

INTER TEL (DELAWARE), INC
Form PREC14A
June 08, 2007
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A (Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

**PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant o

Filed by a Party other than the Registrant [X]

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-12

INTER-TEL (DELAWARE), INCORPORATED

(Name of Registrant as Specified In Its Charter)

STEVEN G. MIHAYLO

SUMMIT GROWTH MANAGEMENT LLC

THE STEVEN G. MIHAYLO TRUST

(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)(1) and 0-11.

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

(2) Aggregate number of securities to which transaction applies:

(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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials:

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

(1) Amount Previously Paid: _____

(2) Form, Schedule or Registration Statement No.: _____

(3) Filing Party: _____

(4) Date Filed: _____

PRELIMINARY COPY

SUBJECT TO COMPLETION: DATED JUNE 8, 2007

PROXY STATEMENT OF STEVEN G. MIHAYLO

IN OPPOSITION TO

THE BOARD OF DIRECTORS OF

INTER-TEL (DELAWARE), INCORPORATED

SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD JUNE 29, 2007

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This Proxy Statement and the enclosed **GREEN** Proxy Card are being furnished by Steven G. Mihaylo (Mr. Mihaylo) to holders of common stock (the Common Stock) of Inter-Tel (Delaware), Incorporated, a Delaware corporation (formerly known as Inter-Tel, Incorporated, an Arizona corporation), whose principal executive offices are located at 1615 South 52nd Street, Tempe, Arizona 85281 (Inter-Tel or the Company), in connection with the solicitation of proxies for use at a special meeting of the Company s stockholders and at any and all adjournments or postponements thereof, to 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 (the Special Meeting). Pursuant to this Proxy Statement, Mr. Mihaylo is soliciting proxies from holders of shares of Inter-Tel Common Stock to vote **AGAINST** the proposal to adopt the Agreement and Plan of Merger dated as of April 26, 2007, by and among Inter-Tel, Mitel Networks Corporation (Mitel), and Arsenal Acquisition Corporation (Acquisition Sub , and such agreement, the Merger Agreement) **AGAINST** 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 adoption of the Merger Agreement at the Special Meeting. Pursuant to the Merger Agreement, Acquisition Sub would be merged with and into Inter-Tel (the Merger), and Inter-Tel would survive the Merger as a wholly-owned subsidiary of Mitel. Mr. Mihaylo reserves all rights with respect to the Merger and the Merger Agreement, including his right to exercise appraisal rights under Delaware law.

The record date for determining stockholders entitled to notice of and to vote at the Special Meeting is May 25, 2007. As of the record date, Mr. Mihaylo was the beneficial owner of an aggregate of 5,189,748 shares of Common Stock. Of such shares beneficially owned by Mr. Mihaylo, 5,179,498 shares are voting securities, representing approximately 19.0% of the shares outstanding on the record date.

This Proxy Statement and the enclosed **GREEN** Proxy Card are first being mailed or furnished to the stockholders of the Company on or about June [], 2007.

THIS SOLICITATION IS BEING MADE BY MR. MIHAYLO AND NOT ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY.

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MR. MIHAYLO URGES YOU TO DEMONSTRATE YOUR OPPOSITION TO THE PROPOSED MERGER BY SIGNING, DATING AND RETURNING THE ENCLOSED **GREEN** PROXY CARD VOTING AGAINST THE ADOPTION OF THE MERGER AGREEMENT.

YOUR VOTE IS IMPORTANT, NO MATTER HOW MANY OR HOW FEW SHARES YOU OWN. PLEASE SIGN AND DATE THE ENCLOSED **GREEN** PROXY CARD AND RETURN IT IN THE ENCLOSED ENVELOPE PROMPTLY. PROPERLY VOTING THE ENCLOSED **GREEN** PROXY CARD AUTOMATICALLY REVOKES ANY PROXY PREVIOUSLY SIGNED OR RETURNED BY YOU.

DO NOT RETURN ANY WHITE PROXY CARD SENT TO YOU BY INTER-TEL. Even if you previously have voted Yes on Inter-Tel s white proxy card, you have every legal right to change your vote by signing, dating and returning the enclosed **GREEN** Proxy Card. If you voted NO on Inter-Tel s white proxy card there is no need to change your vote or submit a **GREEN** proxy card. ONLY YOUR LATEST DATED PROXY WILL COUNT AT THE SPECIAL MEETING.

IMPORTANT NOTE:

IF YOUR SHARES OF COMMON STOCK ARE REGISTERED IN YOUR OWN NAME, PLEASE SIGN, DATE AND MAIL THE ENCLOSED **GREEN** PROXY CARD TO MR. MIHAYLO IN CARE OF MACKENZIE PARTNERS, INC. (MACKENZIE), THE FIRM ASSISTING MR. MIHAYLO IN THE SOLICITATION OF PROXIES, IN THE POSTAGE-PAID ENVELOPE PROVIDED.

IF YOUR SHARES OF COMMON STOCK ARE HELD IN THE NAME OF A BROKERAGE FIRM, BANK, NOMINEE OR OTHER INSTITUTION, ONLY IT CAN SIGN A **GREEN** PROXY CARD WITH RESPECT TO YOUR SHARES OF COMMON STOCK AND ONLY UPON RECEIPT OF SPECIFIC INSTRUCTIONS FROM YOU. ACCORDINGLY, YOU SHOULD CONTACT THE PERSON RESPONSIBLE FOR YOUR ACCOUNT AND GIVE INSTRUCTIONS FOR A **GREEN** PROXY CARD TO BE SIGNED REPRESENTING YOUR SHARES OF COMMON STOCK. MR. MIHAYLO URGES YOU TO CONFIRM IN WRITING YOUR INSTRUCTIONS TO THE

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PERSON RESPONSIBLE FOR YOUR ACCOUNT AND TO PROVIDE A COPY OF SUCH INSTRUCTIONS TO MR. MIHAYLO IN CARE OF MACKENZIE AT THE ADDRESS INDICATED BELOW SO THAT MR. MIHAYLO WILL BE AWARE OF ALL INSTRUCTIONS GIVEN AND CAN ATTEMPT TO ENSURE THAT SUCH INSTRUCTIONS ARE FOLLOWED.

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IF YOU HAVE ANY QUESTIONS ABOUT EXECUTING YOUR PROXY OR

REQUIRE ASSISTANCE, PLEASE CONTACT:

MACKENZIE PARTNERS, INC.

105 MADISON AVENUE

NEW YORK, NEW YORK 10016

TOLL FREE: (800) 322-2885

or

CALL COLLECT: (212) 929-5500

proxy@mackenziepartners.com

BACKGROUND OF MR. MIHAYLO'S DECISION TO OPPOSE THE PROPOSED MERGER

Mr. Mihaylo is the founder of the Company and served as Chairman of the Inter-Tel Board of Directors (the Inter-Tel Board) from July 1969 to October 1982 and from September 1983 to July 2005. He has served as a member of the Inter-Tel Board from July 1969 until March 2006, and from May 2006 to present. Mr. Mihaylo served as President of Inter-Tel from 1969 to 1983, from 1984 to December 1994, and from May 1998 to February 2005. He served as Inter-Tel's Chief Executive Officer from the time of the Company's formation in July 1969 to February 2006. Mr. Mihaylo also has the single largest holdings of shares of Company Common Stock. As the founder, former Chairman and Chief Executive Officer, a current director and the largest stockholder of Inter-Tel, Mr. Mihaylo believes the Inter-Tel Board owes a duty to pursue stockholder value and to guide Inter-Tel to profitable growth for the benefit of its stockholders and employees. His decision to solicit your proxy is entirely motivated by what he believes is in the best interests of stockholders from a financial perspective.

Mr. Mihaylo beneficially owns 5,189,748 shares of Common Stock. Of such shares beneficially owned by Mr. Mihaylo, 5,179,498 shares are voting securities, representing approximately 19.0% of the shares outstanding on the record date.

In February 2006, Mr. Mihaylo was asked by the Inter-Tel Board to resign as Chief Executive Officer of the Company, and on March 6, 2006, Mr. Mihaylo also resigned as a director of the Company and filed a Schedule 13D with the Securities and Exchange Commission (the SEC), in which Mr. Mihaylo indicated that he was considering his alternatives with respect to the future of Inter-Tel and disclosed the resignations and his investment in the Company. The Schedule 13D also disclosed that Mr. Mihaylo had engaged legal counsel and that RBC Capital Markets Corporation (RBC) had been engaged as financial advisor on March 3, 2006.

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On April 7, 2006, Mr. Mihaylo, in accordance with the Company's advance notice bylaws, submitted to the Inter-Tel Board his advance notices of director nominations and shareholder business to be brought before the 2006 annual meeting of shareholders (the 2006 Annual Meeting). In the notices, Mr. Mihaylo stated that he intended to appear at the 2006 Annual Meeting in person or by proxy to, among other things, (i) nominate a slate of three directors (Mr. Mihaylo, Kenneth L. Urish and Dr. Anil K. Puri) for election at the 2006 Annual Meeting, and (ii) introduce at the 2006 Annual Meeting several resolutions to be submitted to the vote of the shareholders, including a resolution urging the Inter-Tel Board to arrange for the prompt sale of the Company to the highest bidder and resolutions to repeal recently adopted amendments to the Amended and Restated Bylaws of the Company (the Arizona Bylaws) with respect to shareholders' ability to call a special meeting and the advance notice provisions.

On April 10, 2006, Mr. Mihaylo sent a letter to the Inter-Tel Board to reaffirm his interest in meeting with the Inter-Tel Board or its advisors to discuss a possible all cash acquisition of the Company, as previously expressed in a letter to the Inter-Tel Board. In his April 10 letter, Mr. Mihaylo informed the Inter-Tel Board that he had submitted his advance notices of director nominations and shareholder business in order to preserve his ability to communicate directly with the Company's shareholders and to solicit their support for his proposal to seek a prompt sale of the Company to the highest bidder. Mr. Mihaylo also informed the Inter-Tel Board that he was prepared to sign a confidentiality agreement containing reasonable provisions, but not one that would inhibit or preclude his ability to make an offer directly to the Company or its shareholders or to conduct his proxy solicitation.

On April 21, 2006, Mr. Mihaylo and Summit Growth Management LLC (Summit), an entity through which Mr. Mihaylo makes investments and of which he is the sole member and managing member, filed a preliminary proxy statement with the SEC in connection with the 2006 Annual Meeting relating to a number of proposals, including the election of three directors nominated by Mr. Mihaylo, a proposal urging the Inter-Tel Board to arrange for the prompt sale of the Company to the highest bidder and proposals relating to the Arizona Bylaws, including the repeal of the advance notice bylaws.

On May 5, 2006, Mr. Mihaylo, Summit and the Company entered into a settlement agreement (the Settlement Agreement) to settle the potential proxy contest in connection with the 2006 Annual Meeting. In addition to other provisions, the Settlement Agreement stipulated that:

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

Inter-Tel would nominate and recommend these 11 directors for re-election to the Inter-Tel Board at the 2006 Annual Meeting;

Mr. Mihaylo would withdraw his proxy solicitation for the 2006 Annual Meeting, including his shareholder proposals, and would vote in favor of the slate of 11

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directors nominated by Inter-Tel and the other proposals presented by the Company;

The Inter-Tel Board notified Mr. Mihaylo and Summit that, until Mr. Mihaylo files a Schedule 13D disclosing that he no longer has an intent to increase his shareholdings or otherwise acquire the Company, the Inter-Tel Board presently intended to exclude, and it was agreed by Mr. Mihaylo and Summit that, subject to such agreement not causing the three directors nominated by Mr. Mihaylo to breach their fiduciary duties as directors of the Company, the Inter-Tel Board may exclude such three directors from any discussions concerning, and from receipt of any materials regarding, the Company's value and the strategic plan upon which such value would in part be based, the Company's relationship with Mr. Mihaylo, and the consideration of any proposal to acquire the Company from Mr. Mihaylo or any other person;

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Prior to December 31, 2006, Mr. Mihaylo and Summit agreed that, other than by evaluating and making a Mihaylo Proposal (as defined below), they would not acquire, offer or propose to acquire, or agree to acquire, any Common Stock, provided that activities in connection with evaluating and making a Mihaylo Proposal were not subject to this restriction;

Prior to the earlier of (a) December 31, 2006, (b) the entry by the Company into a definitive agreement with respect to a third party proposal, (c) the public announcement of an extraordinary corporate transaction (for example, a material acquisition, a reorganization, an extraordinary dividend, or a sale of a significant number of shares), and (d) the submission of a Mihaylo Request (as defined below), Mr. Mihaylo and Summit agreed (i) not to publicly make any adverse statement regarding the Company, its directors, management, or employee personnel, its business, or the 2006 Annual Meeting, (ii) not to visit any Company facility (other than in connection with Inter-Tel Board, committee or shareholder meetings scheduled to be held at a Company facility), and (iii) to notify the Company at least five business days in advance of submitting a Mihaylo Proposal of Mr. Mihaylo's non-binding intent to do so and to attempt to coordinate with the Company public disclosure thereof; and the Company agreed not to publicly make any adverse statement regarding Mr. Mihaylo and Summit;

Upon reasonable notice, the Company agreed to provide promptly to Mr. Mihaylo and his advisors and financing sources access to the reasonable due diligence information requested in good faith, in order to facilitate the making of an all cash acquisition proposal for outstanding shares of Common Stock (other than shares beneficially owned by Mr. Mihaylo) accompanied by commitment letters (subject only to customary conditions) of financial institutions of national reputation (including Vector Capital Corporation (Vector) and RBC) demonstrating a reasonable certainty of Mr. Mihaylo's ability to finance the transaction in its entirety (a Mihaylo Proposal);

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If the Inter-Tel Board determined that the initially submitted Mihaylo Proposal was not in the best interests of the Company's shareholders (or failed to make such determination within 10 business days of submission of the Mihaylo Proposal), then, upon the request of Mr. Mihaylo (a) in the event the Inter-Tel Board failed to make such determination within such 10 business day period, made within 20 business days after submission of the Mihaylo Proposal or (b) in the event the Inter-Tel Board determined that the Mihaylo Proposal was not in the best interests of the Company's shareholders, made within 10 business days after receipt by Mr. Mihaylo of written notice of such determination or public announcement thereof (the Mihaylo Request), the Company agreed to promptly call a special meeting of shareholders to vote on the proposals set forth in the Mihaylo Request, including, without limitation, any proposal urging the Inter-Tel Board to arrange for the prompt sale of the Company to the highest bidder (the Sell the Company Request). The Company agreed not to contest the calling of the special meeting as to the Sell the Company Request but could contest the calling of the meeting for other purposes and the submission of proposals other than the Sell the Company Request at the special meeting, and the Company could oppose the Sell the Company Request and any other proposals that were included in the Mihaylo Request;

If, prior to August 31, 2006, the Inter-Tel Board entered into a definitive agreement to be acquired by a third party that provided for per share cash consideration higher than the cash consideration provided in the final proposal Mr. Mihaylo presented to the Company and Mr. Mihaylo determined not to make a competing proposal, then Mr. Mihaylo agreed to vote all shares of Common Stock beneficially owned by him in favor of such proposal, provided that the Inter-Tel Board shall have recommended such proposal and not changed such recommendation or no other third party shall have publicly announced an acquisition proposal that would provide for higher per share consideration.

Concurrently with the execution of the Settlement Agreement, the Company and Mr. Mihaylo entered into a confidentiality agreement (the Confidentiality Agreement). The Settlement Agreement and the Confidentiality Agreement were included as exhibits to a Schedule 13D filed by Mr. Mihaylo with the SEC on May 8, 2006.

On May 6, 2006, Inter-Tel increased the size of the Inter-Tel Board and appointed Mr. Mihaylo, Kenneth L. Urish and Dr. Anil K. Puri as directors.

On May 18, 2006, Mr. Mihaylo, Summit and Vector entered into a Memorandum of Understanding (the Memorandum) to outline certain elements of understanding between them with respect to a potential acquisition of Inter-Tel.

On June 14, 2006, Mr. Mihaylo and Vector submitted a proposal to the Inter-Tel Board to acquire all of the outstanding shares of Common Stock (other than shares beneficially owned by Mr. Mihaylo that he would contribute to INTL Acquisition Corp., an entity formed by an affiliate of Mr. Mihaylo and Vector to acquire Inter-Tel (IAC)) for \$22.50 per share in cash.

On June, 28, 2006, Mr. Mihaylo, Summit and the Company entered into the Amendment to Settlement Agreement, which provided, among other things:

The parties entered into the Amendment to Settlement Agreement without agreeing whether the proposal submitted by Mr. Mihaylo and Vector on June 14, 2006 was a Mihaylo Proposal or whether the Company did or did not comply with its obligations under the Settlement Agreement;

The Company would not respond to the June 14 offer of Mr. Mihaylo and Vector, and Mr. Mihaylo and Summit waived any right to claim that the Company's failure to respond triggered the right of Mr. Mihaylo and Summit to make a Mihaylo Request to call a special meeting of shareholders pursuant to Section 5 of the Settlement Agreement;

The Company would promptly provide Mr. Mihaylo, his advisors and financing sources in good faith such additional due diligence information and access to information, facilities, persons and business records as is customary and reasonably necessary to allow Mr. Mihaylo and his affiliates and partners to make an offer (and his financing sources to provide commitment letters) without the subject to confirmatory due diligence condition and otherwise meeting all of the criteria for a Mihaylo Proposal set forth in the Settlement Agreement;

Sections 4 and 7 of the Settlement Agreement were amended by deleting all references to June 15, 2006 and substituting in each place thereof the date of July 28, 2006; and

Sections 7 and 8 of the Settlement Agreement were amended by deleting all references to August 31, 2006 and substituting in each place thereof the date of September 30, 2006.

After the execution of the Amendment to Settlement Agreement, representatives of Mr. Mihaylo and Vector conducted additional due diligence on the Company.

On June 30, 2006, the Company announced that the reincorporation of the Company from Arizona to Delaware became effective June 28, 2006. As part of the reincorporation, the By-laws of Inter-Tel (Delaware), Incorporated, which had been approved by the Company's shareholders at the 2006 Annual Meeting on May 31, 2006, became effective (the Delaware By-laws).

On July 28, 2006, Mr. Mihaylo and Vector resubmitted their offer to acquire all of the outstanding shares of Common Stock (other than shares beneficially owned by Mr. Mihaylo that he would contribute to IAC) for \$22.50 per share, in cash. The July 28 proposal was substantially the same as the June 14 proposal except that the July 28 proposal was not subject to satisfactory completion of confirmatory due diligence.

On August 11, 2006, Alexander L. Cappello (Mr. Cappello), Chairman of the Inter-Tel Board, sent a letter on behalf of the Special Committee to Mr. Mihaylo and a representative

of Vector stating that the Special Committee had rejected the July 28 proposal and concluded that the proposal was inadequate and not in the best interests of the Company's shareholders, other than Mr. Mihaylo and Vector.

Also on August 11, 2006, the Company issued a press release announcing that the Special Committee, with the assistance of its financial and legal advisors, had rejected as inadequate the unsolicited proposal from Mr. Mihaylo and Vector. In addition, the Company announced that the Special Committee had authorized the Company's financial advisor to review and explore various strategic options for the Company.

On August 21, 2006, Mr. Mihaylo and Vector responded to the Company's rejection of their offer. In a letter to the Special Committee, Mr. Mihaylo and Vector stated "[i]n order to avoid the expense and disruption of a proxy contest, we are prepared to raise our offer price to \$23.25 per share in cash if the Special Committee publicly commits to commence immediately a sales process designed to result in the prompt sale of the Company to the highest bidder at a price not less than our offer price, such process to be concluded within thirty days. The letter gave Inter-Tel until noon California time, Friday, August 25, 2006 to respond.

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On August 21, 2006, the Company issued a press release confirming that it had received the revised proposal from Mr. Mihaylo and Vector but stated that the proposal is subject to a number of conditions.

On August 22, 2006, Mr. Mihaylo and Vector issued a press release in response to the Company's public statements that their offer is subject to a number of conditions. In the press release, Mr. Mihaylo and Vector reaffirmed that the only condition to their offer is that Inter-Tel sign customary definitive agreements, and that, contrary to the Company's statements, the only issue is whether the Special Committee would say yes by noon on Friday, August 25, 2006. Mr. Mihaylo and Vector pointed out that other provisions, including the 30-day process to seek other bidders in order to maximize potential value, were intended for the benefit of the Inter-Tel Board and stockholders, and are not requirements for the acquisition.

The Special Committee did not respond to the proposal in the August 21 letter from Mr. Mihaylo and Vector prior to the deadline, and on August 25, 2006, Mr. Mihaylo submitted a request that the Company call a special meeting of stockholders (the 2006 Special Meeting) to consider the Sell the Company Resolution.

Also on August 25, 2006, Mr. Mihaylo and Vector filed a preliminary proxy statement with the SEC in connection with the 2006 Special Meeting, recommending that stockholders vote for the Sell the Company Resolution. On September 1, 2006, Inter-Tel filed its preliminary proxy statement with the SEC in connection with the 2006 Special Meeting, recommending that stockholders vote against the Sell the Company Resolution. On September 15, 2006, Mr. Mihaylo and Vector filed their definitive proxy statement with the SEC in connection with the 2006 Special Meeting, and on September 19, 2006, Inter-Tel filed its definitive proxy statement with the SEC in connection with the 2006 Special Meeting.

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At the 2006 Special Meeting on October 24, 2006, 11,272,464 shares were voted against the Sell the Company Resolution, representing slightly over 50% of the 22,524,535 shares of Common Stock that were represented in person or by proxy. On November 8, 2006, Mr. Mihaylo and Vector withdrew their offer to acquire all of the outstanding shares of Common Stock. In a 13D filed with the SEC on November 9, 2006 in connection with the offer withdrawal, Mr. Mihaylo and Vector stated that they were reviewing their alternatives with respect to the Company and had not decided on their future actions.

On January 19, 2007, Mr. Mihaylo sent a letter (the January 19 Letter) to the Inter-Tel Board expressing his hope that, through a cooperative process with the Inter-Tel Board, Mr. Mihaylo and the Inter-Tel Board could develop a judicious plan of action to lead the Company forward with a renewed focus on enhancing stockholder value in the near and longer term. To that end, Mr. Mihaylo set forth a number of ideas for the Inter-Tel Board to consider implementing which Mr. Mihaylo believed would enhance value for all stockholders. Mr. Mihaylo stated in the January 19 Letter that he believed his ideas would benefit all of the Company's stockholders by significantly increasing earnings per share and considerably reducing the friction between the current Inter-Tel Board and Mr. Mihaylo. Mr. Mihaylo further stated that he believed that if his ideas were implemented, another proxy contest could be averted, thus allowing the Inter-Tel Board to focus on the immediate task at hand of increasing stockholder value and growing the strongest possible Company for all stockholders. The text of the January 19 Letter follows:

Steven G. Mihaylo

P.O. Box 19790

Reno, Nevada 89511

January 19, 2007

VIA EMAIL AND FEDERAL EXPRESS

Board of Directors of Inter-Tel

(Delaware), Incorporated
c/o Alex Cappello, Chairman

1615 South 52nd Street

Tempe, Arizona 85281

Dear Members of the Board of Directors:

As the Board is aware, I have had the opportunity to observe the Board and the Company since I was reappointed to the Board in May 2006, although I have not been privy to all of the financial information and strategic direction of the Company while my offer was pending. While I continue to reserve all rights with respect to any future actions I may take with respect to the Company and my investment therein, I am hopeful that through a cooperative process with the Board

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we can develop a judicious plan of action to lead the Company forward with a renewed focus on enhancing stockholder value in the near and longer term. To that end, I request that the Board consider immediately implementing the following constructive ideas designed to move the Company forward and enhance value for all stockholders:

1. Consider reducing the size of Inter-Tel's Board from 11 to 10 members, with the Board consisting of (a) the Chief Executive Officer, (b) Dr. Puri, Mr. Urish and me, (c) three other existing outside members of the Board, and (d) three new independent directors mutually acceptable to the Board and me. Alternatively, in order to save costs and facilitate the scheduling of Board meetings, I would be amenable to a 7 member Board, consisting of (a) the Chief Executive Officer, (b) Dr. Puri, Mr. Urish and me, and (c) three new independent directors mutually acceptable to the Board and me.
2. Retain a financial advisor to advise the Board on the feasibility and financial impact of a Dutch-auction self tender offer to repurchase between \$200 million and \$250 million of the Company's common stock.
3. Disband the Special Committee, thereby eliminating all of the costs associated therewith.
4. Direct management to (a) undertake an intensive cost-benefit analysis of (i) discontinuing product development on the Axxess and (ii) redirecting the engineering effort to gateway products and hosted services offerings, including the necessary billing platform for hosted services, and (b) report the results of that analysis to the Board. I believe these actions will

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produce significant cost savings and provide significant sales opportunities.

5. Consolidate the Company's multiple engineering facilities into the Chandler location. This will reduce overhead and improve productivity, while encouraging new and better ways to speed up product development.
6. Explore the sale of the Company's Irish subsidiary, unless its performance significantly improves within a set period of time. This would enable management to concentrate on more profitable opportunities, as well as raise additional cash to offset the costs of the self tender offer.
7. Explore ways to better utilize the Company's 15 acre campus in Reno.
8. Undertake an evaluation of the recommendations in the consulting report that the Mihaylo/Vector Group provided to Inter-Tel as a result of the Settlement Agreement executed in May 2006.
9. Defer implementation of the proposed by-law amendments until the foregoing issues are actively considered.

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I believe that these ideas will benefit all of the Company's stockholders by significantly increasing earnings per share and considerably reducing the friction between the current Board and me. If these ideas are implemented by the Board, I believe that another proxy contest could be averted, thus allowing the Board to focus on the immediate task at hand, which is increasing stockholder value and growing the strongest possible Company for all stockholders.

I look forward to working with the Board to implement my ideas in a constructive manner beneficial to all stockholders, and am confident that the public stockholders will see the value inherent in my proposals. I can be reached at 602-738-9611 or by email at stevemihaylo@yahoo.com to arrange a meeting. I look forward to hearing from you soon, but in any event no later than 30 days from the date hereof.

Sincerely,

/s/ Steven G. Mihaylo

Steven G. Mihaylo

cc: Joseph J. Giunta

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Stephen Alexander

On January 22, 2007, Mr. Mihaylo received a letter dated as of the same date from Mr. Cappello and Norman Stout, Inter-Tel's Chief Executive Officer (Mr. Stout) (the Response Letter) expressing appreciation for the constructive tone of Mr. Mihaylo's January 19 Letter, and indicating that Mr. Cappello and Mr. Stout would contact Mr. Mihaylo shortly to arrange a convenient time to discuss the ideas raised in Mr. Mihaylo's January 19 Letter, as well as some other thoughts Mr. Cappello and Mr. Stout had. Mr. Cappello and Mr. Stout also stated in the Response Letter that Mr. Mihaylo's ideas were both constructive and interesting. The text of the Response Letter follows:

January 22, 2007

Via Email and U.S. Mail

Steven G. Mihaylo

P.O. Box 19790

Reno, Nevada 89511

Dear Steve:

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Thank you for your letter of January 19, 2007, which is being circulated to the Board. We very much appreciate the constructive tone of your letter and will contact you shortly to arrange a convenient time to discuss the ideas raised in your letter, as well as some thoughts we and others have.

The ideas set forth in your letter are both constructive and interesting. Several are already the subject of management review and we look forward to discussing them with you.

We and the rest of the Board, like you, are very much interested in reducing friction, avoiding another proxy contest, and working together with you to increase stockholder value for all.

Very truly yours,

/s/ Alexander L. Cappello
Alexander L. Cappello
Chairman of the Board
/s/ Norman Stout
Norman Stout
Chief Executive Officer

cc: Board of Directors

Following Mr. Mihaylo's receipt of the Response Letter, representatives of Mr. Mihaylo held discussions with representatives of the Inter-Tel Board in an attempt to resolve the differences between Mr. Mihaylo and the Inter-Tel Board and avoid a proxy contest. Mr. Mihaylo also had meetings with Mr. Stout and Mr. Cappello for the same purpose. These discussions were unsuccessful.

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On March 2, 2007, Mr. Mihaylo, Summit and Vector terminated the Memorandum and amended the overbid protection formula, which provision survived termination of the Memorandum.

Also on March 2, 2007, in accordance with the advance notice provisions of the Delaware By-laws, Mr. Mihaylo submitted to the Inter-Tel Board his advance notices of director nominations and stockholder business to be brought before the 2007 annual meeting of Inter-Tel stockholders (the 2007 Annual Meeting). In the notices, Mr. Mihaylo stated that he intended to appear at the 2007 Annual Meeting in person or by proxy to, among other things, (i) nominate a slate of five directors (Mr. Mihaylo, Mr. Urish, Dr. Puri, Neal I.

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Goldman and Michael R. Boyce) for election at the 2007 Annual Meeting, and (ii) introduce at the 2007 Annual Meeting certain stockholder proposals relating to Mr. Mihaylo's Seven Point Plan (described below). In his advance notice letters, Mr. Mihaylo indicated that if the Inter-Tel Board agreed to reduce the size of the Inter-Tel Board from 11 to 7 members, he would agree to remove two of his director nominees.

On March 7, 2007, the Company issued a press release in which Mr. Cappello was quoted as saying "We are particularly disappointed by Mr. Mihaylo's latest actions. As Mr. Mihaylo is aware, the Company's Board and management team have in the ordinary course discussed and considered all of the topics raised by Mr. Mihaylo's proposed stockholder resolutions. The Board continues to believe that the business matters referenced in those proposals are more appropriately the subject of analysis and discussion by the management of the Company and the Board. Importantly, as members of the Board since May of last year, Mr. Mihaylo and his two designees have had ample opportunity to participate in these discussions ... Our strong preference would have been for Mr. Mihaylo to work constructively with the Board, rather than to wage another costly and divisive proxy contest that could be highly disruptive and distract management and the Board from their primary goal of enhancing stockholder value. We would also note that Mr. Mihaylo had previously engaged in a proxy contest with the intention of seeking support for his offer to acquire the Company, which was defeated by stockholders other than Mr. Mihaylo by approximately a two to one margin.

In response to the Company's March 7 press release, and to elaborate on his reasons for waging a proxy contest, Mr. Mihaylo issued a press release on March 13, 2007, which read, in part:

INTER-TEL FOUNDER AND FORMER CHIEF EXECUTIVE

STEVEN G. MIHAYLO URGES COMPANY TO IMPLEMENT

SEVEN POINT PLAN TO MAXIMIZE STOCKHOLDER VALUE

Notifies the Company of Intention to Wage a

Proxy Contest at Annual Meeting

TEMPE, AZ March 13, 2007 Steven G. Mihaylo, the founder, former Chairman and Chief Executive Officer and largest stockholder of Inter-Tel (Delaware), Incorporated (Nasdaq NM: INTL), in a letter dated March 2, 2007, provided notice to the Company of his intent to present a seven point plan to Inter-Tel's stockholders designed to maximize stockholder value.

Mr. Mihaylo's seven point plan [(the Seven Point Plan)] calls for seven resolutions to be voted on by stockholders at Inter-Tel's annual meeting. The plan focuses on three action groups to: (1) Streamline Inter-Tel's Board of Directors by reducing its size from 11 to seven members and disbanding its Special Committee, thereby making the Board more responsive, functional and less costly; (2) Repurchase, through a Dutch Auction self tender offer, between \$200 and \$250 million of the Company's common stock to boost earnings per share, return cash currently on Inter-Tel's balance sheet to stockholders and improve Inter-Tel's

balance sheet performance; and (3) Restructure costs and expenses to further increase earnings per share.

In his March 2nd letter Mr. Mihaylo stated, I continue to believe that the Board ... has failed to take steps that will maximize value for the Company's stockholders. The letter continued, While I hoped that following the Special Meeting of Stockholders held in October ... the Board would focus on its responsibility to maximize value for all stockholders, I believe that the Company's current analysis of strategic alternatives has hit a dead-end that will result in stagnancy for the Company, and disappointment for ... its stockholders.

In a separate letter, also dated March 2nd, Mr. Mihaylo provided notice to the Company of his intent to nominate a slate of five directors (including himself) to Inter-Tel's Board of Directors if the size of the Board remains at 11 directors, or three directors if the Board is reduced to seven members.

Commenting on his decision to wage another proxy contest, Mr. Mihaylo stated I regret having to present my plan to increase stockholder value to the Company's stockholders. I presented my plan in substantially similar form to the Board in a letter dated January 19, 2007. In my opinion, the Board has been reluctant to seriously analyze my proposals, and requires further guidance from stockholders. As the Board is aware, I remain willing to engage in further negotiations to settle this matter if and when the Board puts forth a written plan of action, which provides similar or greater value to Inter-Tel's stockholders.

On March 20 and March 26, 2007, Mr. Mihaylo, Mr. Cappello and their respective counsel held meetings in person to attempt to resolve the differences between Mr. Mihaylo and the Company. These meetings were unsuccessful.

On March 30, 2007, Mr. Mihaylo filed a preliminary proxy statement with respect to the 2007 Annual Meeting relating to a number of proposals, including the election of five directors nominated by Mr. Mihaylo and proposals relating to Mr. Mihaylo's Seven Point Plan.

On the morning of April 25, 2007, in his capacity as a member of the Inter-Tel Board, Mr. Mihaylo was notified that the Special Committee had been engaged in discussions with Mitel with respect to a proposed acquisition of Inter-Tel by Mitel, and that if approved by the Special Committee, in his capacity as a director of Inter-Tel, Mr. Mihaylo would be expected to vote on the proposed Merger.

On the morning of April 26, 2007, the Special Committee recommended that the Inter-Tel Board approve the Merger Agreement and the transactions contemplated thereby. Following the Special Committee meeting, on the morning of April 26, 2007, a meeting of the Inter-Tel Board was convened to discuss the proposed merger with Mitel. At that meeting, Mr. Mihaylo expressed his opposition to the proposed merger to the Inter-Tel Board. Despite Mr. Mihaylo's objections to the proposed merger, the Inter-Tel Board

approved the Merger Agreement. Mr. Mihaylo voted against the Merger Agreement, and Dr. Puri and Mr. Urish abstained from voting.

On May 11, 2007, the Company filed a preliminary proxy statement with the SEC in connection with the Special Meeting and the proposals to adopt the Merger Agreement, and 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. In its preliminary proxy statement, the Company stated that it intends to hold the 2007 Annual Meeting only if the Merger is not completed.

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On June 4, 2007, Mr. Mihaylo submitted a proposal (the Recapitalization Proposal) for a leveraged recapitalization of the Company to the Inter-Tel Board. In the Recapitalization Proposal, Mr. Mihaylo contends that the Recapitalization Proposal constitutes a Superior Proposal as such term is defined in the Merger Agreement, and has asked the Inter-Tel Board to acknowledge the Recapitalization Proposal as such. The full text of the Recapitalization Proposal follows:

Steven G. Mihaylo

P.O. Box 19790

Reno, Nevada 89511

June 4, 2007

Via Email and Federal Express

Board of Directors

c/o Alexander Cappello

Inter-Tel (Delaware), Incorporated

1615 South 52nd Street

Tempe, Arizona 85281

Re: Superior Proposal to Acquisition by Mitel Networks Corporation

Dear Board Members:

As I expressed at the meeting of the Board of Directors (the Board) of Inter-Tel (Delaware), Incorporated (Inter-Tel) on April 26, 2007, I do not believe the Agreement and Plan of Merger, dated as of April 26, 2007, by and among Inter-Tel, Mitel Networks Corporation (Mitel) and Arsenal Acquisition Corporation (the Merger Agreement) represents the best path forward for the stockholders of Inter-Tel. Given the Board s staunch opposition to the nonbinding resolution urging the Board to arrange for the prompt sale of Inter-Tel to the highest bidder which was put before the stockholders at the Special Meeting in October 2006, I do not believe that the discreet sale process that resulted in the Merger Agreement has yielded the highest possible value available to stockholders.

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Based on the analysis of my financial advisors, RBC Capital Markets (RBC), and recent trading trends in Inter-Tel s stock, I believe that a recapitalization would create materially greater value for Inter-Tel s stockholders than the proposed transaction with Mitel. I propose that Inter-Tel effect such a recapitalization by using \$200 million from its cash reserves, borrowing an additional \$200 million and commencing a tender offer to purchase, after expenses and break-up fees, approximately 13.4 million Inter-Tel shares at \$28.00 per share. Using management s 2008 EPS projection included in its proxy statement, if Inter-Tel shares post tender offer were to trade at the same multiple as they did pre merger-announcement, a post tender share price in excess of \$30 per share would be implied, and the transaction could yield a blended value of approximately \$29 per share.

I am currently in receipt of a highly confident letter from RBC with respect to the financing of such a recapitalization, and we would like to conduct confirmatory due diligence to enable us to provide a firm proposal. RBC and I are prepared to meet with the Board and management to go over the assumptions contained in our analysis and to answer any questions you may have.

I believe the above proposed recapitalization provides far greater value and flexibility to Inter-Tel stockholders than the proposed Merger with Mitel and constitutes a Superior Proposal as such term is described in the Merger Agreement. As the Special Meeting of Stockholders to vote on the adoption of the Merger Agreement is only a few weeks away, I respectfully request that the Board inform me by noon (PDT) on June 11, 2007 whether it agrees that my proposal is, or is reasonably likely to lead to, a Superior Proposal as such term is defined in the Merger Agreement.

Sincerely,

/s/ Steve G. Mihaylo

Steven G. Mihaylo

cc: Joseph J. Giunta
Stephen Alexander

Also on June 4, 2007, Mr. Mihaylo issued a press release announcing the submission of the Recapitalization Proposal to the Inter-Tel Board and containing a copy of a letter that Mr. Mihaylo mailed to Company stockholders on the same date. The text of the press release read as follows:

STEVEN G. MIHAYLO SENDS LETTER URGING INTER-TEL STOCKHOLDERS TO REJECT MITEL BUYOUT OFFER

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Proposes Recapitalization Plan for Company that Could Yield Significantly Greater Value than Current Buyout Offer

Recap Would Not Result in Change of Control of Inter-Tel or Cause it to Go Private

TEMPE, AZ June 4, 2007 Steven G. Mihaylo, former Chief Executive Officer of Inter-Tel (Delaware), Incorporated (NasdaqNM: INTL) today sent a letter urging Inter-Tel stockholders to vote against the Mitel Networks Corporation (Mitel) buyout offer and outlining a plan to recapitalize the Company which could provide significantly greater value to stockholders than the current buyout proposal. At the same time, the recapitalization plan would not result in a change of control of the Company or a going private transaction.

Mr. Mihaylo said that in his view the inherent value of Inter-Tel is much greater than the current proposed \$25.60 per share acquisition by Mitel and that his recapitalization plan has the potential to provide stockholders with greater value. The recapitalization plan can be financed by using a portion of Inter-Tel's existing cash and borrowing about \$200 million at reasonable costs, according to an analysis prepared by RBC Capital Markets, the financial advisor to Mr. Mihaylo.

I am not opposed to a sale of the Company, and if Mitel or another bidder offers what I believe is a fair price I will gladly support it; however, in the absence of that offer, I believe the Company has a better alternative through a leveraged recapitalization, which I firmly believe will provide greater present value to all shareholders and will at the same time preserve the opportunity for future growth and upside potential, including a sale at a later date, he wrote to stockholders.

Details of the alternative recapitalization plan will be filed shortly with the Securities and Exchange Commission, Mr. Mihaylo told stockholders.

Mr. Mihaylo resigned from Inter-Tel after 35 years as chief executive in February, 2006. Mr. Mihaylo is the beneficial owner of 5,189,748 shares of Inter-Tel common stock, or about 19.0% of the common shares outstanding. He is the Company's single largest stockholder.

A full text of the letter sent to stockholders today is attached below:

STEVEN G. MIHAYLO

P.O. Box 19790

Reno, Nevada 89511

June 4, 2007

Dear Fellow Stockholder,

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As the founder of Inter-Tel and its Chief Executive Officer for over 35 years, I am proud to be associated with the Company and its tremendous growth over that period of time. Despite the Company's growth over those years, I was asked to resign as CEO in February of last year. At that time, I lost confidence in management and their ability to devise a reasonable strategic plan to continue that growth. Because of this lack of confidence and the risk to my significant financial stake in the Company, I submitted an offer to buy the Company but made clear at the time that I would be fully prepared to support a sale of the Company to the highest bidder if a true auction were held where all bidders had an equal opportunity to participate. Both my offer to buy the Company and the proposal to sell the Company to the highest bidder were rejected by the Board.

I recently discovered that throughout my clashes with the Board over the past 15 months, during which time the Board staunchly refused to conduct a public sale process, the Board was in fact quietly pursuing potential sale transactions without my knowledge or participation. I have spent significant amounts of my personal assets to communicate directly with you about the direction that I believe the Company should take, yet despite these efforts and my clear interest in pursuing a sale, the Company accepted a proposal that I believe does not reflect the intrinsic value of the Company.

To test this view, I asked my financial advisors to analyze alternative transactions and assess whether higher value could be achieved **without changing control of the Company or taking it private**. Based on their analysis and recent trading trends in our stock, I believe the Company could undertake a leveraged recapitalization which would yield significantly greater present value than the current offer even after paying the termination fee now required under the current buyout proposal. Based upon discussions with my financial advisors, I am confident that the recapitalization I envision can be financed using some of the Company's existing excess cash and approximately \$200 million of additional borrowing at reasonable cost.

Today I formally asked the Board of Directors to consider this alternative in lieu of the Mitel buyout offer to be voted on by shareholders later this month. I am hopeful that they will thoroughly evaluate my value-maximization proposal, and I will advise you promptly of their reply. The details of my alternative recapitalization proposal will be filed with the SEC shortly.

I believe the inherent value of the Company is significantly greater than the current offer, and therefore intend to vote NO on the Mitel buyout proposal and urge you to do the same.

We have worked too hard to see the Company sold for what I believe is less than its true value. I am not opposed to a sale of the Company, and if Mitel or another bidder offers what I believe is a fair price I will gladly support it; however,

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in the absence of that offer, I believe the Company has a better alternative through a leveraged recapitalization, which I firmly believe will provide greater present value to all shareholders and will at the same time preserve the opportunity for future growth and upside potential, including a possible sale at a later date.

Thank you for considering this matter.

Very truly yours,

/s/ Steven G. Mihaylo

STEVEN G. MIHAYLO

Mr. Mihaylo intends to send you proxy materials shortly. Once you receive Mr. Mihaylo's proxy material, you can vote **AGAINST** the merger on the proxy card furnished by Mr. Mihaylo. Until then, Mr. Mihaylo urges you to oppose the merger. You can do so either by simply not returning the Company's proxy card since a failure to vote has the same effect as a vote against the merger or by voting

AGAINST the Merger on the Company's proxy card.

If you have any questions, please contact MacKenzie Partners, Inc., the firm assisting Mr. Mihaylo in the solicitation of proxies:

MacKenzie Partners, Inc.

105 Madison Avenue

New York, New York 10016

TOLL FREE: (800) 322-2885

or

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CALL COLLECT: (212) 929-5500

proxy@mackenziepartners.com

Participant Legend

Steven G. Mihaylo (Mr. Mihaylo) plans to file with the Securities and Exchange Commission, and mail to stockholders of Inter-Tel (Delaware), Incorporated (Inter-Tel), a proxy statement in connection with his opposition to the adoption of the Agreement and Plan of Merger, dated as of April 26, 2007, by and among Inter-Tel, Mitel Networks Corporation and Arsenal Acquisition Corporation to be voted on by stockholders at a Special Meeting of Inter-Tel stockholders to be held on June 29, 2007 (the Special Meeting). MR. MIHAYLO STRONGLY ADVISES ALL INTER-TEL STOCKHOLDERS TO READ THE PROXY STATEMENT WHEN IT BECOMES AVAILABLE BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION, INCLUDING

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INFORMATION RELATING TO THE PARTICIPANTS IN THE PROXY SOLICITATION. SUCH PROXY STATEMENT, WHEN FILED, AND ANY OTHER RELEVANT DOCUMENTS WILL BE AVAILABLE AT NO CHARGE ON THE SEC 'S WEBSITE AT [HTTP://WWW.SEC.GOV](http://www.sec.gov).

Participant Information

Mr. Mihaylo, Summit Growth Management LLC (Summit) and the Steven G. Mihaylo Trust (the Trust) are participants in the solicitation of proxies by Mr. Mihaylo from stockholders of Inter-Tel in connection with the Special Meeting. Mr. Mihaylo intends to solicit proxies from the stockholders of Inter-Tel to vote against the adoption of the Merger Agreement at the Special Meeting.