L.P. ("Francisco Partners"), a financial sponsor through which the equity commitment financing is being funded on behalf of Francisco Partners' affiliated entities. Pursuant to an equity commitment letter and subject to the conditions contained therein, Francisco Partners, on behalf of its affiliated entities, has agreed to make an aggregate equity investment of \$303,546,000 in exchange for issuance to Francisco Partners and/or its affiliates of a new class of preferred shares of Mitel on the terms and conditions set forth in the equity commitment letter.

Debt Financing. Mitel has received an aggregate debt financing commitment of \$460,000,000 (referred to in this proxy statement as the Debt Financing Commitment) from Morgan Stanley Senior Funding, Inc. and Morgan Stanley Senior Funding (Nova Scotia) Co. (collectively, and together with their respective affiliates, referred to as "Morgan Stanley"), pursuant to which Morgan Stanley has provided its financing commitment and has agreed to use commercially reasonable efforts to arrange a syndicate of lenders to provide the Debt Financing Commitment, as further specified in the debt commitment letter.

The Debt Financing Commitment consists of a new secured first lien term loan and revolving credit facilities, and a new secured second lien loan facility, as follows:

up to \$275.0 million in a senior secured first lien loan facility, comprised of:

a \$245.0 million term loan facility;

a \$30.0 million revolving credit facility, consisting of U.S. and Canadian sub-facilities; and

up to \$185.0 million in a senior secured second lien term credit facility

Availability of Equity and Debt Financing. The availability of the Equity Financing Commitment and the Debt Financing Commitment is subject to the satisfaction of various conditions contained in the debt and equity financing commitment letters delivered to Inter-Tel by Mitel pursuant to the Merger Agreement.

These conditions are in general customary for acquisition financings with an equity contribution and levered debt components.

There can be no assurance that all of the conditions to the Equity and Debt Financing Commitments will be met or that Mitel will be able to obtain alternative financing in the event conditions precedent to the funding of the Equity and Debt Financing Commitments are not met as required under the equity and debt financing commitment letters. See "The Merger - Financing of

the Merger beginning on page 38 for additional information.

Recent Developments and Certain Litigation

Inter-Tel has been made a party to four shareholder class action lawsuits related to the proposed Merger. Among various claims, the plaintiffs seek an injunction to the consummation of the proposed

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Merger. While Inter-Tel is in the process of evaluating the various claims brought in the shareholder actions, Inter-Tel believes that the claims are without merit and Inter-Tel intends to vigorously defend against all claims brought in these actions. For additional information regarding the claims brought in these suits, see *The Merger - Recent Developments and Certain Litigation* beginning on page 41 of this proxy statement for additional information.

The Special Meeting of Inter-Tel's Stockholders

Date, Time and Place. A special meeting of Inter-Tel stockholders will be held on June 29, 2007, at 10:00 a.m., local time at the offices of Snell & Wilmer LLP, 400 East Van Buren Street, One Arizona Center, Phoenix, Arizona, 85004, to consider and vote upon the following matters:

a proposal to adopt the Merger Agreement; and

a proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the Merger Agreement at the special meeting.

Record Date and Voting Power. Stockholders who own shares of Inter-Tel common stock at the close of business on May 25, 2007, the record date for the special meeting, are entitled to receive notice of and to vote at the special meeting. You will have one vote at the special meeting for each share of Inter-Tel common stock you owned at the close of business on the record date. There were 27,280,859 shares of Inter-Tel common stock outstanding on the record date and entitled to be voted at the special meeting.

Required Vote.

The adoption of the Merger Agreement requires that stockholders holding a majority of the shares of Inter-Tel common stock outstanding at the close of business on the record date and entitled to vote on the proposal, vote **FOR** the adoption of the Merger Agreement.

The adoption of the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the Merger Agreement at the special meeting, requires that stockholders holding a majority of shares of Inter-Tel common stock having voting power, present in person or represented by proxy, vote **FOR** the adjournment or postponement of the special meeting.

Share Ownership of Directors and Management. Inter-Tel's directors and executive officers (excluding Steven G. Mihaylo) own approximately 0.9% of the shares outstanding on the record date for the special meeting entitled to vote at the special meeting. Steven G. Mihaylo, Inter-Tel's former chief executive officer and a current director of Inter-Tel owns approximately 19.0% of the shares outstanding on the record date for the special meeting entitled to vote at the special meeting. Each Inter-Tel director who voted to approve the Merger Agreement and each Inter-Tel executive officer has indicated to Inter-Tel that they will vote **FOR** the adoption of the Merger Agreement.

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See The Special Meeting beginning on page 12 for additional information regarding the special meeting.

See The Merger - Reasons for the Merger and Recommendation by the Board of Directors beginning on page 27 for additional information regarding the Board's recommendation and the votes of the Special Committee and the Board of Directors with respect to the Merger Agreement and the Merger.

Conditions to the Completion of the Merger

Each party's obligation to effect the Merger is subject to the satisfaction or waiver of specific conditions set forth in the Merger Agreement, which include the following mutual conditions (see The Merger Agreement - Conditions to the Completion of the Merger on page 54 for additional information):

the holders of a majority of the outstanding shares of Inter-Tel common stock must have voted in favor of adopting the Merger Agreement;

there must not be any applicable law in force prohibiting the consummation of the Merger;

all applicable United States and foreign anti-trust waiting periods must have terminated or expired;

all actions by or filings with any governmental authority required to permit the consummation of the Merger must have been taken or made.

Mitel's obligations to complete the Merger are also subject to the satisfaction or waiver by Mitel of the following conditions, among others:

Inter-Tel must have performed in all material respects all of its obligations under the Merger Agreement;

Inter-Tel's representations and warranties contained in the Merger Agreement

that are qualified by materiality or a material adverse effect on Inter-Tel must be true and correct; and

that are not qualified by materiality or a material adverse effect on Inter-Tel must be true and correct except as would not have a material adverse effect on Inter-Tel;

no material adverse effect (as defined in the Merger Agreement and as described in The Merger Agreement - Material Adverse Effect beginning on page 54) on Inter-Tel shall have occurred; and

Inter-Tel and its subsidiaries must have no less than \$179 million of readily available cash as defined in the Merger Agreement. Inter-Tel's obligation to complete the Merger is also subject to the satisfaction or waiver by Inter-Tel of the following conditions, among others:

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each of Mitel and Arsenal Acquisition Corporation must have performed in all material respects all of its obligations under the Merger Agreement; and

the representations and warranties of each of Mitel and Arsenal Acquisition Corporation contained in the Merger Agreement (i) that are qualified by materiality or a material adverse effect on Mitel must be true and correct, and (ii) that are not qualified by materiality or a material adverse effect on Mitel must be true and correct except as would not have a material adverse effect on Mitel.

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Termination of the Merger Agreement

Mitel and Inter-Tel may terminate the Merger Agreement at any time prior to the effective time of the Merger, even after the Inter-Tel stockholders have adopted the Merger Agreement, under certain circumstances, including:

by mutual written agreement;

by either Inter-Tel or Mitel if:

the Merger has not been consummated by September 30, 2007, provided that no breach by the terminating party of any provision of the Merger Agreement results in the failure of the Merger to be consummated by such time;

consummation of the Merger would violate any nonappealable final order of any governmental authority having competent jurisdiction; or

the Inter-Tel stockholders do not adopt the Merger Agreement.

by Mitel, if a company triggering event (as defined in the Merger Agreement and as described in The Merger Agreement - Termination beginning on page 57) has occurred;

by either Mitel or Inter-Tel, if the other party is in material breach of any of its representations, warranties, covenants or agreements contained in the Merger Agreement, and such breach is incapable of being cured or is not cured within 15 days after written notice of breach;

by Inter-Tel, to enter into a definitive agreement with respect to a superior proposal (as defined in the Merger Agreement and as described in The Merger Agreement - Termination beginning on page 57), provided that Inter-Tel has complied in all material respects with its no solicitation obligations contained in the Merger Agreement, pays a \$20 million termination fee to Mitel (as discussed in The Merger Agreement - Termination Fees and Expenses beginning on page 58) simultaneously with the termination of the Merger Agreement and immediately thereafter enters into a definitive agreement with respect to such superior proposal ; or

by Inter-Tel, if the conditions to the obligations of both parties and substantially all of the conditions to the obligations of Mitel and Arsenal Acquisition Corporation have been satisfied on or prior to August 15, 2007 and Mitel fails to consummate the Merger within five business days after satisfaction of such conditions.

Limitation on Considering Other Acquisition Proposals

The Merger Agreement contains detailed provisions restricting Inter-Tel's right to solicit competing acquisition proposals, subject to certain enumerated exceptions to allow the Board of Directors to exercise its fiduciary duties under the DGCL when presented with alternative transactions the Board of Directors deems to be, or considers reasonably likely to lead to, a superior proposal (as defined in the Merger Agreement and as described in The Merger Agreement - Termination beginning on page 57).

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See The Merger Agreement - No Solicitation beginning on page 55 for additional information.

Termination Fees and Expenses

The Merger Agreement provides that all fees, costs and expenses incurred in connection with the Merger Agreement and the transactions contemplated thereby are to be paid by the party incurring such fees, costs and expenses, except:

if the Merger Agreement is terminated by Mitel or Inter-Tel in specified circumstances where Inter-Tel stockholders fail to adopt the Merger Agreement, Inter-Tel must reimburse Mitel for all reasonable and

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documented out of pocket expenses of Mitel incurred in connection with the Merger Agreement and the transactions contemplated thereby, up to \$6 million;

Inter-Tel must pay Mitel a termination fee of \$20 million if the Merger Agreement is terminated under certain circumstances specified in the Merger Agreement; and

in certain other termination events specified in the Merger Agreement, Mitel must pay Inter-Tel a termination fee of \$20 million.

See The Merger Agreement - Termination Fees and Expenses beginning on page 58 for additional information.

Market Price and Dividend Data

Inter-Tel common stock is listed on The Nasdaq Global Market under the symbol INTL. On April 26, 2007, the last full trading day prior to the public announcement of the proposed Merger, Inter-Tel common stock closed at \$ 23.79. On May 25, 2007, the last full trading day prior to the date of this proxy statement, Inter-Tel common stock closed at \$26.83.

See Market Price and Dividend Data on page 11 for additional information.

Material United States Federal Income Tax Consequences of the Merger

The exchange of Inter-Tel common stock for the cash Merger Consideration will be a taxable transaction to Inter-Tel stockholders for United States federal income tax purposes. See The Merger - Material United States Federal Income Tax Consequences of the Merger beginning on page 47.

Tax matters can be complicated, and the tax consequences of the Merger to you will depend on your particular facts and circumstances. You should consult with your own tax advisor to fully understand the tax consequences of the Merger to you.

Regulatory Matters

Under the provisions of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder (the HSR Act), the Merger may not be completed until Inter-Tel and Mitel have made certain filings with the Federal Trade Commission and the United States Department of Justice and the applicable waiting period under the HSR Act has expired or been terminated. On May 10, 2007, Inter-Tel and Mitel filed notification reports under the HSR Act with the Federal Trade Commission and the Department of Justice.

Inter-Tel and Mitel cannot assure you that a challenge to the Merger on antitrust grounds will not be made by federal or state antitrust authorities or private parties or, if a challenge is made, of the result of any such challenge, nor can Inter-Tel or Mitel assure you that Inter-Tel and Mitel will obtain the regulatory approvals necessary to complete the Merger or that the granting of these approvals will not involve the imposition of conditions to the completion of the Merger or require changes to the terms of the Merger. These conditions or changes could result in the conditions to the Merger not being satisfied prior to the termination date of the Merger Agreement or at all.

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The Department of Justice, the Federal Trade Commission, and state antitrust authorities frequently scrutinize the legality of transactions under the antitrust laws. One or more of these agencies could issue requests to Mitel and/or Inter-Tel for additional information regarding the proposed Merger. If such requests for additional information were made, the waiting period referred to above would be extended until the end of the 30th day after both Mitel and Inter-Tel have substantially complied with the requests for additional information or such later time as is agreed among the parties and the subject

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agency, unless the waiting period is earlier terminated because the subject agency determines to close its review.

See *The Merger - Regulatory Matters* on page 49 for additional information.

Appraisal Rights

Inter-Tel stockholders have the right under Delaware law to dissent from the adoption of the Merger Agreement, to exercise appraisal rights and to receive payment in cash for the fair value of their shares of Inter-Tel common stock determined in accordance with Delaware law.

The fair value of shares of Inter-Tel common stock as determined in accordance with Delaware law may be more or less than the Merger Consideration of \$25.60 per share to be paid to non-dissenting Inter-Tel stockholders in the Merger.

Inter-Tel stockholders who wish to exercise appraisal rights must not vote in favor of the adoption of the Merger Agreement and must follow specific procedures outlined in Section 262 of the DGCL to exercise appraisal rights. Dissenting Inter-Tel stockholders must precisely follow these specific procedures to exercise appraisal rights, or their appraisal rights may be lost.

This proxy statement summarizes the procedures for exercising appraisal rights. The actual provisions of Section 262 of the DGCL that grant such appraisal rights and govern the precise procedure for exercising them are attached as *Annex C*. Please read these provisions carefully and in their entirety. See *The Merger Appraisal Rights* beginning on page 49 and *Annex C* attached to this proxy statement.

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Inter-Tel common stock is listed on The Nasdaq Global Market under the symbol INTL. Following the Merger there will be no public market for Inter-Tel common stock. The following sets forth the high and low bid prices for Inter-Tel common stock for each quarter during the periods indicated.

Quarter	Inter-Tel Common Stock	
	Low	High
Fiscal Year Ended December 31, 2004		
First quarter	\$ 24.40	\$ 34.50
Second quarter	20.80	33.00
Third quarter	18.74	24.93
Fourth quarter	21.83	30.78
Fiscal Year Ended December 31, 2005		
First quarter	\$ 24.36	\$ 30.00
Second quarter	17.27	24.66
Third quarter	18.45	25.34
Fourth quarter	18.12	21.01
Fiscal Year Ending December 31, 2006		
First quarter	\$ 19.03	\$ 22.83
Second quarter	19.84	24.18
Third quarter	19.37	22.5
Fourth quarter	20.16	22.72
Fiscal Year Ending December 31, 2007		
First quarter	\$ 21.36	\$ 24.19
Second quarter (through May 25, 2007)	23.10	27.05

The closing per share sales price of Inter-Tel common stock, as reported on The Nasdaq Global Market, was \$23.79 on April 26, 2007, the last full trading day before the public announcement of the proposed Merger, and \$26.83 on May 25, 2007, the last full trading day before the date of this proxy statement.

Since December 31, 1997, Inter-Tel has paid quarterly cash dividends for every share of its common stock to stockholders of record. Dividend payments have traditionally been made on or about 15 days after the end of each fiscal quarter. During the 2005 and 2006 fiscal years, the quarterly dividend was \$0.08 per share, except for the second quarter of the 2005 fiscal year when the quarterly dividend was \$1.08 per share. Most recently, according to Inter-Tel's normal business practice, the Board of Directors declared a quarterly dividend of \$0.08 per share to stockholders of record as of April 2, 2007, which was paid on or about April 15, 2007. Under the Merger Agreement, Inter-Tel is not permitted to pay any additional cash dividend on its common stock after the date of the Merger Agreement without Mitel's consent.

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THE SPECIAL MEETING

Inter-Tel is furnishing this proxy statement to Inter-Tel stockholders as part of the solicitation of proxies by the Board of Directors for use at the special meeting.

Date, Time and Place

Inter-Tel will hold the special meeting of Inter-Tel stockholders on June 29, 2007 at 10:00 a.m., local time at the offices of Snell & Wilmer LLP, 400 East Van Buren Street, One Arizona Center, Phoenix, Arizona, 85004, to consider and vote upon the following two proposals:

a proposal to adopt the Merger Agreement; and

a proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the Merger Agreement at the special meeting.

Purpose of Special Meeting

At the special meeting, Inter-Tel stockholders will be asked to consider and vote upon a proposal to adopt the Merger Agreement. The Board of Directors, based in part on the recommendation of the Special Committee, has approved the Merger Agreement and declared the Merger, the Merger Agreement and the transactions contemplated by the Merger Agreement, advisable, fair to and in the best interests of Inter-Tel and its stockholders and resolved to recommend that the Inter-Tel stockholders adopt the Merger Agreement. **The Board of Directors therefore recommends that Inter-Tel stockholders vote FOR the adoption of the Merger Agreement.**

In addition, at the special meeting, Inter-Tel stockholders will be asked to vote on a proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the Merger Agreement at the special meeting. **The Board of Directors recommends that Inter-Tel stockholders vote FOR the adoption of the proposal to adjourn or solicit the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the Merger Agreement at the special meeting.**

Record Date; Stockholders Entitled to Vote; Quorum

Only Inter-Tel stockholders of record at the close of business on May 25, 2007, the record date for the special meeting, are entitled to notice of and to vote at the special meeting. On the record date, there were 27,280,859 shares of Inter-Tel common stock issued and outstanding held by approximately 1,245 holders of record. Inter-Tel stockholders of record on the record date are entitled to one vote per share at the special meeting on each of the proposals to be brought before the meeting.

A quorum will be present at the special meeting if a majority of the shares of Inter-Tel common stock issued and outstanding and entitled to vote on the record date are represented at the special meeting in person or by proxy. If there is no quorum present at the special meeting, the Board of Directors expects to adjourn or postpone the meeting to solicit additional proxies to establish a quorum. Abstentions and so-called broker non-votes will count for the purpose of determining whether a quorum is present.

Vote Required; Abstentions; Broker Non-Votes

The adoption of the Merger Agreement requires that stockholders holding a majority of the shares of Inter-Tel common stock outstanding at the close of business on the record date and entitled to vote on the proposal, vote **FOR** the adoption of the Merger Agreement. The adoption of the proposal to adjourn or

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postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the Merger Agreement at the special meeting, requires that stockholders holding a majority of the shares of Inter-Tel common stock having voting power, present in person or represented by proxy, vote **FOR** the adjournment or postponement of the special meeting.

If an Inter-Tel stockholder abstains from voting at the special meeting, the abstention will count as a vote against the adoption of the Merger Agreement and against the adoption of the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the Merger Agreement at the special meeting.

If your shares are held in street name by a broker, you should instruct your broker how to vote your shares using the instructions provided by your broker. If you have not received such voting instructions or require further information regarding such voting instructions, contact your broker and the broker can give you directions on how to vote your shares. A broker non-vote generally occurs when a broker, bank or other nominee holding shares on your behalf does not vote on a proposal because the nominee has not received your voting instructions and lacks discretionary power to vote the shares.

Because brokers have no discretionary authority to vote on the proposal to adopt the Merger Agreement, broker non-votes will have the same effect as a vote against the adoption of the Merger Agreement. However, a broker non-vote will have no effect on the proposal adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the Merger Agreement at the special meeting.

Voting by Inter-Tel's Directors, Executive Officers and Certain Stockholders

Inter-Tel's directors and executive officers (excluding Steven G. Mihaylo) own approximately 0.9% of the shares outstanding on the record date for the special meeting entitled to vote at the special meeting. Steven G. Mihaylo, Inter-Tel's former chief executive officer and a current director of Inter-Tel owns approximately 19.0% of the shares outstanding on the record date for the special meeting entitled to vote at the special meeting. Each Inter-Tel director who voted to approve the Merger Agreement and each Inter-Tel executive officer has indicated to Inter-Tel that they will vote **FOR** the adoption of the Merger Agreement.

Voting of Proxies

All shares represented by valid proxies received in time for the special meeting will be voted at the special meeting in the manner specified by the holders. **Valid proxies that do not contain voting instructions will be voted **FOR** the adoption of the Merger Agreement and **FOR** the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the Merger Agreement at the special meeting.**

Shares of Inter-Tel common stock represented at the special meeting but not voting, including shares of Inter-Tel common stock for which proxies have been received but for which stockholders have abstained, will be treated as present at the special meeting for purposes of determining the presence or absence of a quorum for the transaction of all business.

In order for your shares of Inter-Tel stock to be included in the vote, if you are a stockholder of record, you must vote your shares by dating, signing and returning the enclosed proxy card, by voting by telephone or over the Internet by following the telephone or Internet voting instructions on the enclosed proxy card, or by voting in person at the special meeting. If no voting instructions are indicated on your signed proxy card, the proxy will be treated as a vote **FOR** the adoption of the Merger Agreement and a vote **FOR** the adoption of the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the Merger Agreement at the special meeting. If you do not execute

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and return a proxy, or vote by telephone or over the Internet, or in person at the special meeting, it will effectively count as a vote against the adoption of the Merger Agreement, but will have no effect on the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the Merger Agreement at the special meeting.

If your shares are held in street name through a broker, bank, or other nominee, you may vote by completing, signing and returning the voting form provided by your broker, bank, or nominee, or by telephone or over the Internet if telephone or Internet voting is provided by your broker or bank. Your broker will not vote your shares unless you instruct the broker how to vote by following the voting procedures provided to you by your broker. If telephone or Internet voting is available through your broker or bank, please follow the telephone or Internet voting instructions provided by your broker or bank.

Inter-Tel does not expect that any matter other than the proposal to adopt the Merger Agreement and the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the Merger Agreement at the special meeting, will be brought before the special meeting. If, however, the Board of Directors properly presents other matters at the special meeting or any adjournment or postponement of the special meeting, the persons named as proxies will vote the shares represented by your proxies in accordance with their reasonable judgment as to matters that they believe to be in the best interests of Inter-Tel stockholders.

Revocability of Proxies

The grant of a proxy does not mean that you cannot vote in person at the special meeting. You may also revoke a proxy at any time prior to the time it is voted at the special meeting in one of three ways:

You can send a written, dated notice to the Corporate Secretary of Inter-Tel, stating that you would like to revoke your proxy;

You can complete, date, sign and return a later dated proxy card, or submit a later dated vote by telephone or over the Internet in accordance with the instructions set forth on the enclosed proxy card; or

If your shares are registered in your name, you can attend the meeting and vote in person.

Your attendance at the special meeting alone will not revoke your proxy. If you instructed your broker to vote your shares (whether by mail, telephone or over the Internet), the above-described options for revoking your proxy do not apply and instead you must follow the directions provided by our broker to change your voting instructions.

Costs of Solicitation

All costs of soliciting proxies for the special meeting will be borne by Inter-Tel. Inter-Tel has retained Innisfree M&A to aid in soliciting proxies and to verify records relating to the solicitation. Innisfree will receive customary fees of approximately \$50,000 and reimbursement of reasonable expenses for providing these services. Proxies may be solicited by Inter-Tel's directors, officers and regular employees, but such persons will not receive any additional compensation for doing so. Proxies may be solicited in person, or by telephone, over the Internet or by facsimile. Inter-Tel also expects to reimburse brokers and other custodians, nominees and fiduciaries for their expenses in sending these materials to Inter-Tel stockholders.

Conversion of Shares; Procedures for Exchange of Stock Certificates

Please do not send stock certificates with your proxies. A letter of transmittal with instructions for surrendering any Inter-Tel common stock certificate will be mailed to Inter-Tel stockholders as soon as reasonably practicable after completion of the Merger. See The Merger - Conversion of Shares; Procedures for Exchange of Certificates on page 44.

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THE COMPANIES

Inter-Tel

Inter-Tel is a single-point-of-contact, full-service provider of IP and converged voice, video and data business communications platforms, multi-media contact center applications, remote-control software to provide real-time communications and instantaneous, browser-to-browser Web conferencing and help desk support solutions. Inter-Tel also provides a wide range of managed services, including voice and data network design and traffic provisioning, local and long distance calling services, custom application development, maintenance, leasing, and support services for its products. Inter-Tel's customers include business enterprises, government agencies and non-profit organizations. Inter-Tel was originally incorporated in Arizona in 1969 and was reincorporated in Delaware in 2006.

Inter-Tel common stock is quoted on the Nasdaq Global Market under the symbol INTL. As of March 31, 2007, Inter-Tel employed 1,939 communications professionals, and services its business customers through a network of fifty-seven (57) company-owned, direct sales offices and a network of hundreds of authorized dealers and value-added resellers (VARs) primarily in the United States, United Kingdom (UK), Ireland, other parts of Europe, South Africa and Australia. Inter-Tel also has a dealer in Japan. Inter-Tel's customer base is comprised primarily of small-to-medium sized domestic and international business enterprises, government agencies and nonprofit organizations. Inter-Tel's Phoenix, Arizona sales facilities house its direct sales office, National, Government and Education Accounts division, as well as its Local, Long Distance and Network Services divisions. Engineering and Research & Development groups are in Chandler, Arizona, close to Inter-Tel's wholesale distribution center in Tempe, which is the primary location from which Inter-Tel distributes products to its domestic direct sales offices, dealers and VARs in North America. In addition, Inter-Tel maintains wholesale distribution offices in the United Kingdom and Ireland that supply its dealers and distributors throughout the UK, other parts of Europe, Australia and South Africa. Inter-Tel also maintains research and development and software sales offices in Tucson, Arizona, in Frederick, Maryland, in the United Kingdom and Ireland.

Inter-Tel maintains executive offices at 1615 S. 52nd Street, Tempe, AZ 85281. Inter-Tel's telephone number is (480) 449-8900. Please see Inter-Tel's filings with the SEC for additional information regarding Inter-Tel offices and facilities. See also [Where You Can Find More Information](#) on page 66.

Mitel Networks Corporation

Mitel is a leading provider of integrated communications solutions and services for business customers. Mitel's IP based communications solutions consist of a combination of telephony hardware products, such as communications platforms and desktop devices, and software applications that integrate voice, video and data communications with business applications and processes. Mitel complements its communications solutions with a range of services, including the design of communications networks, implementation, maintenance, training and support services. Mitel has been a leading vendor of business communications systems for over 25 years. Mitel offers packaged software applications that are designed to solve particular business communications challenges, including applications for contact centers, mobility, teleworking, messaging and collaboration. Mitel also develops solutions that focus on specific industries as well as custom software applications that address the needs of specific customers. Mitel's customers include prominent hotel chains, governmental agencies, retail chains and healthcare providers worldwide. Mitel operates from over 40 locations around the world and sells its communications solutions through a distribution network of over 1,400 channel partners that includes wholesale distributors, solutions providers, authorized resellers, communication services providers, systems integrators, and other distribution channels.

Mitel is headquartered in Ottawa, Canada, with offices, partners and resellers worldwide. Mitel's telephone number is (613) 592-2122.

Arsenal Acquisition Corporation

Arsenal Acquisition Corporation is a Delaware corporation and a wholly-owned subsidiary of Mitel. Arsenal Acquisition Corporation was organized solely for the purpose of entering into the Merger Agreement with Inter-Tel and completing the Merger and has not conducted any business operations to date.

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THE MERGER

Background of the Merger

From time to time in the course of regular reviews of Inter-Tel, management of Inter-Tel and the Board of Directors have considered and assessed, among other things, potential strategic acquisitions, business combinations and other alternatives to maximize stockholder value.

In October of 2003, Norman Stout, then Inter-Tel's Executive Vice President, Chief Administrative Officer and President of Inter-Tel Software and Services division, and Craig Rauchle, then Inter-Tel's Executive Vice President and Chief Operating Officer, met with members of Mitel's management to discuss the potential benefits of a transaction involving the two companies, and whether such a transaction might be worth pursuing. Steven G. Mihaylo, who was then Inter-Tel's Chief Executive Officer, also had telephone discussions with Mitel regarding these matters during this time. The parties ultimately determined not to pursue a transaction at that time.

During the summer of 2004, Mr. Stout met with a company we refer to as Company A to discuss a potential business combination involving the two companies. Those discussions did not progress beyond a preliminary stage at that time.

On May 11, 2005, Messrs. Stout and Rauchle met with Paul Butcher, the President of Mitel, at a technology industry conference in New York City. Messrs. Stout and Butcher discussed generally whether it might make sense for the two companies to discuss pursuing a transaction involving the two companies, but did not at that time discuss any proposed terms or structure for such a transaction.

At various times during the period from May through December 2005, management of Inter-Tel was contacted by representatives of several investment banks, each of whom discussed ideas for potential acquisition targets or potential business combination transactions involving Inter-Tel. As a result of these meetings and other industry contacts, representatives of Inter-Tel engaged in preliminary discussions during these months regarding four potential strategic acquisitions, as well as a potential business combination transaction with Company A. Of these potential transactions, three of the potential acquisitions and the potential business combination with Company A proceeded to a due diligence phase, although Inter-Tel determined not to pursue any of these potential transactions further at that time.

On June 15th through June 17th of 2005, an investment bank arranged meetings in New York between Inter-Tel and several potential financial sponsors and private equity firms to determine the level of interest in a potential transaction involving Inter-Tel. Following these initial meetings, several of these firms scheduled subsequent meetings or phone conferences with representatives of Inter-Tel and conducted limited due diligence, but ultimately did not present a transaction proposal.

During the month of July 2005, Mr. Stout had discussions with several investment banks regarding potential transaction ideas and had calls with two private equity firms regarding potential transactions about which the private equity firms wanted to gauge Inter-Tel's interest. During this period Inter-Tel also spoke with three additional potential financial sponsors to determine whether they might be interested in discussing a transaction involving Inter-Tel.

During August and September of 2005, Inter-Tel met with representatives of two private equity firms, including Francisco Partners, to discuss the possibility of a transaction involving Inter-Tel, and both firms conducted limited due diligence of Inter-Tel. By early September 2005, both firms had submitted non-binding expressions of interest to Inter-Tel, proposing potential terms upon which they might be willing to pursue a transaction with Inter-Tel. These expressions of interest were subject to additional due diligence, negotiation of definitive documents, and other customary conditions.

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In September 2005, the Board of Directors established a special committee of the Board of Directors (referred to in this Background of the Merger section as the 2005 Special Committee) that was formed in part to discuss the non-binding indications of interest from Francisco Partners and the other private equity firm described above and also to ensure that the interests of all Inter-Tel stockholders were taken into account when considering any potential transaction. The initial 2005 Special Committee was comprised of each then-member of the Board of Directors, other than Mr. Mihaylo.

During the period in which management was communicating with these various investment banks, financial sponsors, private equity firms and potential transaction parties, management frequently met with members of the 2005 Special Committee to advise and update the committee on the status of these matters and to seek advice and direction as appropriate.

During September and October 2005, Inter-Tel continued to meet with investment banks to discuss potential acquisition targets and possible business combination transactions involving Inter-Tel, and continued discussions with the two private equity firms, including Francisco Partners, which had submitted expressions of interest in a transaction involving Inter-Tel.

On October 19, 2005, Inter-Tel was contacted by a potential strategic partner which recently had been acquired by a private equity firm to discuss whether a business combination transaction involving the two companies might be worth pursuing. These discussions did not proceed beyond a preliminary stage.

On November 12, 2005, Inter-Tel was contacted again by Company A and engaged in intensive discussions regarding a potential business combination transaction. The parties discussed the potential terms of the proposed transaction further in meetings held on November 15 and 16, 2005. The pace and frequency of discussions slowed during the holiday season, but representatives of the companies remained in periodic contact during the balance of November and December 2005.

During the period in which management was communicating with these various investment banks, financial sponsors, private equity firms and potential transaction parties, management continued to update members of the 2005 Special Committee and to seek advice and direction as appropriate.

On January 3, 2006, Mr. Stout had a call with representatives of Company A to discuss the status of the proposed transaction. On January 5, 2006, Mr. Stout and Craig Rauchle, then the Chief Operating Officer and President of Inter-Tel, met with representatives of Company A to discuss further the potential for a business combination transaction involving the two companies.

During January and February of 2006, Inter-Tel also met with representatives of several investment banks to discuss their ideas and proposals for potential transactions involving Inter-Tel. In addition, Mr. Stout held preliminary discussions with one potential acquisition target, but ultimately determined not to pursue the acquisition.

On February 22, 2006, Mr. Mihaylo resigned from his position as the Chief Executive Officer of Inter-Tel and Mr. Stout was named as the Chief Executive Officer.

From March 2nd through March 4th, 2006, Inter-Tel met with Company A to continue discussions regarding a potential business combination transaction. After these meetings, Inter-Tel did not receive any further communications from Company A. Although the discussions with Company A spanned several months and proceeded to an advanced stage, Company A never proposed any price for a potential transaction and no transaction ultimately resulted from these discussions.

On March 6, 2006, Mr. Mihaylo resigned as a director of Inter-Tel and filed a Schedule 13D with the Securities and Exchange Commission disclosing that he had engaged legal counsel and a financial advisor and

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was considering his alternatives with respect to his investment in Inter-Tel. The 2005 Special Committee continued to be active during this period in light of the potential for conflicts of interest due to the possibility that Mr. Mihaylo might consider being involved with a potential acquisition of Inter-Tel or might be approached by third parties interested in engaging in such a transaction with the consent or participation of Mr. Mihaylo.

During March and April of 2006, Inter-Tel continued to periodically meet with representatives of investment banks who presented potential transaction ideas to Inter-Tel and updated Inter-Tel with respect to potential transaction ideas and opportunities previously discussed with Inter-Tel. During this period, Mr. Stout also met with a potential acquisition target and also met with a second company, which is referred to in this section as Company B, to discuss the possibility of a business combination transaction with Inter-Tel.

On April 4 and April 5, 2006, representatives of Inter-Tel met with Company B to discuss a potential business combination transaction.

On April 7, 2006, representatives of Inter-Tel met with another company to discuss the potential for a transaction involving the companies. The parties met for further discussions on April 14, 2006, May 23, 2006 and June 2, 2006 and engaged in limited due diligence activities, but ultimately determined not to pursue a transaction.

On April 7, 2006, Mr. Mihaylo submitted to Inter-Tel notice of his intent (a) to nominate three directors for election and (b) to submit certain stockholder resolutions to a vote of the Inter-Tel stockholders at the 2006 Annual Meeting of Stockholders. One of the proposed stockholder resolutions urged the Board of Directors to arrange for a sale of Inter-Tel to the highest bidder.

On April 12, 2006, Inter-Tel engaged UBS to serve as Inter-Tel's financial advisor in connection with Inter-Tel's review of certain strategic alternatives, including a potential sale, merger or other similar transaction involving Inter-Tel.

On April 21, 2006, Mr. Mihaylo and certain of his affiliates filed a preliminary proxy statement with the SEC in connection with Inter-Tel's 2006 Annual Meeting of Stockholders relating to a number of proposals, including the election of three directors nominated by Mr. Mihaylo and the proposal urging the prompt sale of Inter-Tel, among other proposals.

On May 5, 2006, Mr. Mihaylo and Inter-Tel entered into a settlement agreement (the "Settlement Agreement") to avoid the significant costs and distractions associated with a proxy contest. The Settlement Agreement stipulated, among other things, that:

Inter-Tel would appoint Mr. Mihaylo, Kenneth L. Urish and Dr. Anil K. Puri to the Board of Directors, effective May 6, 2006, and the size of the Board of Directors would be increased from eight to 11 directors;

Mr. Mihaylo would withdraw his proxy solicitation with respect to the 2006 Annual Meeting, including his shareholder proposals, and would vote in favor of the slate of 11 directors nominated by Inter-Tel (including Messrs. Mihaylo and Urish and Dr. Puri) and the other proposals presented by Inter-Tel;

subject to such agreement not causing Messrs. Mihaylo and Urish and Dr. Puri to breach their fiduciary duties as directors of Inter-Tel, the Board of Directors would be entitled to exclude Messrs. Mihaylo, Urish and Puri from any discussions concerning, and from receipt of any materials regarding, Inter-Tel's value and the strategic plan upon which such value would in part be based, Inter-Tel's relationship with Mr. Mihaylo, and the consideration of any proposal to acquire Inter-Tel from Mr. Mihaylo or any other person, in each case until Mr. Mihaylo filed a Schedule 13D disclosing that he no longer had an intent to increase his shareholdings or otherwise acquire Inter-Tel;

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Inter-Tel agreed to provide Mr. Mihaylo and his advisors and financing sources access to reasonable due diligence information in order to facilitate the making of an all-cash acquisition proposal for Inter-Tel; and

subject to certain conditions specified in the Settlement Agreement, Inter-Tel agreed to promptly call a special meeting of shareholders to vote on certain stockholder proposals of Mr. Mihaylo, including any proposal urging the prompt sale of Inter-Tel to the highest bidder.

In connection with the execution of the Settlement Agreement, on May 5, 2006, a special committee of the Board of Directors (which we refer to in this Background of the Merger section and elsewhere throughout this proxy statement as the Special Committee), comprised of J. Robert Anderson, Alexander Cappello, Jerry Chapman, Gary Edens, Steven Karol, Robert Rodin, Agnieszka Winkler and Norman Stout, was formed to address matters pertaining to Mr. Mihaylo and to assess potential acquisitions of Inter-Tel which could not be brought before the full Board of Directors, including Messrs. Mihaylo, Urish and Dr. Puri, due to potential conflicts of interest.

On May 9 and May 10, 2006, Mr. Stout met with representatives of Company B to discuss further the possibility of a business combination transaction involving the companies.

According to Mr. Mihaylo's SEC filings, on May 18, 2006, Mr. Mihaylo, certain of his affiliates and Vector Capital Corporation entered into a Memorandum of Understanding to outline certain understandings between them with respect to a potential acquisition of Inter-Tel.

On May 31, 2006, Mr. Stout spoke by telephone with representatives of Company B regarding the potential for a business combination transaction involving the companies. The parties held further discussions with respect to these matters at meetings held on June 26, 27 and 28, 2006.

During the months of May and June, the Special Committee and representatives of management participated in meetings and discussions with Mr. Mihaylo and his representatives, and Mr. Mihaylo and his affiliates conducted due diligence with respect to Inter-Tel. The Special Committee also held frequent meetings during the summer of 2006 during which matters relating to Mr. Mihaylo and Vector Capital were discussed in depth, as well as other alternative transactions that were under consideration or might be available to Inter-Tel, including, but not limited to, discussions with Company B.

On June 14, 2006, Mr. Mihaylo and Vector Capital formally proposed to acquire all of the outstanding shares of Inter-Tel common stock (other than shares beneficially owned by Mr. Mihaylo) for \$22.50 per share, subject to financing and confirmatory due diligence. Meetings and discussions continued periodically during the balance of June and July of 2006.

On July 28, 2006, following an amendment of the Settlement Agreement to, among other things, provide Mr. Mihaylo and his financial partners time to conduct additional due diligence, Mr. Mihaylo and Vector Capital resubmitted their offer to acquire all of the outstanding shares of Inter-Tel common stock (other than shares beneficially owned by Mr. Mihaylo) for \$22.50 per share, without the due diligence and financing conditions associated with their June 14, 2006 proposal.

On August 11, 2006, Inter-Tel issued a press release, and Mr. Cappello, Chairman of the Board of Directors and the Special Committee, sent a letter on behalf of the Special Committee to Mr. Mihaylo and a representative of Vector Capital, stating that the Special Committee had rejected the July 28, 2006 acquisition proposal and concluded that the proposal was inadequate and not in the best interests of Inter-Tel stockholders, other than Mr. Mihaylo and Vector Capital. In addition, Inter-Tel announced that the Special Committee had authorized UBS to review and explore various strategic options for Inter-Tel.

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In July 2006, Dr. Terence Matthews, Mitel's Chairman of the Board, and Paul Butcher, President and Chief Operating Officer of Mitel, met with Norman Stout, Chief Executive Officer of Inter-Tel. At this meeting, Dr. Matthews indicated that Mitel would be interested in discussing a potential business combination transaction with Inter-Tel.

On August 21, 2006, Mr. Mihaylo and Vector Capital sent a letter to Inter-Tel indicating that they were prepared to raise the acquisition proposal price to \$23.25 per share in cash if the Special Committee publicly committed to sell Inter-Tel to the highest bidder through a 30-day sale process. On August 25, 2006, Inter-Tel issued a press release announcing that the Special Committee had unanimously rejected the revised offer as inadequate and not reflective of the intrinsic value of Inter-Tel and its advanced technology, and had concluded that the revised offer failed to provide appropriate value to all Inter-Tel stockholders. The press release also noted that a 30-day sale process would unfairly and inappropriately favor the Mihaylo group, which had already been afforded the opportunity for extensive due diligence.

On August 22, 2006, Don Smith, Chief Executive Officer of Mitel, and Steve Spooner, Chief Financial Officer of Mitel, met with Mr. Stout and Craig W. Rauchle, President and Chief Operating Officer of Inter-Tel, to further discuss the possibility of a business combination transaction between Mitel and Inter-Tel. The discussions continued on August 23, 2006 and Messrs. Smith, Spooner, Stout and Rauchle were joined by Kurt Kneip, Inter-Tel's Chief Financial Officer. During a portion of these meetings, Alexander Cappello, Chairman of the Board of Directors and the Special Committee, and Dr. Matthews joined in a conference call with this group to be introduced to the parties and discuss the potential for a transaction.

On August 25, 2006, Mr. Mihaylo submitted a demand that Inter-Tel call a special meeting of stockholders to consider a resolution to sell Inter-Tel to the highest bidder, which is referred to in this section as the Sell Inter-Tel Resolution.

On September 5, 2006, Mr. Stout met with a company we refer to as Company C to discuss a potential business combination involving Inter-Tel and one of the business units of Company C. Company C subsequently submitted a preliminary proposal describing a proposed transaction structure with significant complexity. After additional discussion between the parties, the parties determined not to pursue the transaction.

On September 21, 2006, Mr. Stout had a call with Messrs. Butcher and Spooner to discuss whether it was appropriate to further pursue a business combination transaction involving the two companies.

At a special meeting of Inter-Tel stockholders held on October 24, 2006, over 50% of the 22,524,535 shares represented in person or by proxy were voted against the Sell Inter-Tel Resolution, reflecting that the stockholders of Inter-Tel, other than Mr. Mihaylo and his affiliates, rejected the Sell Inter-Tel Resolution by approximately a 2 to 1 margin. On November 8, 2006, Mr. Mihaylo and Vector Capital withdrew their offer to acquire all of the outstanding shares of Inter-Tel common stock. Mr. Mihaylo and Vector Capital subsequently made a Schedule 13D filing with the SEC on November 9, 2006 stating that they were reviewing their alternatives with respect to Inter-Tel and had not decided on their future actions. Following this vote, Mr. Stout verbally terminated Inter-Tel's then current engagement letter with UBS and subsequently confirmed this in writing, although UBS continued to provide financial advisory services to Inter-Tel, as described below.

On November 29, 2006, Mr. Stout met with a representative of a company, referred to as Company D, to discuss whether there were any business opportunities involving the two companies worth pursuing. On January 9, 2007, representatives of Inter-Tel had a call with the Chief Financial Officer of Company D, during which the Chief Financial Officer of Company D asked whether Inter-Tel had an offering memorandum or similar materials that could be reviewed. The CFO was advised that no such document existed but that if Company D would like to discuss a potential transaction, Inter-Tel would be willing to receive and consider a proposal. Inter-Tel did not subsequently receive any proposal or further inquiries from Company D.

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Consistent with the Special Committee's ongoing efforts to explore all strategic alternatives available to Inter-Tel, including responsible and credible potential acquisition proposals, during the months following the rejection of the Sell Inter-Tel Resolution, Inter-Tel's management periodically engaged in discussions with potential transaction parties, including additional meetings with Mitel, as described below, and the Special Committee periodically met with members of management to receive updates on those discussions and to discuss and consider the various strategic alternatives under consideration.

During the period from November 2006 through March 2007, Inter-Tel had periodic conversations with another potential acquisition target regarding a potential transaction. Inter-Tel ultimately determined not to pursue any transaction with this party.

On December 11, 2006, Dr. Matthews and Mr. Spooner had a call with Mr. Cappello to continue discussions regarding a potential business combination transaction involving Inter-Tel and Mitel.

On December 14, 2006, Mr. Stout received a call from a representative of Francisco Partners, which as noted above, had previously submitted an expression of interest to Inter-Tel in September 2005.

On January 16, 2007, Messrs. Cappello and Stout met with Dr. Matthews and Mr. Spooner in San Jose to discuss a potential transaction. During this meeting, Dr. Matthews also advised Messrs. Cappello and Stout that they had been in discussions with Francisco Partners as a potential financial partner to provide financing for the proposed transaction involving Inter-Tel and Mitel. Dr. Matthews and Mr. Spooner indicated that Francisco Partners was familiar with Inter-Tel's business and its industry.

On January 19, 2007, Mr. Mihaylo sent a letter to the Inter-Tel Board of Directors in which he set forth nine proposed points of action for Inter-Tel to take which Mr. Mihaylo stated he believed would benefit the Inter-Tel stockholders by significantly increasing earnings per share and considerably reducing the friction between the current Board and [Mr. Mihaylo]. Mr. Mihaylo also stated in this letter that if these ideas were implemented by the Board, [Mr. Mihaylo] believe[d] another proxy contest could be averted. On January 22, 2007, Messrs. Cappello and Stout sent a letter to Mr. Mihaylo offering to discuss the issues raised in Mr. Mihaylo's letter, many of which already were the subject of management review, and expressing a desire to avoid another proxy contest and to work together to increase stockholder value for all Inter-Tel stockholders. During February, March and April of 2007, members of the Special Committee periodically communicated with Mr. Mihaylo and his advisors in an unsuccessful effort to resolve Mr. Mihaylo's issues short of a costly and disruptive proxy contest. These communications included, among other things, discussing the possibility that Inter-Tel might purchase Mr. Mihaylo's shares. Through Mr. Mihaylo's financial advisor, Mr. Mihaylo made clear to UBS that his intention was for Inter-Tel to repurchase his shares at a premium to the market price of Inter-Tel's common stock. The Special Committee directly and through its advisors communicated its position that it would only discuss a repurchase of Mr. Mihaylo's shares at the market price or at a discount to market price.

On February 13, 2007, the Special Committee held a meeting at which Messrs. Stout and Cappello updated the Special Committee members as to the status of discussions with Mitel, recent events and communications with Mr. Mihaylo and his representatives, and various potential acquisitions or transactions that had been discussed in recent weeks. Later on the same day, Mr. Stout met with Mr. Smith and representatives of Francisco Partners, Mitel's financial partner, to discuss further the proposed business combination, including a per share price proposed by Mitel, subject to due diligence, of \$25.00.

On March 1, 2007, Inter-Tel and Mitel entered into a mutual confidentiality agreement and due diligence and management meetings were held from March 1 through March 3, 2007. Representatives of Francisco Partners and Morgan Stanley & Co. Incorporated, financial advisors to Mitel, also participated in these meetings.

On March 2, 2007, Mr. Mihaylo submitted to Inter-Tel notice of his intent (a) to nominate five directors for election and (b) to submit seven stockholder resolutions to a vote of Inter-Tel stockholders at the 2007 Annual Meeting of Stockholders.

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According to public filings by Mr. Mihaylo, on March 2, 2007, Mr. Mihaylo and Vector Capital terminated the memorandum of understanding described above, which set forth their understanding with respect to a potential acquisition of Inter-Tel.

On March 5, 2007, the Special Committee held a meeting at which, among other things, Bingham McCutchen LLP, the Special Committee's legal advisor (Bingham McCutchen), reported on the recent preliminary discussions with Mitel regarding a business combination with Inter-Tel. While noting that Inter-Tel was not for sale, the Special Committee confirmed that it would consider responsible and credible potential acquisition proposals, and on that basis Messrs. Cappello and Stout were authorized to continue discussions with Mitel.

On March 14, 2007, Mr. Stout spoke with representatives of Francisco Partners regarding the proposed transaction with Mitel. Mr. Stout also periodically spoke during the last half of March with representatives of Mitel and Francisco Partners regarding the potential transaction.

On March 16, 2007, the Special Committee held a meeting at which, among other things, the Special Committee was updated on recent discussions with Mitel, and UBS discussed with the Special Committee the potential fit and synergies between the two companies and views on the financial ability of Mitel to offer a potentially attractive price. After discussion, the Special Committee determined that Inter-Tel's management, Mr. Cappello, Bingham McCutchen, and UBS should continue discussions with Mitel and its financial partner Francisco Partners.

During March 2007, Mitel's representatives conducted extensive due diligence of Inter-Tel and had numerous telephone conferences with Inter-Tel's management and financial advisors regarding its business and the terms of the proposed transaction. Mr. Stout and other members of Inter-Tel's management team had several discussions with Mitel's representatives during March 2007 about the potential business combination and possible terms.

On March 23, 2007, the Special Committee held a meeting at which, among other things, the Special Committee was updated on recent discussions with Mitel, the status of Mitel's due diligence review and financing efforts, and advised that a proposed merger agreement was in process and would be ready to send to Mitel's counsel shortly, if desired. The Special Committee confirmed that Inter-Tel's management, Mr. Cappello, Bingham McCutchen, and UBS should continue discussions with Mitel and Francisco Partners, and that the draft Merger Agreement should be sent to Mitel and its advisors.

On March 26, 2007, Bingham McCutchen sent a draft merger agreement to Shearman & Sterling LLP, Mitel's legal counsel, setting forth proposed terms of a business combination transaction involving the two companies.

On March 27, 2007, the Special Committee held a meeting at which, among other things, the members were updated on the status of the proposed transaction with Mitel. The Special Committee confirmed that Inter-Tel's management, Mr. Cappello, Bingham McCutchen and UBS should continue the various ongoing efforts relating to the proposed Mitel transaction.

On April 1, 2007, Shearman & Sterling sent to Bingham McCutchen a revised draft of the Merger Agreement, reflecting Mitel's comments to the March 26 draft. During the subsequent two weeks, representatives of Inter-Tel and Mitel negotiated the terms and conditions of a definitive agreement for a proposed business combination transaction and Mitel and its financial partners and legal advisors conducted further due diligence on Inter-Tel.

On April 6, 2007, Bingham McCutchen sent to Shearman & Sterling a revised draft of the Merger Agreement.

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On April 12, 2007, the Special Committee held a telephonic meeting at which Mr. Stout reviewed with the Special Committee Inter-Tel's disappointing first quarter 2007 results and management's belief that Mr. Mihaylo's threatened proxy contest was negatively affecting sales of certain products, among other operational matters. The Special Committee was updated on the status of discussions with Mitel, which had been advised of Inter-Tel's first quarter 2007 results and otherwise had substantially completed their due diligence review. At this meeting the Special Committee also was briefed by its advisors as to the status of the discussions with Mitel and the unresolved terms of the proposed Merger Agreement.

On April 16, 2007, representatives of Mitel and Francisco Partners, together with their respective legal and financial advisors, met with representatives of Inter-Tel, UBS and Bingham McCutchen in Los Angeles. At these meetings, the parties engaged in further discussions and negotiations regarding various open terms of the Merger Agreement, including price, termination rights, the amount of the termination fee and the terms of the proposed no solicitation provisions. At this meeting, Mitel advised Inter-Tel that, subject to negotiating definitive terms of the Merger Agreement, Mitel would be prepared to proceed with a business combination transaction with Inter-Tel at a price of \$25.00 per share in cash.

During the evening of April 16, 2007, the Special Committee held a meeting at which the Special Committee was updated by UBS and Bingham McCutchen with respect to that day's negotiation sessions, as well as the remaining unresolved terms, including price. At this meeting, the Special Committee discussed the impact of the first quarter 2007 results on the price which might be negotiated with Mitel and other matters. UBS presented to the Special Committee background information and financial analyses, and its preliminary views as to the proposed Merger Consideration. After discussion, the Special Committee determined that Mr. Cappello should contact Dr. Matthews and that Mr. Stout should contact Mr. Smith and representatives of Francisco Partners, to advise them that the \$25.00 price was not acceptable and to encourage Mitel to present its best offer.

On April 19, 2007, the Special Committee held a meeting at which Messrs. Cappello and Stout updated the Special Committee regarding recent conversations with Mitel on the principal terms of the proposed transaction, including price. At this meeting, the Special Committee determined that negotiations with Mitel should be continued in an effort to determine the best terms Mitel was prepared to offer and that Mr. Cappello, in concert with UBS, should in particular negotiate with Mitel and its advisors as to an increased price.

On April 21, 2007, Dr. Matthews and Mr. Cappello negotiated further on price. During those discussions, Dr. Matthews indicated that Mitel would consider paying more than \$25.00 per share, subject to resolution of other open issues in the Merger Agreement.

On April 22, 2007, Dr. Matthews confirmed to Mr. Cappello that, after further consideration, Mitel and its financial partners were prepared to continue to negotiate a definitive merger agreement based on a price of \$25.50 per share in cash. Late on April 22, 2007, Mitel sent to Inter-Tel a revised proposal, which included a revised draft of the Merger Agreement, reflecting the increased price and other proposed changes, and drafts of Mitel's debt and equity financing commitment letters.

As a result of further negotiations between Dr. Matthews and Mr. Cappello, on April 23, 2006, Mitel agreed to increase its offer price to \$25.60 per share.

At a meeting of the Special Committee held April 23, 2007, the Special Committee discussed with Bingham McCutchen and UBS the current status of negotiations, including price. Bingham McCutchen updated the Special Committee as to the remaining unresolved issues in the Merger Agreement, and UBS discussed with the Special Committee background information and financial analyses customarily used to evaluate transactions such as the proposed Merger from a financial point of view. The Special Committee and its advisors discussed the Special Committee's efforts to explore a range of options to increase stockholder value, including the possible sale of Inter-Tel and the numerous discussions held with potential strategic and financial partners, which had led to the potential transaction with Mitel. UBS also discussed with the Special Committee that a strategic buyer

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such as Mitel could likely pay more for Inter-Tel as compared to a financial buyer which likely would not be able to take advantage of the synergies and savings available to a strategic buyer. UBS and the Special Committee also discussed that the proposed terms of the Merger Agreement would allow Inter-Tel to pursue alternative transactions deemed reasonably likely to lead to a superior proposal (as defined in the Merger Agreement), and that the size of the proposed termination fee payable to Mitel was in a customary range for such fees in a transaction of this size and would be unlikely to deter a strategic buyer from bidding on Inter-Tel. Following this discussion, UBS and Mr. Stout excused themselves from the meeting and Bingham McCutchen reviewed and discussed with the members of the Special Committee their duties as directors under the DGCL and certain other legal issues.

On April 23, 2007, the Board of Directors met to discuss the status of various management initiatives as well as a number of the issues raised by Mr. Mihaylo in his January 19, 2007 letter and the seven stockholder proposals he had advised Inter-Tel he intended to present at the 2007 Annual Meeting of Stockholders. At this meeting, Mr. Cappello brought the full Board of Directors, excluding Mr. Stout, up to date on the status and terms of the proposed business combination transaction with Mitel, including the continuing negotiations with respect to a number of open issues, including price. Mr. Cappello advised the Board of Directors that Bingham McCutchen and UBS had been authorized to continue negotiations with Mitel's representatives and that a further update as to those matters would be provided at the reconvened Board of Directors meeting scheduled for April 24, 2007.

At the reconvened Board of Directors meeting on April 24, 2007, the Board of Directors discussed various regularly scheduled items and also received an update on the status of the negotiations with Mitel. Mr. Cappello updated the Board of Directors regarding recent discussions on price with Mitel and Francisco Partners and UBS updated the Board of Directors regarding recent discussions with Mitel's financial advisor. The meeting was adjourned to allow members of the Special Committee and representatives of UBS and Bingham McCutchen to participate in a conference call with Mitel, Francisco Partners and their respective advisors to seek to resolve various open issues in the Merger Agreement. During this recess, Directors Anil Puri and Kenneth L. Urish were updated by UBS and two members of the Special Committee on various financial analyses and information pertaining to the Mitel proposal and the work of the Special Committee. Mr. Mihaylo was not included in these discussions due to the sensitivity of the UBS financial analysis and the possibility that Mr. Mihaylo might want to make a competing bid, in light of his past efforts to acquire Inter-Tel.

Following the negotiation conference call, the Board of Directors reconvened the meeting. Mr. Cappello reported on the progress made in the call and the open items remaining to be negotiated. UBS reviewed with the Board of Directors the events that led to the Mitel proposal and the past history of discussions with other potential strategic and financial partners. UBS also summarized for the Board of Directors its financial analyses of the proposed transaction, as previously discussed in greater detail with the Special Committee on April 23, 2007, and with Dr. Puri and Mr. Urish earlier on April 24, 2007. Bingham McCutchen next discussed with the Board of Directors the principal terms of the Merger Agreement and those items that remained to be resolved by the parties. UBS excused themselves from the meeting and thereafter the Bingham McCutchen reviewed and discussed with the Board of Directors the fiduciary duties of Directors in the context of the proposed sale of Inter-Tel. The Board of Directors discussed further the terms of Mitel's offer and other possible alternatives to a sale, and reached consensus that negotiations with Mitel should continue.

Beginning on April 24 and through April 26, 2007, Shearman & Sterling and Bingham McCutchen had numerous discussions regarding the terms of the draft Merger Agreement and exchanged drafts of the Merger Agreement and other related documents, including the draft equity and debt financing commitment letters.

On April 24, 2007, Inter-Tel entered into an engagement letter with UBS in connection with Inter-Tel's review of a potential sale transaction involving Inter-Tel and to provide general financial advisory services reasonably requested by Inter-Tel. The engagement letter set forth the terms of the engagement as approved by the Special Committee (see The Merger - Opinion of Inter-Tel's Financial Advisor beginning on page 30 for a more detailed discussion of the terms of UBS engagement).

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On April 25, 2007, Vector Capital sent a letter addressed to the Board of Directors in which Vector Capital stated that they had become aware of market rumors of a potential near-term sale of [Inter-Tel]. In that letter, Vector Capital stated its view that since its last proposed offer to buy Inter-Tel, the debt and equity market environment had improved, Inter-Tel had continued to deliver good performance, cash balances had increased and industry analysts had further validated the strengths of Inter-Tel's new products. In the letter, Vector Capital indicated that it might consider making an all-cash offer at a price of \$26.50 per share, subject to due diligence and other confirmations. Vector Capital stated in this letter that Mr. Mihaylo was not a part of its proposal.

Following the receipt of the Vector Capital letter, Vector Capital was advised that if they were willing to enter into an appropriate non-disclosure agreement, they would be permitted to conduct due diligence.

On April 25, 2007, the Special Committee held a meeting at which Bingham McCutchen and UBS updated the members as to the status of negotiations with Mitel and discussed the Vector Capital letter, including Inter-Tel's history with Vector Capital and the potential impact of the pending announcement. The members of the Special Committee also discussed whether it was likely that Vector Capital would be in a position to finance its proposed acquisition or would present a firm proposal after conducting the due diligence and other procedures referenced in the Vector Capital letter as necessary to confirming their transaction model. The Special Committee discussed in particular the pending release of Inter-Tel's first quarter 2007 results of operations and the potential impact of that information on Vector Capital's expression of interest. The Special Committee also discussed and considered, in consultation with Bingham McCutchen and UBS, the fact that the terms of the proposed Merger Agreement would allow Inter-Tel to pursue alternative transactions deemed reasonably likely to lead to a superior proposal (as defined in the Merger Agreement). The Special Committee also discussed with UBS whether a termination fee in the range then being negotiated by the parties was likely to prevent other credible bidders from presenting to Inter-Tel a potentially superior proposal. At this meeting, UBS reviewed with the Special Committee the various financial analyses with respect to the proposed transaction and delivered its oral opinion, which opinion was subsequently confirmed by delivery of a written opinion, dated as of April 26, 2007, which we refer to in this Background of the Merger section as the UBS Written Opinion. See The Merger Opinion of Inter-Tel's Financial Advisor beginning on page 30 for a more detailed description of the UBS Written Opinion. Mr. Stout also reported on Inter-Tel's current financial condition and performance, and management's view as to Inter-Tel's near- and long-term prospects. Mr. Stout also discussed the competitive environment in which Inter-Tel conducts its business, and the continued disruption, distraction and expense associated with the Mihaylo proxy contest. Negotiations with respect to definitive transaction documents and price continued during the evening on April 25, 2007.

In the morning of April 26, 2007, the Special Committee met to discuss the terms of the Mitel acquisition proposal as well as to further discuss and consider the expression of interest from Vector Capital reflected in the April 25, 2007 letter. At that meeting, Bingham McCutchen and Mr. Cappello updated the Special Committee on the most recent discussions with Vector Capital, and Bingham McCutchen provided an update on the resolution of several of the remaining open items in the Merger Agreement. UBS reviewed in particular certain terms and conditions of the Debt Financing Commitment for the Mitel proposal. UBS also confirmed to the Special Committee its previous oral opinion, which opinion was subsequently confirmed by the delivery of the UBS Written Opinion. Following discussion, the members of the Special Committee (other than Norman Stout, Inter-Tel's Chief Executive Officer, who abstained to avoid any appearance of a conflict of interest) unanimously determined the Merger, the Merger Agreement and the transactions contemplated in the Merger Agreement to be advisable, fair to, and in the best interests of, Inter-Tel and its stockholders, declared the proposed Merger advisable, and resolved to recommend that the full Board of Directors approve the Merger Agreement and the transactions contemplated by the Merger Agreement.

Also in the morning of April 26, 2007, Vector Capital sent two short e-mail messages to UBS and Messrs. Cappello and Stout, indicating in the first message that they would be unlikely to participate in a post signing market-check type process, and in a second message that they had spent the last twelve hours sifting through publicly available information and refining [their] transaction model and now believed that a price above

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\$27.00 per share should be justifiable if [their] assumptions are confirmed. Vector Capital also indicated that this update to the April 25, 2007 expression of interest was subject to confirmatory due diligence.

Following the Special Committee meeting, in the morning of April 26, 2007, the Board of Directors of Inter-Tel met, other than one Director who was unable to attend. At that meeting, the Board discussed, among other things, the current status and terms of the negotiations with Mitel and discussed the expression of interest letter and subsequent e-mails from Vector Capital. Bingham McCutchen reviewed and answered questions from the members of the Board of Directors regarding the principal terms of the Merger Agreement, updated the members with respect to the resolution of the various open items in the Merger Agreement during the preceding days, and also discussed Inter-Tel's rights under the no solicitation provisions in the Merger Agreement to pursue alternative transactions deemed reasonably likely to lead to a superior proposal (as defined in the Merger Agreement), and the circumstances in which a termination fee would be payable by Inter-Tel if Inter-Tel terminated the Merger Agreement to pursue a superior proposal. The Board of Directors also discussed that if the Merger Agreement was terminated because Mitel did not complete the Merger under certain circumstances specified in the agreement, Inter-Tel would be entitled to be paid a \$20 million termination fee, 50% of which would be guaranteed by an affiliate of Francisco Partners. Mr. Stout next reported on Inter-Tel's current financial condition and performance as well as management's view of Inter-Tel's near- and long-term business prospects. Mr. Stout noted in particular Inter-Tel's first quarter results for 2007, the competitive environment in which Inter-Tel conducts its business, and the impact of the continued disruption, distraction and expense of the pending proxy contest with Mr. Mihaylo as negative factors weighing on Inter-Tel's prospects. UBS next discussed its financial analyses of the proposed transaction and delivered to the full Board of Directors its oral opinion, which was subsequently confirmed by the delivery of the UBS Written Opinion. Based on and subject to various assumptions, matters considered and limitations stated therein, the UBS Written Opinion stated that, as of April 26, 2007, the \$25.60 per share Merger Consideration to be received by holders of Inter-Tel common stock (excluding Steven G. Mihaylo and his affiliates) in the Merger, was fair, from a financial point of view, to such holders. The Board of Directors engaged in extensive discussions of the Mitel proposal and the financial analyses presented by UBS. The Board of Directors also discussed the issue of whether the Mitel proposal represented the best value reasonably available for the Inter-Tel stockholders. Inter-Tel's management, financial advisor and the Board of Directors reviewed the various efforts and discussions undertaken by Inter-Tel in the prior two years to identify potential strategic and financial partners and the results of those efforts. In particular, UBS and the Board of Directors noted that the Mitel price was significantly higher than the final offer submitted by Mr. Mihaylo and Vector Capital in August of 2006, which together with the Sell Inter-Tel Resolution had put Inter-Tel in play for potential bidders. The Board of Directors also discussed that Inter-Tel, in consultation and with the assistance of UBS, had been exploring a range of options to increase stockholder value, including a possible sale of Inter-Tel, which led to the proposed transaction with Mitel. Mr. Stout and UBS also reviewed for the Board of Directors efforts and contacts by or on behalf of Inter-Tel with other potential buyers and transaction parties and the results of those efforts. In response to specific questions from the Board of Directors, UBS stated that, in its view, while not impossible, a financial buyer was unlikely to be able to pay more for Inter-Tel than a strategic buyer such as Mitel, given the potential savings and synergies that likely would be available to a strategic buyer as compared to a financial buyer and that in UBS's experience, the proposed \$20 million termination fee in the Merger Agreement on a transaction of this size was in the customary range of such fees and would be unlikely to deter another bidder, particularly a strategic bidder, from submitting a bid, if so desired. UBS and the Board of Directors also specifically discussed the Vector Capital letter and e-mails, and noted that they were an expression of interest only, subject to due diligence, there were significant questions about the debt and equity financing components of the deal, and were made when Vector Capital was not aware of Inter-Tel's first quarter 2007 results, which had not been publicly announced. In particular, UBS noted that when Vector Capital submitted its joint bid with Mr. Mihaylo at \$23.25 per share in August of 2006, Vector Capital had indicated to UBS that it was unable to pay greater value for Inter-Tel. In addition, Mr. Capello and UBS reported that Mitel had made it clear that in light of Inter-Tel's first quarter 2007 results and other factors suggesting that the confidentiality of the parties' negotiations had been breached, that if a deal was not reached on April 26, 2007, Mitel would withdraw its

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offer. Following this discussion, UBS was excused from the meeting, and Bingham McCutchen reviewed and discussed with the Board of Directors the fiduciary duties of Directors in the context of considering a proposed business combination transaction and answered question from the Directors with respect to such matters.

At the April 26, 2007 Board of Directors meeting, the Special Committee also discussed with the other members of the Board of Directors the Special Committee's conclusions and recommendation with respect to the approval and advisability of the Merger, the Merger Agreement and the transactions contemplated by the Merger Agreement. The members of the Board of Directors discussed at length the risks associated with not accepting the fully negotiated Mitel transaction to pursue Vector Capital's expression of interest that was subject to contingencies, confirmation and financing questions, and was from a party that was not aware of Inter-Tel's recent disappointing results of operations and had recently been unable to submit a bid above \$23.25 a share. Thereafter, the Board of Directors, based in part on the recommendation of the Special Committee, approved the Merger Agreement, and declared the Merger, the Merger Agreement and the transactions contemplated by the Merger Agreement, advisable, fair to, and in the best interests of Inter-Tel and its stockholders, and resolved to recommend to Inter-Tel's stockholders that they vote to adopt the Merger Agreement. Of the ten directors present at this meeting, seven voted to approve the Merger Agreement and the Merger, Mr. Mihaylo voted against, and Dr. Puri and Mr. Urish abstained from voting. Mr. Karol, who was unable to attend the meeting but had been fully briefed at the Special Committee's meeting on April 25, 2007, asked that it be noted in the minutes of this Board of Directors meeting that he favored the proposed transaction with Mitel.

In the afternoon of April 26, 2007, following approval by the board of directors of Mitel, the parties executed and delivered the Merger Agreement and issued a joint press release announcing the proposed transaction. Inter-Tel also held its first quarter 2007 earnings conference call and announced its first quarter 2007 results and the execution of the Merger Agreement.

On May 9, 2007, the Board of Directors of Inter-Tel received an unsolicited letter from Vector Capital proposing to acquire Inter-Tel at an all-cash price of \$26.50 per share, subject to, among other things, confirmatory due diligence. The Special Committee met on May 10, 2007 to discuss the proposal and determined (after considering the advice of Bingham McCutchen and UBS) that it was reasonably likely to lead to a superior proposal, as that term is defined in the Merger Agreement and as described in The Merger Agreement - No Solicitation beginning on page 55. Inter-Tel promptly notified Mitel of the Special Committee's determination. Bingham McCutchen informed Vector Capital's legal advisor of the Special Committee's determination and sent a confidentiality agreement to it for execution. Shortly thereafter, Vector Capital withdrew its letter.

On May 14, 2007, the Board of Directors received an unsolicited letter from Vector Capital again expressing interest in acquiring Inter-Tel at an all-cash price of \$26.50 per share, subject to confirmatory due diligence, financing and other conditions. On May 15, 2007, the Special Committee (after considering the advice of Bingham McCutchen and UBS) reconfirmed its prior determination that Vector Capital's proposal was reasonably likely to lead to a superior proposal. Thereafter, Inter-Tel advised Mitel of the Special Committee's determination and executed a confidentiality agreement with Vector Capital, which states that Inter-Tel will provide Vector Capital access to relevant due diligence material until the close of business on Saturday, May 26, 2007 for purposes of Vector Capital's confirmatory review. Since then, Vector Capital has conducted confirmatory due diligence but to date has not made a firm proposal to acquire Inter-Tel.

Reasons for the Merger and Recommendation by the Board of Directors

Reasons for the Merger. In evaluating the Merger Agreement and the Merger, the Special Committee and the Board of Directors consulted with Inter-Tel's senior management and the Special Committee's legal advisor and Inter-Tel's financial advisors, and reviewed a significant amount of information and considered a number of factors, including, among others, the following material factors:

the value of the Merger Consideration of \$25.60 per share to be received by Inter-Tel stockholders in the Merger pursuant to the Merger Agreement;

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the fact that the Merger Consideration of \$25.60 per share to be paid pursuant to the Merger represents:

a premium of \$2.42 per share, or approximately 10.4%, over the average price of Inter-Tel common stock during the period starting January 1, 2007 through April 25, 2007 of Inter-Tel common stock;

a premium of \$1.68 per share, or approximately 7.0%, over the one-week calendar trailing average (for the week ending April 26, 2007) of Inter-Tel common stock;

a premium of \$1.81, or approximately 7.6%, over the \$23.79 closing sale price per share of Inter-Tel common stock on The Nasdaq Global Market on April 26, 2007, the last trading day prior to the public announcement of the execution of the Merger Agreement; and

a premium of \$2.35, or approximately 10.1% over the \$23.25 price offered by Mr. Mihaylo and Vector Capital in August of 2006;

the unanimous recommendation of the Special Committee (with Norman Stout, Inter-Tel's Chief Executive Officer, abstaining to avoid any appearance of a conflict of interest) as to the advisability and fairness of the Merger Agreement and the Merger to Inter-Tel stockholders;

the fact that Mitel, together with its financial partner Francisco Partners, could likely pay a higher price than a financial buyer, which likely would not be able to take advantage of the synergies and/or savings as generally would be available to a strategic buyer such as Mitel;

the provisions in the Merger Agreement with respect to other acquisition proposals presented to Inter-Tel, including Inter-Tel's rights to pursue an alternative proposal deemed reasonably likely to lead to a superior proposal (as defined in the Merger Agreement and as described in The Merger Agreement Termination beginning on page 57), and to terminate the Merger Agreement in order to accept a superior proposal, subject to paying Inter-Tel a \$20 million termination fee;

the fact that the \$20 million termination fee was within the customary range for such fees in a transaction of this size and would be unlikely to deter a buyer from bidding on Inter-Tel;

the fact that if the Merger Agreement was terminated because Mitel did not close the Merger in certain circumstances specified in the Merger Agreement, Inter-Tel would be entitled to receive a \$20 million termination fee, of which 50% is being guaranteed by Francisco Partners;

the ability of Inter-Tel to consider an acquisition proposal by Mr. Mihaylo made in accordance with the terms of the Merger Agreement;

the unwillingness of other third parties to enter into strategic relationships with Inter-Tel or to acquire Inter-Tel on terms that were more favorable than those in the Merger Agreement, despite numerous past discussions and Inter-Tel's demonstrated willingness to entertain such proposals;

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the fact that the \$25.60 price per share in the Merger Agreement was arrived at through arm's-length negotiations and represented a significant increase over the \$23.25 per share price at which Mr. Mihaylo and Vector Capital had jointly proposed to acquire Inter-Tel in August of 2006;

the certainty of receiving cash Merger Consideration of \$25.60 per share under the Merger Agreement versus the risks associated with receiving stock consideration that could decline in value during the pendency of, or following, the Merger;

the fact that other alternatives to the Merger (including the possibility of Inter-Tel continuing to operate as an independent entity) presented significant potential risks to Inter-Tel stockholders and implicated important considerations regarding the timing and likelihood of accomplishing any alternative transaction;

the financial analyses presented by UBS and its oral opinion delivered on April 25, 2007 to the Special Committee, and again on April 26, 2007 to the Special Committee and the Board of Directors, which was subsequently confirmed by delivery of a written opinion dated April 26, 2007. As stated in the

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written opinion, UBS' opinion was based on and subject to various assumptions, matters considered and limitations described in the written opinion, which stated that as of April 26, 2007, the Merger Consideration to be received by holders of Inter-Tel common stock (excluding Mr. Mihaylo and his affiliates) in the Merger, was fair, from a financial point of view, to such holders. See The Merger Opinion of Inter-Tel's Financial Advisor beginning on page 30 for additional information about UBS' opinion;

the certainty of the proposed Merger under the negotiated terms of the Merger Agreement as compared to the expression of interest from Vector Capital Corporation that was subject to confirmatory due diligence and other contingencies;

the fact that, if the Merger is consummated, Inter-Tel's business would no longer be subject to the uncertainty, disruptions and significant expense of the current proxy contest with Mr. Mihaylo or the possibility of future proxy contests or similarly time consuming, disruptive and distracting activities initiated by Mr. Mihaylo in the future;

the familiarity of the Board of Directors with, and the opinions of management regarding, Inter-Tel's business, technology, products, market conditions and trends, competitive pressures on Inter-Tel's business and in its industry (including the potential impact of Internet advances and innovations), and Inter-Tel's operations, financial condition, and the anticipated future prospects and potential risks of Inter-Tel as a standalone company in the near-, and long-term; and

the other terms and conditions of the Merger Agreement (including the terms of termination and closing conditions of the Merger Agreement).

In approving the Merger, the Board of Directors and the Special Committee also took into account a number of risks relating to the Merger, including the following material risks and factors:

the risks that Inter-Tel's operations would be disrupted from employee and customer uncertainty following the public announcement of the Merger;

the restrictions on Inter-Tel's ability to solicit and negotiate alternative acquisition proposals under the no solicitation provisions in the Merger Agreement;

the possibility that Inter-Tel may be required to pay a \$20 million termination fee to Mitel or to reimburse Mitel for up to \$6 million of transaction expenses if the Merger Agreement is terminated under certain circumstances specified in the Merger Agreement;

the potential adverse effect on Inter-Tel's business, operations and financial condition, including the effect on Inter-Tel's sales and operating results, the effect on Inter-Tel's ability to attract and retain key management, marketing and technical personnel and the effect on the progress of certain development projects if the Merger is not consummated;

the substantial costs incurred and to be incurred by Inter-Tel in connection with the Merger;

the risk that the conditions to Mitel's Debt and Equity Financing Commitments might not be satisfied such that Mitel might not have access to the funding necessary to complete the Merger;

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the conduct of business restrictions on the operation of Inter-Tel's business in the interim period between signing the Merger Agreement and closing the Merger; and

the fact that because the Merger Consideration consists entirely of cash, Inter-Tel stockholders will be subject to United States federal income tax and will not have the opportunity to participate in the results of the surviving corporation's operations or in any appreciation in the equity value or stock price of the surviving corporation following the Merger.

The preceding discussion of the factors considered by the Special Committee and the Board of Directors is not, and is not intended to be, exhaustive. In light of the variety of factors considered in connection with its

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evaluation of the Merger and the complexity of these matters, the members of the Special Committee and the Board of Directors did not find it practicable to, and did not, quantify or otherwise attempt to assign relative weights to the various factors considered in reaching their respective determinations. In addition, the members of the Special Committee and the Board of Directors did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to the ultimate determination of the members of the Special Committee and Board of Directors, but rather, the Special Committee and the Board of Directors conducted an overall analysis of the factors described above.

Board of Directors Vote and Recommendation.

Of the ten directors present at the meeting of the Board of Directors held for the purpose of approving the Merger Agreement, seven directors voted to approve the Merger Agreement, based in part on the recommendation of the Special Committee, Steven Mihaylo voted against the approval of the Merger Agreement, and Messrs. Anil Puri and Kenneth Urish abstained from voting. Mr. Karol, who was unable to attend the meeting, but had been fully briefed at the meeting of the Special Committee on April 25, 2007, asked that it be noted in the minutes of the April 26, 2007 Board of Directors meeting that he favored the proposed transaction with Mitel.

After careful consideration, and based in part on the recommendation of the Special Committee, the Board of Directors has approved the Merger Agreement and declared the Merger, the Merger Agreement, and the transactions contemplated by the Merger Agreement advisable, fair to and in the best interests of Inter-Tel and its stockholders, and resolved to recommend that the Inter-Tel stockholders adopt the Merger Agreement. Accordingly, the Board of Directors recommends that Inter-Tel stockholders vote FOR the adoption of the Merger Agreement.

Opinion of Inter-Tel's Financial Advisor

UBS acted as Inter-Tel's financial advisor in connection with the Merger. The Board of Directors retained UBS to advise the Board of Directors in connection with a potential sale, merger or other similar transaction involving Inter-Tel and to provide other general financial advisory services reasonably requested by Inter-Tel.

Inter-Tel selected UBS as its financial advisor in connection with the Merger because UBS is an internationally recognized investment banking firm with substantial experience in similar transactions and is familiar with Inter-Tel and its business. UBS is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities and private placements.

On April 25, 2007, at a meeting of the Special Committee held to evaluate the proposed Merger, UBS delivered to the Special Committee an oral opinion. UBS confirmed its opinion orally at meetings of the Special Committee and the Board of Directors held on April 26, 2007, and UBS subsequently confirmed its opinion by delivery of a written opinion dated April 26, 2007. As stated in the written opinion, UBS' opinion was based on and subject to various assumptions, matters considered and limitations stated in the written opinion, which stated that, as of April 26, 2007, the Merger Consideration of \$25.60 to be received by holders of Inter-Tel common stock (excluding Steven G. Mihaylo and his affiliates) in the Merger was fair, from a financial point of view, to such holders.

The full text of UBS' written opinion describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken by UBS. This opinion is attached to this proxy statement as *Annex B* and is incorporated by reference into this proxy statement. **UBS opinion is directed only to the fairness, from a financial point of view, of the Merger Consideration to be received by the holders of Inter-Tel common stock (excluding Steven G. Mihaylo and his affiliates) in the Merger and does not address any other aspect of the Merger. The opinion also does not address the relative merits of the**

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Merger as compared to other business strategies or transactions that might have been available with respect to Inter-Tel, nor does it address Inter-Tel's underlying business decision to effect the Merger. The opinion does not constitute a recommendation to any holder of Inter-Tel common stock as to how such stockholder should vote or act with respect to the Merger. Please read UBS' opinion carefully in its entirety. The summary of UBS' opinion presented below is qualified in its entirety by reference to the full text of the opinion attached to this proxy statement as *Annex B*.

In arriving at its opinion, among other things, UBS:

reviewed certain publicly available business and historical financial information relating to Inter-Tel;

reviewed certain internal financial information and other data relating to Inter-Tel's business and financial prospects that were provided to UBS by Inter-Tel and not publicly available, including financial forecasts and estimates prepared by Inter-Tel's management;

conducted discussions with members of Inter-Tel's senior management concerning Inter-Tel's business and financial prospects;

performed a discounted cash flow analysis of Inter-Tel in which UBS analyzed Inter-Tel's future cash flows using financial forecasts and estimates prepared by Inter-Tel's management;

reviewed publicly available financial and stock market data with respect to certain other companies that are generally in the industry in which Inter-Tel operates;

compared the financial terms of the Merger with the publicly available financial terms of certain other transactions involving certain companies that are generally in the industry in which Inter-Tel operates;

reviewed current and historical market prices of Inter-Tel common stock;

reviewed a draft of the Agreement and Plan of Merger, dated as of April 25, 2007; and

conducted such other financial studies, analyses and investigations, and considered such other information, as UBS deemed necessary or appropriate.

In connection with its review, with the consent of the Board of Directors, UBS did not assume any responsibility for independent verification of any of the information provided to or reviewed by UBS for the purpose of its opinion and, with the consent of the Board of Directors, UBS relied on such information being complete and accurate in all material respects. In addition, with the consent of the Board of Directors, UBS did not make any independent evaluation or appraisal of any of Inter-Tel's assets or liabilities (contingent or otherwise), and was not furnished with any such evaluation or appraisal. With respect to the financial forecasts and estimates prepared by Inter-Tel's management, UBS assumed, at the direction of the Board of Directors, that they were reasonably prepared on a basis reflecting the best then currently available estimates and judgments of Inter-Tel's management as to Inter-Tel's future performance. UBS' opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to UBS as of, the date of its opinion.

At the direction of the Board of Directors, UBS was not asked to, and it did not, offer any opinion as to the terms, other than the Merger Consideration to the extent expressly specified in UBS' opinion, of the Merger Agreement or the form of the Merger. In connection with the Merger, UBS was not authorized to solicit, and did not solicit indications of interest in a business combination with Inter-Tel from any party; however, UBS assisted Inter-Tel in contacting parties regarding a potential business combination with Inter-Tel during 2006, in connection with

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Inter-Tel's proxy contest and exploration of strategic alternatives. In rendering its opinion, UBS assumed, with the consent of the Board of Directors, that (i) the final executed form of the Merger Agreement did not differ in any material respect from the draft that UBS examined, (ii) Inter-Tel, Mitel and Arsenal

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Acquisition Corporation would comply with all the material terms of the Merger Agreement, and (iii) the Merger would be consummated in accordance with the terms of the Merger Agreement without any adverse waiver or amendment of any material term or condition thereof. UBS also assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the Merger would be obtained without any material adverse effect on Inter-Tel, Mitel or the Merger. Except as described above, there were no other instructions or limitations on UBS with respect to the investigations made or the procedures followed by UBS in rendering its opinion.

In connection with rendering its opinion to the Special Committee and the Board of Directors, UBS performed a variety of financial and comparative analyses, which are summarized below. The following summary is not a complete description of all the analyses performed and factors considered by UBS in connection with its opinion. The preparation of a fairness opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. With respect to the selected public companies analysis summarized below, no company used as a comparison is either identical or directly comparable to Inter-Tel. These analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the public trading values of the companies concerned.

UBS believes that its analyses and the summary below must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying UBS' analyses and opinion. UBS did not draw, in isolation, conclusions from or with respect to any one factor or method of analysis for purposes of its opinion, but rather, arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole. However, as the Board of Directors was aware, Inter-Tel's financial and operating characteristics caused Inter-Tel's financial results to have limited comparability, for valuation purposes, to those of other companies and transactions reviewed by UBS and, accordingly, UBS relied primarily on discounted cash flow analysis of the financial forecasts and estimates prepared by Inter-Tel's management for purposes of its opinion.

The estimates of Inter-Tel's future performance provided by management in or underlying UBS' analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than those estimates. In performing its analyses, UBS considered industry performance, general business and economic conditions and other matters, many of which are beyond Inter-Tel's control. Estimates of the financial value of companies do not purport to be appraisals or to reflect the prices at which such companies may actually be sold.

The Merger Consideration was determined through negotiation between Inter-Tel and Mitel and its affiliates and the decision to enter into the Merger Agreement was solely that of the Board of Directors. UBS' opinion and financial analyses were only one of many factors considered by the Board of Directors in its evaluation of the proposed Merger and should not be viewed as determinative of the views of the Board of Directors with respect to the Merger or the Merger Consideration.

The following is a summary of the material financial analyses performed by UBS and reviewed with the Board of Directors in connection with UBS' opinion relating to the Merger. **The financial analyses summarized below include information presented in tabular format. In order to fully understand UBS' financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of UBS' financial analyses.**

Discounted Cash Flow Analysis. Using projections for the final three quarters of fiscal year 2007 and fiscal years 2008 to 2011 provided by Inter-Tel's management, UBS performed an analysis of the present value, as of March 31, 2007, of the projected unlevered free cash flows that Inter-Tel projected it would generate from

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April 1, 2007 through December 31, 2011. For purposes of this analysis, UBS also estimated a range of terminal values as of December 31, 2011 by applying EBITDA multiples ranging from 5.5x to 7.5x to Inter-Tel's projected fiscal year 2011 EBITDA. The cash flows and terminal values were then discounted to present value using discount rates ranging from 13.5% to 15.5%. Based on the foregoing, UBS calculated an implied equity value per share range for Inter-Tel of \$20.77 to \$24.81, as compared to the Merger Consideration of \$25.60.

Selected Public Companies Analysis. UBS compared selected publicly available financial and stock market data for Inter-Tel with respect to certain other publicly traded companies that are generally in the industry in which Inter-Tel operates. UBS primarily considered companies it classified, as a function of their industry and operating characteristics, as traditional enterprise voice pure plays. UBS also considered other communication equipment companies it classified, as a function of their industry and operating characteristics, as emerging enterprise VoIP leaders and diversified telecom equipment vendors with enterprise voice exposure.

The selected public companies differ significantly from Inter-Tel based on, among other things, the size of the companies, the geographic coverage of the companies' operations and the particular business segments in which the companies operate.

Traditional Enterprise Voice Pure Plays (TEVPP)

Avaya Inc.

Aastra Technologies Limited
Emerging Enterprise VoIP Leaders (EEVL)

Cisco Systems, Inc.

3Com Corporation
Diversified Telecom Equipment Vendors with Enterprise Voice Exposure (DTEV)

LM Ericsson Telephone Company

Alcatel-Lucent

Nortel Networks Corporation

UBS considered, among other things, (1) fully-diluted equity values (computed using closing share prices as of April 24, 2007), (2) enterprise values (calculated as fully-diluted equity value plus book value of debt, book value of minority interests and preferred stock at liquidation value less cash, cash equivalents and marketable securities), (3) enterprise value as a multiple of actual calendar year 2006 and estimated calendar years 2007 and 2008 revenue, earnings before interest, taxes, depreciation and amortization (EBITDA) and earnings before interest and taxes (EBIT), (4) the closing share price as of April, 24 2007 as a multiple of calendar year 2006 actual earnings per share and estimated calendar year 2007 and 2008 earnings per share (Price/Earnings) and (5) estimated calendar year 2007 and 2008 Price/Earnings divided by Institutional Brokers' Estimate System (I/B/E/S) long-term EPS growth of the relevant company. Estimated financial data for the selected public companies was based on publicly available information, including public filings and a selection of publicly available equity research reports. Estimated financial data for Inter-Tel was obtained from I/B/E/S and from financial forecasts and estimates provided to UBS by Inter-Tel's management.

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This analysis indicated the following implied high, median, mean, and low multiples for the selected public companies, as compared to the corresponding multiples implied for Inter-Tel based on the closing price of Inter-Tel common stock on April 24, 2007 and Merger Consideration of \$25.60:

Total Enterprise Value

Segment	Revenue			EBITDA			EBIT			Price / Earnings			PEG	
	CY 2006A	CY 2007E	CY 2008E	CY 2006A	CY 2007E	CY 2008E	CY 2006A	CY 2007E	CY 2008E	CY 2006A	CY 2007E	CY 2008E	CY 2007E	CY 2008E
TEVPP														
High	0.9	0.9	0.9	9.1	8.2	7.7	13.5	11.4	9.9	24.4	20.0	17.4	1.8	1.6
Low	0.8	0.8	0.8	7.4	6.6	5.9	13.5	10.9	9.7	20.6	15.9	15.2	1.8	1.6
Mean	0.9	0.8	0.8	8.2	7.4	6.8	13.5	11.2	9.8	22.5	18.0	16.3	1.8	1.6
Median	0.9	0.8	0.8	8.2	7.4	6.8	13.5	11.2	9.8	22.5	18.0	16.3	1.8	1.6
EEVL														
High	4.8	4.1	3.6	13.9	12.6	10.3	16.0	13.7	11.6	21.4	32.8	15.3	3.4	1.0
Low	1.5	1.2	3.6	13.9	12.1	10.3	16.0	13.7	11.6	21.4	18.4	15.3	1.3	1.0
Mean	3.2	2.7	3.6	13.9	12.4	10.3	16.0	13.7	11.6	21.4	25.6	15.3	2.3	1.0
Median	3.2	2.7	3.6	13.9	12.4	10.3	16.0	13.7	11.6	21.4	25.6	15.3	2.3	1.0
DTEV														
High	2.4	2.0	1.8	14.9	16.7	10.1	11.7	14.2	13.0	17.5	18.0	16.9	5.7	2.1
Low	1.1	1.1	1.1	9.7	8.0	7.3	11.7	9.3	8.4	17.5	14.4	11.0	1.4	0.9
Mean	1.6	1.4	1.4	12.3	11.5	8.5	11.7	11.7	10.1	17.5	16.2	13.6	2.8	1.4
Median	1.3	1.2	1.2	12.3	9.7	8.2	11.7	11.7	9.0	17.5	16.2	13.0	1.4	1.3
Inter-Tel (Management plan) ¹														
Pre-Announcement Price	1.1	1.0	0.9	9.3	8.1	6.8	12.8	10.5	8.6	21.9	20.2	16.6	1.6	1.3
Offer Price	1.2	1.1	1.0	10.3	8.9	7.6	14.2	11.7	9.5	23.5	21.6	17.8	1.7	1.4
Inter-Tel (Street consensus) ²														
Pre Announcement Price	1.1	1.0	0.9	9.3	7.8	6.9	12.8	10.3	9.0	21.9	18.8	16.9	1.5	1.3
Offer Price	1.2	1.1	1.0	10.3	8.7	7.6	14.2	11.5	10.0	23.5	20.1	18.1	1.6	1.4

¹ Based on forecasts provided by management

² Based on forecasts obtained from I/B/E/S

Selected Transactions Analysis. As the financial and operating characteristics of Inter-Tel cause its financial results to have limited comparability, for valuation purposes, to those of other companies and transactions that UBS reviewed, UBS reviewed but did not primarily rely upon the analysis of other transactions in rendering its opinion.

Miscellaneous. Pursuant to the engagement letter between Inter-Tel and UBS, Inter-Tel agreed to pay a transaction fee of 1.25% of the transaction value (the Transaction Fee). \$750,000 of the total fee was payable upon delivery of the UBS opinion to the Inter-Tel Board of Directors, and the remainder will be paid upon consummation of the Merger. If, within a specified period, Inter-Tel enters into a definitive agreement with respect to, and such agreement subsequently results in, a merger, business combination, acquisition or other extraordinary corporate transaction with a third party other than Mitel, UBS will be entitled to a Transaction Fee with respect to such alternative transaction. Further, Inter-Tel has agreed to pay UBS a termination fee if a transaction with Mitel is not completed and Inter-Tel receives a termination fee from Mitel (or any other party within a specified period) with respect to the transaction or an alternative transaction. Inter-Tel also has agreed to reimburse UBS for reasonable out-of-pocket expenses incurred in performing its services. In addition, Inter-Tel has agreed to indemnify UBS and related parties against liabilities and expenses (including liabilities arising under the federal securities laws) related to or arising out of UBS engagement, including any related services and activities prior to the date of the engagement.

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In the past, UBS and its affiliates have provided investment banking services to Inter-Tel unrelated to the Merger, for which UBS and its affiliates received compensation. The total compensation received for the last 2 years for such services was \$350,000. In the ordinary course of business, UBS, its successors and affiliates may hold or trade, for their own accounts and the accounts of their customers, Inter-Tel's securities and/or securities of publicly traded portfolio companies of Francisco Partners II, L.P. and, accordingly, may at any time hold a long or short position in such securities.

Certain Projections

Inter-Tel does not, as a matter of course, provide financial guidance or publicly disclose projections of future revenues, earnings or other financial performance. However, in connection with the review of the proposed acquisition of Inter-Tel by Mitel, Inter-Tel's management prepared non-public financial projections reflecting management's views as to possible future performance of Inter-Tel for the final three quarters of fiscal year 2007 and fiscal years 2008 through 2011. The information was provided to the Special Committee, the Board of Directors and UBS in connection with discussing and evaluating the proposed Merger. The projections, which are set forth below, do not give effect to the transactions contemplated by the Merger Agreement, including the Merger and the financing for the Merger. The projections for the final three quarters of 2007 were provided to Mitel, but Mitel was not provided the projections for 2008 through 2011 prior to executing the Merger Agreement, and therefore they did not base their price on the projections for those years, but rather on their own assumptions and projections. The inclusion of this information should not be regarded as an indication that Inter-Tel or Mitel considered or now considers these projections to be a reliable prediction of future results.

The projections were prepared by, and are the responsibility of, Inter-Tel's management. In compiling the projections, Inter-Tel's management took into account historical performance, Inter-Tel's strategic plan and budget for the 2007 fiscal year, as well as estimates regarding revenues and net income, among others estimates. However, the projections were not developed as part of management's historical development of internal financial forecasts or budget preparation.

The projections were not prepared with a view to public disclosure and are included in this proxy statement only because the information for the final three quarters of 2007 was made available on a confidential basis to Mitel in connection with its due diligence investigation of Inter-Tel and all of these projections were provided to UBS in connection with UBS's financial analysis undertaken for purposes of rendering the opinion to the Board of Directors described in the section entitled "The Merger Opinion of Inter-Tel's Financial Advisor" starting on page 30. The projections were not prepared with a view to compliance with published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information or generally accepted accounting principles. Neither Inter-Tel's registered public accountant nor any other registered public accountant has examined or compiled the projections and, accordingly, no registered public accountant expresses an opinion or any other form of assurance or association with respect thereto.

The projections are subjective in many respects and thus susceptible to interpretations and periodic revisions based on actual experience and business developments. Although the projections are presented with numerical specificity, they reflect numerous assumptions and estimates relating to Inter-Tel's business. Although Inter-Tel's management believed that such assumptions and estimates were reasonable at the time the projections were prepared, they are not intended as predictions and may not reflect the actual results achieved. In addition, factors such as industry performance, competitive uncertainties, the impact of the announcement and pendency of the Merger, and general business, economic, regulatory, market and financial conditions, all of which are difficult to predict and beyond Inter-Tel's control, may cause actual results to vary from the projections or the underlying assumptions and estimates.

Accordingly, while the projections were prepared in good faith by Inter-Tel's management, there can be no assurance that the estimates and assumptions made in preparing the projections will prove to be accurate or that the projections will be realized, and actual results may be materially greater or less than those contained in the

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projections. The inclusion of this information in this proxy statement should not be regarded as predictions of actual future results, and the projections should not be relied upon as such. These projections are by their nature forward-looking information, and you should read the section entitled SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION beginning on page Q-1 of this proxy statement for additional information regarding the risks of unduly relying on such information.

Following are the financial projections described above:

Projected Income Statement

(U.S. \$ in millions, unless indicated)

	CY2007E		Q1 08E	Q2-4 08E	CY2008E	CY2009E	CY2010E	CY2011E
	Q-2-4 07E	CY2007E						
Revenue	388.7	498.1	117.5	412.9	530.4	580.9	623.3	649.3
Cost of Goods Sold	189.4	245.5	57.9	205.3	263.1	290.6	311.8	324.4
Gross Profit	199.3	252.6	59.6	207.6	267.2	290.2	311.4	324.9
SG&A	130.7	171.2	40.8	135.6	176.3	192.0	206.0	214.6
R&D	27.8	35.8	8.4	26.6	35.0	36.1	37.1	38.2
Total Operating Expenses	158.5	206.9	49.2	162.2	211.3	228.0	243.1	252.8
EBIT	40.7	45.7	10.4	45.5	55.9	62.2	68.3	72.0
Depreciation	7.2	9.4	2.2	8.8	11.0	11.2	11.7	12.3
Amortization	3.5	4.6	1.1	2.4	3.5	3.1	2.4	2.3
EBITDA	51.4	59.7	13.7	56.7	70.4	76.5	82.4	86.6
Other Income	4.2	6.0	1.4	6.1	7.5	8.7	10.1	11.6
Pre Tax Income	44.9	51.7	11.8	51.6	63.4	71.0	78.4	83.6
Taxes	16.4	18.6	4.2	18.6	22.8	25.5	28.2	30.1
Net Income	28.5	33.1	7.6	33.0	40.5	45.4	50.2	53.5
EPS	\$ 1.01	\$ 1.18	\$ 0.27	\$ 1.17	\$ 1.44	\$ 1.59	\$ 1.73	\$ 1.82
FD Shares Outstanding	28.1	28.0	28.2	28.2	28.2	28.6	29.0	29.4
Growth & Margins								
Y/Y Revenue Growth	10.6%	8.7%	7.3%	6.2%	6.5%	9.5%	7.3%	4.2%
Gross Margin	51.3%	50.7%	50.7%	50.3%	50.4%	50.0%	50.0%	50.0%
EBITDA Margin	13.2%	12.0%	11.6%	13.7%	13.3%	13.2%	13.2%	13.3%
EBIT Margin	10.5%	9.2%	8.8%	11.0%	10.5%	10.7%	11.0%	11.1%
Net Margin	7.3%	6.6%	6.4%	8.0%	7.6%	7.8%	8.1%	8.2%
Tax Rate	36.6%	36.0%	36.0%	36.0%	36.0%	36.0%	36.0%	36.0%

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	Calendar Year End December 31st				
	<i>(US \$ in millions, unless indicated)</i>				
	Q2-Q4 07E	2008E	2009E	2010E	2011E
Revenue	\$ 388.7	\$ 530.4	\$ 580.9	\$ 623.3	\$ 649.3
<i>YY Growth</i>	10.6%	6.5%	9.5%	7.3%	4.2%
EBITDA	51.4	70.4	76.5	82.4	86.6
<i>Margin</i>	13.2%	13.3%	13.2%	13.2%	13.3%
EBIT	40.7	55.9	62.2	68.3	72.0
<i>Margin</i>	10.5%	10.5%	10.7%	11.0%	11.1%
Cash Taxes	(14.9)	(20.1)	(22.4)	(24.6)	(25.9)
<i>Tax Rate</i>	36.6%	36.0%	36.0%	36.0%	36.0%
Depreciation	7.2	11.0	11.2	11.7	12.3
<i>% of Revenue</i>	1.9%	2.1%	1.9%	1.9%	1.9%
Amortization	3.5	3.5	3.1	2.4	2.3
<i>% of Revenue</i>	0.9%	0.7%	0.5%	0.4%	0.4%
Capital Expenditures	(7.9)	(11.0)	(11.2)	(11.7)	(12.3)
<i>% of Revenue</i>	2.0%	2.1%	1.9%	1.9%	1.9%
Change in Net Working Capital	0.1	0.4	0.6	0.4	0.2
<i>% of Change in Revenue</i>	(0.0)%	(0.3)%	(1.2)%	(1.0)%	(0.9)%
Unlevered Free Cash Flow	\$ 28.7	\$ 39.7	\$ 43.5	\$ 46.5	\$ 48.6

The foregoing projections were an update prepared in April 2007 of certain management projections prepared in the later part of 2006 in conjunction with Inter-Tel's June 2006 long-term strategic plan. No one has made or makes any representation to any stockholder regarding the information included in the projections. Inter-Tel has not updated the projections for the last three quarters of 2007 since they were provided to Mitel, or the projections for fiscal years 2007 through 2011, since they were provided to UBS. Inter-Tel does not intend to update or otherwise revise any of the projections included in this proxy statement to reflect circumstances existing after the date when such projections were made or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying the projections are shown to be in error or otherwise no longer appropriate.

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Financing of the Merger

The total amount of funds necessary to fund the Merger Consideration and to make payments to holders of Inter-Tel's options and equity incentive awards, as required by the Merger Agreement, is anticipated to be approximately \$727 million. The following arrangements are intended to provide the necessary financing for the Merger:

Equity Financing. Pursuant to the Equity Financing Commitment received by Mitel from Francisco Partners, the proceeds of which will constitute the equity portion of the Merger financing, Francisco Partners, on behalf of its affiliated entities, has agreed to make an aggregate investment of \$303,546,000 into Mitel in exchange for the issuance to Francisco Partners and/or its affiliates of a new class of preferred shares of Mitel (the Preferred Stock Financing) on the terms and conditions set forth in the equity commitment letter. Francisco Partners will fund the Equity Financing Commitment through equity contributions from investors in Francisco Partners and its affiliated entities in the ordinary course of business. The equity commitment letter will terminate upon the earlier of (1) September 30, 2007 unless the Merger shall have been consummated on or prior to such date and all documentation required to consummate the Preferred Stock Financing shall have been entered into and the Preferred Stock Financing shall have occurred thereunder, and (2) the date of termination of the Merger Agreement. Except as described below, delivery of the Equity Financing Commitment by Francisco Partners is subject to the satisfaction or waiver of, among other things, the following conditions:

All necessary conditions for the consummation of the Merger shall have been satisfied and the closing of the Merger shall occur contemporaneously with the funding of the Equity Financing Commitment in accordance with the terms of the Merger Agreement without waiver or amendment of any provision thereof (other than waivers or amendments consented to by Francisco Partners);

All documentation required to consummate the Preferred Stock Financing, or customarily entered into in connection with such an investment, in a form reasonably satisfactory to Francisco Partners shall have been executed and delivered, and all terms, covenants and conditions contained in the definitive subscription agreement shall have been performed or complied with at or prior to the closing of the Preferred Stock Financing, including without limitation, termination of the existing shareholders agreement among Mitel and its shareholders;

Mitel, with the appropriate corporate authorization from its shareholders and directors, shall have amended its articles of organization to authorize the issuance of the preferred shares, Mitel shall have received a Certificate of Amendment therefor, and Mitel shall have reserved sufficient shares of its common shares issuable upon conversion of the preferred shares issued to Francisco Partners;

Mitel shall have obtained all approvals and consents required for the execution and delivery of documentation necessary to consummate the Preferred Stock Financing;

All conditions for the consummation of the Debt Financing Commitment shall have been satisfied and the Debt Financing Commitment shall have closed, without waiver or amendment of any provision thereof (other than waivers or amendments consented to by Francisco Partners) contemporaneously with the closing of the Preferred Stock Financing and the closing of the Merger Agreement;

There shall not have occurred a material adverse effect on Inter-Tel as set forth in the Merger Agreement;

There shall not have occurred a material adverse effect on Mitel and there shall not be pending or threatened any legal proceeding that prohibits, restricts or enjoins the issuance of the preferred shares to Francisco Partners;

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All representations and warranties of Mitel in the definitive subscription agreement shall be true and correct in all material respects on the closing date of the Merger, before and after giving effect to the Preferred Stock Financing and the closing of the Debt Financing Commitment;

The issuance of the preferred stock to Francisco Partners, or its affiliates, shall be exempt from the prospectus and registration requirements of all applicable securities laws; and

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Inter-Tel shall not have breached representations and warranties in the Merger Agreement relating to its corporate power, authority, due authorization, and execution and delivery of the Merger Agreement, or a breach of any other representation and warranty contained in the Merger Agreement that is material to Francisco Partners, provided that Mitel has the right to terminate its obligations to consummate the Merger under the Merger Agreement as a result of such breach.

Limited Guarantee. In connection with the execution and delivery of the Merger Agreement, Francisco Partners executed a limited guarantee in favor of Inter-Tel. Under the limited guarantee, Francisco Partners agreed that if Inter-Tel terminates the Merger Agreement due to a company payment event (as defined in the Merger Agreement described in The Merger Agreement Termination Fees and Expenses, beginning on page 58) and Mitel and Arsenal Acquisition Corporation must pay the \$20 million termination fee to Inter-Tel, Francisco Partners will pay 50% of such termination fee, plus the amount of any costs or expenses reasonably incurred by Inter-Tel in enforcing its rights under the limited guarantee. The maximum obligation of Francisco Partners under the limited guarantee shall not exceed \$10 million, plus the amount of any such costs or expenses of enforcement of the limited guarantee reasonably incurred by Inter-Tel. Inter-Tel may, in its sole discretion, bring a separate suit against Francisco Partners to seek payment of the amounts owed to Inter-Tel under the limited guarantee, regardless of any action to collect the termination fee that may be brought against Mitel and Arsenal Acquisition Corporation. The obligation of Francisco Partners to pay 50% of the \$20 million termination fee (plus costs and expenses to enforce the limited guarantee) constitutes Francisco Partners' sole liability to Inter-Tel in connection with the transactions contemplated by the Merger Agreement. Pursuant to the limited guarantee, Inter-Tel, may not institute any proceeding against Francisco Partners or bring any action against Francisco Partners arising under or in connection with the Merger Agreement or the transactions contemplated thereby or otherwise relating thereto, other than a claim against Francisco Partners to collect the \$10 million (and any related costs and expenses of enforcement of the limited guarantee) that will be owed by Francisco Partners to Inter-Tel if Mitel and Arsenal Acquisition Corporation become liable for the \$20 million termination fee.

Debt Financing. Mitel has received an aggregate Debt Financing Commitment of \$460 million from Morgan Stanley, pursuant to which Morgan Stanley has provided its financing commitment and has agreed to use commercially reasonable efforts to provide the Debt Financing Commitment, as further specified in the debt commitment letter. Proceeds of the Debt Financing Commitment will be used to finance a portion of the Merger Consideration and to fund working capital and general corporate needs of Mitel, Inter-Tel and their respective subsidiaries following the consummation of the Merger. The Debt Financing Commitment will consist of:

up to \$275.0 million of senior secured first lien loan facilities (First Lien Facilities), comprised of:

a \$245.0 million term loan facility (Term Loan Facility) for the purpose of financing the Merger Consideration; and

a \$30.0 million revolving credit facility (Revolving Credit Facility), consisting of a U.S. revolving credit facility (the U.S. Revolving Facility) and a Canadian revolving credit facility (the Canadian Revolving Facility) for ongoing working capital needs and general corporate purposes of Mitel, Inter-Tel and their respective subsidiaries; and

up to \$185.0 million of a senior secured second lien term credit facility (Second Lien Facility) for the purpose of financing the Merger.

Use of Proceeds from the Debt Financing Commitment. All borrowings under the Debt Financing Commitment will be made available to Mitel and certain of its subsidiaries simultaneously with the effectiveness of the Merger, except that borrowings under the Revolving Credit Facility shall only be available for ongoing working capital needs and general corporate purposes of Mitel, Inter-Tel and their respective subsidiaries, and not to fund the Merger Consideration or other fees or expenses (subject to certain exceptions) incurred by Mitel in connection with consummating the Merger. Borrowings under the Term Loan Facility and the Second Lien Facility, together with cash proceeds from the Equity Financing Commitment shall be used to fund the Merger Consideration. After giving effect to the Merger, Inter-Tel will become a borrower under the U.S. revolving

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credit facility. The First Lien Facilities and the Second Lien Facility are scheduled to close on or before October 14, 2007 and proceeds of the respective facilities will be available on the closing date if all the conditions precedent set forth in the debt financing commitment letter are satisfied. The debt financing commitment letter expires on the earliest of (1) execution and delivery of the definitive documentation required to consummate all transactions contemplated under the Debt Financing Commitment, (2) rejection of Mitel's bid by Inter-Tel and Inter-Tel's acceptance of a superior proposal, (3) consummation of the Merger without the use of proceeds of the Debt Financing Commitment, and (4) October 14, 2007.

First Lien Facilities and Revolving Credit Facility. The borrowers under the First Lien Facilities shall be Mitel, Mitel Networks, Inc., a wholly-owned indirect U.S. subsidiary of Mitel, a holding subsidiary of Mitel to be formed (Holdings), and, upon consummation of the Merger, Inter-Tel. Mitel shall be the only borrower under the Canadian Revolving Facility and Mitel Networks, Inc. and Inter-Tel shall be the only borrowers under the U.S. Revolving Facility. Morgan Stanley Senior Funding, Inc. has been appointed the U.S. administrative agent and collateral agent, and Morgan Stanley Senior Funding (Nova Scotia) Co. has been appointed the Canadian administrative agent. Morgan Stanley has been appointed as the sole lead arranger, sole book runner, and syndication agent for the First Lien Facilities.

Second Lien Facility. The borrower under the Second Lien Facility shall be Holdings. Morgan Stanley has been appointed as the sole lead arranger, sole book runner, syndication agent, administrative agent and collateral agent for the Second Lien Facility.

Conditions Precedent to the Debt Financing Commitment. The availability of the Debt Financing Commitment is subject to, among other things, satisfaction of the following conditions:

consummation of the Merger shall have been effected and the closing of the Merger shall have occurred concurrently with the initial funding of the Debt Financing Commitment in accordance with the terms of the Merger Agreement, without waiver, modification or amendment of any provision thereof (other than waivers, modifications or amendments consented to by Morgan Stanley);

All documentation (including a credit agreement and customary closing documentation) required to consummate the closing of the First Lien Facilities, shall be in form and substance reasonably satisfactory to Morgan Stanley, cash proceeds received in the Equity Financing Commitment shall at least equal 30% of the total cost of the Merger, and gross cash proceeds borrowed under the Second Lien Facility shall be no more than \$185 million, and all such cash proceeds shall be used simultaneously with the initial credit extensions under the First Lien Facilities;

All documentation (including a credit agreement and customary closing documentation) required to consummate the closing of the Second Lien Facility, shall be in form and substance reasonably satisfactory to Morgan Stanley, cash proceeds received in the Equity Financing Commitment shall at least equal 30% of the total cost of the Merger, and gross cash proceeds borrowed under the First Lien Facilities shall be no more than \$245 million, and all such cash proceeds shall be used simultaneously with the initial credit extensions under the Second Lien Facility;

After giving effect to the closing of all facilities under the Debt Financing Commitment, Mitel, Mitel Networks, Inc., Inter-Tel and their respective subsidiaries shall have no outstanding indebtedness or preferred stock other than

loans under the First Lien Facilities and Second Lien Facility;

preferred stock issued to Francisco Partners in connection with the funding of the Equity Financing Commitment; and

certain other limited indebtedness to be agreed upon;

The lenders shall have received certain information required by the PATRIOT Act;

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The lenders shall have valid and perfected first priority or second priority liens, as applicable, (in each case subject to certain limited exceptions set forth in the documentation evidencing the First Lien Facilities and the Second Lien Facility, respectively), and security interests in such capital stock and other collateral;

Borrowers under the First Lien Facilities and Second Lien Facility shall have delivered to Morgan Stanley certain financial statements and evidence of satisfaction of certain financial covenants, including, without limitation:

audited consolidated balance sheets and related statements of income, stockholders' equity and cash flows of Inter-Tel for the 2004, 2005 and 2006 fiscal years; and

evidence that the sum of (i) Mitel's *pro forma* Consolidated EBITDA for the most recently completed twelve-calendar month period, (ii) Inter-Tel's *pro forma* Consolidated EBITDA (A) for the twelve-calendar month period ended June 30, 2007 if the Board of Directors consents to the proposed Merger prior to August 15, 2007 and (B) for the most recently completed twelve-calendar month period if the Board of Directors consents to the proposed Merger on or after September 4, 2007 and (iii) \$35 million in adjustments to EBITDA, shall equal or exceed \$86,000,000; and

other customary conditions for leveraged acquisition financings.

Availability of Equity and Debt Financing. The availability of the Equity and Debt Financing Commitments is subject to the satisfaction of various conditions contained in the debt and equity financing commitment letters, many of which are customary conditions for acquisition financings with an equity contribution and levered debt components. There can be no assurance that all of the conditions to the Equity Financing Commitment and the Debt Financing Commitment will be met. If any of the material conditions to the funding of the Equity Financing Commitment or the funding of any of the facilities comprising the Debt Financing Commitment are not satisfied, Inter-Tel would not expect Francisco Partners or Morgan Stanley to waive such conditions and provide the Equity and Debt Financing Commitments, respectively. Mitel and Arsenal Acquisition Corporation must use their reasonable best efforts to arrange and consummate all transactions required by the terms of the equity and debt financing commitment letters to ensure the Equity and Debt Financing Commitments are available at the proposed closing of the Merger. In the event any portion of the Equity Financing Commitment or the Debt Financing Commitment becomes unavailable under the terms and conditions of the equity or debt financing commitment letters, Mitel and Arsenal Acquisition Corporation will be required to use their reasonable best efforts to obtain alternative financing, on terms that are no more adverse to Mitel and Arsenal Acquisition Corporation, as promptly as practicable following the occurrence of such event, and obtain funds from such alternative financing to consummate the transactions contemplated by the Merger Agreement without undue delay.

Recent Developments and Certain Litigation

Inter-Tel has recently been made a party to certain litigation relating to the proposed Merger. On April 30, 2007, two shareholder class action lawsuits were filed in the Superior Court of the State of Arizona, County of Maricopa, against Inter-Tel and the Board of Directors. The cases are captioned *Joel Gerber v. Inter-Tel Incorporated, et al.*, Case No. CV2007-007444 (the Gerber Action), and *Farr v. Inter-Tel, Inc., et al.*, Case No. CV2007-007655 (the Farr Action). An additional shareholder class action lawsuit was filed against Inter-Tel and the Board of Directors on May 22, 2007. The case is captioned *Suan Investments, Inc. v. Stout, et al.*, Case No. CV2007-009603 (the Suan Action, and collectively with the Gerber Action and the Farr Action, the Arizona Shareholder Actions).

The complaint in the Gerber Action alleges, *inter alia*, that the Board of Directors breached their fiduciary duties of loyalty and due care in connection with the Merger by purportedly standing on both sides of the transaction, engaging in self-dealing, obtaining unspecified personal benefits and approving the Merger without

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regard to the fairness of the transaction to Inter-Tel stockholders. The complaint further alleges that the proposed Merger is a product of a flawed process that was not designed to ensure the sale of Inter-Tel for the highest value. According to the complaint, as a result of defendants self-dealing, their divided loyalties and the flawed process, Inter-Tel stockholders will not receive adequate or fair value for their stock in the Merger transaction. The complaint seeks an injunction prohibiting Inter-Tel from consummating the Merger as well as attorneys' fees and costs.

Similarly, the complaint in the Farr Action alleges that the Board of Directors breached their fiduciary duties of loyalty, due care and candor in connection with the Merger by approving the Merger without regard to the fairness of the transaction to Inter-Tel stockholders. The complaint further alleges that defendants violated their fiduciary duties by failing to take steps to maximize the value of Inter-Tel to its stockholders, to properly value Inter-Tel, to protect against conflicts of interest purportedly resulting from the directors' interrelationships with the Merger, and to disclose all material information that would permit Inter-Tel's stockholders to cast a fully informed vote on the transaction. The complaint seeks an injunction prohibiting Inter-Tel from consummating the Merger and, to the extent consummated, rescission of the Merger and any of the terms of the Merger Agreement, as well as the imposition of a constructive trust for improper benefits allegedly received by defendants. The complaint also requests attorneys' fees and costs.

The complaint in the Suan Action alleges, *inter alia*, that the Board of Directors breached their fiduciary duties of loyalty and due care in connection with the Merger by purportedly failing to take the necessary steps to ensure that the stockholders receive maximum value for their shares of Inter-Tel stock, including conducting an active auction or an open bidding process. As a result, the complaint claims that stockholders are deprived of a fair and adequate price for their shares. According to the complaint, the individual defendants also breached their fiduciary duties by failing to exercise independent business judgment and engaging in self-dealing through its proposal to sell Inter-Tel for material personal benefits. The complaint further alleges that the defendants imprudently accepted and relied upon advice as to the fairness of the consideration for the Merger from a financial advisor with conflicted interests. Finally, plaintiff asserts claims for conspiracy and aiding and abetting based on the same substantive allegations. The complaint seeks an injunction prohibiting Inter-Tel from consummating the Merger, rights of rescission against the Merger Agreement, an accounting for plaintiff's alleged damages, and attorneys' fees and costs.

While Inter-Tel is in the process of evaluating the various claims brought in the Arizona Shareholder Actions, Inter-Tel believes that the claims are without merit and Inter-Tel intends to vigorously defend against all claims brought in the Arizona Shareholder Actions.

In addition and as previously disclosed in Inter-Tel's Annual Report on Form 10-K filed with the SEC on March 16, 2007, Inter-Tel and certain members of the Board of Directors are defendants in a stockholder class action suit (the Delaware Stockholder Action) filed on June 15, 2006 entitled *Mercier v. Inter-Tel (Delaware), Inc., et al.*, No. 2226-VCS, in the Court of Chancery of the State of Delaware. On March 27, 2007, Plaintiff filed a Second Amended Complaint (SAC). Plaintiff alleges that the defendants breached their fiduciary duties by seeking to entrench themselves in office through a number of activities including alleged failure to pursue a value maximizing plan for the stockholders.

Plaintiff also objects to the defendants' approval of a proposal for a business combination charter amendment (BCCA), designed to protect against certain takeover related abuses and similar in some respects to Section 203 of the DGCL. Plaintiff asks that the Court delete the BCCA from Inter-Tel's certificate of incorporation on the grounds that the BCCA despite its approval by stockholders on May 31, 2006 is not identical to Section 203 and, therefore, violates the DGCL.

Plaintiff further asks the Court to delete a provision from Inter-Tel's certificate of incorporation requiring unanimous written consent of stockholders for action taken without a stockholder meeting (Consent Provision), despite the promise to stockholders that this Consent Provision would be effective for Inter-Tel after its

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reincorporation in Delaware just as it was for its Arizona predecessor. Plaintiff alleges that the defendants' decision to add the Consent Provision to Inter-Tel's certificate of incorporation, where it is required by the DGCL to be effective, and delete it from Inter-Tel's bylaws (where it was ineffective), was improper because it was done after stockholders approved the reincorporation documents.

Plaintiff further alleges that the defendants improperly changed Inter-Tel common stock, after stockholders approved the reincorporation documents, from no par value to a par value of \$.001, despite that the only material difference in the change is that it saved Inter-Tel and its stockholders an otherwise unnecessary filing fee of approximately \$400,000. Finally, Plaintiff alleges, among other claims, that the entire reincorporation is invalid under Arizona and Delaware law, because of an allegedly defective reincorporation process.

The SAC seeks an injunction enjoining the defendants from failing to maximize value for Inter-Tel stockholders. The SAC further seeks a declaration that the defendants violated their fiduciary duties by adoption of defensive measures, failure to maximize value for stockholders and failure to disclose all material facts. The SAC further seeks a declaration that the BCCA, the Consent Provision, the par value change and the reincorporation itself are invalid. The SAC also requests attorneys' fees and costs, and damages in an unspecified amount. On May 11, 2007, Inter-Tel filed a motion to dismiss the claims alleged in the SAC.

On May 18, 2007, Plaintiff filed a proposed supplement to the SAC alleging that the defendants breached their fiduciary duties because they failed to properly pursue a higher bid for sale of Inter-Tel from Steven G. Mihaylo, Vector and other potential financial buyers. Plaintiff further alleges that the price of \$25.60 is inadequate and that the defendants' support of the proposed Merger with Mitel at this price is at odds with positions they took in opposing the \$23.25 offer by Mr. Mihaylo and Vector as too low. Plaintiff further alleges, among other claims, that the defendants breached their fiduciary duties by not including in the Merger Agreement provisions reflecting Plaintiff's allegations in his SAC. The proposed supplement to the SAC seeks an injunction prohibiting Inter-Tel from consummating the Merger and against the enforcement of the no solicitation and termination fee provisions contained in the Merger Agreement. It further seeks an order requiring the defendants to conduct an auction of Inter-Tel open to Mr. Mihaylo, Vector, and all other potentially interested bidders. It further seeks an injunction against enforcement of the BCCA or, alternatively, a declaration that Mitel is an interested stockholder under the BCCA and that the Merger cannot be consummated because the required vote cannot be obtained. Finally, it seeks a declaration that representations and covenants in the Merger Agreement are invalid, and damages in an unspecified amount.

On May 24, 2006, plaintiff filed motions seeking a preliminary injunction and summary judgment on the claims in the SAC. No briefing or hearing dates have been set for plaintiff's motions.

Inter-Tel believes that all of Plaintiff's claims in the Delaware Stockholder Action are without merit, and intends to vigorously defend against them.

For additional information about the Arizona Shareholder Actions and the Delaware Stockholder Action, please see Inter-Tel's filings with the SEC, including Inter-Tel's Form 8-K filed on May 25, 2007 and Inter-Tel's Form 10-K filed on March 15, 2007.

Merger Consideration

At the effective time of the Merger, each outstanding share of Inter-Tel common stock, other than shares of Inter-Tel common stock held by Inter-Tel, Mitel, Arsenal Acquisition Corporation or any of their respective subsidiaries and those shares held by stockholders who perfect their appraisal rights (as described in "The Merger Appraisal Rights" beginning on page 49), will be automatically converted into the right to receive \$25.60 in cash, without interest, upon surrender of the certificate representing such share(s) of Inter-Tel common stock. Any shares of Inter-Tel common stock held by Inter-Tel, Mitel, Arsenal Acquisition Corporation or any of their respective subsidiaries immediately prior to the effective time of the Merger will be canceled in the Merger without payment. The price of \$25.60 per share was determined through arm's-length negotiations between Mitel and Inter-Tel.

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Conversion of Shares; Procedures for Exchange of Certificates

The conversion of Inter-Tel common stock into the right to receive \$25.60 per share in cash, without interest, will occur automatically at the effective time of the Merger. As soon as reasonably practicable after the effective time of the Merger, but no later than one business day after the closing date of the Merger Agreement, Mitel shall deliver to a paying agent, the cash necessary to pay the full amount of the Merger Consideration in respect of the certificates representing shares of Inter-Tel common stock and uncertificated shares surrendered to the paying agent pursuant to the terms of the Merger Agreement. Promptly following the closing of the Merger Agreement, Mitel shall cause the paying agent to send to each holder of record of shares of Inter-Tel common stock immediately prior to the effective time of the Merger, a letter of transmittal and instructions for obtaining cash in exchange for shares of Inter-Tel common stock held by such stock holder. You should not return stock certificates with the enclosed proxy.

Upon surrender of a stock certificate representing shares of Inter-Tel common stock, together with a duly completed and validly executed letter of transmittal, and any other documents that may be required by the paying agent, the holder of the certificate will be entitled to receive from the paying agent, on behalf of Mitel, as promptly as practicable in accordance with the paying agent's customary procedures, \$25.60 in cash, without interest, for each share represented by the stock certificate. The stock certificates will then be cancelled.

Until surrendered, any outstanding stock certificates will, from and after the effective time of the Merger, evidence only the right to receive \$25.60 per share in cash, without interest, in the case of shares represented by stock certificates, and holders of such certificates shall cease to have any rights with respect to such shares of Inter-Tel common stock, except as otherwise required by the DGCL.

Treatment of Outstanding Stock Options and Equity Awards

Stock Options and Equity Incentive Awards. Under the Merger Agreement, at the effective time of the Merger, (a) all Inter-Tel options to purchase shares of Inter-Tel common stock under the 1997 Employee Stock Purchase Plan, the 1990 Directors' Stock Option Plan, the 1994 Long-Term Incentive Plan, the 1997 Long-Term Incentive Plan and the Acquisition Stock Option Plan (whether or not then vested or exercisable) and (b) all performance share awards for which Inter-Tel common stock may be issued upon attaining specified performance goals granted under the 1997 Long-Term Incentive Plan (whether or not then vested and exercisable and assuming specified performance goals are attained), that are outstanding immediately prior to the effective time of the Merger, will vest and be cancelled, and Mitel shall, or shall cause Inter-Tel, as the surviving corporation, to pay each holder of any such option or award promptly after the effective time of the Merger cash in an amount determined by multiplying:

the excess, if any, of the Merger Consideration of \$25.60 per share of Inter-Tel common stock, without interest, over the applicable exercise price of the option or other equity incentive award by

the number of shares of Inter-Tel common stock that

the holder could have purchased in the case of a stock option (assuming full vesting of such stock options); or

could be issued to the holder in connection with a performance share award (assuming full vesting of such awards and attainment of specified performance goals).

As of May 25, 2007, there were options to purchase 3,943,918 shares of Inter-Tel common stock outstanding and 153,250 performance shares issuable upon vesting of outstanding performance share awards.

Employee Stock Purchase Plan. Inter-Tel's employee stock purchase plan will be terminated in accordance with its terms as of or prior to the effective time of the Merger, as the plan is scheduled to expire after the issuance of shares pursuant to the final offering period ending May 31, 2007.

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Interests of Inter-Tel's Directors and Management in the Merger

In considering the recommendation of the Board of Directors in favor of the adoption of the Merger, you should be aware that members of the Board of Directors and certain of Inter-Tel's officers have interests in the Merger that are different from, or in addition to, the interests of Inter-Tel stockholders.

These interests are described below, to the extent material, and except as described below, such persons have no material interest in the Merger apart from those of Inter-Tel stockholders generally. No Inter-Tel director or executive officer has been asked to join the board of directors of Mitel, and no executive officer has entered into any employment agreement with Mitel or has been offered an opportunity to receive any equity interest in Mitel. The Board of Directors was aware of, and considered the interests of, Inter-Tel's directors and officers in approving the Merger Agreement and the Merger.

Employment Agreement of Norman Stout. Inter-Tel entered into an employment agreement with Norman Stout dated October 12, 2006, pursuant to which, in the event that Mr. Stout is terminated without cause (as defined therein) or Mr. Stout terminates his employment for good reason (as defined therein), Inter-Tel is required to pay his base salary at the time of termination for 12 months or for the remainder of the term of his employment agreement, whichever is longer. In addition, he will receive a bonus payment equal to the average bonus for the five prior fiscal years, pro-rata for the number of months worked in the current year. Mr. Stout will also receive 18 months paid participation in COBRA continuation coverage under Inter-Tel's health and welfare benefit plans. In addition, if such termination occurs (i) within 90 days prior to a Merger or consolidation of Inter-Tel or other change of control event (as defined therein), or (ii) within 24 months following a change of control, Mr. Stout is entitled to a lump-sum severance payment equal to (A) his annual base salary multiplied by 2.99, and (B) his average annual bonus (excluding any retention bonus) earned by Mr. Stout for the preceding five fiscal years prior to the year in which the employment is terminated, multiplied by 2.99. Mr. Stout's current base salary under his employment agreement was raised to \$450,000 for the 2007 fiscal year. Based on Mr. Stout's base salary in effect as of May 25, 2007, and average annual bonus for the past five fiscal years, he would receive approximately \$1,722,065 in severance if he were terminated by Inter-Tel without cause or if he terminates his employment for good reason within 24 months following the effective time of the Merger pursuant to Mr. Stout's employment agreement. Mr. Stout is also subject to non-competition and non-solicitation restrictions for 18 months following termination of his employment for any reason.

Change of Control Agreements with Inter-Tel's Directors and Officers. Inter-Tel has entered into a Tier 1 Key Employee Change of Control Severance Agreement with Craig Rauchle, and Tier 2 Key Employee Change of Control Severance Agreements with Jeff Ford, John Gardner and Kurt Kneip. Pursuant to these agreements, the executives will be entitled to certain severance payments if their employment is terminated without cause or by the executive for good reason (as such terms are defined in the Tier 1 and Tier 2 agreements) (other than termination by Inter-Tel for cause or by reason of death or disability) within a specified period of time before or after the effective time of the Merger. Under both the Tier 1 and Tier 2 agreements, the proposed Merger constitutes a change of control of Inter-Tel.

Under the Tier 1 Agreement with Craig Rauchle, in the event Mr. Rauchle terminates employment for good reason (as defined therein) or Inter-Tel terminates his employment without cause (as defined therein) either (i) within 90 days prior to the change of control transaction (as defined therein) or (ii) within 24 months following a change of control transaction (as defined therein), Mr. Rauchle is entitled to a lump-sum severance payment within 10 days of the termination equal to (A) twenty-four (24) months of his annual salary (as in effect immediately prior to the change of control or his termination, whichever is greater) and (B) 100% of his earned but unpaid bonus, and Inter-Tel must pay for twelve (12) months of employee benefits coverage for Mr. Rauchle and his dependents. Mr. Stout's prior Tier 1 agreement was superseded by his employment agreement and is dormant so long as in the event of termination of his employment agreement, Inter-Tel complies with all termination terms, including making the required severance payments as required by his employment agreement.

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Jeff Ford, John Gardner and Kurt Kneip have entered into Tier 2 Agreements with Inter-Tel, which are identical in their termination and severance provisions to the Tier 1 Agreements, except that the executive would be entitled to 18 months of executive's annual salary in the event of termination without cause or for a termination by the executive for good reason within 24 months of a change in control or within 90 days prior to a change in control.

Based on base salary in effect as of May 25, 2007, each of the following executive officers would be entitled to the following severance payments if terminated by Inter-Tel without cause or if the executive terminates his employment for good reason within 24 months following the effective time of the Merger, pursuant to the Change of Control Agreements: Mr. Rauchle, \$800,000; Mr. Ford, \$435,000; Mr. Gardner, \$327,600; and Mr. Kneip, \$313,560. Each of these individuals would also be entitled to 100% of his earned but unpaid bonus.

Indemnification and Insurance. The Merger Agreement provides that the certificate of incorporation and bylaws of the surviving corporation shall include provisions for exculpation and indemnification of directors and officers that are equivalent in all material respects to those in Inter-Tel's certificate of incorporation and bylaws in effect as of the date of the Merger Agreement, and provides that such provisions may not be amended for six years after the effective time of the Merger, except as required by applicable law or to enlarge the scope of indemnification provided. Therefore, all rights to indemnification and exculpation from liabilities for acts or omissions occurring prior to the effective time of the Merger now existing in favor of Inter-Tel's current and former directors or officers as provided in Inter-Tel's certificate of incorporation or by-laws in effect immediately prior to the effective time of the Merger will be continued for six years after the effective time of the Merger. Mitel has unconditionally guaranteed the obligations of the surviving corporation to fulfill and honor those obligations.

The Merger Agreement further provides that for six years after the effective time of the Merger, Mitel shall cause the surviving corporation to use its reasonable best efforts to maintain Inter-Tel's current officers' and directors' liability insurance with respect to matters occurring prior to the effective time of the Merger, or substitute such current insurance policy with a replacement policy through a financially sound and recognized insurance carrier so long as the scope of coverage, deductibles, coverage amounts and exclusions are not materially less favorable to those in effect on the date of the Merger Agreement. Mitel's obligation to cause the surviving corporation to provide this insurance coverage is subject to a cap of 200% of the current \$496,300 annual premium paid by Inter-Tel for its existing insurance coverage. In addition, Inter-Tel may obtain prepaid (or tail) insurance policies to provide for the coverage currently provided by its officers and directors' insurance policy, and if so obtained prior to the effective time of the Merger, Mitel and the surviving corporation may not cancel, amend or otherwise change such policies.

Stock Options and Equity Incentive Awards. Pursuant to the Merger Agreement, all outstanding stock options, performance share awards and other equity awards subject to vesting will accelerate and immediately and fully vest at the effective time of the Merger, including, (a) all Inter-Tel options to purchase shares of Inter-Tel common stock under any of Inter-Tel's equity incentive plans, and (b) all performance share awards for which Inter-Tel common stock may be issued upon attaining specified performance goals granted under the 1997 Long-Term Incentive Plan. Under the Merger Agreement, all such options and awards will be cancelled, and Mitel will, or will cause Inter-Tel, as the surviving corporation, to pay each holder of any such option or award promptly after the effective time of the Merger cash in an amount determined by multiplying:

the excess, if any, of the Merger Consideration of \$25.60 per share of Inter-Tel common stock, without interest, over the applicable exercise price of the option or other equity incentive award by

the number of shares of Inter-Tel common stock that (a) the holder could have purchased in the case of a stock option (assuming full vesting of such stock options) or (b) that could be issued to the holder in connection with a performance share award (assuming full vesting of such awards and attainment of specified performance goals).

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Each of Inter-Tel's directors and executive officers currently hold options to acquire Inter-Tel common stock or performance share awards to be issued Inter-Tel common stock upon achieving certain specified performance goals. Pursuant to the Merger Agreement, all stock options, performance share awards and other equity awards subject to vesting will accelerate and immediately and fully vest at the effective time of the Merger whether or not such options and awards were vested and exercisable at such time, and with respect to performance share awards, regardless of whether the specified performance goals have been attained. As of May 25, 2007, each of Messrs. Stout, Rauchle, Ford, Gardner and Kneip held 218,334, 153,334, 31,000, 50,134 and 13,500 unvested stock options and performance share awards, respectively. Pursuant to the Merger Agreement, upon cancellation of these options and performance share awards at the effective time of the Merger, each of Messrs. Stout, Rauchle, Ford, Gardner and Kneip will receive approximately \$1,838,521, \$1,182,471, \$219,910, \$577,637 and \$86,645, respectively, representing the difference between the exercise prices of such options and awards, and the Merger Consideration of \$25.60 per share of Inter-Tel common stock. All options and awards held by Inter-Tel's directors (excluding Mr. Stout, but including Mr. Mihaylo) are vested as of May 25, 2007, and such directors will not realize any additional value from the acceleration of such options and awards upon consummation of the Merger.

Retention Bonus Pool. Pursuant to the Merger Agreement, Mitel agreed to make available up to \$150,000 of cash to pay retention bonuses to individuals, in amounts and upon terms and conditions, to be agreed by Mitel and Inter-Tel. Although these bonuses have not been fixed and will not be paid to Inter-Tel's directors, or its Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Technology Officer or the General Counsel, it is possible that other members of management could receive payments from this bonus pool.

Effective Time of the Merger

The Merger will become effective upon the filing of a certificate of Merger with the Secretary of State of the State of Delaware, or at such later time as is agreed upon by Mitel and Inter-Tel and specified in the certificate of Merger. The filing of the certificate of Merger will occur as soon as practicable on the closing date.

Delisting and Deregistration of Inter-Tel's Common Stock

If the Merger is completed, Inter-Tel common stock will no longer be listed on The Nasdaq Global Market and will be deregistered under the Securities Exchange Act of 1934, as amended.

Material United States Federal Income Tax Consequences of the Merger

This section discusses the material United States federal income tax consequences of the Merger to Inter-Tel stockholders that are United States holders (as defined below) and who surrender Inter-Tel common stock in the Merger in exchange for the right to receive the cash Merger Consideration of \$25.60 per share. The discussion below applies only to Inter-Tel stockholders that hold Inter-Tel common stock as capital assets at the time of the Merger, and the discussion does not apply to:

stockholders that are subject to special tax rules, such as financial institutions, insurance companies, dealers in securities, persons that mark-to-market their securities, or persons that hold common stock as part of a straddle, hedge or synthetic security transaction (including a conversion transaction);

persons with a functional currency other than the U.S. dollar;

persons who hold their stock through pass-through or other entities;

retirement plans and tax-exempt organizations;

stockholders who acquired Inter-Tel common stock pursuant to the exercise of stock options, pursuant to participation in an employee stock purchase plan or otherwise as compensation; or

stockholders who exercise appraisal rights

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If a partnership holds Inter-Tel common stock, the tax treatment of a partner generally depends upon the status of the partner and the activities of the partnership. A partner of a partnership holding Inter-Tel common stock should consult their own tax advisors.

The discussion below is based upon the Internal Revenue Code, Treasury regulations promulgated thereunder, and administrative and judicial interpretations thereof, all as in effect and interpreted as of the date of this proxy statement and does not take into account possible changes in these tax laws or interpretations, any of which may be applied retroactively. The discussion does not contain a detailed description of all United States federal income tax consequences to Inter-Tel stockholders and does not include any description of the tax laws of any state, local or foreign government that may be applicable to Inter-Tel stockholders.

For purposes of this discussion, a United States holder is:

an individual who is a citizen or resident of the United States for United States federal income tax purposes;

a corporation, or any entity treated as a corporation for United States federal income tax purposes, created or organized under the laws of the United States, any state thereof or the District of Columbia;

any estate that is subject to United States federal income tax regardless of its source; or

a trust if (i) a United States court is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (ii) the trust has a valid election in effect to be treated as a United States person for United States federal income tax purposes.

This discussion does not apply to holders that are not United States holders. The exchange of Inter-Tel common stock for cash Merger Consideration in the Merger will be a taxable transaction for United States federal income tax purposes. A United States holder of Inter-Tel common stock generally will recognize capital gain or capital loss equal to the difference, if any, between the amount of cash received pursuant to the Merger, and such United States holder's adjusted tax basis in the Inter-Tel common stock surrendered. Gain or loss will be calculated separately for each block of shares exchanged in the Merger (i.e., shares acquired at the same cost in a single transaction). If at the time of the Merger a non-corporate United States holder, including an individual, has a holding period for the Inter-Tel common stock of more than one year, any gain recognized generally will be subject to United States federal income tax at a maximum rate of 15%. If such United States holder's holding period for the Inter-Tel common stock is one year or less at the time of the Merger, any gain will be subject to United States federal income tax at the same graduated rates as ordinary income. The deductibility of capital losses is subject to limitations.

For corporate United States holders, capital gain generally is taxed at the same rate as ordinary income, and the use of capital losses is subject to limitations.

The cash consideration received by non-corporate United States holders in the Merger may be subject to backup withholding at a 28% rate. Backup withholding generally will apply only if such United States holder fails to furnish a correct social security number or other taxpayer identification number, or otherwise fails to comply with applicable backup withholding rules and certification requirements. Corporations generally are exempt from backup withholding. Each non-corporate United States holder should complete and sign the substitute Form W-9 that will be part of the letter of transmittal to be returned to the paying agent in order to provide the information and certification necessary to avoid backup withholding, unless an applicable exemption exists and is otherwise proved in a manner satisfactory to the paying agent.

Any amounts withheld under the backup withholding rules generally will be allowed as a credit against United States holder's United States federal income tax liability and may entitle such United States holder to a refund, provided such United States holder furnishes specified required information to the Internal Revenue Service.

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The foregoing does not purport to be a complete analysis of the potential tax considerations relating to the Merger, particularly with respect to the effect on any performance share awards held by Inter-Tel stockholders, and is not tax advice. Therefore, holders of Inter-Tel common stock, options and performance share awards are strongly urged to consult their own tax advisors as to the specific tax consequences to them of the Merger, including the applicability and effect of United States federal, state, local and foreign income and other tax laws in their particular circumstances.

Regulatory Matters

United States Antitrust. Under the provisions of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder (the HSR Act), certain transactions, including the Merger, may not be completed until the expiration of a 30-day waiting period following the filing of notification and report forms with the Department of Justice and the Federal Trade Commission by Mitel and Inter-Tel. Such waiting period may not be extended absent the consent of the merging parties or unless a request for additional information and documentary material is received from the Federal Trade Commission or the Department of Justice. If such a request is issued, then the waiting period will be extended until the 30th calendar day after the date of substantial compliance with the request by both parties, unless earlier terminated by the Federal Trade Commission or the Department of Justice or further extended with the consent of Mitel and Inter-Tel. Substantial compliance with such request for additional information may take several months. Thereafter, the waiting period may be extended only by court order or with the consent of the parties. Mitel and Inter-Tel filed their respective notification and report forms with the Department of Justice and the Federal Trade Commission on May 10, 2007. The Department of Justice and the Federal Trade Commission and state antitrust authorities frequently scrutinize the legality under the antitrust laws of transactions such as the Merger. At any time before or after the Merger, the Department of Justice, the Federal Trade Commission or state antitrust authorities could take action under the antitrust laws as they deem necessary or desirable in the public interest, including seeking to enjoin the Merger or seeking divestiture of substantial assets of Mitel or Inter-Tel and their subsidiaries. Private parties may also bring legal actions under the antitrust laws under certain circumstances. There can be no assurance that a challenge to the Merger on antitrust grounds will not be made or, if such a challenge is made, that it would not be successful. Alternatively, antitrust authorities may impose conditions to the completion of the Merger or require changes to the terms of the Merger. These conditions or changes could result in the conditions to the Merger not being satisfied prior to the termination date of the Merger or at all, and there can be no assurance that Mitel and Inter-Tel will be able to satisfy or comply with these conditions or be able to cause Inter-Tel's respective subsidiaries to satisfy or comply with these conditions, or that compliance or noncompliance will not have adverse consequences for Mitel after completion of the Merger, or that the required regulatory approvals will be obtained within the time frame contemplated by Mitel and Inter-Tel or on terms that will be satisfactory to Mitel and Inter-Tel. These conditions or changes could result in the conditions to the Merger not being satisfied prior to the termination date or at all.

Foreign Antitrust. Inter-Tel conducts operations in a number of jurisdictions where other merger control filings or approvals may be required or advisable in connection with the completion of the Merger. Inter-Tel is currently in the process of reviewing whether merger control filings or approvals may be required or desirable in such jurisdictions.

Appraisal Rights

The discussion of the provisions set forth below is not a complete summary regarding your appraisal rights under Delaware law and is qualified in its entirety by reference to the text of the relevant provisions of the DGCL, which is attached to this proxy statement as *Annex C*. Stockholders intending to exercise appraisal rights should carefully review *Annex C*. Failure to follow precisely any of the statutory procedures set forth in *Annex C* may result in a termination or waiver of these rights.

If the Merger is consummated, dissenting holders of Inter-Tel common stock who follow the procedures specified in Section 262 of the Delaware General Corporate Law within the appropriate time periods will be

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entitled to have their shares of Inter-Tel common stock appraised by a court and to receive the fair value of such shares in cash, as determined by the Delaware Court of Chancery, in lieu of the consideration that such stockholder would otherwise be entitled to receive pursuant to the Merger Agreement.

The following is a brief summary of Section 262, which sets forth the procedures for dissenting from the Merger and demanding statutory appraisal rights. Failure to follow the procedures set forth in Section 262 precisely could result in the loss of appraisal rights.

This proxy statement constitutes notice to holders of Inter-Tel common stock concerning the availability of appraisal rights under Section 262.

Stockholders who desire to exercise their appraisal rights must satisfy all of the conditions of Section 262. A written demand for appraisal of shares must be filed with Inter-Tel before the special meeting on June 29, 2007. This written demand for appraisal of shares is in addition to and separate from a vote against the Merger. Stockholders electing to exercise their appraisal rights must not vote FOR the Merger. A proxy or vote against the Merger will not by itself constitute a demand for appraisal within the meaning of Section 262. In addition to the other requirements provided in Section 262, a stockholder of record wishing to assert appraisal rights must also hold the shares of stock on the date of making a demand for appraisal rights with respect to such shares and must continuously hold such shares through the effective time of the Merger.

A demand for appraisal must be executed by or for the stockholder of record and must reasonably inform Inter-Tel of the identity of the stockholder of record that such stockholder intends thereby to demand appraisal of the Inter-Tel common stock. If the shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, this demand must be executed by or for the record owner. If the shares are owned of record by or for more than one person, as in a joint tenancy or tenancy in common, such demand must be executed by or for all joint owners. An authorized agent, including an agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner and expressly disclose the fact that, in exercising the demand, he is acting as agent for the record owner. A person having a beneficial interest in Inter-Tel common stock held of record in the name of another person, such as a broker or nominee, must act promptly to cause the record holder to follow the steps summarized below and in a timely manner to perfect appraisal rights. If a stockholder holds shares of Inter-Tel common stock through a broker who in turn holds the shares through a central securities depository nominee such as Cede & Co., a demand for appraisal of such shares must be made by or on behalf of the depository nominee and must identify the depository nominee as record holder.

An Inter-Tel stockholder who elects to exercise appraisal rights should mail or deliver his, her or its written demand to Inter-Tel at: Inter-Tel (Delaware), Incorporated, 1615 S. 52nd Street, Tempe, AZ 85281, Attention: Corporate Secretary. The written demand for appraisal should specify the stockholder's name and mailing address, and that the stockholder is thereby demanding appraisal of his, her or its Inter-Tel common stock. Within ten days after the effective time of the Merger, Inter-Tel must provide notice of the effective time of the Merger to all of Inter-Tel stockholders who have complied with Section 262, including not having voted for the Merger.

Within 120 days after the effective time of the Merger (but not thereafter), any stockholder who has satisfied the requirements of Section 262 may deliver to Inter-Tel a written demand for a statement listing the aggregate number of shares not voted in favor of the Merger and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Inter-Tel, as the surviving corporation in the Merger, must mail such written statement to the stockholder no later than the later of ten days after the stockholders' request is received by Inter-Tel.

Within 120 days after the effective time of the Merger (but not thereafter), either Inter-Tel or any stockholder who has complied with the required conditions of Section 262 and who is otherwise entitled to

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appraisal rights may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of the Inter-Tel shares of stockholders entitled to appraisal rights. Inter-Tel has no present intention to file such a petition if demand for appraisal is made.

Upon the filing of any petition by a stockholder in accordance with Section 262, service of a copy must be made upon Inter-Tel, which Inter-Tel must, within 20 days after service, file in the office of the Register in Chancery in which the petition was filed, a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by Inter-Tel. If Inter-Tel files a petition, the petition must be accompanied by the verified list. The Register in Chancery, if so ordered by the court, will give notice of the time and place fixed for the hearing of such petition by registered or certified mail to Inter-Tel and to the stockholders shown on the list at the addresses therein stated, and notice will also be given by publishing a notice at least one week before the day of the hearing in a newspaper of general circulation published in the City of Wilmington, Delaware, or such publication as the court deems advisable. The forms of the notices by mail and by publication must be approved by the court, and Inter-Tel will bear the costs thereof. The Delaware Court of Chancery may require the stockholders who have demanded an appraisal for their shares (and who hold stock represented by certificates) to submit their stock certificates to the Register in Chancery for notation of the pendency of the appraisal proceedings, and the Delaware Court of Chancery may dismiss the proceedings as to any stockholder that fails to comply with such direction.

If a petition for an appraisal is filed in a timely fashion, after a hearing on the petition, the court will determine which stockholders are entitled to appraisal rights and will appraise the shares owned by these stockholders, determining the fair value of such shares, exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with a fair rate of interest to be paid, if any, upon the amount determined to be the fair value.

Inter-Tel stockholders considering seeking appraisal of their shares should note that the fair value of their shares determined under Section 262 could be more, the same or less than the consideration they would receive pursuant to the Merger Agreement if they did not seek appraisal of their shares. Inter-Tel stockholders should also note that investment banking opinions as to the fairness from a financial point of view of the consideration payable in a Merger are not opinions as to fair value under Section 262. In determining fair value, the Delaware Court is required to take into account all relevant factors. In *Weinberger v. UOP, Inc.*, the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered and that [f]air price obviously requires consideration of all relevant factors involving the value of a company. The Delaware Supreme Court has stated that in making this determination of fair value the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts which could be ascertained as of the date of the merger which throw any light on future prospects of the merged corporation. Section 262 of the DGCL provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the merger. In *Cede & Co. v. Technicolor, Inc.*, the Delaware Supreme Court stated that such exclusion is a narrow exclusion [that] does not encompass known elements of value, but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In *Weinberger*, the Delaware Supreme Court construed Section 262 to mean that elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered.

The costs of the appraisal proceeding may be determined by the court and taxed against the parties as the court deems equitable under the circumstances. However, costs do not include attorneys' and expert witness fees. Each dissenting stockholder is responsible for his or her attorneys' and expert witness expenses, although, upon application of a dissenting stockholder, the court may order that all or a portion of the expenses incurred by any dissenting stockholder in connection with the appraisal proceeding, including reasonable attorneys' fees and the fees and expenses of experts, be charged pro rata against the value of all shares entitled to appraisal.

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Any stockholder who has duly demanded appraisal in compliance with Section 262 will not, after the effective time of the Merger, be entitled to vote for any purpose the shares subject to demand or to receive payment of dividends or other distributions on such shares, except for dividends or distributions payable to stockholders of record at a date prior to the effective time of the Merger.

At any time within 60 days after the effective time of the Merger, any stockholder will have the right to withdraw his demand for appraisal and to accept the terms offered in the Merger Agreement. After this period, a stockholder may withdraw his, her or its demand for appraisal and receive payment for his shares as provided in the Merger Agreement only with Inter-Tel's consent. If no petition for appraisal is filed with the court within 120 days after the effective time of the Merger, stockholders' rights to appraisal (if available) will cease. Inasmuch as Inter-Tel has no obligation to file such a petition, any stockholder who desires a petition to be filed is advised to file it on a timely basis. No petition timely filed in the court demanding appraisal may be dismissed as to any stockholder without the approval of the court, which approval may be conditioned upon such terms as the court deems just.

Failure by any Inter-Tel stockholder to comply fully with the procedures described above and set forth in *Annex C* to this proxy statement may result in the loss of such stockholder's appraisal rights.

Accounting Treatment

The Merger will be accounted for as a purchase transaction for financial accounting purposes.

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THE MERGER AGREEMENT

The following description summarizes the material provisions of the Merger Agreement. Stockholders should read carefully the Merger Agreement, which is attached as *Annex A* to this proxy statement, as it is the legal document that governs the Merger.

The Merger Agreement contains representations and warranties made by Inter-Tel to Mitel and Arsenal Acquisition Corporation and representations and warranties made by Mitel and Arsenal Acquisition Corporation to Inter-Tel. The statements embodied in those representations and warranties were made for purposes of the agreement among the parties and are subject to qualifications and limitations agreed by the parties in connection with negotiating the terms of the agreement. In addition, certain representations and warranties were made as of a specific date, may be subject to contractual standards of materiality different from those generally applicable to stockholders, or may have been used for the purpose of allocating risk between the parties rather than establishing matters of fact. In addition, the representations and warranties (1) have been qualified by disclosures made to the other parties in connection with the Merger Agreement, (2) will not survive consummation of the Merger and cannot be the basis for any claims under the Merger Agreement by the other parties after termination of the Merger Agreement, and (3) at closing, must only be true and correct subject to the standards contained in the Merger Agreement, which may differ from what may be viewed as material by stockholders. For the foregoing reasons, you should not rely on the representations and warranties contained in the Merger Agreement as statements of factual information.

Merger Consideration

At the effective time of the Merger, each outstanding share of Inter-Tel common stock, other than shares of Inter-Tel common stock held by Inter-Tel, Mitel, Arsenal Acquisition Corporation or any of their respective subsidiaries and those shares held by stockholders who perfect their appraisal rights (as described in *The Merger Appraisal Rights* beginning on page 49), will be automatically converted into the right to receive \$25.60 in cash, without interest, upon surrender of the certificate representing such share(s) of Inter-Tel common stock. Any shares of Inter-Tel common stock held by Inter-Tel, Mitel, Arsenal Acquisition Corporation or any of their respective subsidiaries immediately prior to the effective time of the Merger will be canceled in the Merger without payment. The price of \$25.60 per share was determined through arm's-length negotiations between Mitel and Inter-Tel.

Treatment of Outstanding Stock Options and Equity Awards

Under the Merger Agreement, at the effective time of the Merger, all Inter-Tel (1) stock options to purchase shares of Inter-Tel common stock under the 1997 Employee Stock Purchase Plan, the 1990 Directors' Stock Option Plan, the 1994 Long-Term Incentive Plan, the 1997 Long-Term Incentive Plan and the Acquisition Stock Option Plan, and (2) performance share awards granted under the 1997 Long-Term Incentive Plan for which Inter-Tel common stock may be issued upon attaining specified performance goals, that are each outstanding immediately prior to the effective time of the Merger (whether or not then vested and exercisable), will be cancelled, and Mitel will, or will cause Inter-Tel, as the surviving corporation, to pay each holder of any such option or award promptly after the effective time of the Merger cash in an amount equal to:

the excess, if any, of the Merger Consideration of \$25.60 per share of Inter-Tel common stock, without interest, over the applicable exercise price of the option or other equity incentive award *by*

the number of shares of Inter-Tel common stock that

the holder could have purchased in the case of a stock option (assuming full vesting of such stock options); or

could be issued to the holder in connection with a performance share award (assuming full vesting of such awards and attainment of specified performance goals).

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Conditions to the Completion of the Merger

Each party's obligation to effect the Merger is subject to the satisfaction or waiver of various conditions set forth in the Merger Agreement, which include the following mutual conditions:

the holders of a majority of the outstanding shares of Inter-Tel common stock must have voted in favor of adopting the Merger Agreement;

there must not be any applicable law in force prohibiting the consummation of the Merger;

the termination or expiration of any applicable anti-trust waiting periods under United States and applicable foreign law; and

all actions by or filings with any governmental authority required to permit the consummation of the Merger must have been taken or made, except for as would not reasonably be expected to prevent, materially delay or materially impair the ability of the parties to consummate the Merger.

Mitel's obligations to complete the Merger are also subject to the satisfaction or waiver by Mitel of the following conditions, among others:

Inter-Tel must have performed in all material respects all of its obligations under the Merger Agreement;

Inter-Tel's representations and warranties contained in the Merger Agreement;

that are qualified by materiality or a material adverse effect on Inter-Tel, must be true and correct; and

that are not qualified by materiality or a material adverse effect on Inter-Tel must be true and correct, except as would not have a material adverse effect on Inter-Tel;

no material adverse effect on Inter-Tel will have occurred (as defined below); and

Inter-Tel and Inter-Tel's subsidiaries must have, in the aggregate, no less than \$179 million of readily available cash (as defined below).

Inter-Tel's obligation to complete the Merger is also subject to the satisfaction or waiver by Inter-Tel of the following conditions, among others:

each of Mitel and Arsenal Acquisition Corporation must have performed in all material respects all of its obligations under the Merger Agreement; and

the representations and warranties of each of Mitel and Arsenal Acquisition Corporation contained in the Merger Agreement (i) that are qualified by materiality or a material adverse effect on Mitel must be true and correct, and (ii) that are not qualified by materiality

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or a material adverse effect on Mitel must be true and correct, except as would not have a material adverse effect on Mitel. The Merger Agreement provides that readily available cash means the sum of (i) cash and cash equivalents that can be converted into cash within one business day, and in each case, is available for use by Inter-Tel without the payment of fees, penalties, taxes or other charges and without requiring the consent of, or other action by, any person or entity which has not been obtained and without resulting in a breach of, or constituting a default under (either immediately or after giving effect to any applicable grace or cure period), any contract and (ii) the aggregate amount of fees and expenses incurred by Inter-Tel in connection with the Merger Agreement that have been paid after the date of the Merger Agreement and prior to the closing of the Merger.

Material Adverse Effect

The Merger Agreement provides that a material adverse effect on Inter-Tel is any fact, circumstance, effect, event or occurrence that, individually or in the aggregate with all other facts, circumstances, effects,

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events or occurrences, is or is reasonably likely to have a material adverse effect on Inter-Tel's and Inter-Tel's subsidiaries' condition, business, assets, liabilities or results of operations, taken as a whole, or Inter-Tel's ability to consummate the transactions contemplated by the Merger Agreement without unreasonable delay, except that the foregoing will not include any fact, circumstance, effect, event or occurrence resulting from or arising in connection with:

(a)(i) changes generally affecting the business of providing IP and converged voice, video and data business communications platforms, multi-media contact center applications, remote-control software to provide real-time communications and instantaneous, browser-to-browser Web conferencing, help desk support solutions and other managed services, including voice and data network design and traffic provisioning, local and long distance calling services, custom application development, maintenance, leasing and related support services, or (ii) changes in general economic or business conditions or in financial markets in the United States or in the other financial markets (taken as a whole) in which Inter-Tel and Inter-Tel's subsidiaries operate, except, in each of clauses (a)(i) and (a)(ii) to the extent such ch