DALEEN TECHNOLOGIES INC
Form PRER14A
August 31, 2004

SCHEDULE 14A INFORMATION

Amendment No. 4

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES

EXCHANGE ACT OF 1934

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

þ Preliminary proxy statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive proxy statement
o Definitive Additional Materials
o Soliciting Material Pursuant to Rule 14a-12

DALEEN TECHNOLOGIES, INC.

(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):

o No fee required.

þ 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:
Daleen Technologies, Inc. Common Stock, par value $0.01 per share,
Daleen Technologies, Inc. Series F Convertible Preferred Stock, par value $0.01 per share

(2) Aggregate number of securities to which transaction applies:
46,911,152 shares of Common Stock
449,237 shares of Series F Preferred Stock

(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):
For purposes of this transaction, the Common Stock was valued at an aggregate of $1.8 million, or approximately $0.0384 per share, and the Series F Preferred Stock was valued at an aggregate of $15.4 million or approximately $34.28 per share.

(4) Proposed maximum aggregate value of transaction:
$17,200,000

(5) Total fee paid:
$3,440

þ 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:

DALEEN TECHNOLOGIES, INC.

902 Clint Moore Road, Suite 230
Boca Raton, Florida 33487
(561) 999-8000

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held on September 28, 2004

To the stockholders of Daleen Technologies, Inc.:

NOTICE IS HEREBY GIVEN that a special meeting (the Special Meeting) of the stockholders of Daleen Technologies, Inc., a Delaware corporation (the Company), will be held on September 28, 2004 at 9:00 a.m. local time at the Company s corporate headquarters, 902 Clint Moore Road, Suite 230, Boca Raton, Florida 33487, for the following purposes, as more fully described in the proxy statement accompanying this Notice:

1. To vote on a proposal to approve and adopt the Agreement and Plan of Merger and Share Exchange, dated as of May 7, 2004, as amended (the Merger Agreement), among Daleen Holdings, Inc., a Delaware corporation (Daleen Holdings), Parallel Acquisition, Inc., a Delaware corporation (Parallel Acquisition), the Company, Behrman Capital II, L.P., a Delaware limited partnership (Behrman Capital), and Strategic Entrepreneur Fund II, L.P., a Delaware limited partnership (SEF), pursuant to which (i) Parallel Acquisition, a subsidiary of Daleen Holdings formed for the sole purpose of merging with the Company, will be merged with and into the Company (the Merger), with the Company surviving as a subsidiary of Daleen Holdings and (ii) Behrman Capital and SEF will exchange (the Exchange) all of their shares of the Company s Series F Convertible Preferred Stock, par value $0.01 per share (Series F Preferred Stock), immediately prior to the completion of the Merger for shares of Daleen Holdings common stock and preferred stock. Behrman Capital, SEF, the other holders of the Company s Common Stock, par value $0.01 per share (Common Stock), at the effective time of the Merger and the holders of the Company s Series F Preferred Stock upon the Exchange and at the effective time of the Merger would receive an aggregate of $17.2 million in cash and Daleen Holdings common stock and preferred stock, as more fully described in the accompanying proxy statement, for all of their shares of Common Stock and Series F Preferred Stock.

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

Approval and adoption of the Merger Agreement will also constitute approval of the Merger and the other transactions contemplated by the Merger Agreement. A copy of the Merger Agreement is attached as Appendix A to the accompanying proxy statement.

The proposal to be considered at the Special Meeting is described in the accompanying proxy statement. Only holders of record of Common Stock or Series F Preferred Stock at the close of business on August 20, 2004, are entitled to notice of, and to vote at, the Special Meeting. A list of stockholders entitled to vote at the Special Meeting will be available for inspection at the Special Meeting and for a period of ten days prior to the Special Meeting during regular business hours at the Company s corporate headquarters.

The Company s Board of Directors, after consideration and receipt of the unanimous recommendation of a special committee of non-employee directors not affiliated with Behrman Capital, has determined that the Merger Agreement and the Merger and other transactions contemplated by the Merger Agreement are advisable and in the best interests of, and that the merger consideration is fair to, the Company s stockholders, including unaffiliated stockholders. The Company s Board of Directors has approved and recommends that you vote FOR the proposal described above.

All stockholders are cordially invited to attend the Special Meeting in person. Whether or not you expect to attend the Special Meeting, your vote is important. To assure your representation at the Special Meeting, please vote by marking, signing and dating the enclosed proxy and returning it promptly in the enclosed envelope, which requires no additional postage if mailed in the United States. You may revoke your proxy at any time prior to the Special Meeting. If you attend the Special Meeting, your proxy will be revoked only if you specifically request, in which case only your vote at the Special Meeting will count.

By Order of the Board of Directors,

Dawn R. Landry
Corporate Secretary

Boca Raton, Florida
_____, 2004

YOUR VOTE IS VERY IMPORTANT, REGARDLESS OF THE

NUMBER OF SHARES YOU OWN.

Please read the attached proxy statement carefully, complete, sign and date the enclosed proxy card as promptly as possible and return it in the enclosed envelope.

DALEEN TECHNOLOGIES, INC.

902 Clint Moore Road, Suite 230
Boca Raton, Florida 33487
(561) 999-8000

PROXY STATEMENT
FOR THE SPECIAL MEETING OF STOCKHOLDERS
To Be Held on September 28, 2004

To Our Stockholders:

This proxy statement is furnished to holders of record of Common Stock, par value $0.01 per share (Common Stock), and holders of record of Series F Convertible Preferred Stock, par value $0.01 per share (Series F Preferred Stock), of Daleen Technologies, Inc. (the Company) in connection with the solicitation of proxies by the Board of Directors of the Company (the Board of Directors) for use at the special meeting of stockholders to be held on September 28, 2004 (the Special Meeting).

The Special Meeting will be held at the Company s corporate headquarters, 902 Clint Moore Road, Suite 230, Boca Raton, Florida 33487, at 9:00 a.m. local time. This proxy statement and the accompanying proxy card(s) are being mailed to stockholders of record on or about , 2004.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of this transaction, passed upon the merits or fairness of the transaction or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

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SUMMARY TERM SHEET

The following summary briefly describes the terms of the proposed merger of the Company with Parallel Acquisition, a subsidiary of Daleen Holdings, which was formed for the sole purpose of merging with and into the Company (the Merger). While this summary describes the material terms and features of the Merger, this proxy statement contains elsewhere a more detailed description of the terms. We encourage you to carefully read the entire proxy statement, including the appendices and the exhibits thereto, before voting. We have included section references to direct you to a more complete description of the topics described in this summary. Additional information about us has been filed with the Securities and Exchange Commission and is available as described in the section of this proxy statement entitled OTHER INFORMATION Where You Can Find More Information.

Parties to the Merger and Other Relevant Parties

Daleen Technologies, Inc. We are a global provider of advanced billing and customer care, event management and revenue assurance software for convergent communication service providers and other technology solutions providers. We are a Delaware corporation with principal executive offices at 902 Clint Moore Road, Suite 230, Boca Raton, Florida 33487. Additional information about us can be found in our Annual Report on Form 10-K/A for our fiscal year ended December 31, 2003, a copy of which is attached to this proxy statement as Appendix D, and our Quarterly Report on Form 10-Q for our fiscal quarter ended June 30, 2004, a copy of which is attached to this proxy statement as Appendix E.

Daleen Holdings, Inc. Daleen Holdings is a newly formed Delaware corporation that is a wholly owned direct subsidiary of the Company. Daleen Holdings has no prior operations and is not expected to have any operations prior to the consummation of the Merger, except for the performance of its obligations under the Agreement and Plan of Merger and Share Exchange, dated as of May 7, 2004, as amended (the Merger Agreement), among Daleen Holdings, Parallel Acquisition, Inc., a Delaware corporation, the Company, Behrman Capital II, L.P., a Delaware limited partnership, and Strategic Entrepreneur Fund II, L.P., a Delaware limited partnership (SEF). The principal executive offices of Daleen Holdings are located at 902 Clint Moore Road, Suite 230, Boca Raton, Florida 33487.

Parallel Acquisition, Inc. Parallel Acquisition is a newly formed Delaware corporation and a wholly owned subsidiary of Daleen Holdings. Parallel Acquisition was formed solely for the purpose of merging with us in the Merger. Parallel Acquisition has no prior operations and is not expected to have any operations prior to the consummation of the Merger. Upon effectiveness of the Merger, Parallel Acquisition will be merged with and into us, with us surviving the Merger as a subsidiary of Daleen Holdings. Parallel Acquisition s principal executive offices are located at 902 Clint Moore Road, Suite 230, Boca Raton, Florida 33487.

Behrman Capital II, L.P. Behrman Capital, a Delaware limited partnership, is an investment firm that principally backs experienced management teams in the purchases of businesses they operate. Behrman Capital s investments have historically been focused in four industries information technology, outsourcing, business services and contract manufacturing. As of August 20, 2004, Behrman Capital was the beneficial owner of 58,863,523 shares of our Common Stock and 219,744 shares of our Series F Preferred Stock. Behrman Capital s principal executive offices are located at 126 East 56th Street, 27th Floor, New York, NY 10022.

Strategic Entrepreneur Fund II, L.P. SEF is a Delaware limited partnership and an affiliate of Behrman Capital. SEF is an investment firm that historically has participated in the same investment opportunities as Behrman Capital. As of August 20, 2004, the record date for the Special Meeting, SEF was the beneficial owner of 790,579 shares of our Common Stock and 2,980 shares of our Series F Preferred Stock. SEF s principal executive offices are located at 126 East 56th Street, 27th Floor, New York, NY 10022.

Gordon Quick. Gordon Quick currently is a Director of the Company and our President and Chief Executive Officer. Mr. Quick also is currently the sole director, chief executive officer and treasurer of

each of Daleen Holdings and Parallel Acquisition. If the Merger is completed, Mr. Quick would become the Chief Executive Officer of Daleen Holdings pursuant to the terms of an employment agreement between Mr. Quick and Daleen Holdings. Mr. Quick also would be a Director of Daleen Holdings and would be eligible to participate in Daleen Holdings management incentive plan. Mr. Quick is party to a retention bonus arrangement with us, with the bonus amount specified in a separate side letter. As long as Mr. Quick remains employed by the Company at the earlier of (i) the completion of the Merger or (ii) May 6, 2005, the first anniversary of the side letter, a retention bonus of $200,000 is payable to Mr. Quick by the Company. The bonus amount also is payable if Mr. Quick were to be terminated without cause or if he were to resign for good reason prior to such date.

Quadrangle Investors. Quadrangle Capital Partners LP, a Delaware limited partnership, is a private equity fund that primarily invests in the media and communications sectors. Concurrent with the completion of the Merger, Quadrangle Capital Partners LP and two of its affiliates, Quadrangle Select Partners LP and Quadrangle Capital Partners-A LP, (with Quadrangle Capital Partners LP, collectively referred to as the Quadrangle Investors), will invest $25 million in cash in Daleen Holdings in exchange for shares of Daleen Holdings preferred stock. If the Merger and related transactions are completed, it is expected that Quadrangle will own approximately 71% of the then issued and outstanding shares of Daleen Holdings preferred stock and will control the right to designate a majority of the directors of Daleen Holdings. The Quadrangle Investors have capital commitments from their partners in excess of $1 billion, of which $419 million remains available as of June 30, 2004.

Protek Telecommunications Solutions Limited. Based in the United Kingdom, Protek is a leading provider of customer care and billing, network management and real-time inventory solutions to next-generation service providers, utilities and large government agencies. Concurrent with the execution and delivery of the Merger Agreement, Daleen Holdings agreed to purchase all outstanding shares of the capital stock of Protek for aggregate consideration of up to $20 million, consisting of up to $13 million in cash, $5 million in common stock of Daleen Holdings, and contingent post-closing performance bonuses consisting of up to $1 million in cash and $1 million of common stock of Daleen Holdings. The purchase price will be subject to reduction in respect of closing date debt and working capital shortfalls.

See SPECIAL FACTORS Parties to the Merger and Other Relevant Parties.

Terms of the Merger

Pursuant to the Merger Agreement, Daleen Holdings will acquire us for an aggregate of $17.2 million in cash and Daleen Holdings stock, allocated as described in this proxy statement. Upon completion of the Merger, Parallel Acquisition will merge with and into the Company, with the Company surviving the Merger. Daleen Holdings will own 100% of the Company s then outstanding stock immediately following the Merger, and you will no longer be a stockholder of, or have any ownership interest in, the Company, unless you hold shares of Series F Preferred Stock at the effective time of the Merger and receive Daleen Holdings common stock as all or part of your merger consideration.

Allocation of Consideration. For purposes of the Merger, our Common Stock has been valued at $1.8 million in the aggregate, or approximately $0.0384 per share, and our Series F Preferred Stock has been valued at $15.4 million in the aggregate, or approximately $34.28 per share. The aggregate merger consideration to be paid by Daleen Holdings would be allocated as follows:

Each share of our Common Stock outstanding at the Effective Time, excluding shares held by Daleen Holdings and shares as to which appraisal rights are properly exercised under Delaware law, will convert into the right to receive $0.0384 per share in cash.

Each share of our Series F Preferred Stock outstanding at the Effective Time, excluding shares held by Daleen Holdings and shares as to which appraisal rights are properly exercised under Delaware law, will convert into the right to receive, at the election of the holder of each such share and subject to the reallocation described below, either (i) a combination of cash and Daleen Holdings common stock or (ii) solely Daleen Holdings common stock.

Immediately prior to consummation of the Merger, Behrman Capital and SEF are contractually obligated to exchange their shares of our Series F Preferred Stock for an equivalent value of Daleen Holdings securities, consisting of $5 million in shares of Daleen Holdings preferred stock, and the remainder of the value attributable to their Series F Preferred Stock in Daleen Holdings common stock. See THE MERGER Payment of Merger Consideration and Surrender of Stock Certificates and THE MERGER AGREEMENT Merger Consideration.

Series F Preferred Stock Liquidation Preference. Under the terms of the Series F Preferred Stock, as set forth in our Certificate of Incorporation, upon a sale or liquidation of the Company, the holders of shares of Series F Preferred Stock are entitled to receive their aggregate liquidation preference of $49.8 million in redemption of their shares. As a consequence, in any transaction valuing Daleen at less than that stated liquidation preference no value would be allocable to our Common Stock, absent agreement by our Series F Preferred holders to forgo some portion of the proceeds to which they would otherwise be entitled under our Certificate of Incorporation. Holders of Series F Preferred Stock have no obligation to convert their shares into Common Stock, nor would it make economic sense for them to so convert because they would receive less value upon conversion. See THE MERGER Payment of Merger Consideration and Surrender of Stock Certificates and THE MERGER AGREEMENT Merger Consideration.

Series F Preferred Stock Equity Election. If a holder of our Series F Preferred Stock, excluding Daleen Holdings or a holder properly exercising appraisal rights under Delaware law, chooses to receive a combination of cash and Daleen Holdings common stock for any number of their shares, the ability of Daleen Holdings to grant the request will be determined by the elections of the other holders of Series F Preferred Stock. In exchange for any shares for which this cash-equity election has been made, holders will receive:

cash per share equal to the result obtained by dividing (x) the result obtained by subtracting from $4,600,000 the sum of all cash amounts to be paid to holders of our Common Stock at the completion of the Merger (assuming for purposes of such calculation that there are no exercises of appraisal rights under Delaware law), by (y) the aggregate number of shares of our Series F Preferred Stock held by record holders, other than Daleen Holdings, for which the cash-equity election has been made (but in no event more than $34.28 per share); plus

a number of fully paid and nonassessable shares of Daleen Holdings common stock equal to the result obtained by dividing (x) the excess, if any, of $34.28 over the per share cash amount to be received by holders of Series F Preferred Stock electing this option by (y) $25.

For illustrative purposes, please note the following examples to determine the amount of cash and equity to be distributed to the holders of the Series F Preferred Stock, excluding Daleen Holdings or a holder properly exercising appraisal rights under Delaware law:

The aggregate cash amount payable to the holders of Common Stock at completion of the Merger is $1.8 million. The difference between the $4.6 million available for distribution to all stockholders of Daleen, excluding Behrman Capital and SEF, and $1.8 million is $2.8 million.

In the event that holders of 100,000 shares of Series F Preferred Stock, which represents approximately 44% of the number of currently issued and outstanding shares of Series F Preferred Stock, make a cash-equity election with respect to all of their shares, each such holder shall receive (i) an amount in cash equal to $28.00 per share of Series F Preferred Stock held by such holder ($2.8 million divided by 100,000 shares of Series F Preferred Stock) and (ii) shares of Daleen Holdings Common Stock equal to the value of $6.28, the difference between $34.28 and $28.00 (0.2512 shares where each share of Daleen Holdings Common Stock is valued at $25.00). Therefore, under this scenario, a single hypothetical holder of 1,000 shares of Series F Preferred Stock would receive an amount in cash equal to $28,005, including $5.00 received for the resulting fractional share, and 251 shares of Daleen Holdings Common Stock for the 1,000 shares of

Series F Preferred Stock. Any holder of shares of Series F Preferred Stock making an equity election with respect to all of their shares shall receive 1.3712 shares of Daleen Holdings Common Stock for each share of Series F Preferred Stock held by such holder. As a result, a single hypothetical holder of 1,000 shares of Series F Preferred Stock electing not to receive any cash in the Merger would receive 1371 shares of Daleen Holdings Common Stock and $5.00 in cash for the resulting fractional share for the 1,000 shares of Series F Preferred Stock.

If all holders of shares of Series F Preferred Stock make a cash-equity election with respect to all of their shares, then each such holder shall receive (i) an amount in cash equal to $12.36 ($2.8 million of available cash divided by 226,513 outstanding shares of Series F Preferred Stock, excluding shares held by Daleen Holdings, Behrman Capital and SEF or a holder properly exercising appraisal rights under Delaware law) and (ii) shares of Daleen Holdings Common Stock valued at $21.92, the difference between $34.28 and $12.36 (0.8768 shares where each share of Daleen Holdings Common Stock is valued at $25.00). Thus, under this scenario, a single hypothetical holder of 1,000 shares of Series F Preferred Stock would receive an amount in cash equal to $12,381.32, including $20.00 received for the resulting fractional share, and 876 shares of Daleen Holdings Common Stock in exchange for the 1,000 shares of Series F Preferred Stock.

See THE MERGER Payment of Merger Consideration and Surrender of Stock Certificates and THE MERGER AGREEMENT Merger Consideration.

Fractional Shares. No certificates representing fractional shares of Daleen Holdings common stock will be issued in connection with the Merger. Each record holder of our Series F Preferred Stock exchanged in the Merger who otherwise would have been entitled to receive a fraction of a share of Daleen Holdings common stock, after taking into account all shares of our Series F Preferred Stock delivered by that holder, will receive, in lieu of that fractional share, a cash payment, without interest, in an amount equal to the product of that fraction multiplied by $25. See THE MERGER Payment of Merger Consideration and Surrender of Stock Certificates and THE MERGER AGREEMENT Merger Consideration.

Escrow Arrangement.

In accordance with an indemnity escrow agreement, $970,618.01, representing 12.5% of the aggregate consideration allocated to the holders of our Series F Preferred Stock (regardless of their election and including cash and securities in proportion to the amounts to be received by such holders of Series F Preferred Stock), excluding any consideration paid to Behrman Capital and SEF, will be retained in escrow.

If certain specified litigation is outstanding as of the effective time of the Merger, an additional $503,944.87, representing 6.49% of the aggregate consideration allocated to the holders of our Series F Preferred Stock, excluding any consideration paid to Behrman Capital and SEF, will be held in a special escrow account securing the indemnification obligations of the holders of Series F Preferred Stock, excluding Behrman Capital and SEF, with respect to that litigation.

An additional approximately $826,432.98, representing all of the cash consideration otherwise deliverable to Behrman Capital and SEF under the Merger Agreement, will be delivered to the escrow agent to secure all of the indemnification obligations of Behrman Capital and SEF under the Merger Agreement.

The holders of the Common Stock do not have any indemnification obligations under the Merger Agreement and, as such, none of the consideration deliverable in respect of the Common Stock, other than the Common Stock held by Behrman Capital and SEF, will be deposited into escrow.

See THE MERGER Escrow Arrangement.

Termination Rights. If, in fulfillment of their fiduciary duties, our Board of Directors terminates the Merger Agreement due to a superior bid, a break-up fee of $500,000 must be paid by us to the Quadrangle Investors. In addition, a break-up fee of $200,000 will be payable by us to Protek under such

circumstances. See THE MERGER AGREEMENT Termination. Our ability to terminate the Merger Agreement is materially limited by the rights of the Quadrangle Investors and Protek under a transaction support agreement. See TRANSACTIONS RELATED TO THE MERGER Transaction Support Agreement.

Stock Options and Warrants. Upon effectiveness of the Merger, each outstanding option or warrant to purchase our capital stock, whether or not exercisable, whether or not vested, and whether or not performance-based, will, to the extent not exercised prior to the closing of the Merger, be terminated and be of no further value or effect. We have amended the terms of each of our stock option plans to provide that the vesting and exercise of each option or warrant will accelerate effective as of the date of the closing of the Merger, and that, unless exercised by written notice of exercise delivered prior to the date of the closing of the Merger, and conditioned solely on the occurrence of the closing, each option or warrant will terminate immediately prior to the effectiveness of the Merger without further action by us or the holder of the option. See THE MERGER AGREEMENT Stock Options and Warrants.

Transactions Related to the Merger

Investments in Daleen Holdings. The Quadrangle Investors, Behrman Capital and SEF entered into an investment agreement pursuant to and subject to the terms and conditions of which they agreed to invest an aggregate of $30 million in Daleen Holdings ($25 million by the Quadrangle Investors and $5 million by Behrman Capital and SEF, assuming no participation by holders of Series F Preferred Stock) concurrently with the completion of the Merger. In consideration for these investments, Daleen Holdings has agreed to issue to them shares of Daleen Holdings preferred stock representing the following percentages of the outstanding shares, calculated on an as-converted to common stock basis, immediately after the completion of the Merger: 37.21% to Quadrangle Capital Partners LP, 1.89% to Quadrangle Select Partners LP, 13.53% to Quadrangle Capital Partners-A LP, 10.36% to Behrman Capital and 0.14% to SEF, in each case assuming that no holder of Series F Preferred exercised the equity election in the Merger. The obligations to make these investments is contingent upon the completion of the Merger. See TRANSACTIONS RELATED TO THE MERGER Investment Agreement.

Bridge Loan Facilities. In order to assist Protek with its ordinary course working capital needs prior to the closing of the acquisition of Protek by Daleen Holdings, which would occur concurrently with the completion of the Merger of Parallel Acquisition and us, we have provided Protek with a bridge loan of up to $1.5 million, of which $500,000 is treated as a deposit paid to Protek by Daleen Holdings under the stock purchase agreement pursuant to which Daleen Holdings has agreed to acquire Protek concurrently with the completion of the Merger. This $500,000 would be forgiven by us upon any termination of the stock purchase agreement other than as a result of a breach by Protek. This loan is funded in turn by a loan to us by Behrman Capital pursuant to a separate bridge facility described below. The current outstanding balance on this bridge loan is approximately $1.0 million. Protek has submitted a request to draw the remaining $500,000 available under the bridge facility.

The loan from Behrman Capital to us has been made pursuant to a bridge loan facility in an aggregate principal amount of $5.1 million. Up to $1.5 million of the proceeds may be used by us to fund the bridge loan by us to Protek, and the remainder, if drawn upon, may be available to us to assist us with our ordinary course working capital needs prior to the closing of the Merger and to pay costs we incur in connection with the Merger and related transactions. The current outstanding balance on this bridge loan is approximately $2.7 million. We have submitted a request to draw an additional $750,000 under the bridge loan. We intend to use $500,000 of that amount to fund the additional $500,000 that Protek has requested under the Protek bridge facility and $250,000 for our ordinary course working capital needs. At completion of the Merger, any outstanding amounts lent to us by Behrman Capital under the bridge loan facility between Behrman Capital and us may be used as consideration in respect of Behrman Capital s commitment to invest $5 million in Daleen Holdings. See TRANSACTIONS RELATED TO THE MERGER Bridge Loan Facilities.

Protek Acquisition by Daleen Holdings. Concurrent with the completion of the Merger and the transactions contemplated by the Merger Agreement, Daleen Holdings will acquire Protek by purchase of all of Protek s outstanding capital stock from its current shareholders for an aggregate consideration of up to $20 million. The acquisition is contingent upon a concurrent completion of the Merger. See CERTAIN TRANSACTIONS RELATED TO THE MERGER Protek Acquisition.

We have been notified by Protek of a tax investigation of its Russian subsidiary by the Department of Internal Affairs of the Central Administrative Region of the City of Moscow. Protek has informed us that it does not believe any facts exist that will lead to any material liability of the subsidiary. The parties are evaluating the potential implications on the Protek stock purchase agreement. Because our analysis of the Protek situation is in its initial stages, we are unable at this time to determine the potential consequences on the Merger and related transactions.

Voting Agreements. The Quadrangle Investors have entered into separate voting agreements with SAIC Venture Capital Corporation, Behrman Capital, SEF, HarbourVest Partners V Direct Fund L.P. and HarbourVest Partners VI Direct Fund, L.P. pursuant to which these stockholders have agreed with the Quadrangle Investors to vote all of their shares of our Common Stock and Series F Preferred Stock in favor of the approval and adoption of the Merger Agreement at the Special Meeting. In addition, these stockholders have agreed in their respective Voting Agreements with the Quadrangle Investors to waive the mandatory redemption rights of our Series F Preferred Stock in connection with the Merger. As of August 20, 2004, the record date for the Special Meeting, stockholders party to the separate Voting Agreements held an aggregate of approximately 71% of the combined voting power of our outstanding Common Stock and Series F Preferred Stock, which is sufficient voting power in and of itself to approve the Merger Agreement. See SPECIAL FACTORS Voting Agreements.

Indemnity Escrow Agreement. In accordance with the terms of an indemnity escrow agreement, 12.5% of the aggregate consideration allocated in the Merger to the holders of our Series F Preferred Stock (regardless of their election and including cash and securities in proportion to the amounts to be received by such holders of Series F Preferred Stock), excluding consideration delivered to Behrman Capital and SEF, will be retained in escrow to secure their respective obligations to indemnify Daleen Holdings, its directors, officers, managers, employees, equity holders and permitted assigns from any losses, liabilities, claims, obligations, damages, costs, and expenses relating to or arising out of the breach of any representation, warranty, covenant or agreement contained in the Merger Agreement. This escrow will have a value of approximately $970,618.01.

In addition, if certain specified litigation is pending against us as of the effective time of the Merger, an additional 6.49% of such aggregate consideration allocated in the Merger to the holders of our Series F Preferred Stock (regardless of their election and including cash and securities in proportion to the amounts to be received by such holders of Series F Preferred Stock), excluding consideration delivered to Behrman Capital and SEF, will be delivered to the escrow agent and held as a special escrow account securing the indemnification obligations of the holders of our Series F Preferred Stock, excluding Behrman Capital and SEF, to indemnify 66.67% of any and all losses, liabilities, claims, obligations, damages, costs and expenses relating to or arising out of that litigation. This escrow will have a value of approximately $503,944.87, if created.

A separate escrow account consisting solely of cash otherwise deliverable to Behrman Capital and SEF under the Merger Agreement (approximately $826,432.98) will be established upon the closing of the Merger. These cash amounts will be applied pro rata to claims arising either in respect of the general indemnification that is the subject of the 12.5% general escrow or in respect of the specified litigation that is the subject of the 6.49% special escrow. The indemnification obligations of Behrman Capital and SEF will be limited to this cash escrow. The maximum aggregate indemnification obligation of Behrman Capital and SEF represents approximately 9.85% of the aggregate value that they will receive in the exchange of their shares of our Series F Preferred Stock and Common Stock in the share exchange and Merger, but will be funded solely in cash, whereas the maximum indemnification obligation of other

Series F holders will represent 19% of the aggregate value received by them in the Merger but will consist of cash and securities.

Holders of our Common Stock do not have indemnification obligations under the Merger Agreement in respect of the shares of Common Stock held by them, and, as such, none of the consideration to be delivered to holders of our Common Stock, other than Behrman Capital and SEF, will be retained in escrow.

See THE MERGER Escrow Arrangement.

Special Committee of the Board of Directors

Certain of our directors have financial and other interests that may be different from, and in addition to, your interests in the proposal described in this proxy statement. Our Board of Directors decided that, in order to protect the interests of our unaffiliated stockholders in evaluating the Merger Agreement, the Strategic Planning Committee (the Special Committee), a special committee of non-employee directors not affiliated with Behrman Capital, should be formed to perform that task and, if appropriate, to recommend the Merger and the terms of the Merger Agreement to our entire Board of Directors. The Special Committee consisted of Messrs. John McCarthy, Daniel Foreman and Stephen Getsy. The Special Committee retained Thompson Coburn LLP as its separate legal counsel. See SPECIAL FACTORS Background of the Merger.

Recommendation of the Special Committee and the Board of Directors

After consideration, and in light of the factors described in the section of this proxy statement entitled SPECIAL FACTORS Reasons for the Special Committee s Determination; Fairness of the Merger and Reasons for the Board of Directors Determination; Fairness of the Merger, the Special Committee and our Board of Directors, based on the recommendation of the Special Committee, unanimously determined that the Merger Agreement and the transactions contemplated thereby, including the Merger, are advisable, fair to, and in the best interests of Daleen and its stockholders. **Accordingly, our Board of Directors recommends that you vote FOR the approval and adoption of the Merger Agreement.**

For a discussion of the material factors considered by the Special Committee and our Board of Directors in reaching their conclusions and the reasons why the Special Committee and our Board of Directors determined that the Merger Agreement and the transactions contemplated by it, including the Merger, are advisable, fair to and in the best interests of Daleen and its stockholders, including unaffiliated stockholders, see the sections of this proxy statement entitled SPECIAL FACTORS Reasons for the Special Committee s Determination; Fairness of the Merger, and Reasons for the Board of Directors Determination; Fairness of the Merger.

Opinion of the Financial Advisor

The Special Committee, on behalf of our Board of Directors, received the written opinion of the Company s financial advisor, Valuation Research Corporation (VRC) to the effect that, as of May 5, 2004, the merger consideration to be received by the holders of our Common Stock and Series F Preferred Stock in the Merger was fair, from a financial point of view, to such holders. VRC s written opinion is described in more detail under the caption SPECIAL FACTORS Opinion of Valuation Research Corporation, and the full text of its written opinion, dated May 5, 2004, is attached as Appendix B to this proxy statement. We encourage you to read this opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the review undertaken. **VRC s opinion was provided to the Special Committee in connection with its evaluation of the merger consideration and relates only to the fairness, from a financial point of view, of the merger consideration, does not address any other aspect of the Merger and does not constitute a recommendation to any stockholder as to any matters relating to the Merger or any related transaction.**

Positions of Behrman Capital, SEF, Daleen Holdings, Parallel Acquisition and Gordon Quick as to the Fairness of the Merger

The rules of the Securities and Exchange Commission require Behrman Capital, SEF, Daleen Holdings, Parallel Acquisition and Gordon Quick to express their respective beliefs regarding the fairness of the Merger to our unaffiliated stockholders.

For this reason, Behrman Capital and SEF have carefully reviewed and considered the factors and reasons more fully discussed in the section of this proxy statement entitled SPECIAL FACTORS Reasons for Behrman Capital s and SEF s Determination; Fairness of the Merger . Also for this reason, Daleen Holdings, Parallel Acquisition and Mr. Quick have carefully reviewed and considered the factors examined by the Special Committee and our Board of Directors described in the sections of this proxy statement entitled SPECIAL FACTORS Reasons for the Special Committee s Determination; Fairness of the Merger and Reasons for the Board of Directors Determination; Fairness of the Merger. Based on their review of these factors, Behrman Capital, SEF, Daleen Holdings, Parallel Acquisition and Mr. Quick each believe that the Merger is fair to our stockholders, including unaffiliated stockholders. Behrman Capital, SEF, Daleen Holdings, Parallel Acquisition and Gordon Quick each reached this conclusion independently of one another.

This position of Behrman Capital, SEF, Daleen Holdings, Parallel Acquisition and Mr. Quick should not be construed as a recommendation to any stockholder as to how they should vote at the Special Meeting. None of Behrman Capital, SEF, Daleen Holdings, Parallel Acquisition or Mr. Quick have considered any factors, other than as stated or outlined herein, regarding the fairness of the Merger, as they believe the factors they considered provided a reasonable basis to form their belief. None of Behrman Capital, SEF, Daleen Holdings, Parallel Acquisition or Mr. Quick solicited or otherwise obtained the advice of an independent party as to the fairness of the Merger and, as interested parties with respect to the Merger, may not be deemed to be objective in their views with regard to the fairness of the Merger. See SPECIAL FACTORS Interests of Certain Parties. None of Daleen Holdings, Parallel Acquisition, Mr. Quick, Behrman Capital or SEF has any reason to disagree with the Special Committee or Board of Directors in their considerations of the factors stated above, or conclusions regarding some of those factors. As a result, Daleen Holdings, Parallel Acquisition and Mr. Quick each adopt the Special Committee s and Board of Directors analyses and conclusions with respect to each of such factors. Those analyses and conclusions, as well as the additional analysis and conclusions made and reached by Behrman Capital and SEF are set forth in the sections of this proxy statement entitled SPECIAL FACTORS Positions of Behrman Capital, SEF, Daleen Holdings, Parallel Acquisition and Gordon Quick ; Reasons for Daleen Holdings , Parallel Acquisition s and Gordon Quick s Determination; Fairness of the Merger ; and Reasons for Behrman Capital s and SEF s Determination; Fairness of the Merger.

Interests of Directors and Officers in the Merger

When considering the recommendation of our Board of Directors that you vote FOR approval and adoption of the Merger Agreement, you should be aware that certain of our directors and officers have interests in the Merger that are different from, or in addition to, yours and that may present, or appear to present, a conflict of interest. See SPECIAL FACTORS Interests of Certain Parties. These interests include the following:

- some of our directors and executive officers hold Common Stock and/or Series F Preferred Stock and, as a result, will receive the applicable merger consideration for these shares;

- Dennis Sisco, one of our Directors, is a member of Behrman Brothers, L.L.C., an investment firm that manages Behrman Capital;

- Daleen Holdings entered into an employment agreement with Gordon Quick, currently a Director and our President and Chief Executive Officer, and has offered employment to certain members of our management, and such persons, including Mr. Quick, will be eligible to participate in Daleen Holdings management incentive plan; and

Mr. Quick is party to a retention bonus arrangement with us whereby, as long as Mr. Quick remains employed by the Company at the earlier of (i) the completion of the Merger or (ii) May 6, 2005, a retention bonus of $200,000 is payable to Mr. Quick by the Company.

Effects of the Merger

Upon completion of the Merger, Parallel Acquisition will merge with and into the Company, with the Company surviving the Merger. Daleen Holdings will own 100% of the Company s then outstanding stock immediately following the Merger, and you will no longer be a stockholder of, or have any ownership interest in, the Company, unless you hold shares of Series F Preferred Stock at the effective time of the Merger and receive Daleen Holdings common stock as all or part of your merger consideration. Our Common Stock will no longer be quoted on the OTC Bulletin Board, and the registration of our Common Stock under the Securities Exchange Act of 1934, as amended (the Exchange Act), the only class of our securities currently registered under the Exchange Act, will terminate. As a result, we will cease to file periodic reports with the Securities and Exchange Commission under the Exchange Act.

Upon completion of the merger, holders of our Series F Preferred Stock will own up to 28% of Daleen Holdings preferred stock and up to approximately 60% of Daleen Holdings common stock. Quadrangle will own approximately 71% of Daleen Holdings preferred stock. Therefore, Quadrangle and holders of our Series F Preferred Stock will be the primary beneficiaries of our future earnings and growth, if any. Upon completion of the Merger, unless you hold shares of Series F Preferred Stock at the effective time of the Merger, you will not participate in any future earnings or growth and will not benefit from any appreciation in our value, if any. See SPECIAL FACTORS Effects of the Merger.

Conditions to Completing the Merger

Conditions to the Obligations of Each Party to the Merger. The obligations of each party to complete the Merger are subject to the satisfaction or waiver of certain conditions, including the following:

the Merger Agreement must be approved by 45,917,427 votes, which constitute a majority of the votes represented by all shares of our Common Stock and Series F Preferred Stock outstanding as of August 20, 2004 and voting as a single class, with each share of Series F Preferred Stock being entitled to 100 votes. As of August 20, 2004, the record date for the Special Meeting, stockholders party to the separate Voting Agreements held an aggregate of 65,658,034 votes, approximately 71% of the combined voting power of our outstanding Common Stock and Series F Preferred Stock, which is sufficient voting power in and of itself to approve the Merger Agreement;

Behrman Capital and SEF must have delivered their shares of our Series F Preferred Stock to Daleen Holdings immediately prior to completion of the Merger, and Daleen Holdings must have paid the consideration described in this proxy statement to Behrman Capital and SEF for those shares of Series F Preferred Stock;

shares with respect to which appraisal rights have been properly exercised pursuant to Delaware law may not include more than 5% of the shares of our Common Stock or 5% of the shares of our Series F Preferred Stock (including shares held by Behrman Capital or SEF) outstanding as of the effectiveness of the Merger; and

(i) no order, stay, decree, judgment or injunction has been entered, issued or enforced which prohibits the Merger, and (ii) there has been no action taken, or any statute, rule, regulation or order enacted, entered, enforced or deemed applicable to the Merger, which makes the consummation of the Merger illegal or substantially deprives Daleen Holdings of any of the anticipated benefits of the Merger.

Conditions to Our Obligations. Our obligations to complete the Merger also are subject to the satisfaction or waiver of other conditions, including the following:

- the representations and warranties of Daleen Holdings and Parallel Acquisition contained in the Merger Agreement must be true and correct in accordance with materiality or material adverse effect qualifiers set forth in the Merger Agreement; and
- each of Daleen Holdings and Parallel Acquisition must have performed in all material respects each of their covenants set forth in the Merger Agreement.

Conditions to the Obligations of Daleen Holdings and Parallel Acquisition. The obligations of Daleen Holdings and Parallel Acquisition to complete the Merger also are subject to the satisfaction or waiver of other conditions, including the following:

- our representations and warranties contained in the Merger Agreement must be true and correct in accordance with materiality or material adverse effect qualifiers set forth in the Merger Agreement;
- we must have performed in all material respects each of our covenants set forth in the Merger Agreement;
- we must have obtained a written consent and waiver agreement from Silicon Valley Bank and the United States Export Import Bank consenting to the execution, delivery and performance of the Merger Agreement and each of the transactions contemplated by the Merger Agreement and waiving any default in respect of the Merger Agreement, which written consent and waiver agreement has already been obtained;
- as of the closing of the Merger, there has not been any occurrence that has or would reasonably be expected to have a material adverse effect on us, with certain exceptions; and
- the aggregate amount of all indemnity to which Daleen Holdings and its respective directors, officers, managers, employees, equity holders, agents, affiliates, successors and permitted assigns would reasonably be expected to be entitled in respect of losses related to or arising out of certain specified litigation brought prior to the completion of the Merger, after giving effect to limitations and offsets set forth in the Merger Agreement, must not exceed $1,000,000.

See THE MERGER AGREEMENT Conditions to Completing the Merger.

Our ability and the ability of Daleen Holdings to waive closing conditions are materially limited by the rights of the Quadrangle Investors and Protek under a transaction support agreement. Under the transaction support agreement, no material conditions to the Merger Agreement can be waived without the prior written consent of other parties to the transaction support agreement. See TRANSACTIONS RELATED TO THE MERGER Transaction Support Agreement.

Termination

The Merger Agreement may be terminated prior to the effective time of the Merger for a number of reasons, including the following:

- by mutual written consent duly authorized by our Board of Directors and the respective boards of directors of Daleen Holdings and Parallel Acquisition;
- by Daleen Holdings or us if the Merger has not become effective on or prior to September 30, 2004; and
- by us if our Board of Directors or the Special Committee determine in good faith that a competing transaction is reasonably likely to be more favorable to our stockholders from a financial point of view than the Merger and upon payment of a termination fee.

See THE MERGER AGREEMENT Termination.

Our ability and the ability of Daleen Holdings to exercise these termination rights are materially limited by the rights of Quadrangle Capital Partners LP and Protek under a transaction support agreement. See TRANSACTIONS RELATED TO THE MERGER Transaction Support Agreement.

Material U.S. Federal Income Tax Consequences

Generally, a stockholder who receives only cash in the Merger would recognize capital gain or loss equal to the difference between the amount of cash received and the tax basis of the Common Stock exchanged in the Merger. A stockholder who receives Daleen Holdings stock and cash in the Merger and related share exchange would recognize gain (if any) but not loss in an amount equal to the lesser of: (i) the amount of cash received in the exchange; and (ii) the amount of gain realized in the exchange. A stockholder who receives solely shares of Daleen Holdings common stock in the Merger would not recognize gain or loss for U.S. federal income tax purposes, except with respect to cash, if any, the stockholder receives in lieu of a fractional share of Daleen Holdings common stock. See THE MERGER Material U.S. Federal Income Tax Consequences.

Litigation Relating to the Merger

Following our announcement of the execution of the Merger Agreement on May 7, 2004, litigation previously filed against us and our directors in respect of our previously proposed reverse stock split was amended to address the transaction described in this proxy statement. Two additional purported class action complaints were filed in the Delaware Court of Chancery to commence lawsuits on behalf of our public holders of Common Stock against us, our directors, Quadrangle Capital Partners LP, Quadrangle Group LLC, Behrman Capital and Behrman Brothers, L.L.C.

See THE MERGER Litigation Relating to the Merger.

Appraisal Rights

If you so choose, you will be entitled to exercise appraisal rights upon completion of the Merger so long as you take all the steps required to perfect your rights under Delaware law. See THE MERGER Appraisal Rights.

Required Vote

The Merger is subject to the approval by the affirmative vote of the holders of a majority of the votes represented by all shares of our Common Stock and Series F Preferred Stock outstanding as of August 20, 2004 and voting as a single class, with each share of Series F Preferred Stock being entitled to 100 votes. In addition, the consummation of the Merger will require the affirmative vote or written consent of the holders of a majority of the shares of our Series F Preferred Stock in favor of the waiver of the mandatory redemption rights of our Series F Preferred Stock in connection with the Merger. The Merger has not been structured so that approval of a majority of unaffiliated security holders is required. As of August 20, 2004, the record date for the Special Meeting, stockholders party to the separate Voting Agreements held an aggregate of 65,658,034 votes, approximately 71% of the combined voting power of our outstanding Common Stock and Series F Preferred Stock, which is sufficient voting power in and of itself to approve the Merger Agreement. See SPECIAL FACTORS Vote Required.

Reservation of Rights

Although our Board of Directors requests stockholder approval and adoption of the Merger Agreement, our Board of Directors reserves the right to withdraw the proposal from the agenda of the Special Meeting prior to any stockholder vote thereon or to abandon the proposal after such vote and before the effectiveness of the Merger, even if the proposal is approved under circumstances where a majority of our Directors reasonably determines in good faith (i) after consultation with independent legal counsel, that failure to accept a competing proposal would constitute a breach of their fiduciary duty and

(ii) based on a written opinion of a nationally recognized financial advisor, that the competing transaction is reasonably likely to be more favorable to our stockholders from a financial point of view than the Merger. See SPECIAL FACTORS Reservation of Rights.

Questions

If, after reading this proxy statement, you have additional questions about the Merger or other matters discussed in this proxy statement, you need additional copies of this proxy statement (which will be provided to you without charge) or you require assistance with voting your shares, please contact:

Dawn Landry

Vice President and General Counsel
Daleen Technologies, Inc.
902 Clint Moore Road, Suite 230
Boca Raton, Florida 33487
(561) 981-2106

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS

AND THE SPECIAL MEETING

Q: Why am I receiving these materials?

A: The Board of Directors is providing these proxy materials for you in connection with the special meeting of stockholders, which will take place on September 28, 2004. As a stockholder on the record date for the Special Meeting, you are invited to attend the Special Meeting and are entitled to and requested to vote on the proposals described in this proxy statement.

Q: What information is contained in these materials?

A: The information included in this proxy statement relates to the proposals scheduled to be voted on at the Special Meeting, the voting process and certain other required information.

Q: What proposals will be voted on at the Special Meeting?

A: There is one proposal scheduled to be voted on at the Special Meeting:

To vote on a proposal to approve and adopt the Agreement and Plan of Merger and Share Exchange, dated as of May 7, 2004, as amended, among Daleen Holdings, Inc., Parallel Acquisition, Inc., the Company, Behrman Capital, and SEF, pursuant to which:

Parallel Acquisition, a subsidiary of Daleen Holdings formed for the sole purpose of merging with the Company, will be merged with and into the Company, with the Company surviving as a subsidiary of Daleen Holdings; and

Behrman Capital and SEF will exchange all of their shares of the Company s Series F Convertible Preferred Stock immediately prior to the completion of the Merger for shares of Daleen Holdings common stock and preferred stock.

In addition, you will be asked to vote on any other business as may properly come before the Special Meeting or any adjournment or adjournments thereof.

Approval and adoption of the Merger Agreement will also constitute approval of the Merger and the other transactions contemplated by the Merger Agreement.

Q: What is the Board of Directors voting recommendation?

A: The Board of Directors recommends that you vote your shares FOR Proposal One to approve and adopt the Merger Agreement.

Q: What do I need to do now?

A: After you read and carefully consider the information contained in this proxy statement, please fill out, sign and date your proxy card and mail it in the enclosed return envelope as soon as possible, so that your shares will be represented at the Special Meeting.

Q: What shares may I vote?

A: You may vote all shares of our Common Stock and all shares of our Series F Preferred Stock that you own as of the close of business on August 20, 2004, which is referred to in this proxy statement as the record date. These shares include shares held directly in your name as the stockholder of record and shares held for you as the beneficial owner through a broker or bank.

Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?

A: Many of our stockholders hold their shares through a broker, bank or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

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Stockholder of Record

If your shares are registered directly in your name with our transfer agent, SunTrust Bank, you are considered, with respect to those shares, to be the stockholder of record, and these proxy materials are being sent directly to you by us. As the stockholder of record, you have the right to grant your voting proxy directly to us or to vote in person at the Special Meeting. We have enclosed a proxy card for you to use.

Beneficial Owner

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered to be the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker or nominee. The broker or nominee is considered to be the stockholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker how to vote and are also invited to attend the Special Meeting. However, as a beneficial owner, you are not the stockholder of record, and you may not vote these shares in person at the Special Meeting unless you obtain a signed proxy from your broker or nominee giving you the right to vote the shares at the Special Meeting. Your broker or nominee has enclosed or provided a voting instruction card for you to use in directing the broker or nominee how to vote your shares.

Q: How do I vote my shares in person at the Special Meeting?

A: Shares held directly in your name as the stockholder of record may be voted in person at the Special Meeting. If you choose to vote in person, please bring the enclosed proxy card or proof of identification. Even if you currently plan to attend the Special Meeting, we recommend that you also submit your proxy as described below so that your vote will be counted if you are unable or later decide not to attend the Special Meeting. Shares held in street name may be voted in person by you only if you obtain a signed proxy from the stockholder of record giving you the right to vote the shares.

Q: How do I vote my shares without attending the Special Meeting?

A: Whether you hold your shares directly as the stockholder of record or beneficially in street name, you may direct your vote without attending the Special Meeting. You may vote by signing your proxy card or, for shares held in street name, by signing the voting instruction card included by your broker or nominee and mailing it in the accompanying enclosed, pre-addressed envelope. If you provide specific voting instructions, your shares will be voted as you instruct. If you sign your proxy card but do not provide instructions, your shares will be voted FOR Proposal One to approve and adopt the Merger Agreement.

Q: What will be the result of the Merger?

A: Under the Merger Agreement, Parallel Acquisition, a subsidiary of Daleen Holdings formed for the sole purpose of merging with the Company, will merge with and into the Company, with the Company surviving as a subsidiary of Daleen Holdings. In the Merger and in the Series F Preferred Stock exchange among Behrman Capital, SEF and Daleen Holdings to be completed immediately prior to the Merger, Behrman Capital, SEF, the other holders of our Common Stock and the holders of our Series F Preferred Stock at the effective time of the Merger will receive an aggregate of $17.2 million in cash and Daleen Holdings stock, allocated as described in this proxy statement. Holders of our Common Stock will have no further equity interest in the Company or Daleen Holdings following completion of the Merger.

Q: How many votes will I be entitled to?

A: As of the close of business on August 20, 2004, the record date for the Special Meeting, we had issued and outstanding 46,911,152 shares of our Common Stock and 449,237 shares of our Series F Preferred Stock. Each holder of record of our Common Stock on the record date will be entitled to one vote for each share held. Each holder of record of our Series F Preferred Stock on the record date will be entitled to 100 votes for each share held. Accordingly, on the record date the shares of Series F Preferred

Stock then issued and outstanding constituted the right to cast a total of 44,923,700 votes at the Special Meeting, or approximately 49% of all votes eligible to be cast at the Special Meeting.

Q: Who is Daleen Holdings?

A: Daleen Holdings is a newly formed Delaware corporation that has been formed for the purpose of entering into and consummating the Merger and other transactions contemplated by the Merger Agreement. We currently own all of the issued and outstanding capital stock of Daleen Holdings. Upon consummation of the Merger, all of the Daleen Holdings capital stock owned by us will be redeemed for nominal consideration. Concurrent with the execution and delivery of the Merger Agreement, Quadrangle Capital Partners LP, a Delaware limited partnership, Quadrangle Select Partners LP, a Delaware limited partnership, Quadrangle Capital Partners-A LP, a Delaware limited partnership, Behrman Capital and SEF entered into an investment agreement pursuant to and subject to the terms and conditions of which those parties agreed to invest an aggregate of $30 million in Daleen Holdings upon completion of the Merger of Parallel Acquisition and us in consideration of the issuance by Daleen Holdings to them of shares of Daleen Holdings preferred stock. Behrman Capital and SEF have committed to invest an aggregate of $5 million under the investment agreement, which commitment may be satisfied by Behrman and SEF to the extent they transfer to Daleen Holdings any notes that evidence our outstanding indebtedness to them at the time of the Merger under the bridge loan facility described in TRANSACTIONS RELATED TO THE MERGER Bridge Loan Facilities. Each holder of Series F Preferred Stock may elect to participate in this $5 million investment, on a pro rata basis with all other participating holders of Series F Preferred Stock, up to an aggregate amount of $1 million. Also concurrent with the execution and delivery of the Merger Agreement, Daleen Holdings agreed to purchase all outstanding shares of the capital stock of Protek Telecommunications Solutions Limited, a corporation organized under the laws of England and Wales. Gordon Quick, currently a Director and our President and Chief Executive Officer, would be an initial director and the Chief Executive Officer of Daleen Holdings upon completion of the Merger.

Q: What will I receive in the Merger for my shares of Common Stock?

A: If the Merger is completed, each share of Common Stock outstanding at the completion of the Merger, excluding shares held by Daleen Holdings and shares as to which appraisal rights are properly exercised under Delaware law, will be converted into the right to receive $0.0384 per share in cash, without interest and less any applicable withholding taxes.

Q: What will I receive in the Merger for my shares of Series F Preferred Stock?

A: Each share of Series F Preferred Stock outstanding at the completion of the Merger, excluding shares held by Daleen Holdings and shares as to which appraisal rights are properly exercised under Delaware law, will be converted into the right to receive either:

a combination of cash and Daleen Holdings common stock; or

solely Daleen Holdings common stock.

If you choose to receive a combination of cash and Daleen Holdings common stock, the amount of cash that you receive will be determined by the elections of the other holders of Series F Preferred Stock, excluding Daleen Holdings. The maximum aggregate amount of cash to be paid by Daleen Holdings to holders of our Series F Preferred Stock who select this option for any number of their shares is $2,800,000.

If you choose to receive solely Daleen Holdings common stock for any number of your shares, each share of your Series F Preferred Stock for which you have made an equity election will convert upon completion of the Merger into the right to receive 1.3712 shares of Daleen Holdings common stock.

Each record holder of our Series F Preferred Stock exchanged in the Merger who otherwise would have been entitled to receive a fraction of a share of Daleen Holdings common stock, after taking into account all shares of our Series F Preferred Stock delivered by that holder, will receive, in lieu of that

fractional share, a cash payment, without interest, in an amount equal to the product of that fraction multiplied by $25.

Regardless of your election with respect to your Series F Preferred Stock, up to 19% of the aggregate consideration allocable to you will be retained in escrow in accordance with the terms and conditions of the indemnity escrow agreement described in THE MERGER Escrow Arrangement.

Q: How do I choose the form of payment I will receive for my Series F Preferred Stock?

A: To elect the form of payment you prefer for your shares of Series F Preferred Stock, you must complete an election form. An election form, with instructions for making an election as to your preference, together with a return envelope, is being mailed to you at the same time as the mailing of this proxy statement. The fully completed election form must be returned to Dawn Landry, our Vice President and General Counsel, before the election deadline at 11:59 p.m., New York City time, on September 28, 2004. If you fail to make an election prior to the election deadline, you will not be entitled to elect your preferred form of payment, and you will be treated as if you had made an election to receive a combination of cash and Daleen Holdings common stock for all of your shares.

Q: What will Behrman Capital and SEF receive for their shares of Series F Preferred Stock?

A: As of August 20, 2004, Behrman Capital owned 219,744 shares of Series F Preferred Stock, and SEF owned 2,980 shares of Series F Preferred Stock. Behrman Capital and SEF are contractually obligated to exchange all of their Series F Preferred Stock immediately prior to the completion of the Merger for an aggregate consideration of:

50,000 shares of Daleen Holdings preferred stock with an aggregate deemed value of $5,000,000, plus

105,402 shares of Daleen Holdings common stock with an aggregate deemed value of $2,635,055.88.

The consideration received by Behrman Capital and SEF for their Series F Preferred differs from that received by other Series F Holders because Behrman and SEF are the only Series F Holders investing additional amounts in Daleen Holdings and because Behrman and SEF agreed to provide a bridge loan facility to us, as more fully discussed in the section of this proxy statement entitled TRANSACTIONS RELATED TO THE MERGER Bridge Loan Facilities . Behrman and SEF s exchange right in respect of the $5 million in value of their existing Series F Preferred Stock was consideration for the firm commitment to invest $5 million in Daleen Holdings.

Behrman Capital and SEF will receive the same consideration in the Merger for their shares of our Common Stock as each other holder of our Common Stock. All of the cash allocable in the Merger to Behrman Capital and SEF in respect of their shares of our Common Stock will be retained in escrow in accordance with the terms and conditions of the indemnity escrow agreement described in THE MERGER Escrow Arrangement.

Q: What will happen to our shares held by Daleen Holdings at the completion of the Merger?

A: Each share of our Common Stock and Series F Preferred Stock held by Daleen Holdings at the completion of the Merger will automatically be cancelled and extinguished, including shares exchanged by Behrman Capital and SEF immediately prior to the Merger. No payment will be made with respect to those shares.

Q: What will happen to us after the Merger?

A: If the Merger is completed, we will survive the Merger as a wholly owned subsidiary of Daleen Holdings. Accordingly, we no longer will be subject to the reporting obligations of the Securities Exchange Act of 1934, as amended, and our Common Stock will no longer be registered pursuant to the Exchange Act. However, as we discussed in our Annual Report on Form 10-K/A for our fiscal year ended December 31, 2003 and our Quarterly Report on Form 10-Q for our fiscal quarter ended June 30, 2004,

we believe that we will need additional funding in the immediate future and will not be able to continue operations beyond the immediate future if the Merger is not completed or Behrman elects to not make further borrowings under the Behrman Facility available to us and alternative funding is not found immediately. The funding requirement would require us to raise additional capital or consider selling all or part of the Company to reduce our operating losses and raise cash. We believe that it is unlikely that we would be able to obtain significant financing through an alternate transaction, which may not be available on acceptable terms, or at all. See SPECIAL FACTORS Plans for the Company.

Q: What will happen to us if the Merger is not completed?

A: It is possible that the Merger will not be completed. That might happen if, for example, any of the conditions to completion of the Merger are not satisfied or, to the extent permitted, waived. If the Merger is not completed for any reason, we will continue to be a publicly-held corporation that is subject to the reporting obligations of the Exchange Act as a result of our registration of our Common Stock pursuant to the Exchange Act, and our Common Stock would continue to be quoted on the OTC Bulletin Board. As discussed in our Quarterly Report on Form 10-Q for our fiscal quarter ended June 30, 2004, and elsewhere in this proxy statement, we would likely face an immediate need for additional funding that would require us to raise additional capital or to consider selling all or part of the Company to reduce our operating losses and raise cash. In the absence of additional funding, we do not believe that we will be able to continue as a going concern.

Q: Should I send my stock certificates now?

A: No. If you hold certificates representing shares of our Common Stock or Series F Preferred Stock, you will receive detailed written instructions after the Merger explaining how to exchange your certificates for the consideration described in this proxy statement.

Q: What happens if I sell my shares before the effective date of the Merger?

A: If you own shares of our Common Stock or Series F Preferred Stock on the record date for the Special Meeting but you transfer your shares at any time before the effective date of the Merger, you will retain the right to vote at the Special Meeting, but the right to receive the merger consideration associated with the transferred shares will pass to the person to whom you transferred your shares.

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

A: If the Merger Agreement is approved and adopted at the Special Meeting by the requisite votes of our stockholders, and if the other conditions to the Merger are satisfied or, if permitted, waived, we expect to complete the Merger as promptly as possible after the Special Meeting.

Q: Why is the Board of Directors recommending that I vote in favor of the Merger Agreement?

A: After considering the recommendation for approval of the Merger Agreement by a special committee of our non-employee directors not affiliated with Behrman Capital or any party to a voting agreement, as well as the opinion of the Company s financial advisor, VRC, our Board of Directors has concluded that the terms of the Merger Agreement are advisable, fair to, from a financial point of view, and in the best interests of our stockholders, including unaffiliated stockholders.

Q: What rights do I have if I oppose the Merger?

A: You may dissent from the Merger and seek appraisal of the fair value of your shares by complying with all of the requirements of Delaware law explained in the section of this proxy statement entitled THE MERGER Appraisal Rights. If you comply with those requirements, the Delaware Court of Chancery will appraise, and order payment to you in the amount of, the fair value of your shares by taking into account all relevant factors, exclusive of any value arising from the accomplishment or any expectation of the Merger. The fair value of your shares, as determined by the Delaware Court of Chancery, may be more, the same as or less than the amount you are entitled to receive under the Merger Agreement.

Q: What are the tax consequences of the Merger to me?

A: Generally, a stockholder who receives only cash in the Merger would recognize capital gain or loss equal to the difference between the amount of cash received and the tax basis of the Common Stock exchanged in the Merger. A stockholder who receives Daleen Holdings stock and cash in the Merger and related share exchange would recognize gain (if any) but not loss in an amount equal to the lesser of: (i) the amount of cash received in the exchange; and (ii) the amount of gain realized in the exchange. A stockholder who receives solely shares of Daleen Holdings common stock in the Merger would not recognize gain or loss for U.S. federal income tax purposes, except with respect to cash, if any, the stockholder receives in lieu of a fractional share of Daleen Holdings common stock. See Material U.S. Federal Income Tax Consequences for a discussion of material U.S. federal income tax consequences of the Merger to the Company s stockholders. **HOLDERS OF COMMON STOCK AND SERIES F PREFERRED STOCK SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE MERGER, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS AND OF CHANGES IN APPLICABLE TAX LAWS.**

Q: What is the quorum requirement for the Special Meeting?

A: The holders of a majority of the total shares of our Common Stock and Series F Preferred Stock, determined on a 100 for 1 basis, issued and outstanding on the record date, whether present at the Special Meeting in person or represented by proxy, will constitute a quorum for the transaction of business at the Special Meeting. The shares held by each stockholder who signs and returns the enclosed proxy card(s) will be counted for the purposes of determining the presence of a quorum at the Special Meeting, whether or not the stockholder abstains on any matter to be acted on at the Special Meeting. Abstentions and broker non-votes both will be counted toward fulfillment of quorum requirements.

Q: What is the voting requirement to adopt and approve the Merger Agreement?

A: The Merger is subject to the approval by the affirmative vote of the holders of a majority of the votes represented by all shares of our Common Stock and Series F Preferred Stock outstanding as of August 20, 2004, with each share of Series F Preferred Stock being entitled to 100 votes. In addition, the consummation of the Merger will require the affirmative vote or written consent of the holders of a majority of the shares of our Series F Preferred Stock in favor of the waiver of the mandatory redemption rights of our Series F Preferred Stock in connection with the Merger. That affirmative vote or written consent has been acquired separately from this proxy statement.

The Quadrangle Investors have entered into separate voting agreements with SAIC Venture Capital Corporation, Behrman Capital, SEF, HarbourVest Partners V Direct Fund L.P. and HarbourVest Partners VI Direct Fund, L.P. pursuant to which they have agreed to vote all of their shares of our Common Stock and Series F Preferred Stock in favor of the approval and adoption of the Merger Agreement at the Special Meeting. In addition, these stockholders have agreed in their respective Voting Agreements with the Quadrangle Investors to waive the mandatory redemption rights of our Series F Preferred Stock in connection with the Merger. As of August 20, 2004, the record date for the Special Meeting, stockholders party to the separate Voting Agreements held an aggregate of approximately 71% of the combined voting power of our outstanding Common Stock and Series F Preferred Stock, which is sufficient voting power in and of itself to approve the Merger Agreement and the waiver of the mandatory redemption rights of our Series F Preferred Stock in connection with the Merger. See SPECIAL FACTORS Voting Agreements.

If you are a beneficial owner and do not provide the stockholder of record (i.e., a broker) with voting instructions, your shares may constitute broker non-votes. In tabulating the voting results, shares that constitute broker non-votes are not considered entitled to vote on that proposal.

Even if approved by the stockholders, our Board of Directors retains the right to determine, in its sole discretion, whether or not to proceed with the Merger Agreement and the Merger. See SPECIAL FACTORS Reservation of Rights.

Q: How are votes counted?

A: You can vote FOR, AGAINST or ABSTAIN. If you ABSTAIN, it has the same effect as a vote AGAINST. If you sign and return yo proxy card or broker voting instruction card with no further instructions, your shares will be voted FOR Proposal One in accordance with the recommendation of the Board of Directors. Broker non-votes will have no effect on the outcome of the vote on any proposal at the Special Meeting.

Q: Can I change my vote?

A: You may change your proxy instructions at any time prior to the vote at the Special Meeting. For shares held directly in your name, you may change your vote by granting a new proxy bearing a later date, which automatically revokes the earlier dated proxy, or by attending the Special Meeting and voting in person. Attendance at the Special Meeting will not cause your previously granted proxy to be revoked unless you specifically so request. For shares held beneficially by you, you may change your vote by submitting new voting instructions to your broker or nominee.

Q: What does it mean if I receive more than one proxy card or voting instruction card?

A: There is a proxy card for record holders of our Common Stock and a separate proxy card for record holders of our Series F Preferred Stock. If you receive more than one proxy card or voting instruction card, it means your shares are registered differently or are in more than one account, or you own both our Common Stock and Series F Preferred Stock. Please provide voting instructions for all proxy cards and voting instruction cards you receive.

Q: Where can I find the voting results of the Special Meeting?

A: We will announce preliminary voting results at the Special Meeting, and we will publish final results in a Current Report on Form 8-K filed with the Securities and Exchange Commission promptly after the Special Meeting.

Q: What happens if additional proposals are presented at the Special Meeting?

A: Other than the proposal described in this proxy statement, we do not expect any other matters to be presented for a vote at the Special Meeting. If you grant us your proxy, the persons named as proxy holders, Gordon Quick, our President and Chief Executive Officer, and Dawn Landry, our Vice President and General Counsel, will have the discretion to vote your shares on any additional matters properly presented for a vote at the Special Meeting.

Q: Who will count the votes?

A: SunTrust Bank, our Transfer Agent, has been appointed the inspector of election and will send a representative to tabulate the votes and act as the inspector of election.

Q: Who will bear the cost of soliciting votes for the Special Meeting?

A: We are making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person or by telephone by our directors, officers and employees, none of whom will receive any additional compensation for such solicitation activities. We will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to stockholders. We may consider retaining a proxy solicitation firm. In the event that we choose to retain such a firm, we will bear all of their fees, costs and expenses.

Q: Who can help to answer my questions?

A: If you would like additional copies of this proxy statement, which will be provided to you without charge, or if you have questions about the Merger Agreement or the Merger, including the procedures for voting your shares, you should contact:

Dawn Landry

Vice President and General Counsel
Daleen Technologies, Inc.
902 Clint Moore Road, Suite 230
Boca Raton, Florida 33487
(561) 981-2106

FORWARD-LOOKING STATEMENTS

This proxy statement, including its appendices, contains forward-looking statements. These forward-looking statements are not historical facts but are the intent, belief or current expectations, of our business and industry, and the assumptions upon which these statements are based. Words such as anticipates, expects, intends, will, could, would, should, may, plans, believes, seeks, estimates and variat the negatives thereof and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. These risks and uncertainties include those described in this proxy statement, including in its appendices and in documents incorporated by reference. Forward-looking statements that were true at the time they were made may ultimately prove to be incorrect or false. Forward looking statements included in this proxy statement including its appendices, or otherwise made in relation to the Merger are not protected under the safe harbors of the Private Securities Litigation Reform Act of 1995. You are cautioned to not place undue reliance on forward-looking statements, which reflect management s view only as of the time of such statements. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results.

SPECIAL FACTORS

Parties to the Merger and Other Relevant Parties

Daleen Technologies, Inc. We are a global provider of advanced billing and customer care, event management, and revenue assurance software for convergent communication service providers and other technology solutions providers. Our solutions are designed using the latest open Internet technologies to enable providers to enhance operational efficiency while deriving maximum revenue from their products and services. Our products and services are used by communication providers to support a variety of voice, data and Internet-based services across wireless, wireline and satellite networks. Our RevChain® billing and customer management and Asuriti™ event management and revenue assurance applications deliver proven interoperability with other legacy billing systems and other downstream operational support systems applications, and have a high degree of flexibility and scalability, making the software highly adaptable and ready for the future. RevChain and Asuriti can be purchased as licensed software applications or as part of a turn-key solution through BillingCentral®, our carrier-class outsourcing operation.

We are a Delaware corporation with principal executive offices at 902 Clint Moore Road, Suite 230, Boca Raton, Florida 33487. Additional information about us can be found in our Annual Report on Form 10-K/A for our fiscal year ended December 31, 2003, a copy of which is attached to this proxy statement as Appendix D, and our Quarterly Report on Form 10-Q for our fiscal quarter ended June 30, 2004, a copy of which is attached to this proxy statement as Appendix E.

Daleen Holdings. Daleen Holdings is a newly formed Delaware corporation. Daleen Holdings has no prior operations and is not expected to have any operations prior to the consummation of the Merger, except for its performance of its obligations under the Merger Agreement and the other agreements contemplated by the Merger Agreement or otherwise discussed in this proxy statement. Concurrent with the execution and delivery of the Merger Agreement, the Quadrangle Investors, Behrman and SEF entered into an investment agreement pursuant to and subject to the terms and conditions of which they agreed to invest an aggregate of $30 million in Daleen Holdings upon completion of the Merger in consideration of the issuance by Daleen Holdings to them of shares of Daleen Holdings preferred stock. Behrman Capital and SEF have committed to invest an aggregate of $5 million under the investment agreement, which amount may be satisfied by Behrman and SEF to the extent they transfer to Daleen Holdings any notes that evidence our outstanding indebtedness to them at the time of the Merger under the bridge loan facility between Behrman Capital and us. Holders of our Series F Preferred Stock may participate in the investment made by Behrman Capital and SEF, on a pro rata basis among other participating holders, with the maximum amount that may be invested by holders of Series F Preferred Stock being $1.0 million, in the aggregate. None of the holders of Series F Preferred Stock elected to participate in this investment. Concurrent with the completion of the Merger, Daleen Holdings has agreed to purchase all of the outstanding capital stock of Protek Telecommunications Solutions Limited. The principal executive offices of Daleen Holdings are located at 902 Clint Moore Road, Suite 230, Boca Raton, Florida 33487.

Upon completion of the Merger and the other transactions contemplated by the Merger Agreement, Protek acquisition agreement and the Investment Agreement, the outstanding shares of Daleen Holdings will be held such that (i) the Daleen Holdings Preferred Stock will represent 73.53% of the outstanding capital stock of Daleen Holdings, calculated on an as-converted basis, and will be held by the Quadrangle Investors, Behrman Capital, SEF and any others holders of Series F Preferred Stock electing to participate in the cash investment pursuant to the terms of the Investment Agreement and (ii) the Daleen Holdings Common Stock will represent 26.47% of the outstanding capital stock of Daleen Holdings, calculated on an as-converted basis, and will be held by holders of Series F Preferred Stock converting into such equity upon completion of the Merger and certain holders of Protek equity or equity acquisition rights upon the acquisition of Protek.

Parallel Acquisition. Parallel Acquisition is a newly formed Delaware corporation and a wholly owned subsidiary of Daleen Holdings. Parallel Acquisition was formed solely for the purpose of merging

with and into us in the Merger. Parallel Acquisition has no prior operations and is not expected to have any operations prior to the consummation of the Merger. Parallel Acquisition will be merged with and into us, with us surviving the Merger as a subsidiary of Daleen Holdings. Parallel Acquisition s principal executive offices are located at 902 Clint Moore Road, Suite 230, Boca Raton, Florida 33487.

Behrman Capital II, L.P. Behrman Capital, a Delaware limited partnership, is an investment firm that principally backs experienced management teams in the purchases of businesses they operate by investing in management buyouts, leveraged buildups and recapitalizations of established growth companies and providing expansion capital to emerging growth companies. The firm currently has a combined capital base of approximately $1.8 billion. Behrman Capital s investments have historically been focused in four industries information technology, outsourcing, business services and contract manufacturing.

As of August 20, 2004, the record date of the Special Meeting Behrman Capital was the beneficial owner of 58,863,523 shares of our Common Stock and 219,744 shares of Series F Preferred Stock. If the Merger and related transactions are completed, and (a) assuming that no holder of Series F Preferred Stock elects to convert fully into Daleen Holdings common stock in the Merger and (b) treating the options granted to certain parties to the Protek acquisition agreement as having been exercised in full, it is expected that Behrman Capital and SEF will beneficially own approximately 29% of the then issued and outstanding shares of Daleen Holdings preferred stock and approximately 21% of the then issued and outstanding shares of Daleen Holdings common stock (assuming no participation by holders of Series F Preferred Stock in the $5 million investment by Behrman Capital and SEF in Daleen Holdings). Behrman Capital s principal executive offices are located at 126 East 56th Street, 27th Floor, New York, NY 10022.

Strategic Entrepreneur Fund II, L.P. Strategic Entrepreneur Fund II, L.P. is a Delaware limited partnership and an affiliate of Behrman Capital. SEF is an investment firm that historically has participated in the same investment opportunities as Behrman Capital. As of August 20, 2004, the record date for the Special Meeting, SEF was the beneficial owner of 790,579 shares of our Common Stock and 2,980 shares of Series F Preferred Stock. SEF s principal executive offices are located at 126 East 56th Street, 27th Floor, New York, NY 10022.

Quadrangle Investors. Quadrangle Capital Partners LP, a Delaware limited partnership, is a private equity fund that primarily invests in the media and communications sectors. Quadrangle Group LLC, which manages Quadrangle Capital Partners LP, was formed by four former Managing Directors of Lazard Freres & Co. LLC who have more than 60 years combined experience in private equity and in media and communications. The Quadrangle Investors have capital commitments from their partners in excess of $1 billion, of which $419 million remains available as of June 30, 2004.

Concurrent with the completion of the Merger, Quadrangle Capital Partners LP and two of its affiliates, Quadrangle Select Partners LP and Quadrangle Capital Partners-A LP, will invest $25 million in cash in Daleen Holdings in exchange for shares of Daleen Holdings preferred stock. If the Merger and related transactions are completed, it is expected that the Quadrangle Investors will own approximately 71% of the then issued and outstanding shares of Daleen Holdings preferred stock and will control the right to designate a majority of the directors of Daleen Holdings. Quadrangle Capital Partner s principal executive offices, and the principal executive offices of the other Quadrangle Investors, are located at 375 Park Avenue, New York, New York 10152.

Protek Telecommunications Solutions Limited. Protek is a corporation organized under the laws of England and Wales and is a leading provider of customer care and billing, network management and real-time inventory solutions to next-generation service providers, utilities and large government agencies. More than 70 customers in over 35 countries utilize Protek s services. Protek employs approximately 250 persons globally. In addition to its principal executive offices located at 1 York Road, Maidenhead, Berkshire, United Kingdom, Protek has offices in Europe, Russia, Africa and the Middle East.

Concurrent with the execution and delivery of the Merger Agreement, Daleen Holdings agreed to purchase all shares of the outstanding capital stock of Protek for aggregate consideration of up to $20 million, consisting of up to $13 million in cash, $5 million in common stock of Daleen Holdings, and

contingent post-closing performance bonuses consisting of $1 million in cash and $1 million of common stock of Daleen Holdings. The purchase price will be subject to reduction in respect of closing date debt and working capital shortfalls. Upon completion of the transactions described in this proxy statement, it is expected that Daleen Holdings will combine our operations with those of Protek.

Gordon Quick. Gordon Quick currently is a Director on our Board of Directors and our President and Chief Executive Officer. If the Merger is completed, Mr. Quick would become the Chief Executive Officer of Daleen Holdings pursuant to the terms of an employment agreement between Mr. Quick and Daleen Holdings. Mr. Quick also would be a director of Daleen Holdings and would be eligible to participate in Daleen Holdings management incentive plan. Mr. Quick is party to a retention bonus arrangement, with the bonus amount specified in a separate side letter. As long as Mr. Quick remains employed by the Company at the earlier of (i) the completion of the Merger or (ii) May 6, 2005, the first anniversary of the side letter, a retention bonus of $200,000 is payable to Mr. Quick by the Company. The bonus amount also is payable if Mr. Quick were to be terminated without cause or if he were to resign for good reason.

Background of the Merger

In December 2002, the Company concluded a transaction in which we acquired substantially all of the assets of Abiliti Solutions, Inc. (Abiliti). In 2001, while serving as the Chief Executive Officer of Abiliti, Mr. Quick and his management team concluded that the recent fundamental changes in the telecommunications market made the future of small service providers like Abiliti and the Company untenable as stand-alone entities. Abiliti, and subsequently the Company, came to believe that aggregation of small service providers, including the Company, would be required to ensure the long-term viability of these companies. The Company believed that additional scale was necessary to support research and development and market activities for larger customers in a consolidating market. This strategy has been a part of the Company s business plan since the acquisition of the assets of Abiliti. Throughout 2003 and 2004, and until approval of the Merger and related transactions, management and the Board of Directors discussed the validity and status of this strategy at every regularly scheduled meeting of the Board of Directors. Furthermore, the Board of Directors reviewed the strategic options of the Company at its regularly scheduled meetings beginning in October 2003, and again in December 2003 and February 2004. At each meeting, the Board of Directors reaffirmed the need to continue to pursue the aggregation strategy and related activities.

In furtherance of this strategy, the Company engaged in discussions with numerous small providers regarding possible business combinations. In the course of these discussions and meetings, the Company made several preliminary offers, both formal and informal, that were either rejected or whereby the Company ultimately came to the view that the transaction did not fit the business strategy of the Company and chose not to pursue the transaction.

Of the 35 potential candidates with whom we ultimately spoke, 27 chose to discontinue negotiations. The reasons for their lack of interest were varied. Some firms did not believe that a merger provided sufficient strategic benefits to justify a transaction with the Company. Other companies felt that they could extract a higher value for their shareholders by waiting until a later date to pursue a merger or acquisition and believed that they had sufficient financial resources to wait. Still others believed that the merger consideration that the Company could offer was not attractive for a variety of reasons, including the lack of public market liquidity, the Series F Liquidation Preference and the lack of ongoing cash required to fund a combined entity. In each of these discussions, we attempted to use the Company equity as the consideration offered to the other aggregation candidates due to our lack of cash. In each situation in which we had a serious interest in the potential target candidate and in which discussions developed to include negotiation of consideration, the target candidate was not interested in taking any form of Company stock. Consequently, it became clear from all discussions that we would have to find an investor willing to provide some amount of cash for acquisitions, to restructure our balance sheet to eliminate the Series F Liquidation Preference or both.

The Company chose to end negotiations with six candidates that expressed some level of interest in a transaction with the Company. These firms generally had limited revenue and needed an infusion of cash to launch or stabilize their core business. The Company s strategy specifically excluded raising capital to fund ongoing operations, which eliminated these companies from consideration. In some cases, as we pursued the due diligence process, we also concluded that certain companies did not fit our overall strategy.

In addition, despite contacts with numerous companies, frequently at the Board and/or larger investor level, as well as with management, the Company received only one expression of interest to acquire the Company. After an extensive second meeting with the interested company, the interested party declined to pursue acquisition of the Company.

Protek was introduced to us in early 2003 by Kaufman Brothers, with whom we had a long-standing relationship. During our process of exploring aggregations with potential candidates, Protek emerged as the most attractive candidate in that the Company felt that a transaction with Protek would provide significant strategic benefits, and Protek was willing to consider a transaction with the Company. However, Protek was only interested if the Company was willing to offer a significant amount of cash consideration. In June 2003, the Company executed a Non-Disclosure Agreement with Protek and began preliminary discussions related to a potential acquisition of Protek by the Company. A key consideration for us then became finding an investor or investors willing to invest a significant amount of cash to facilitate the acquisition.

On October 23, 2003, the Board of Directors met and formally discussed the financial condition and long-term viability of the Company. Management informed the Board of Directors that it had evaluated 59 additional targets for business combinations, had spoken to 35 candidates, and had not been able to reach an agreement for a possible business combination with any of the companies. The Board of Directors discussed these results and the reasons for the difficulty in executing the aggregation strategy, including the facts that the Company did not have sufficient funds to include a cash component in an acquisition offer and that acquisition targets generally had rejected offers involving consideration consisting solely of our Common Stock, as they did not attribute meaningful value to the Common Stock due to the volatility of our industry in the public markets and the liquidation preference attributed to the Series F Preferred Stock (the Series F Liquidation Preference). In addition, none of the candidates was interested in a transaction in which the Company issued shares of Series F Preferred Stock as consideration. The Board of Directors authorized our management to seek an additional investment in the Company from current and/or new investors to facilitate the Company s aggregation strategy. After reviewing the Company s business plan, financial condition and business prospects, the Board of Directors also decided to evaluate the possibility of going private. As part of that analysis, the Board of Directors considered the relative advantages and disadvantages of continuing as a public company to both the Company and its stockholders, particularly in light of the anticipated costs of continuing as a public company, which the Board of Directors determined to be significant and likely to increase as a result of legal and regulatory changes. In addition, the Board of Directors determined that being a public company was not facilitating the closure of a transaction with any of the aggregation candidates surfaced by the Company.

While going private was not expected to address all the impediments to the execution of the Company s strategy, the Board felt that going private was a prudent and highly desirable measure that would reduce the operating expense of the Company, contribute to long-term cash conservation and facilitate a strategic combination in the future. In addition, in continuing meetings with potential investors, all but one seemed to be more interested in investing in a private company rather than a public company. Hence, the Company believed that being a private company would significantly increase the likelihood of obtaining new capital. The Board of Directors authorized our management to investigate the possibility of going private in parallel with seeking additional investment and aggregation opportunities.

On September 4, 2003, a representative of the Company met with a representative of Quadrangle Capital Partners LP at a widely attended industry conference sponsored by Kaufman Brothers in New York City. The Company s strategy was shared broadly with Quadrangle Capital Partners to determine if there was any interest on their part in considering an investment in the Company.

On October 15, 2003, a Quadrangle representative and a colleague met with Gordon Quick and another representative of the Company at Quadrangle Capital Partners office in New York City to discuss the Company s business and strategic objectives in more detail. The discussion focused on the need for consolidation in the industry, the Company s strategic position and the role that the Company could play in the execution of such a strategy. The Company s representatives provided a detailed history of the Company to Quadrangle. This meeting and subsequent phone conversations on the same subjects, as well as discussions regarding the performance of the Company s business and the support of the Company s Board, led to the signing of a Non-Disclosure Agreement with Quadrangle Advisors LLC on November 13, 2003, which allowed us to share non-public information with Quadrangle Advisors and its affiliates and to enter into more formal discussions related to an investment in the Company.

At a regularly scheduled meeting on December 16, 2003, the Board of Directors discussed the status of discussions with potential investors as well as the status of the discussions with certain aggregation candidates. The Board of Directors discussed the terms of a non-binding proposal to be presented to Protek (the Company would offer a combination of cash and securities, in the range of $20 to $25 million, with a portion of $15 to $20 million being in cash and the balance in Company preferred stock for the outstanding equity of Protek). During this meeting the Board agreed that management should continue to pursue an acquisition of Protek. At this meeting, the Board of Directors also discussed the possibility of going private through a reverse stock split. The Board of Directors authorized management to continue to pursue the alternatives in parallel because there was no guarantee that the Company would be successful in obtaining an investor or a suitable aggregation candidate.

Based on an ongoing exchange of information and continuing in-depth discussions regarding the Company s financial results, products, customers, and operations, representatives of Quadrangle Capital Partners met with the Company s management team at our headquarters in Florida on December 19, 2003. Also, in December 2003, the Company presented a non-binding proposal to Protek setting forth the principal terms as outlined above, which was accepted by Protek as a basis on which to continue discussions and negotiations related to the acquisition of Protek by the Company. Discussions continued with Quadrangle Capital Partners directed at setting expectations for a next meeting, and on January 9, 2004, Company management met with additional representatives of Quadrangle Capital Partners in New York and reiterated the previous discussions with the primary Quadrangle contact. Quadrangle s representative at the meeting indicated that any investment by Quadrangle would likely require a concurrent merger or other acquisition that broadened the scale and scope of the Company, and Quadrangle also indicated that any such transaction would only occur if the holders of Series F Preferred Stock were willing to waive a significant portion of the liquidation preference, given that any contemplated transaction value would be less than the Series F Liquidation Preference. Quadrangle asked to speak to Behrman Capital, as the largest holder of Series F Preferred Stock, to confirm its willingness to support a transaction in which it received less than its share of the Series F Liquidation Preference. The Company recognized that additional capital would be required to complete the Protek transaction and the Company began to focus primarily on Quadrangle as the most likely source of financing.

On January 14, 2004, a Quadrangle representative met with an individual who is a Director of the Company and a member of Behrman Brothers, L.L.C., an investment firm that is the general partner of Behrman Capital, to discuss the direction of the conversations with the Company to that point and the likelihood that such conversations could realistically lead to a definitive agreement. Quadrangle and Behrman discussed the potential support of the Board of Directors and Behrman, the Company s largest shareholder, for a change of control transaction that would result in a writedown to the value of the Series F Preferred Stock and the willingness of Behrman to remain fully invested in the Company and to invest incrementally in the transaction along side Quadrangle.

Also on January 14, 2004, we retained Mann Frankfort Stein & Lipp CPAs, L.L.P. (Mann Frankfort) to render an opinion, from a financial point of view, as to the fairness of the consideration to be received for any fractional shares by the holders of our Common Stock in a proposed reverse stock split.

On January 20, 2004, our Board of Directors held a special meeting to continue discussions related to the proposed reverse stock split. The Board reviewed the status of all other discussions regarding other options (new investors) as well as the basic merits of the reverse split. At the time that the Company decided to move forward with the reverse split transaction, the Company had no indication of a definitive interest of another party in any other form of transaction, despite ongoing meetings and discussions with potential investors. Further, the Board believed that the reverse split and going private would only serve to facilitate an investment in the event that a more defined interest arose. Furthermore, the Company s deteriorating cash position necessitated that all measures be considered that could result in immediate and meaningful cost savings without impairing the Company s ability to generate revenue and operate as a going concern. At the meeting, our Board of Directors appointed a special committee consisting of Messrs. John McCarthy (Chairman), Daniel Foreman and Stephen Getsy. The members of that special committee ratified the retention of Mann Frankfort.

In considering the range of possible prices for the reverse stock split, it was the recommendation of our management that the Special Committee approve a price that would be substantially in excess of the amount to which holders of our Common Stock would be entitled on a liquidation, notwithstanding its belief that a much lower price (one only nominally in excess of zero cents per share, representing solely a speculative option value) would have been fair to cashed out holders of our Common Stock. Management recommended that the Special Committee adopt a price that would be closer to the then current trading value of our Common Stock, on the grounds that (a) the premium would appease the shareholders receiving cash for their stock since they would not be forced to forego the premium available if the stock were sold in the public market; and (b) the premium was reasonable when compared to the anticipated cost savings from going private.

On January 26, 2004, the Special Committee held a special meeting to obtain an update from management on the progress of the preparations by management and Mann Frankfort related to the meeting scheduled for January 27, 2004 to address the proposed reverse stock split.

On January 27, 2004, in a meeting of the special committee, Mann Frankfort delivered its fairness opinion to the special committee. The special committee discussed the terms of the proposed reverse stock split, the fairness opinion of Mann Frankfort, the methodologies employed by Mann Frankfort and other considerations related to the reverse stock split. At the meeting, the special committee unanimously recommended to the Board of Directors that it was in the Company s best interests and the best interests of its stockholders, including unaffiliated stockholders, to approve the proposed reverse stock split. The terms of the reverse stock split were as follows:

The Company would effect a one to 500 reverse stock split;

Shareholders holding less than 500 shares and shareholders holding fractional shares post-split would be paid $0.30 for each pre-split share, an amount consistent with the then current trading value of our Common Stock;

The total consideration expected to be paid to the holders of fractional shares was less than $200,000, which was an aggregate amount that the Company was able to pay at that time;

Only approximately 113 record shareholders were expected to be cashed out in the reverse split; and

The resulting number of record shareholders would be less than 300, and the Company would cease to be a reporting company, thereby enabling the Company to immediately implement significant cost savings.

On January 27, 2004, immediately following the meeting of the special committee, the Board of Directors held a special meeting, with all directors present. After further discussion during which the Board saw no change in the situation of the Company that would affect its original rationale for endorsing the reverse split, the Board of Directors determined that it was in the Company s best interests and the best interests of its stockholders, including unaffiliated stockholders, to effect the proposed reverse stock

split. The Board of Directors also unanimously recommended that its stockholders vote in favor of a proposal to amend the Company s Certificate of Incorporation to enable us to effect the proposed reverse stock split and related transactions according to the proposed terms and to go private. The Board of Directors unanimously determined that a reverse stock split was the most efficient means to reduce the number of stockholders sufficiently to permit the Company to go private, given the limited funds available to the Company to facilitate such a transaction. Our Board of Directors determined, based on the number of stockholders with a nominal number of shares, that a reverse stock split ratio of one-for-500 shares of our Common Stock was the appropriate ratio to reduce the number of record holders to less than 300. A preliminary proxy statement relating to the requisite stockholder approval of the proposed reverse stock split was filed with the SEC on January 28, 2004. The Board also determined that, given the declining cash balance of the Company and the uncertainty regarding future sales, the Company should continue to pursue alternatives, including a possible issuance of new equity or a merger that would supersede the authorized stock split, and the Board of Directors authorized management to continue to pursue these alternatives.

Given the continuing discussions with Quadrangle Capital Partners and other activities and options being explored by the Company, including ongoing discussions with aggregation candidates and potential investors, members of the Board of Directors wanted a clearer indication of the level of interest of Quadrangle Capital Partners and requested that management seek a more specific determination of their interest. An ongoing exchange of information, including operational, financial and sales pipelines, and further discussions regarding valuations of other providers of operations support services led to the initial expression of interest by Quadrangle Capital Partners in the form of a non-binding term sheet dated January 30, 2004. The initial term sheet proposed a valuation of .75 to 1.0 times revenue which was at the low end of the Company s expectations. Quadrangle s interest was dependent upon (i) the acquisition of Protek, (ii) a minimum investment by Quadrangle of $20 million and (iii) the conversion of all Series F Preferred Stock to Common Stock. The underlying security was proposed as a PIK preferred or participating PIK preferred security. Management spent time with representatives of Quadrangle Capital Partners to discuss each element of the proposal and to fully understand their proposal so that it could be presented to the Board of Directors.

In early February 2004, representatives of the Company spent several days in London for meetings with representatives of Protek in furtherance of the due diligence process. We discussed their products in detail as well as historical financial results. We also discussed the compatibility of the companies cultures and addressed the roles of various members of the Protek team.

At a meeting on February 19, 2004, the Board of Directors formed the Special Committee and appointed Mr. John McCarthy as Chairman and Messrs. Daniel Foreman and Stephen Getsy as members of the Special Committee. The Board of Directors directed the Special Committee to consider the feasibility and terms of any proposed investment in the Company or aggregation opportunity, including consideration of the fairness of any such investment or aggregation opportunity and any other factors that the Special Committee deemed appropriate, to participate in any negotiations with a potential investor or aggregation candidate as the Special Committee deemed appropriate and to recommend to the entire Board of Directors whether or not any such transaction is in the best interests of the Company and its stockholders. The Board of Directors reviewed all the strategic and business options available to the Company, including the Protek acquisition and the draft, non-binding proposal made by Quadrangle Capital Partners, and authorized management to concurrently continue negotiating with Quadrangle Capital Partners and pursuing the Protek acquisition. The Board approved a counter proposal to Quadrangle focused initially on the key issues of valuation, form of security, and the dividend rate. The management of the Company was given a range within which to negotiate further with Quadrangle.

On February 25, 2004, representatives of the Company and Quadrangle met to discuss the potential for an investment in the Company in conjunction with an acquisition of Protek and further negotiate key terms.

On March 9, 2004, a representative of Quadrangle met with an individual who is a Director of the Company and a member of Behrman Brothers, L.L.C., an investment firm that is the general partner of Behrman Capital, to further discuss the terms and conditions of an investment in the Company, including Behrman s required financial participation in the transaction.

Negotiations with Quadrangle over valuation and other key terms continued during early March as the Company sought to maximize the value of the consideration offered to the Company s stockholders. The Company provided additional information to Quadrangle during this time, including information the Company had gathered in the due diligence process with Protek.

The Company made a counter proposal on March 1, 2004, without significant movement by Quadrangle. During early March, the Company made another proposal to Quadrangle. This counter proposal included a suggestion that Quadrangle consider a total valuation of $38 million for both Protek and the Company. The Company believed that it could then possibly negotiate a lower valuation with Protek allowing the Company shareholders to benefit by having a larger proportion of the total valuation go toward the value of the Company. Quadrangle agreed to consider such a structure depending upon the outcome of ongoing negotiations and due diligence with each of the Company and Protek. Quadrangle eventually responded with another proposal.

On March 12, 2004, the Special Committee met with Mr. Quick to discuss the status of both the proposed funding being sought and discussions with Protek management. At that meeting, they reviewed the status of each proposed transaction, since each was critical to and dependent upon the other. The Company s management and representatives of Quadrangle Capital Partners continued to discuss and make revisions to the term sheet over the ensuing days, including with respect to valuation, investment by Behrman and performance hurdles that could trigger changes to the terms of Quadrangle s proposed preferred security. Quadrangle subsequently agreed to a valuation of 1.0 times revenue for each company for an approximate combined value of $38 million.

On March 15, 2004, the Company presented a counter-proposal regarding the events that could trigger changes to the terms of Quadrangle s proposed preferred security.

The Special Committee met with Mr. Quick and Dawn Landry, the Company s Vice President and General Counsel, again on March 15, 2004 and discussed the status of the negotiations with Quadrangle Capital Partners and the terms of the term sheet. The Special Committee approved and authorized Mr. Quick to sign a non-binding term sheet based on the negotiation points discussed. On March 17, 2004, the Company executed a non-binding term sheet with Quadrangle Capital Partners. The term sheet included the following terms:

$38 million valuation for the Company and the acquisition of Protek;

Quadrangle security would be senior PIK preferred with a dividend of 8%;

Initial investment amount of $25 million to $30 million with Quadrangle investing $25 million and a required investment from existing Company shareholders of $5 million;

Resulting company must be a private company with existing Company common stockholders shares to be redeemed for cash;

Existing Company preferred shareholders would receive a maximum of $5 million cash with the balance in new company stock;

Behrman would receive $5 million of its existing securities in senior PIK preferred;

Rachet of Quadrangle investment in the event the Company under performs; and

Investment contingent on closing of Protek transaction.

Having finalized the preliminary negotiations between the Company and Quadrangle, on March 18 and 19, 2004 representatives of Behrman Capital, Quadrangle Capital Partners and the Company met with representatives of Protek in London to discuss the financial results, products, customers, pipeline and

operations of Protek and to conduct on-site due diligence in contemplation of a potential acquisition of Protek.

During the week of March 22, 2004, the Company s management met with representatives of Quadrangle Capital Partners to discuss the proposed acquisition of Protek, the status of the due diligence conducted with respect to Protek and the Company s integration plan for the combined company. The Company s management and representatives of Quadrangle Capital Partners together developed the business terms to be proposed to Protek. On March 26, 2004, management spoke individually with members of the Special Committee and received approval for submission of the offer to Protek. On March 27, 2004 an executed proposal was sent to Protek.

During the week of March 29, 2004, the Company s management continued to explore the appropriate structure for the transaction and to negotiate terms of the proposed investment and the acquisition of Protek. Protek proposed revisions to the letter of intent which were discussed among the parties, including the Company, Quadrangle and Protek.

On April 2, 2004, the Special Committee met with Mr. Quick, Ms. Landry and the Company s counsel to discuss the terms of a revised letter of intent to be delivered to Protek. A revised proposal was then sent to Protek with the approval of the Special Committee.

The Special Committee also discussed the proposed structure of the transaction, including an investment by Quadrangle Capital Partners in a holding company, a merger of a subsidiary of the holding company with the Company and an acquisition by the holding company of all of the outstanding stock of Protek. Given that the Company had not finalized the reverse stock split allowing the Company to go private and that the timing and certainty of closing were key considerations of both Protek and Quadrangle in the evaluation of a potential transaction, the Special Committee determined that the best alternative to maximize value for the largest number of stockholders was to terminate the proposed reverse stock split and effect the going-private transaction as a part of the transaction with Protek and Quadrangle.

The Special Committee also discussed alternative approaches to the distribution of cash and stock consideration in the acquisition of the Company. The key consideration was the split of the consideration between the common and preferred shareholders. The discussion ranged from a high of 10% to a low of 0% going to the common shareholders. The 10% level was an initial estimate made by management based on the maximum amount that the Company believed the preferred shareholders would agree to, given that the Series F Liquidation Preference greatly exceeded any likely realizable value of the Company and that the change of control transaction being considered by the Board of Directors would trigger the Series F Liquidation Preference.

The Special Committee felt that it was important to get an external opinion as to the fairness of the allocation of consideration among our stockholders. Toward this end, the Special Committee reviewed information provided by VRC summarizing the services they offer as well as their experience and a list of clients. The Special Committee also considered quotations from VRC and Mann Frankfort for a fairness opinion for the proposed financing and acquisition and authorized an engagement letter on behalf of the Special Committee with VRC.

On April 5, 2004, Protek, the Company and Quadrangle Capital Partner executed a non-binding letter of intent. The terms of the letter of intent included the following:

Acquisition of Protek stock by a new company that owns 100% of the Company stock;

Purchase price of $20 million, consisting of $13 million in cash, $5 million in common stock of the new holding company and a potential $2 million earn out (consisting of up to $1 million in cash and up to $1 million in common stock of the new holding company) available to continuing senior management of Protek; and

Company to provide a bridge loan facility not to exceed $1.5 million.

During the remainder of April 2004 and the first week of May 2004, the Company s management and representatives of Quadrangle Capital Partners completed their respective due diligence on Protek while Quadrangle completed its due diligence on the Company and the management of the Company. Concurrently, Protek, the Company s management and Quadrangle Capital Partners negotiated the agreements necessary to sign definitive documentation of the proposed acquisition of Protek.

On April 8, 2004, the Special Committee met and discussed the most recent developments related to the potential investment in the Company and the proposed acquisition of Protek. These developments included the likely structure of the transaction, including funding of a new company and its acquisition of both the Company and Protek, ongoing due diligence and likely timing of closing. The Company s management also informed the Special Committee of a stockholder lawsuit filed in Delaware Chancery Court objecting to the proposed reverse stock split.

Also on April 8, 2004, the Board of Directors met and discussed the status of the proposed investment in the Company and the proposed acquisition of Protek. This review included the specifics of the transaction and related term sheets, the status of the transaction and anticipated closing, a pro forma view of the resulting equity structure, and pending legal issues faced by the Company. In addition, two other key issues were discussed at length the need for funding a bridge loan for Protek as required by the agreement and the increasingly probable liquidity issues the Company was facing. In essence, without existing shareholder support, we would be unable to fund the Protek bridge loan, and it was highly likely that the Company would need additional cash for operations before June 1, 2004. While we were anticipating cash from new business, as time went on, the prospects for the attainment of new business by the Company appeared to be increasingly uncertain. The Board authorized management to negotiate with the larger Company investors to see if any would be willing to fund these cash needs and what the terms might be.

During the week of April 19, 2004, representatives of the Company, Quadrangle Capital Partners and Protek met in New York to accelerate the negotiation of the definitive agreements required for the transactions.

On or about April 24, 2004, the Special Committee engaged Thompson Coburn LLP (Thompson Coburn), as separate special counsel, independent from counsel for the Company, to represent it for matters related to the proposed transactions.

During the week of April 26, 2004, representatives of the Company and Quadrangle Capital Partners met in person in New York and by teleconference to negotiate the legal agreements needed for the transactions. In addition, in light of certain financial obligations of the Company in connection with the proposed Merger, it was agreed that the aggregate purchase price to be paid in the Merger and share exchange would be reduced from $18 million to $17.2 million. These financial obligations were: a) a financial commitment to the former CEO that the proposed transaction would trigger; b) an expected settlement cost associated with an existing lawsuit carried over from the Abiliti acquisition; and c) the cost of defending the existing shareholder lawsuit associated with the reverse stock split. After representatives of the Company and Quadrangle Capital Partners had reached this agreement on purchase price, extensive discussions followed among the Company s management, the Special Committee, representatives of Behrman Capital and representatives of certain other holders of Series F Preferred Stock, and it was further agreed that the full amount of this purchase price adjustment would be treated as a reduction of the value of the Series F Preferred Stock (including shares held by Behrman Capital and SEF), and that this purchase price reduction therefore would not be applied to the value to be paid in respect of our Common Stock, notwithstanding the fact that the holders of the Series F Preferred Stock were already required to waive a significant Series F Liquidation Preference.

On April 27, 2004, Gordon Quick and Paul Beaumont, Protek s chief executive officer, met with all the partners of Quadrangle to respond to questions posed by Quadrangle partners not directly involved with the transaction.

In addition, on April 27, 2004, the Special Committee met with Thompson Coburn to discuss the Special Committee s role in considering the Merger. Thompson Coburn reviewed the status of the transaction and its principal terms. Representatives from VRC spoke at the meeting, discussing the analysis to be undertaken by it and the scope of a proposed fairness opinion. The Special Committee and Thompson Coburn had extensive discussions regarding the various factors that the Special Committee should consider in reviewing the Merger in view of its fiduciary obligations to the Company s stockholders. Significant factors considered by the Special Committee included the following facts:

The Company s independent accountant s report in the Company s financial statements for the past three years contained going concern qualifications;

The Company s Common Stock had been delisted from the Nasdaq Small Cap Market;

The Company was then in violation of the covenants in its operating loan;

The Company had never reported positive cash flow from operations;

The Company had been informed by its largest customer that it would complete its migration to another billing system by the middle of 2004; and

The Company had been informed by significant potential customers that because of concerns regarding the Company s financial condition and ability to continue to support the Company s products and services, they were not inclined to do business with the Company.

The Special Committee also reviewed the difference between the cash consideration to be paid to holders of Common Stock in the Merger and the recent price at which the Common Stock had been trading on the OTC Bulletin Board, the aggregate liquidation preference of $49.8 million to which the holders of Series F Preferred Stock were entitled upon a sale of the Company before the holders of Common Stock were entitled to any proceeds, and the extensive unsuccessful efforts of the Company s management to obtain alternate financing or negotiate acquisitions with other companies. Thompson Coburn also reviewed with the Special Committee the interests of certain persons in the Merger that may be different from the Company s stockholders generally. Thompson Coburn then reviewed the process for approving, signing and closing the Merger. The Special Committee discussed various aspects of the proposed transaction but deferred any action on approving it pending further negotiations among representatives of the Company, Behrman Capital, Quadrangle Capital Partners LP and Protek.

On April 30, 2004, the Company held a short Board of Directors meeting to inform the Board of the status of the negotiations and finalization of the documents in preparation for execution.

On May 4, 2004, the Board of Directors met to discuss the status of the negotiation of the transactions. Management informed the Board that Quadrangle had informed the Company that it intended to negotiate directly with Behrman Capital regarding the priority of certain preferred stock to be received by Behrman Capital in the transaction. Management informed the Board that this appeared to be the last major issue to be agreed upon and documented.

On May 4, 2004, representatives of Quadrangle Capital Partners informed representatives of Behrman Capital that, in light of the Company s worse than expected financial performance since the execution of the term sheet, Quadrangle Capital Partners was no longer prepared to (a) permit Behrman Capital and SEF to receive the same class of shares of Daleen Holdings preferred stock in the share exchange that would be issued to Quadrangle Capital Partners and Behrman Capital in respect of their $30 million investment in Daleen Holdings and (b) accept security other than cash in respect of Behrman Capital s and SEF s indemnification obligations. As a result of negotiations on May 4, 2004, Behrman Capital and SEF agreed that their consideration in the share exchange would consist of $5 million in value of Series A-1 Convertible Redeemable PIK Preferred Stock, par value $0.01 per share, that would be junior in rank upon liquidation to the preferred stock issued in the investment transactions, but would otherwise be identical to that preferred stock, with the remaining value of their Series F Preferred Stock to be delivered in Daleen Holdings common stock. In exchange for accepting the Series A-1 Preferred Stock, Behrman Capital and SEF required that their obligations to place Merger consideration in escrow be

limited to the cash proceeds they would otherwise receive in exchange for their shares of Common Stock in connection with the Merger.

On May 5, 2004, the Special Committee met with Thompson Coburn. Thompson Coburn provided an overview of recent developments and principal changes to the terms of the proposed Merger. VRC then made a presentation to the Special Committee of VRC s updated analysis of the proposed Merger. The Special Committee asked questions of VRC, and VRC provided the Special Committee with VRC s opinion that the Merger was fair, from a financial standpoint, to the holders of the Company s Series F Preferred Stock and Common Stock. Thompson Coburn provided an extensive review of interests of certain persons in the Merger which may be different from the Company s stockholders generally. Thompson Coburn then reviewed the Special Committee s fiduciary duties to the Company s stockholders in considering whether to approve the Merger Agreement. The Special Committee held an extensive discussion and, at the conclusion of the meeting, determined that the Merger Agreement and the transactions contemplated by it, including the Merger, were advisable, fair to and in the best interests of the Company and its stockholders, including unaffiliated stockholders, and unanimously voted to recommend that the Company s Board of Directors approve the Merger.

Following the Special Committee meeting on May 5, 2004, the Board of Directors met and, acting upon the recommendation of the Special Committee, unanimously approved the Merger Agreement and the transactions contemplated thereby, including the Merger. In considering the determination of the Special Committee, the Board of Directors believed that the analysis of the Special Committee was reasonable and adopted the Special Committee s conclusion and the analysis underlying its conclusion. During that meeting, the Board of Directors decided to abandon the proposed stock split in order to pursue the Merger Agreement and the related transactions.

On August 26, 2004, the Company s management participated in a conference call with a representative of Quadrangle Capital Partners. Because of weaker than expected second quarter financial results for both Protek and the Company, making it likely that both Protek and the Company would have less cash on hand upon completion of the Merger and related transactions than previously expected, it was suggested that it would be advisable to attempt to reduce the aggregate amount of cash consideration paid in the Merger and related transactions. The Company and Quadrangle Capital Partners felt that this could be achieved by effectuating an amendment to the Merger Agreement that would permit the holders of Series F Preferred Stock to designate the number of shares for which they wish to receive equity and the number of shares for which they wish to receive a pro rata portion of the available cash and equity, rather than forcing them to make an all or nothing election with respect to equity consideration. They were hopeful that offering this flexibility would cause at least some of the holders of Series F Preferred Stock to elect to receive relatively less cash and more equity than they otherwise would have elected to receive, providing Daleen Holdings with additional working capital upon completion of the Merger and related transactions. They determined, however, not to change the amount of the cash consideration offered to holders of our Common Stock or the aggregate value of the consideration offered in the Merger and related share exchange.

Purposes and Reasons for the Merger

Our primary purpose for engaging in the Merger is to provide our unaffiliated stockholders immediate liquidity for their investment in the Company by enabling holders of our Common Stock to receive cash for their shares and holders of our Series F Preferred Stock (other than Behrman Capital and SEF) to have an option to receive cash as a portion of the consideration for their shares. Our management does not believe that we have sufficient cash to continue as a going concern absent a significant investment in the Company. In addition, our independent auditors stated in their report dated February 2, 2004 (which is included in our Annual Report on Form 10-K/A for our fiscal year ended December 31, 2003), that we have suffered recurring losses from operations and have an accumulated deficit of $214.5 million at December 31, 2003, raising substantial doubt about our ability to continue as a going concern. As described under Consideration of Alternatives, the transactions contemplated by the Merger

Agreement represent the only currently available alternative. Additionally, we do not believe that additional alternatives will arise in the future on acceptable terms, if at all.

Shares of our Common Stock have been trading at a relatively low trading volume as a penny stock trading over-the-counter. We believe that this is due to our relatively low market capitalization and share price, the limited number of registered shares and the fact that we have limited cash on hand to enable us to continue operations beyond the immediate future. The Merger will provide unaffiliated holders of our Common Stock with immediate liquidity at a specified price, without the usual transaction costs associated with open market sales. In addition, we believe that obtaining $0.0384 per share of Common Stock in cash in the Merger, without interest and less any applicable withholding taxes, is preferable to holders of our Common Stock than attempting to achieve a future price in excess of that amount, particularly in light of the likelihood that the Company will not continue as a going concern if the Merger is not completed and of the subordination of the holders of Common Stock to the Series F Liquidation Preference.

The Merger is being undertaken now primarily because we believe that it presents the only viable alternative for the Company at this time, and the associated benefits are not expected to be available to our unaffiliated stockholders, particularly the holders of our Common Stock, as an option in the future. Because we believe it to be unlikely that we will continue as a going concern if the Merger is not completed, we do not believe that any alternative exists which would provide greater value to holders of our Common Stock. Further, there are currently no other acquisition or financing alternatives for us to consider at any valuation level. For these reasons, we believe that our stockholders will achieve the greatest value for their shares through the implementation of the Merger.

Consideration of Alternatives

This transaction was structured as a Merger in order to provide a prompt and orderly transfer of complete ownership of the Company with reduced transaction costs and minimal risk that the contemplated transaction will not be finalized. Because our current cash position limits our ability to continue as a going concern beyond the immediate future, only alternatives that allow such a prompt completion are viable. We, together with our financial advisor, considered and took preliminary steps to implement various alternatives to the Merger. For instance, we attempted to secure incremental investment in the Company from a combination of existing and new investors. We pursued this alternative aggressively by contacting six existing investors and 39 private equity firms. Only nine of those 45 potential investors expressed any interest at all, and only three went so far as to conduct a thorough analysis of the Company. Two of those three potential investors ultimately declined to make any proposal because of their reservations about a business combination involving the Company. Only the Quadrangle Investors expressed a continued interest in pursuing an investment. The transactions contemplated by the Merger Agreement and described in this proxy statement are the results of our extensive negotiations with the Quadrangle Investors.

We also considered improving our equity structure by pursuing a de-registration of our Common Stock under the Securities Act of 1934, as amended, by effecting a going-private transaction. Through de-registration, we believed that we could reduce our costs and hopefully demonstrate continued progress toward profitability, making the Company a more attractive candidate for potential investors or business combinations. In January 2004, our Board of Directors approved a proposed one-for-500 reverse stock split, and we filed with the SEC a preliminary proxy statement seeking stockholder approval of the proposed reverse stock split. As negotiations with the Quadrangle Investors continued successfully, our Board of Directors abandoned the proposed reverse stock split in order to pursue the Quadrangle investment.

In the course of our negotiations with the Quadrangle Investors and the other parties to the Merger Agreement, no other acquisition or financing alternatives for the Company arose on any terms at all. Because of our limited cash on hand to sustain operations in the absence of an investment in the Company, our Board of Directors determined that the Merger and the other transactions contemplated by the Merger Agreement will allow our stockholders to achieve the highest possible value and represent the only likely alternative in which holders of our Common Stock will receive any value for their shares.

Structure of the Merger

The transaction has been structured as a merger of Parallel Acquisition with and into the Company in order to permit the prompt acquisition of the Company in a single step that would still preserve our corporate identity. The Merger was structured to include the aggregate consideration described in this proxy statement for holders of our Common Stock and Series F Preferred Stock as it represented the highest value Quadrangle Capital Partners indicated that they were willing to pay for the Company in the Merger and related transactions following extensive negotiations among us, Behrman Capital, Quadrangle Capital Partners and our and their respective legal and financial advisors.

Recommendation of the Special Committee and the Board of Directors

Certain of our directors and executive officers may have financial and other interests that may be different from, and in addition to, your interests in the Merger. As a result, our Board of Directors decided that, in order to protect the interests of our stockholders, including unaffiliated stockholders, in evaluating the Merger and the terms of the Merger Agreement, a Special Committee of non-employee directors not affiliated with Behrman Capital should be formed to perform that task and, if they deemed it to be appropriate, to recommend the Merger and the terms of the Merger Agreement to the entire Board of Directors. The Special Committee consisted of Messrs. John McCarthy, Daniel Foreman and Stephen Getsy. Mr. McCarthy beneficially owns shares of both our Common Stock and our Series F Preferred Stock, and also may indirectly benefit from a fee of $200,000 payable to TRV Management upon completion of the Merger, as further described under the section Special Factors Interests of Certain Parties. The Board of Directors determined that, based on the absence of a relationship between Mr. McCarthy and Behrman Capital, the amount of the indirect benefit he may receive from the fee, the value of Mr. McCarthy s direct and indirect ownership in the Company and Mr. McCarthy s experience in serving on boards of directors of similar companies, he was qualified to serve on the Special Committee. Mr. McCarthy was not encouraged to waive the indirect benefit he may receive from the fee because the advisory services provided by Mr. McCarthy in conjunction with TRV Management was outside the scope of his service as a director of the Company, the Company had entered into an agreement in February 2003 to pay the fee to TRV Management and because, for the reasons stated above, the Special Committee did not believe that the payment of the fee disqualified Mr. McCarthy from serving on the special committee. Messrs. Getsy and Foreman each are affiliates of entities that beneficially own our Common Stock. The Special Committee retained Thompson Coburn LLP as its separate legal counsel.

The Special Committee has unanimously determined that the terms of the Merger Agreement and the Merger are advisable, fair to and in our best interests and in the best interests of our stockholders, including unaffiliated stockholders. The Special Committee unanimously recommended to our Board of Directors that the Merger Agreement and the Merger be approved and adopted. The Special Committee considered a number of factors in reaching its determinations and recommendations as more fully described below.

Our Board of Directors, including all of our non-employee directors, acting upon the recommendation of the Special Committee, unanimously determined that the Merger Agreement and the transactions contemplated thereby, including the Merger, are advisable, fair to and in the best interests of us and our stockholders, including unaffiliated stockholders. **On the basis of the foregoing, our Board of Directors has unanimously approved the Merger Agreement and the Merger, and recommends that our stockholders vote to approve and adopt the Merger Agreement. The recommendation of our Board of Directors was made after consideration of all the material factors, both positive and negative, as described below.**

Reasons for the Special Committee s Determination; Fairness of the Merger

In determining the fairness of the Merger and recommending adoption and approval of the Merger Agreement and approval of the Merger to our Board of Directors, the Special Committee considered a

number of factors which, in the opinion of the members of the Special Committee, supported the Special Committee s recommendation, including:

the Special Committee s knowledge of our business, assets, financial condition and results of operations, our competitive position, the nature of our business and the industry in which we compete, and the lack of affiliation of the Special Committee s members with Behrman Capital, which the Special Committee believes qualifies the Special Committee to evaluate the Merger and make a recommendation to our Board of Directors regarding the advisability and fairness of the Merger to our stockholders and us;

the Special Committee s determination that, following extensive negotiations between us and Quadrangle Capital Partners, the aggregate consideration offered to our stockholders in the Merger and related share exchange was the highest price that Quadrangle Capital Partners indicated they were willing to pay for the Company in the Merger and related transactions, with the Special Committee basing its belief on a number of factors, including the duration and tenor of negotiations, assertions made by Quadrangle Capital Partners during the negotiation process and the experience of the Special Committee and its advisors;

the financial presentation of VRC to the Special Committee on May 5, 2004, including VRC s opinion that the merger consideration is fair, from a financial point of view, and as of May 5, 2004, to our stockholders, as described in the VRC opinion and the analyses presented to the Special Committee by VRC on May 5, 2004, which are described in more detail in this proxy statement under the heading Opinion of Valuation Research Corporation ;

the fact that all of the merger consideration paid in respect of shares of our Common Stock will be paid in cash, with holders of Series F Preferred Stock having an option to receive part of the merger consideration paid with respect to those shares in cash, decreasing any uncertainties in valuing the merger consideration to be received by our stockholders;

the fact that, under the terms of the Merger Agreement, our Board of Directors is entitled, if it determines after consultation with independent legal counsel that doing so is necessary to comply with its fiduciary duties to our stockholders under applicable law, subject to the taking of certain actions, to furnish information to, or enter into discussions or negotiations with, any person or entity that makes an unsolicited, bona fide written proposal for a competing transaction meeting certain criteria if our Board of Directors determines in good faith, based on a written opinion of a nationally recognized financial advisor, that the competing transaction is reasonably likely to be more favorable to our stockholders from a financial point of view than the transactions contemplated by the Merger Agreement, thereby allowing our Board of Directors to pursue a competing transaction that is presented to it after signing the Merger Agreement if the transaction is reasonably likely to be more favorable to our stockholders from a financial point of view;

the fact that, under the terms of the Merger Agreement, our Board of Directors, if it determines after consultation with independent legal counsel that doing so is necessary to comply with its fiduciary duties to our stockholders under applicable law, subject to the taking of certain actions, is not prohibited from withdrawing or modifying its recommendation of acceptance of the Merger Agreements and the transactions it contemplates following the making of an unsolicited, bona fide written proposal relating to a competing transaction that meets certain criteria if our Board of Directors determines in good faith, based on a written opinion of a nationally recognized financial advisor, that the competing transaction is reasonably likely to be more favorable to our stockholders from a financial point of view than the transactions contemplated by the Merger Agreement, thereby allowing our Board of Directors to evaluate competing transactions that may be presented to it after signing the Merger Agreement and change its recommendation if it determines that the competing transaction is more favorable to our stockholders than the Merger;

the Special Committee s belief that, based on a comparison of the terms of the Merger to the Company s viability as a going concern, including the facts that (1) it received a going concern

qualification from its auditors in their audit reports on the Company s financial statements for each of the past three years, (2) it was then in violation of its covenants under its operating loan, (3) it has never reported positive cash flow from operations, (4) management believed that, without additional financing, the Company would exhaust its available cash by the end of the second quarter of 2004, (5) it had been informed by its largest customer that the customer will switch to a product offered by a competitor of the company in the summer of 2004 and (6) it had been informed by potential customers that they were not inclined to do business with the Company because of concerns regarding the Company s financial condition and ability to continue to support the Company s products and services, that the Merger was more favorable to the stockholders;

the fact that the Company s Common Stock had been delisted from the Nasdaq Small Cap Market, and that the Common Stock had limited liquidity on the OTC Bulletin Board, which greatly decreases the likelihood that our stockholders could liquidate their investment in the Company in an efficient manner;

the rights of the holders of our Series F Preferred Stock to the mandatory redemption of their shares for an aggregate price equal to their aggregate liquidation preference of $49.8 million, absent their written consent pursuant to our Certificate of Incorporation to a waiver of that redemption right. As a result of these mandatory redemption rights, no party would be willing to acquire us unless either (a) such rights were waived by the holders of our Series F Preferred Stock or (b) the purchase price payable to the holders of our common stock was reduced by the amount of the obligation that we or our successor would incur to the holders of our Series F Preferred Stock (which reduction would only be a satisfactory alternative if we were otherwise valued in excess of the $49.8 million liquidation preference of the Series F Preferred Stock). Accordingly, the $49.8 million liquidation preference to which the holders of Series F Preferred Stock are entitled upon the sale of the Company before the holders of Common Stock are entitled to any proceeds. Accordingly, the holders of the Series F Preferred Stock could not be expected to convert their shares to Common Stock unless the Company was sold for a price greatly in excess of its current value. As such, it is highly unlikely that the holders of Common Stock would receive any proceeds from a liquidation or sale of the Company;

the extensive efforts of our management in attempting to obtain alternative financing and exploring acquisitions with other candidates, none of which have been successful, which led the Special Committee to conclude that management had performed an extensive market check in exploring alternatives to the Merger and that it was unlikely that the Company could attract a transaction more favorable to its stockholders than the Merger;

the Special Committee s judgment, in light of the fact that no other parties have expressed an interest in acquiring us, that it was unlikely that any other buyer would be willing to pay a price equal to or greater than the consideration offered in the Merger;

the fact that, in the absence of the completion of the Merger and related transactions, we would likely require significant funding in the near term, and there can be no assurance that the terms and conditions of any such funding, due to the absence of a concurrent transaction that would create a larger and more viable company, would be as attractive as those contemplated by the Merger and related transactions; and

the ability of our stockholders who may not support the Merger to exercise appraisal rights under Delaware law, which provides stockholders who dispute the fairness of the Merger consideration with an opportunity to have a court determine the fair value of their shares.

The Special Committee also determined that the Merger is procedurally fair because, among other things:

the Special Committee was established by the Board of Directors and possessed unlimited authority to, among other things, evaluate, negotiate and recommend the terms of the Merger and received advice from an independent legal advisor;

the Special Committee is composed entirely of non-employee directors who are not affiliated with Behrman Capital or Quadrangle Capital Partners;

the Special Committee was granted the full authority of our Board of Directors to evaluate Daleen Holdings proposal and any alternative transaction;

the Special Committee retained and received advice from its own independent legal advisor in evaluating and recommending the terms of the Merger Agreement, and its independent legal advisor reported directly to and took direction solely from the Special Committee;

the merger consideration and the other terms and conditions of the Merger Agreement resulted from active and lengthy negotiations between us and our legal and financial advisors, on the one hand, and Quadrangle Capital Partners and its legal and financial advisors, on the other hand; and

under Delaware law, our stockholders have the right to exercise appraisal rights with respect to their shares, which provides stockholders who dispute the fairness of the Merger consideration with an opportunity to have a court determine the fair value of their shares.

In light of the foregoing factors, the Special Committee determined that the Merger is procedurally fair. After specific consideration, the Special Committee determined that it was not necessary to retain a representative to act on behalf of the unaffiliated stockholders in negotiating the Merger or require the approval of the Merger by a majority in interest of our unaffiliated stockholders because the Special Committee concluded that the Merger was the best available transaction for the holders of Common Stock and that the additional measures would increase the cost and the risk of delay in completing the Merger, which could result in the holders of Common Stock receiving no consideration, given the Company s dwindling cash resources, while providing no meaningful additional protection to unaffiliated holders of Common Stock.

The Special Committee also considered a variety of risks and other potentially negative factors concerning the Merger. The material risks and potentially negative factors considered by the Special Committee were as follows:

we will cease to be a public company and have reporting obligations under the Exchange Act because of our registration of our Common Stock pursuant to the Exchange Act, and holders of our Common Stock will no longer participate in any potential future growth;

while we expect to complete the Merger, there can be no assurances that all conditions to the parties obligations to complete the Merger Agreement will be satisfied and, as a result, the Merger may not be completed;

gains from all cash transactions are generally taxable to our stockholders for U.S. federal income tax purposes;

the possibility of disruption to our operations following the announcement of the Merger; and

the fact that the fees associated with certain terminations of the Merger Agreement, combined with our own expected transaction expenses, will materially impact our ability to survive as an on-going business if the Merger and the transactions contemplated by the Merger Agreement do not close and an alternative transaction is not available.

The Special Committee concluded, however, that these risks and potentially negative factors could be managed or mitigated by us, were unlikely to have a material impact on the Merger or were unavoidable costs of any similar transaction, and that, overall, the potentially negative factors associated with the Merger were outweighed by the potential benefits of the Merger.

The Special Committee also considered the difference between the Merger consideration of $.0384 per share for Common Stock and the $.30 per share amount that the Company proposed to pay to holders of fewer than 500 shares of Common Stock in our previously proposed one-for-500 reverse stock split approved by the Special Committee and Board of Directors in January 2004. At the time the proposed

reverse stock split was approved, the Company had no indication of definitive interest of a third party in any other form of transaction. Although the Company s management was continuing to explore strategic alternatives, the Company s deteriorating cash position at the time necessitated that all measures be considered that could result in immediate and meaningful cost savings. The proposed reverse stock split was approved so that the number of record shareholders of the Company would be less than 300, and the Company would cease to be a reporting Company, thereby enabling the Company to immediately implement significant cost savings and continue as a going concern with reduced operating expenses.

In considering the range of possible prices for payment to holders of fewer than 500 shares in the proposed reverse stock split, it was the recommendation of our management that the Special Committee approve a price that would be substantially in excess of the amount to which holders of our Common Stock would be entitled upon a liquidation, notwithstanding its belief that a much lower price (one only nominally in excess of zero cents per share, representing solely a speculative option value) would have been fair to cash out holders of our Common Stock. Our management recommended that the Special Committee adopt a price that would be closer to the then current trading value of our Common Stock, on the grounds that: (a) the premium would resolve on favorable terms the interests of shareholders receiving cash for their stock since they would not be forced to forgo the premium available if the stock were sold at then prevailing prices in the public market; and (b) the premium over the amount holders of our Common Stock would receive upon a liquidation was reasonable when compared to the anticipated cost savings from going private and the likelihood of successfully consummating the transaction if such a premium were offered. Based on management s recommendation, the Special Committee approved a price of $.30 per share of Common Stock to be paid to holders of fewer than 500 shares in the Company s proposed reverse stock split. In reviewing the consideration to be paid in the Merger in light of the proposed reverse stock split that later was abandoned, the Special Committee considered a number of factors, including:

as a result of the Merger, the Company will cease to be a public company, so the reverse stock split is no longer necessary;

in the Merger, all holders of Common Stock will be eligible to receive the Merger consideration, whereas with the reverse stock split only holders of fewer than 500 shares of Common Stock would receive the cash payment. Because all holders of Common Stock would be treated the same in the Merger, there was no longer a need to offer a premium to resolve on favorable terms the interests of stockholders who would be cashed out in the reverse stock split;

although the premium to have been paid in the proposed reverse stock split to certain stockholders was reasonable in light of the cost savings which we would have realized by no longer being a public company, the premium price of $.30 per share of Common Stock was no longer feasible, in light of limited available financial resources, if required to be paid to all of the holders of Common Stock;

the Special Committee s determination that, following extensive negotiations between us and Quadrangle Capital Partners, the aggregate consideration offered to our stockholders in the Merger and related share exchange was the highest price and $4.6 million was the maximum amount of the cash component of the consideration that Quadrangle Capital Partners indicated they were willing to pay for the Company in the Merger and related transactions; and

the facts that:

a price of $0.0384 per share of our Common Stock would result in holders of Common Stock receiving approximately 10% of the aggregate value of the consideration offered in the Merger and related share exchange;

the Company s management initially estimated that approximately 10% of the aggregate value of the consideration offered in the Merger and related share exchange was the maximum amount that the holders of Series F Preferred Stock would be willing to accept given their liquidation and redemption rights;

it was the initial position of certain holders of Series F Preferred Stock that no consideration, or only de minimus consideration, should be paid to holders of our Common Stock, since the aggregate consideration that could be paid in the Merger and related share exchange was significantly less than the aggregate amounts to which holders of Series F Preferred Stock would be entitled upon liquidation and pursuant to their redemption rights;

during the extensive negotiations among us, Behrman Capital, SEF and the other holders of our Series F Preferred Stock, the aggregate amount of cash consideration to be paid to holders of our Common Stock that the holders of Series F Preferred Stock indicated that they were willing to accept ranged from 0% to approximately 10% of the aggregate value of the consideration offered in the Merger and related share exchange; and

as the result of extensive negotiations among us, Behrman Capital, SEF and the other holders of our Series F Preferred Stock, it was determined that approximately 10% of the aggregate value of the consideration offered in the Merger and related share exchange represented the greatest amount that could be designated for holders of our Common Stock in order for the holders of Series F Preferred Stock to agree to waive their redemption rights.

The Special Committee did not base its belief as to the fairness of the Merger on whether the consideration offered to our unaffiliated stockholders constituted fair value in relation to our net book value, liquidation value or going concern value or current or historical stock prices because it was the view of the Special Committee that those factors were not material under the circumstances, for the following reasons:

our net book value as of March 31, 2004 of $0.0862 per share of common stock on a fully diluted basis, which is an accounting concept, generally has no correlation to the current fair value of our shares in the context of a sale of us or as a going concern value, but rather is indicative of historical value that may no longer apply and does not take into account the required repayments of redemption value or liquidation value to the holders of Series F Preferred Stock;

selling us as an ongoing operation to Daleen Holdings in the Merger will realize greater value for our unaffiliated stockholders than the value that would otherwise be realized in an orderly liquidation of our business, because the $49.8 million liquidation preference to which the holders of the Series F Preferred Stock would be entitled before the holders of Common Stock would be entitled to any proceeds meant that it was highly unlikely that the holders of Daleen Common Stock would receive any proceeds from a liquidation of Daleen;

the Company did not appear to be viable as a going concern, based upon the facts that (1) it received as a going concern qualification from its auditors in their audit reports on the Company s financial statements for each of the past three years, (2) it was then in violation of its covenants under its operating loan, (3) it has never reported positive cash flow from operations, (4) management believes that, without additional financing, the Company will exhaust its available cash by the end of the second quarter of 2004, (5) it had been informed by its largest customer that the customer will switch to a product offered by a competitor of the company in the summer of 2004 and (6) it had been informed by potential customers that they were not inclined to do business with the Company because of concerns regarding the Company s financial condition and ability to continue to support the Company s products and services; and

the Company s then current and historical stock prices, which were generally higher than the per share price to be paid in the Merger, were generally not indicative of the value of the Company s Common Stock because the trading market for the Company s Common Stock has limited liquidity and it is unlikely that the stockholders would be able to liquidate their investment in the Company in an efficient manner or at the prices posted on the OTC Bulletin Board. In addition, Company stockholders likely would be required to pay broker commissions or dealer markdowns on any sale of Company Common Stock, thereby reducing the net proceeds received.

The above-described factors were not material to the Special Committee s determination because they do not take into account the $49.8 million liquidation preference to which the holders of the Series F Preferred Stock would be entitled before the holders of Common Stock would be entitled to any proceeds, the fact that the Company does not appear viable as a going concern, or the lack of liquidity in the Company s Common Stock. However, the Company considered the other factors described above in this section which the Special Committee deemed to be material to this transaction, including the extensive negotiations conducted by management, the fairness opinion of VRC, the cash consideration to be received by the holders of Common Stock, the procedural fairness of the Merger, the fact that the Company will no longer be public, and the risks to the Company in completing the Merger. After considering these factors the Special Committee unanimously concluded that the positive factors relating to the Merger outweighed the negative factors, and that the Merger and its related transactions, including the effect of the Company going private, is substantively fair to us and our stockholders, and, in particular, the Special Committee unanimously concluded that the effect of the Company going private is substantively fair to our unaffiliated stockholders.

The Special Committee and our Board of Directors were fully aware of and considered possible conflicts of interest of certain of our directors and officers set forth below under Interests of Directors and Officers in the Merger. The Special Committee, which consists solely of directors who are not officers or employees of ours, and who have no affiliation with Behrman Capital or Quadrangle Capital Partners, was aware of these interests and considered them in making its determination.

After considering the factors described above, the Special Committee unanimously concluded that the positive factors relating to the Merger outweighed the negative factors. Included in the consideration was the fact that holders of 500 or fewer shares of Common Stock would receive considerably less than the $.30 per share they would have received in the previously proposed reverse stock split. However, the Special Committee determined that this was outweighed by the positive factors of the Merger including that the Company would become private as a result of the Merger, thereby eliminating the necessity of the reverse stock split, and that all holders of Common Stock would be treated the same in the Merger, thereby eliminating a need to offer a premium to certain holders, which premium could not be offered to all holders of Common Stock in light of the Company s limited financial resources. Because of the variety of factors considered, the Special Committee did not find it practicable to quantify or otherwise assign relative weights to, and did not make specific assessments of, the specific factors considered in reaching its determination. In addition, individual members of the Special Committee may have assigned different weights to various factors. The determination of the Special Committee was made after consideration of all of the factors together.

Reasons for the Board of Directors Determination; Fairness of the Merger

Our Board of Directors consists of seven directors, three of whom serve on the Special Committee. On May 5, 2004 following the Special Committee s meeting with the Company s financial advisor and the Special Committee s legal advisors, our Board of Directors, acting upon the recommendation of the Special Committee, unanimously approved the Merger Agreement and the transactions contemplated thereby, including the Merger. In considering the determination of the Special Committee, our Board of Directors believed that the analysis of the Special Committee was reasonable and adopted the Special Committee s conclusion and the analysis underlying the conclusion.

Our Board of Directors believes that the Merger Agreement and the Merger are substantively and procedurally fair to, and in the best interests of, our stockholders, including unaffiliated stockholders for all of the reasons set forth above under Reasons for the Special Committee s Determination; Fairness of the Merger. In addition, with respect to procedural fairness, our Board of Directors established the three-member Special Committee. None of the members of the Special Committee are employed by or serve as a director of Quadrangle Capital Partners, Behrman Capital and SEF or their affiliates or is employed by us. The aggregate consideration to be paid or delivered in the Merger and related share exchange was the highest price Quadrangle Capital Partners indicated that they were willing to pay for the Company in the

Merger and related transactions following extensive negotiations among us, Behrman Capital, Quadrangle Capital Partners and our and their respective legal and financial advisors.

In reaching these conclusions, our Board of Directors considered it significant that the Special Committee retained an independent legal advisor who has extensive experience with transactions similar to the Merger and who assisted the Special Committee in evaluating the Merger.

Because of the foregoing factors, our Board of Directors determined that the Merger is procedurally fair despite the fact that the terms of the Merger Agreement do not require the approval of a majority of our unaffiliated stockholders.

Positions of Behrman Capital, SEF, Daleen Holdings, Parallel Acquisition and Gordon Quick

The rules of the Securities and Exchange Commission require Behrman Capital, SEF, Daleen Holdings, Parallel Acquisition and Gordon Quick to express a belief regarding the fairness of the Merger to our unaffiliated stockholders. For this reason, Behrman Capital and SEF have carefully reviewed and considered the factors and reasons more fully discussed in the section of this proxy statement entitled SPECIAL FACTORS Reasons for Behrman Capital s and SEF s Determination; Fairness of the Merger. Also for this reason, Daleen Holdings, Parallel Acquisition and Mr. Quick have carefully reviewed and considered the factors examined by the Special Committee and our Board of Directors described in the sections of this proxy statement entitled SPECIAL FACTORS Reasons for the Special Committee s Determination; Fairness of the Merger and Reasons for Our Board of Directors Determination; Fairness of the Merger. Based on their assessments and examinations of these factors, Behrman Capital, SEF, Daleen Holdings, Parallel Acquisition and Mr. Quick each believe that the Merger is fair to our stockholders, including unaffiliated stockholders. Neither Behrman Capital, SEF, Daleen Holdings, Parallel Acquisition nor Mr. Quick solicited or otherwise obtained the advice of an independent party as to the fairness of the Merger, and each of them may be deemed to be interested parties with respect to the Merger. Accordingly, Behrman Capital, SEF, Daleen Holdings, Parallel Acquisition and Mr. Quick may not be deemed to be objective in their respective views.

Mr. Quick was informed regarding the factors considered by the Board of Directors in their deliberations regarding the fairness of the Merger because Mr. Quick is a member of the Board of Directors and was present for and participated in the deliberations. Daleen Holdings and Parallel Acquisition were also informed regarding the factors considered by the Board of Directors because Mr. Quick currently serves as the sole Director of both Daleen Holdings and Parallel Acquisition.

Reasons for Daleen Holdings , Parallel Acquisition s and Gordon Quick s Determination; Fairness of the Merger

Because the Merger, if completed, would constitute a going private transaction, the rules of the Securities and Exchange Commission require Daleen Holdings, Parallel Acquisition and Gordon Quick to each express a belief regarding the fairness of the Merger to the Company s stockholders, including unaffiliated stockholders. Daleen Holdings, Parallel Acquisition and Mr. Quick each believe that the Merger Agreement and the Merger are fair to, and in the best interests of, our stockholders, including unaffiliated stockholders for all of the reasons set forth above under Reasons for the Special Committee s Determination; Fairness of the Merger and Reasons for Our Board of Directors Determination; Fairness of the Merger. Based on their assessments and examinations of these factors, each of Daleen Holdings, Parallel Acquisition and Gordon Quick adopted the analysis of the Special Committee and our Board of Directors. Because of those factors, Daleen Holdings, Parallel Acquisition and Mr. Quick each determined that the Merger is fair despite the fact that the Merger has not been structured to require the approval of a majority of our unaffiliated stockholders.

Reasons for Behrman Capital s, and SEF s Determination; Fairness of the Merger

Because the Merger, if completed, would constitute a going private transaction, the rules of the Securities and Exchange Commission require Behrman Capital and SEF to express a belief regarding the

fairness of the Merger to the Company s stockholders, including unaffiliated stockholders. Behrman Capital and SEF each believes the Merger is fair to the Company s stockholders, including unaffiliated stockholders, based upon the following factors:

that after management s extensive pursuit of other sources of financing and other strategic transactions throughout 2003 and 2004 to date, the Merger and the transactions related thereto emerged as the only viable alternative available to the Company that could potentially satisfy the significant financing needs of the Company before the time when the absence of financing would cast into serious doubt the Company s ability to continue as a going concern;

that if the Merger and related transactions were not consummated, the serious doubt about the Company s ability to continue as a going concern would require the Company to consider alternatives in which significantly less value would be achieved for all its stockholders, including its unaffiliated stockholders, such as a liquidation or sale of the Company, in which case the rights of the holders of Series F Preferred Stock to receive the $49.8 million Preferential Amount would make it highly unlikely that the holders of Common Stock would receive any sale or liquidation proceeds;

that pursuant to the Company s Certificate of Incorporation, the Merger belongs to a class of transactions that are subject to the right of the holders of Series F Preferred Stock to receive transaction proceeds equal to the $49.8 million Preferential Amount before holders of any junior class of capital stock may receive any consideration at all and therefore the Company was required to seek the consent of the holders of Series F Preferred Stock to give up a portion of the Merger proceeds to which they were entitled under the Certificate of Incorporation and the Company would not have been able to arrange for any portion of the transaction proceeds to be provided to the holders of Common Stock without that consent;

that all merger consideration paid in respect of shares of Common Stock and, in all likelihood, a portion of the merger consideration paid in respect of shares of Series F Preferred Stock held by the unaffiliated stockholders of the Company will be paid in cash, thereby decreasing uncertainties associated with valuing portions of the merger consideration to be received by the unaffiliated stockholders of the Company;

that the Special Committee was formed by the Board of Directors and consisted solely of non-employee members of the Board of Directors who are not affiliated with either Behrman Capital, SEF or Quadrangle Capital Partners;

that Behrman Capital, SEF and Quadrangle Capital Partners did not participate in or have any influence on the deliberative process of or the conclusions reached by the Special Committee;

that an independent legal advisor was retained by the Special Committee to evaluate and advise on the terms of the Merger and the Merger Agreement;

that the Merger and the Merger Agreement were unanimously approved and recommended by the Special Committee;

that the Merger and the Merger Agreement were unanimously approved and recommended by the Board of Directors;

that, in consultation with the Special Committee, the Company engaged in extensive negotiations with Quadrangle Capital Partners in arriving at the definitive terms and conditions of the Merger Agreement; for example, when Quadrangle Capital Partners negotiated to reduce the aggregate purchase price from $18 million to $17.2 million as discussed above under SPECIAL FACTORS Background of the Merger , the Company and the Special Committee negotiated with holders of Series F Preferred Stock to ensure that the reduction in purchase price would not be applied to the proceeds that were to be paid to the holders of Common Stock;

that VRC, the independent financial advisor retained by the Special Committee, delivered an opinion to the Special Committee on May 5, 2004 that, as of such date, the merger consideration was fair, from a financial point of view, to the Company s stockholders; and

that under Delaware law, the Company s stockholders have the right to demand appraisal of their shares.

In addition, in connection with their respective determinations as to the fairness of the Merger to the Company s stockholders, including unaffiliated stockholders, each of Behrman Capital and SEF also has considered the reasons supporting the fairness determinations of the Special Committee and the Board of Directors that are set forth under SPECIAL FACTORS Reasons for the Special Committee s Determination; Fairness of the Merger and Reasons for Our Board of Directors Determination; Fairness of the Merger . Based upon their review, Behrman and SEF have each reached the conclusion that those reasons further support the determinations of Behrman Capital and SEF that the Merger is fair to the Company s stockholders, including unaffiliated stockholders, and have therefore adopted the analysis of the Special Committee and our Board of Directors as to the fairness of the Merger that are based on those reasons. Therefore those reasons are incorporated in this section of the proxy statement by reference. Neither Behrman Capital nor SEF found it practicable to assign or has assigned relative weights to the individual factors and reasons they considered in reaching their respective conclusions as to fairness, but they believe that each factor and reason is material to their respective fairness determinations. Because of the overall impact of the factors and reasons supporting a determination of fairness, including the appointment by the Board of Directors of the Special Committee, Behrman and SEF were able to reach their conclusions as to the fairness of the Merger even though it was not structured to require the approval of a majority in interest of the Company s unaffiliated stockholders and an unaffiliated representative was not retained to act solely on behalf of the unaffiliated stockholders.

The views of Behrman Capital and SEF as to the fairness of the Merger should not be construed as a recommendation by Behrman Capital or SEF to any stockholder of the Company as to how it should vote at the Special Meeting.

Opinion of Valuation Research Corporation

VRC delivered a presentation and written opinion dated May 5, 2004 to the Special Committee, on behalf of our Board of Directors, addressing the fairness, from a financial point of view, of the consideration to be received by our common and preferred stockholders in connection with the transactions contemplated by the Merger Agreement. VRC has consented to the use and summary of its opinion in this proxy statement.

VRC was selected by us to evaluate the fairness of the consideration to be received by our stockholders in connection with the transactions contemplated by the Merger Agreement because of its reputation, experience and expertise. In the normal course of its business, VRC regularly provides valuation advisory services in connection with mergers and acquisitions, leveraged buyouts and recapitalizations, reorganizations, sales and dispositions, tax matters, financial reporting matters and other purposes. Prior to this engagement, VRC had no relationship with us.

The terms of the transactions contemplated by the Merger Agreement were determined through negotiations between us and the other parties as well as their respective affiliates, representatives and advisors, and the decision to approve those transactions was solely that of our Board of Directors. VRC s analyses and opinion were only one of many factors considered by the Special Committee and our Board of Directors in approving the transactions contemplated by the Merger Agreement and recommending that our stockholders approve certain aspects of those transactions.

VRC was not involved in the structuring, documentation or negotiation of the Merger Agreement or the transactions contemplated thereby and has not, other than the delivery of its opinion and the presentation of its review and analyses associated therewith, provided any financial advisory or investment

banking services to us related to or in connection with the Merger Agreement or the transactions contemplated thereby.

VRC was not requested to opine on, and its opinion therefore does not address, the relative risks or merits of the Merger or any other transaction contemplated by the Merger Agreement or any other business strategy or transactional alternative that might be available to us, nor does its opinion address our underlying business decision to undertake the transactions contemplated by the Merger Agreement, the likelihood of their consummation or their timing. VRC s opinion was not intended to be and does not constitute a recommendation to any of our common or preferred stockholders as to how such stockholder should vote on any matter related to or associated with the Merger Agreement.

VRC s opinion does not address any specific legal, tax accounting, financial reporting, business, employee, labor, pension, postretirement benefit, capitalization, creditor, stockholder or management matters, rights, obligations, effects or consequences with respect to us or any of our affiliates in connection with or related to the Merger Agreement or any transactions contemplated thereby.

The full text of VRC s opinion is set forth in Appendix B attached to this proxy statement and is incorporated herein by reference. The summary of VRC s opinion set forth in this proxy statement is qualified by reference to the full text of its opinion. Stockholders are urged to read VRC s opinion in its entirety for a description of the assumptions made, procedures followed, and matters considered. Neither the Special Committee nor our Board of Directors limited any reviews, analyses or inquiries by VRC in rendering its opinion.

In rendering its opinion, VRC conducted such reviews, analyses, and inquiries deemed necessary and appropriate by VRC under the circumstances including, but not limited to, the following:

reviewed a summary of principal transaction terms;

reviewed certain publicly available information relating to us as well as our 2004 budget and the major assumptions associated therewith which were provided to VRC or otherwise obtained by VRC or discussed with VRC by certain of our senior managers and other representatives and advisors (See Projections Prepared by the Company);

reviewed certain internal financial and other information and data which were provided to VRC or otherwise obtained by VRC or discussed with VRC by certain of our senior managers and other representatives and advisors including preliminary financials for the period ending March 31, 2004, which were identical in all material respects to the financial information contained in our press release dated April 23, 2004 and contained in our Current Report on Form 8-K filed with the SEC on April 23, 2004 (see OTHER INFORMATION Where You Can Find More Information for information on how to obtain a copy of this Form 8-K);

had meetings and held discussions with certain of our senior managers and other representatives and advisors concerning our businesses, operations, prospects and financial condition, among other subjects;

reviewed historical prices and trading volumes for our Common Stock;

reviewed certain financial terms of the transactions related to the Merger Agreement in relation to, among other things, our historical and projected financial results;

analyzed certain market, financial and other publicly available information and data relating to the businesses of other companies with operations VRC considered relevant in evaluating ours;

reviewed, to the extent publicly available, the financial terms of certain other transactions that VRC considered relevant in evaluating the transactions contemplated by the Merger Agreement; and

developed indications of the value of our Common Stock using generally accepted valuation methodologies and procedures.

In addition to the foregoing, VRC conducted such other reviews, analyses, and inquiries and VRC reviewed and considered such other economic, industry and market information and data as VRC deemed appropriate in rendering its opinion. Our Board of Directors did not review the financial information provided by certain of our senior managers and other representatives and advisors to VRC for accuracy and completeness or make a determination as to the reasonableness of VRC s reliance upon that information.

VRC s opinion was necessarily based upon economic, industry, market, financial and other conditions and circumstances as they existed and to the extent they could be evaluated on the date of the opinion, and VRC assumes no responsibility to update or revise its opinion based upon any events or circumstances occurring after the date of its opinion. VRC assumed there was no material change in our assets, financial condition, businesses or prospects since the date of the most recent financial statements and other information and data made available to and furnished to VRC and the date of the opinion.

VRC assumed that the final terms of the transactions contemplated by the Merger Agreement would be substantially identical to those in the summary of principal transaction terms submitted to it, without material modification of any financial or other terms or conditions. VRC assumed that all the requisite regulatory approvals and consents required in connection with the transactions contemplated by the Merger Agreement would be obtained in a timely manner and will not affect the consummation of those transactions. Further, VRC assumed that the transactions contemplated by the Merger Agreement would be consummated in a manner that complies in all material respects with any and all applicable laws and regulations of any and all legal or regulatory authorities.

In rendering its opinion, VRC did not perform any appraisal or valuation of any of our specific assets or liabilities, and it was not furnished with any such appraisal or valuation prepared by us or any third party, and it has not made and will not make any physical inspection, evaluation or appraisal of any properties or assets. The analyses relating to our value do not purport to be appraisals or to reflect the price at which we may actually be sold.

In rendering its opinion, VRC assumed and relied upon the accuracy and completeness of all financial and other information and data publicly available or furnished to VRC or otherwise obtained by VRC or discussed with VRC by certain of our senior managers and other representatives and advisors. VRC further relied upon the assurances of certain of our senior managers that they were not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any way. VRC was not asked to and did not independently verify the accuracy or completeness of any such information or data, and it does not assume any responsibility or liability for the accuracy or completeness of any such information or data. With respect to our 2004 budget, VRC was advised by certain of our senior managers that such budget was reasonably prepared, reflecting the best currently available estimates and judgments of management as to our future financial performance. VRC expressed no opinion as to such budget or the assumptions on which it was based. The 2004 budget furnished to VRC by us was prepared for internal purposes only and not with a view towards public disclosure. The 2004 budget, as well as the other estimates used by VRC in its analyses, was based on numerous variables and assumptions which are inherently uncertain and, accordingly, actual results could vary materially from those set forth.

Analyses Completed by VRC

In connection with rendering its opinion, VRC performed a variety of financial and comparative analyses, certain of which are summarized below. The following summary is not a complete description of all analyses performed and factors considered by VRC in connection with rendering 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.

The following is a brief summary of the material financial analyses performed by VRC and reviewed by the Special Committee and our Board of Directors in connection with VRC s opinion as to the fairness, from a financial point of view, of the consideration to be received by our stockholders in connection with the transactions contemplated by the Merger Agreement. VRC believes that its analyses and the summary

below must be considered as a whole and that selecting portions of its analyses or focusing on certain factors presented, without considering all analyses and factors or the narrative descriptions of the analyses, could create misleading or incomplete views of the processes underlying VRC s analyses and opinion. None of the analyses performed by VRC was assigned greater significance or reliance by VRC than any other. VRC arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole. VRC did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis.

VRC s Considerations

VRC noted several considerations regarding our business, financial condition, capital structure, public status, and strategic alternatives that it believed were relevant to its analyses. Some of its considerations regarding our financial condition included, but were not limited to, (i) our belief that without an infusion of capital we may exhaust our cash by the end of the second quarter of 2004 if we continue as a stand-alone entity, (ii) the fact that our independent accountants have expressed doubt about our ability to continue as a going concern in their audit reports on our financial statements for the past three years and (iii) the redemption value of the Series F Preferred Stock, which is equal to its liquidation preference of $49.8 million (the Preferential Amount).

Historical Stock Market Analysis

VRC reviewed our historical stock price history and performance. VRC determined that the absence of liquidity in the trading of our common stock as demonstrated by low trading volume and relatively wide bid-ask spreads causes the historical trading prices to be inappropriate indications of our value.

Guideline Mergers and Acquisitions (M&A) Analysis

VRC reviewed certain publicly-available information and data for the acquired companies in the following M&A transactions (collectively, the Guideline M&A):

Buyer	Seller/Unit
At Road Inc	MDSI Mobile Data Solutions
GGI Group Inc	American Management Systems
ACE*COMM Corp	Mamma.com/Intasys Billing Technologies
Convergys Corp	ALLTEL Corp/Billing & Customer Care Business
Rocket Software	TCSI Corp
NE Technologies Inc	DSET Corp
CSG Systems Intl Inc	IBM Corp/ICMM Customer Care & Billion Solutions
Convergys Corp	iBasis Inc/iBasis Speech Solutions
MetaSolv Inc	Nortel Networks/Service Commerce Division
CSG Systems Intl Inc	Lucent Technologies Inc/Billing & Customer Care Operations

VRC s review included, but was not limited to, enterprise value multiples of revenue for the latest-twelve-month (LTM) period prior to the merger or acquisition date. LTM revenue multiples observed for the Guideline M&A ranged from a low of 0.54x to a high of 1.53x with an average of 1.08x and a median of 1.18x. VRC noted that the aforementioned range excluded a revenue multiple of 0.26x as it was considered an outlier. Such multiple was considered an outlier as it was more than 50% less than the next lowest multiple and less than 25% of the mean and median multiples for the remaining observations.

In general, VRC considered the relative investment characteristics of the acquired companies in the Guideline M&A to be comparable to us as such companies had operations which were considered similar to ours for purposes of their analysis and therefore considered the entire range of revenue multiples observed for the acquired companies in Guideline M&A excluding the aforementioned outlier. VRC utilized the approximate range of revenue multiples observed for the Guideline M&A excluding the aforementioned outlier and applied such range of multiples to our LTM and current fiscal year (CFY) budgeted revenue.

VRC selected revenue multiples ranging from a low of 0.50x to a high of 1.50x in order to develop enterprise value indications for us. Enterprise value indications for us ranged from a low of $9.1 million to a high of $28.9 million. The resulting range of enterprise value indications was adjusted by adding cash, subtracting debt, subtracting any payments associated with our Long-Term Incentive Compensation Plan, and subtracting values for the Series F Preferred Stock to arrive at a range of equity value indications for us. The resulting range of equity value indications was divided by the number of common shares outstanding in order to arrive at a range of per share equity value indications for us.

In order to develop per share equity value indications for us, VRC valued the Series F Preferred Stock (i) at the Preferential Amount of approximately $49.8 million and (ii) based on its as-if-converted to common ownership percentage of approximately 54.0% (excluding warrants to purchase Series F Preferred Stock as well as Common Stock and warrants to purchase Common Stock held by preferred stockholders). Under the terms of the Series F Preferred Stock, upon a sale of the Company, holders of Series F Preferred Stock are entitled to receive the Preferential Amount before holders of the Common Stock are entitled to receive any proceeds.

When the Series F Preferred Stock was valued at the Preferential Amount, the resulting per share equity value for our Common Stock was $0.00. When the Series F Preferred Stock was valued based on its as-if-converted to common ownership percentage, the resulting per share equity value for our Common Stock ranged from $0.10 to $0.27 per share. However, the holders of Series F Preferred Stock have no obligation to convert their shares into Common Stock, nor does it make economic sense for such holders to convert because they would receive less value upon conversion.

None of the acquired companies in the Guideline M&A are identical or directly comparable to us, and no transaction used in the Guideline M&A is either identical or directly comparable to the transactions contemplated by the Merger Agreement. These analyses necessarily involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the public trading or other values of the subject companies.

Guideline Companies Analysis

VRC reviewed certain publicly-available historical and projected information and data for the following companies (collectively, the Guideline Companies):

Guideline Companies with Analyst Coverage:

Amdocs Ltd

Comverse Technology Inc
Convergys Corp
ADC Telecommunications Inc
CSG Systems
Micromuse Inc
Inet Technologies Inc
Portal Software Inc
Concord Communications Inc
Boston Communications Group
Lightbridge Inc
Management Network Group
MetaSolv Inc
Visual Networks Inc
Evolving Systems Inc

Guideline Companies without Analyst Coverage:

Mind CTI Ltd

ACE*COMM Corp
Veramark Technologies Corp
Mer Telemanagement Solutions Ltd

Astea International Inc
CTI Group Holdings Inc
Primal Solutions Inc
Direct Insite Corp

VRC s review included, but was not limited to, enterprise value multiples of revenue for the LTM and CFY periods. Enterprise value is defined as market value of common equity, plus preferred stock, minority interest, and total debt less cash and cash equivalents. CFY revenue represents consensus estimates as published by I/B/E/S and such estimates may or may not prove to be accurate. Revenue multiples for the Guideline Companies were based on closing stock prices as of April 30, 2004.

LTM revenue multiples observed for the Guideline Companies with analyst coverage ranged from a low of 0.63x to a high of 3.20x with an average of 1.70x and a median of 1.62x. CFY revenue multiples observed for the Guideline Companies with analyst coverage ranged from a low of 0.59x to a high of 2.81x with an average of 1.53x and a median of 1.63x.

VRC considered the full range of revenue multiples observed for the Guideline Companies. VRC focused on the group of Guideline Companies with analyst coverage as VRC considered the revenue multiples of those companies as more relevant in this analysis as, in its opinion, the market for shares in such companies tends to be more active and liquid and more information such as analyst reports and earnings estimates tends to be available for such companies. Based on VRC s assessments of our investment characteristics relative to those of the Guideline Companies with analyst coverage, VRC selected a range of revenue multiples deemed appropriate to apply to our LTM and CFY budgeted revenue.

VRC selected revenue multiples ranging from a low of 0.60x to a high of 1.15x. The low multiple of 0.60x is based on the low multiples observed for the Guideline Companies with analyst coverage for the LTM and CFY periods. The high multiple of 1.15x is based on a discount to the median multiples observed for the Guideline Companies with analyst coverage for the LTM and CFY periods. The selected range of revenue multiples was applied to our LTM and CFY budgeted revenue in order to arrive at a range of enterprise value indications for us. Enterprise value indications ranged from a low of $10.9 million to a high of $22.2 million. The resulting range of enterprise value indications was adjusted by adding cash, subtracting debt, subtracting any payments associated with the Company Long-Term Incentive Compensation Plan, and subtracting values for the Series F Preferred Stock in order to arrive at a range of equity value indications for us. The resulting range of equity value indications was divided by the number of common shares outstanding to arrive at a range of per share equity indications for us.

In order to develop per share equity value indications for the Company, VRC valued the Series F Preferred Stock (i) at its Preferential Amount of $49.8 million and (ii) based on its as-if-converted ownership percentage of approximately 54.0% (excluding warrants to purchase Series F Preferred Stock as well as common stock and warrants to purchase common stock held by preferred stockholders).

When the Series F Preferred Stock was valued at its Preferential Amount, the resulting per share equity value for our Common Stock was $0.00. When the Series F Preferred Stock was valued based on its as-if-converted ownership percentage, the resulting per share equity value for our Common Stock ranged from $0.11 to $0.22 per share. However, the holders of Series F Preferred Stock have no obligation to convert their shares into Common Stock, nor does it make economic sense for such holders to convert because they would receive less value upon conversion.

None of the Guideline Companies are identical or directly comparable to us. These analyses necessarily involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the public trading or other values of the subject companies.

Discounted Cash Flow Analysis

VRC considered a discounted cash flow analysis, but ultimately chose not to employ such an analysis for purposes of rendering its opinion as (i) we did not provide VRC with cash flow projections on a stand-alone basis, and (ii) discounted cash flow analysis is most appropriate for companies that exhibit relatively steady or somewhat predictable cash flows. We have never been cash flow positive and management was uncertain in estimating our future cash flow on a stand-alone basis beyond 2004.

Call Option Analysis

VRC utilized option pricing theory and the Black-Scholes option pricing model to develop a range of per share equity value indications for us. This analysis treats our common equity as a call option on the value of our assets with an exercise price based on the Preferential Amount. Our Common Stock only has

intrinsic value if our assets exceed the Preferential Amount. This analysis values our equity using three call options.

The first call option represents preferred stockholders claims to the entire equity value when the equity value is less than the Preferential Amount.

The second call option represents common stockholders claims to their pro rata share of the equity value when the equity value is between the Preferential Amount and the amount at which it would make economic sense for the holders of Series F Preferred Stock to convert their shares to shares of Common Stock (the Conversion Amount). The Conversion Amount is equal to the Series F Liquidation Preference ($49.8 million) divided by the preferred stockholders pro rata ownership on an as-if-converted basis (54.0%).

The third call option represents all stockholders claims to their pro rata share of the equity value once the equity value exceeds the Conversion Amount.

Under this methodology, the value of our common equity is equal to the value of the second call option less the value of the third call option multiplied by the preferred stockholders pro rata ownership percentage on an as-if-converted to common basis.

In developing a range of per share equity value indications for our Common Stock under the call option analysis, VRC performed sensitivity analyses on the assumed investment horizon (1-5 years) and volatility (40.0%-80.0%) for each of the call options. The resulting per share equity value indications ranged from approximately $0.01 to $0.11 per share.

Comparable Transactions Analysis

VRC also reviewed, to the extent publicly available, certain financial terms of six transactions that it considered comparable and relevant in rendering its opinion. Such transactions involved companies with outstanding classes of preferred stock in which preferred shareholders appeared to receive amounts less than their liquidation preference. To the extent such information was publicly available, VRC reviewed the relative amount of consideration received by common and preferred shareholders and made certain qualitative judgments regarding the financial terms of the transactions reviewed relative to those of the subject transaction. Based on its review of the aforementioned transactions, VRC concluded that the relative amount of consideration to be received by our stockholders in the proposed transactions appeared reasonable.

Summary Observations and Conclusions

VRC noted that none of the enterprise value indications observed for us exceeded the Preferential Amount and that an enterprise value for us of $17.2 million (as implied in connection with the transactions contemplated by the Merger Agreement) was within the range of enterprise values observed for us in the Guideline M&A and Guideline Company Analyses. Based on the enterprise value indications derived by the methodologies employed, VRC noted that our Common Stock may only have nominal or speculative (i.e., option value) when considering the Preferential Amount of the Series F Preferred Stock and concluded that the consideration received by holders of our Common Stock was fair from a financial point of view.

Payment to VRC for its Services

Under the terms of its engagement, we paid VRC a retainer fee of $40,000 and agreed to pay VRC a fixed fee of $110,000 upon issuance of VRC s opinion. VRC s fee was not contingent on its opinion rendered or the consummation of the transactions contemplated by the Merger Agreement. In addition, we agreed to reimburse VRC for its expenses incurred up to $5,000 and to indemnify VRC and related parties against certain liabilities relating to, or arising out of, its engagement, including liabilities under federal securities laws. Daleen Holdings has agreed to guaranty our indemnification obligations with respect to this engagement.

Effects of the Merger

Pursuant to, and subject to the terms and conditions of, the Merger Agreement, Daleen Holdings will acquire us through the Merger of its wholly owned subsidiary, Parallel Acquisition, with and into us, with us surviving. Immediately after the closing of the Merger, we will be a subsidiary of Daleen Holdings, and Parallel Acquisition will cease to exist as a separate entity. As a result, Daleen Holdings will be entitled to all benefits resulting from future operations, including the combined operations of us and Protek, if any, and any future increase in the value of such operations. Similarly, Daleen Holdings also will bear the risk of all losses generated by such future operations and any decrease in the value of such operations after the Merger.

As an additional consequence of the closing of the Merger, our Common Stock will no longer be quoted on the OTC Bulletin Board or publicly traded or quoted on any other securities exchange or market. Furthermore, the registration of our Common Stock under the Exchange Act will be terminated upon application to the Securities and Exchange Commission after the Merger. Because our Common Stock is our only class of securities registered under the Exchange Act, termination of the registration of our Common Stock under the Exchange Act would make certain provisions of the Exchange Act no longer applicable. These include the short-swing profit recovery provisions of Section 16(b), the requirement to furnish proxy statements in connection with stockholders meetings under Section 14(a) and the related requirement to furnish an annual report to stockholders.

Upon completion of the Merger, our stockholders, other than holders of our Series F Preferred Stock, will cease to have ownership interests in the Company or rights as Company stockholders. Therefore, our current stockholders, other than holders of our Series F Preferred Stock, will not participate in any of our future earnings or growth and will not benefit from any appreciation in our value, if any. Our stockholders, other than holders of our Series F Preferred Stock, will receive an aggregate amount of approximately $1,800,000 in exchange for their shares of Company common stock, or $0.384 per share.

Holders of our Series F Preferred Stock will receive an aggregate of $15.4 million or approximately $34.28 per share in a combination of cash and stock, with a maximum cash component of $2.8 million. The holders of our Series F Preferred Stock have mandatory redemption rights entitling them to $49.8 million, more than three times the consideration allocated to the class, and will be required to waive such rights to permit the holders of our Common Stock to receive any consideration in the Merger. Upon completion of the Merger, holders of our Series F Preferred Stock will own up to approximately 29% of Daleen Holdings preferred stock and up to approximately 60% of Daleen Holdings common stock. Quadrangle will own approximately 71% of Daleen Holdings preferred stock.

Our directors and executive officers, will receive the merger consideration detailed below in SPECIAL FACTORS Interests of Certain Parties. Quadrangle and the holders of our Series F Preferred Stock will be the primary beneficiaries of our future earnings and growth, if any.

Behrman, through its ownership of common stock and preferred stock of the surviving corporation, will have approximately a 27% interest in the net book value and net income of Daleen Holdings after the Merger. Our net book value as of March 31, 2004, which was the figure considered by the Special Committee was $.0862 per share of common stock outstanding, including all Series F Preferred Stock outstanding on an as-converted basis. Our total stockholders equity as of March 31, 2004 was approximately $8.8 million, and our net loss for the three-month period ended March 31, 2004 was $1.3 million (or $.01 per share on an as-converted basis).

Following the Merger, the Company will be wholly owned by Daleen Holdings, and each of our affiliated stockholders will own the following percentages of Daleen Holdings common stock and preferred

stock on an as-converted basis, and would correspondingly have the following interests in Daleen Technologies net book value and net income (loss) as of March 31, 2004:

Stockholder	% of Ownership	Net Book Value	Net Income (Loss)
Behrman Capital and SEF	27%	$2,376,000	($351,000)
Gordon Quick	0%	0	0
Daleen Holdings	0%	0	0
Parallel Acquisition	0%	0	0

Plans for the Company

It is expected that, following the consummation of the Merger, our operations and business will be combined by Daleen Holdings with the operations and business of Protek. Except as otherwise described in this proxy statement, the Quadrangle Investors, which will control Daleen Holdings from and after completion of the Merger, have not informed us that they have any current plans or proposals or negotiations which relate to or would result in (i) an extraordinary corporate transaction, such as a merger (other than the Merger), reorganization or liquidation involving the surviving corporation of the Merger or (ii) any purchase, sale or transfer of a material amount of the assets of the surviving corporation of the Merger.

Notwithstanding the foregoing, the Quadrangle Investors have informed us that, following the consummation of the Merger, they expect to review the combined assets of us and Protek and the corporate structure, capitalization, operations, properties, policies, management and personnel of the surviving corporation to determine which changes may be necessary to best organize and integrate our activities with those of Protek.

If the Merger is not completed, it is highly unlikely that we would continue to operate our business substantially as presently operated. We do not believe that our cash and cash equivalents at June 30, 2004 will be sufficient to fund our operations and that we will be required to further reduce operations and/or seek additional financing if the Merger is not completed. Behrman Capital has agreed to provide us with a bridge loan facility, under which we may borrow up to $5.1 million subject to certain requirements. We have drawn $1 million to support the loan to Protek. We have drawn another $1.7 million to support our continuing operations and meet our cash flow requirements. The remainder may be made available to us by Behrman Capital, at its discretion, to fund our ordinary course working capital needs prior to the closing of the Merger and to pay costs we incur in connection with the bridge loan, Merger and related transactions. There can be no assurance that Behrman will continue to make additional draws available or that other financing will be available, or that, if available, the financing will be obtainable on terms acceptable to us or that additional financing would not be substantially dilutive to our existing stockholders.

Although, subject to our right to consider a competing transaction as described under THE MERGER AGREEMENT Termination, we are precluded from soliciting other strategic alternatives pending completion or termination of the Merger and the transactions contemplated by the Merger Agreement, if the transactions are not completed, we will consider other strategic alternatives and will evaluate and review from time to time our business operations, properties, dividend policy and capitalization, making such changes as are deemed appropriate and continuing to seek to identify strategic alternatives to maximize stockholder value. There can be no assurance that any other strategic alternatives will be available, or if available, will be on terms acceptable to us, or all of our stockholders.

We estimate that we have incurred aggregate transaction expenses of approximately $3.7 million to date in connection with the Merger Agreement and the related transactions, which would be payable by us if the transactions do not occur, and, depending on the reason why the transactions did not occur, we may owe termination fees to the Quadrangle Investors and/or Protek. In the absence of an immediate alternate financing or other strategic transaction, we do not expect to have the funds to make such payments in full or in material part should they become due.

We believe that the failure to consummate the Merger and the other transactions contemplated by the Merger Agreement will have a material adverse effect on our ability to operate as a going concern, which may result in us filing for bankruptcy protection, an assignment for the benefit of creditors, winding down operations and/or liquidating our assets.

Interests of Certain Parties

In considering the recommendation of the Special Committee to our Board of Directors and the recommendation of our Board of Directors, you should be aware that some of our directors and officers may have interests in the Merger that may be different from, or in addition to, yours as a stockholder generally and may create potential conflicts of interests. These interests are described below and in the section of this proxy statement entitled CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Our Board of Directors appointed the Special Committee, consisting solely of non-employee directors who are not officers, directors, or employees of Behrman Capital or Quadrangle Capital Partners LP or their respective affiliates or employed by us, to evaluate and, if appropriate, recommend the Merger Agreement and to evaluate whether the Merger is in the best interests of our stockholders. The Special Committee was aware of these differing interests and considered them, among other matters, in evaluating the Merger Agreement and the Merger and in recommending to our Board of Directors that the Merger Agreement be adopted and the Merger be approved. In addition, each of the members of our Board of Directors was aware of these interests and considered them, among other matters, in approving the Merger Agreement and the Merger.

Merger Consideration to Be Received by Directors and Executive Officers. As of July 31, 2004, the record date of the Special Meeting, our directors and executive officers beneficially owned, in the aggregate, 20,907,397 shares of our Common Stock, or approximately 35% of the outstanding shares of our Common Stock, and 128,056 shares of our Series F Preferred Stock, or approximately 22% of the outstanding shares of our Series F Preferred Stock.

Based upon the issued shares beneficially owned by our directors and executive officers (which includes shares not owned directly by such directors and executive officers) as of August 24, 2004, the following are the anticipated values for the merger consideration to be received by each of our directors and executive officers from the Merger, less any applicable withholding taxes:

Name of Director or Executive Officer	Merger Consideration
Gordon Quick	$ 0
James Daleen	1,921
Daniel J. Foreman	34,048
Stephen J. Getsy	1,957
John S. McCarthy	70,841
Ofer Nemirovsky	3,236,579
Dennis G. Sisco	0
David McTarnaghan	77

For further information regarding the beneficial ownership of our securities by our directors and executive officers, see the section of this proxy statement entitled SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Employment Agreement of Gordon Quick. Daleen Holdings has entered into an employment agreement with Gordon Quick for his services as Chief Executive Officer of Daleen Holdings effective upon completion of the Merger. Mr. Quick also would be an initial director of Daleen Holdings upon completion of the Merger. The employment agreement provides for a term of three years, with the term automatically renewing for one-year periods unless either Daleen Holdings or Mr. Quick give 90 days notice of termination.

Under the employment agreement, Mr. Quick would receive a base salary of $425,000 per year, increased at a minimum of $25,000 per year beginning January 1, 2006. Mr. Quick would receive an annual target bonus opportunity of at least 50% of his base salary, based on performance goals and criteria mutually agreed upon in good faith by Mr. Quick and Daleen Holdings board of directors. Subject to the terms of Daleen Holdings Management Equity Plan, Mr. Quick would receive an equity award equal to 6.7% of Daleen Holdings outstanding equity.

If Mr. Quick were to be discharged other than for cause or if he would resign with good reason (as such terms are defined in the employment agreement, which was filed as an exhibit to our Quarterly Report on Form 10-Q for our fiscal quarter ended March 31, 2004), pursuant to the terms of the employment agreement, Mr. Quick would receive a severance arrangement consisting of the following:

a payment of his then current base salary, payable over 18 months, unless he subsequently competes with Daleen Holdings during that period;

a continuation of his benefits for 18 months, unless he receives similar benefits from a subsequent employer;

immediate vesting of a minimum of 50%, plus 25% of the unvested balance beyond two years, of all incentive compensation, stock options and other stock-based rights and rights under Daleen Holdings Management Equity Plan; and

to the extent his discharge or resignation is due to a change in control, a lump sum payment equal to 1.5 times his then current base salary, including a gross-up bonus if the payment is subject to a golden parachute excise tax.

Retention Bonus Arrangements. Mr. Quick is party to a retention bonus arrangement, with the bonus amount specified in a separate side letter. Upon the earlier of (i) the completion of the Merger or (ii) the first anniversary of the side letter, as long as Mr. Quick remains employed by the Company, he will receive a retention bonus of $200,000. The bonus amount also would be payable if Mr. Quick were to be terminated without cause or if he were to resign for good reason.

David McTarnaghan, Dawn Landry, Bill McCausland, Frank Dickinson, Rolando Espinosa and John Trecker are each a party to a retention bonus arrangement, with the bonus amount specified in a separate side letter. Each side letter provides that upon the earlier of (i) the completion of the Merger or (ii) the first anniversary of the side letter, as long as the respective employee remains employed by the Company, he or she will receive a retention bonus of $25,000. The bonus amount also would be payable if he or she were to be terminated without cause or if he or she were to resign for good reason.

Daleen Holdings Stock Incentive Plan. Key employees, non-employee directors and consultants providing services to Daleen Holdings or its affiliates may be eligible to receive stock options and stock awards pursuant to Daleen Holdings Stock Incentive Plan. Stock options and stock awards granted under this plan will be exercisable for shares of Daleen Holdings common stock. Upon adoption of the plan, the aggregate number of shares authorized for issuance in connection with this plan is not to exceed 19% of the outstanding common stock of Daleen Holdings at closing. The number of shares authorized for issuance under this plan will be adjusted annually.

Certain Interests of Directors and Executive Officers in the Merger. In considering the Merger Agreement, stockholders should be aware that certain of our directors and executive officers have interests (described below and elsewhere in this proxy statement) which might present them with potential conflicts of interest in connection with the Merger.

As of August 20, the record date of the Special Meeting, our directors and executive officers own an aggregate of 52,024 shares of Common Stock and 244 shares of Series F Preferred Stock which, pursuant to the terms of the Merger Agreement, will entitle them to receive the applicable merger consideration for those shares. See SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

We previously entered into a severance and release agreement and settlement letter with James Daleen which provides that, in the event of certain transactions involving us, such as the Merger, Mr. Daleen will be entitled to a lump sum payment of $278,900, plus any unpaid portion of $328,900 owed to him by us (approximately $511,870 in sum), upon closing of the Merger pursuant to the Settlement and Release Agreement dated December 20, 2002.

Following the Merger, Gordon Quick, currently our President and Chief Executive Officer, as well as a Director, will become the Chief Executive Officer and an initial Director of Daleen Holdings pursuant to an employment agreement. For further information regarding the terms of Mr. Quick s employment, see SPECIAL FACTORS Interests of Certain Parties.

The Chairman of the Special Committee will receive $750, and the two other members of the Special Committed will receive $500 each for their attendance at each Special Committee meeting.

Dennis G. Sisco, a member of our Board of Directors, is also a member of Behrman Brothers, L.L.C., the general partner of Behrman Capital, although Mr. Sisco has no management or other decision making role at Behrman Brothers, L.L.C. In these dual capacities, Mr. Sisco at times may be confronted with issues, such as the Merger, that present him with potentially conflicting interests and obligations. For example, because Behrman Capital would remain a significant stockholder of ours following the completion of the Merger, it will have the opportunity to participate in the future growth and share the risks associated with any negative future performance of the Company, an opportunity that will not be available to our unaffiliated stockholders who own only Common Stock and who will receive only cash in connection with the Merger. As general partner of Behrman Capital, Behrman Brothers, L.L.C. will indirectly share in that opportunity, as potentially will Mr. Sisco in his capacity as a member of Behrman Brothers, L.L.C. As a member of our Board of Directors, Mr. Sisco will be eligible for coverage under certain directors and officers insurance policies that are discussed below. Following the completion of the Merger, it is expected that Mr. Sisco will join the board of directors of Daleen Holdings.

TRV Management, a firm owned by an associate of Mr. McCarthy, one of our directors and a member of the Special Committee, would receive a fee of $200,000 upon completion of the Merger and related transactions. TRV Management identified and analyzed other transaction candidates or sources of financing for the Company and assisted the Company with transaction analysis and financial modeling with respect to the proposed Merger. TRV Management and certain affiliated companies, including those in which Mr. McCarthy has an interest, have expense sharing arrangements with respect to sharing the cost of jointly used facilities and support services. TRV Management may use a portion of the fee to pay overhead costs and expenses, thereby reducing overhead costs and expenses paid by those affiliated companies.

Our Board of Directors was aware of these potential conflicts and considered them among the other matters described under SPECIAL FACTORS Reasons for Our Board of Directors Determination; Fairness of the Merger.

Daleen Holdings has agreed that the surviving corporation in the Merger will use commercially reasonable efforts to maintain in effect for six years from the effective time of the Merger, if available, either (i) the directors and officers liability insurance covering those directors and officers currently covered by our directors and officers liability insurance policy on comparable terms to those applicable to Daleen Holdings directors and officers or (ii) the current directors and officers liability insurance policies maintained by us with respect to matters occurring prior to the effective time of the Merger. In no event is the surviving corporation required to expend an amount per year equal to 200% of our current annual premiums to comply with this obligation.

Projections Prepared by the Company

We do not as a matter of course publicly disclose projections as to our future revenues, budget information or other results. However, we provided VRC with certain information relating to us that may not be publicly available. Our initial projected budget for the year ending December 31, 2004 is

summarized below. The following information has been excerpted from the materials provided to VRC and does not reflect consummation of the Transactions.

Consolidated Budget 2004

	Q1	Q2	Q3	Q4	Total
Revenue	$4,833,794	$5,433,859	$4,517,806	$4,501,469	$19,286,928
Expenses:					
General and admin	2,097,482	2,007,575	1,554,550	1,501,549	7,161,155
Sales	431,328	426,487	406,972	374,111	1,638,898
Marketing	268,782	304,712	211,091	176,594	961,179