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.

TABLE OF CONTENTS

	Page
SUMMARY TERM SHEET	1
Parties to the Merger and Other Relevant Parties	1
Terms of the Merger	2
Transactions Related to the Merger	5
Special Committee of the Board of Directors	7
Recommendation of the Special Committee and the Board of Directors	7
Opinion of the Financial Advisor	7
Positions of Behrman Capital, SEF, Daleen Holdings, Parallel Acquisition and Gordon Quick as to the Fairness of the Merger	8
Interests of Directors and Officers in the Merger	8
Effects of the Merger	9
Conditions to Completing the Merger	9
Termination	10
Material U.S. Federal Income Tax Consequences	11
Litigation Relating to the Merger	11
Appraisal Rights	11
Required Vote	11
Reservation of Rights	11
Questions	12
QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE SPECIAL MEETING	13
FORWARD-LOOKING STATEMENTS	21
SPECIAL FACTORS	22
Parties to the Merger and Other Relevant Parties	22
Background of the Merger	24
Purposes and Reasons for the Merger	33
Consideration of Alternatives	34
Structure of the Merger	35
Recommendation of the Special Committee and the Board of Directors	35
Reasons for the Special Committee s Determination; Fairness of the Merger	35
Reasons for the Board of Directors Determination; Fairness of the Merger	41
Positions of Behrman Capital, SEF, Daleen Holdings, Parallel Acquisition and Gordon Quick	42
Reasons for Daleen Holdings , Parallel Acquisition s and Gordon Quick s Determination; Fairness of the Merger	42
Reasons for Behrman Capital s, and SEF s Determination; Fairness of the Merger	42
Opinion of Valuation Research Corporation	44
Effects of the Merger	51
Plans for the Company	52
Interests of Certain Parties	53
Projections Prepared by the Company	55
Voting Agreements	57
Provisions for Unaffiliated Stockholders	58
Reservation of Rights	58

	Page
THE SPECIAL MEETING	59
Date, Time and Place	59
Matters to be Considered	59
Vote Required	59
Record Date, Voting Rights, Quorum and Revocability of Proxies	60
Adjournments and Postponements	60
THE MERGER	61
Effective Time of the Merger	61
Payment of Merger Consideration and Surrender of Stock Certificates	61
Escrow Arrangement	62
Risks That the Merger Will Not Be Completed	63
Merger Financing; Sources of Funds	65
Material U.S. Federal Income Tax Consequences	65
Litigation Relating to the Merger	68
Regulatory Matters	69
Accounting Treatment	69
Estimated Fees and Expenses of the Merger	69
Appraisal Rights	70
THE MERGER AGREEMENT	73
Effective Time of the Merger	73
The Merger	73
Merger Consideration	73
Stock Options and Warrants	74
Surrender of Certificates and Payment Procedures	74
Representations and Warranties	74
Covenants	75
Conditions to Completing the Merger	77
Termination	79
Amendment and Waiver	80
Fees and Expenses	80
Governing Law	82
Assignment	82
DESCRIPTION OF CAPITAL STOCK OF DALEEN HOLDINGS, INC.	83
Authorized Capital Stock	83
Common Stock	83
Preferred Stock	83
TRANSACTIONS RELATED TO THE MERGER	85
Investment Agreement	85
Bridge Loan Facilities	87
Protek Acquisition	88
Transaction Support Agreement	90
Amounts Paid by Daleen Holdings to or on Behalf of Behrman Capital	91
Amounts Paid by the Company to or on Behalf of Behrman Capital	91
Quadrangle Fee Letter	91

	Page
SUMMARY HISTORICAL FINANCIAL DATA	92
PRICE RANGE OF COMMON STOCK AND DIVIDENDS	93
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	94
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	99
Acquisition of Abiliti Solutions, Inc. and 2002 Private Placement of Series F Preferred Stock	99
Certain Other Related Party Transactions	100
OTHER INFORMATION	101
Incorporation by Reference	101
Independent Accountants	101
Where You Can Find More Information	101
Information About Annual Meeting Stockholder Proposals	101
Other Matters	102

APPENDIX A	Agreement and Plan of Merger and Share Exchange, as Amended
APPENDIX B	Opinion of Valuation Research Corporation
APPENDIX C	Section 262 of the Delaware General Corporation Law
APPENDIX D	Annual Report on Form 10-K/A for Fiscal Year Ended December 31, 2003
APPENDIX E	Quarterly Report on Form 10-Q for Fiscal Quarter Ended June 30, 2004

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.

13

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
R&D	1,418,058	1,403,599	1,360,824	1,311,035	5,493,516
Client support and prof services	1,396,042	948,322	1,004,375	777,726	4,126,465
Europe	29,692	27,103	26,677	26,677	110,149
Australia	17,500	17,500	2,500	2,500	40,000
Total expenses	$5,658,884	$5,135,298	$4,566,988	$4,170,192	$19,531,362
Net (loss) income excluding interest and taxes	$ (825,090)	$ 298,561	$ (49,182)	$ 331,277	$ (244,434)

The initial projections and budget information reflected the best estimates and good faith judgments of our management as to the future performance of the Company at the time they were prepared. We do not as a matter of course make public any projections as to future performance or earnings. We include these initial projections solely because the information was made available by us to VRC, and was used by VRC in preparing its fairness opinion provided to the Special Committee on May 5, 2004. Our internal financial forecasts (upon which the projections were based in part) are prepared solely for internal use and capital budgeting and other management decision-making purposes and are subjective in many respects and thus susceptible to various interpretations and periodic revision based on actual experience and business developments.

The foregoing projections are or involve forward-looking statements and are based on estimates and assumptions made by our management with respect to industry performance, general business, economic, market and financial conditions, and other matters, all of which are subject to significant contingencies and are difficult to predict, and many of which are beyond our control. These projections were prepared by our management based on numerous assumptions including, among others, judgments with respect to future revenues, operating expenses, depreciation and amortization, cash collections and bad debt expense. These projections also assumed the reverse stock split proposed in January 2004 would be completed prior to June 1, 2004. These projections do not reflect actual results and some of the assumptions on which the budget was based are not accurate. No assurances can be given with respect to any other assumptions. These projections do not give effect to the Transactions or any changes to our operations or strategy after the consummation of the Transactions. The foregoing projections are presented for the limited purpose of giving our stockholders access to the material financial projections prepared by our management that were made available to VRC in connection with the preparation of the fairness opinion. Many important factors could cause our results to differ materially from those expressed or implied by the forward-looking statements. Also, many of the assumptions upon which the projections were based are dependent upon economic forecasting (both general and specific to our business) which is inherently uncertain and subjective. Accordingly, there can be no assurance that the assumptions made in preparing the projections will prove accurate and actual results may be materially greater or less that those contained in the projections.

The inclusion of the foregoing projections should not be regarded as an indication that we, the Special Committee or any other person who received such information considers it a reliable prediction of future events, and the Special Committee has not relied on them as such (nor should any other person rely on them). Nevertheless, VRC was advised by us that these projections have been reasonably prepared on bases reflecting the best currently available estimates and judgments of our senior management.

NEITHER WE NOR ANY OF OUR REPRESENTATIVES HAS MADE, OR MAKES, ANY REPRESENTATION TO ANY PERSON REGARDING THE INFORMATION CONTAINED IN THE PROJECTIONS, AND NONE OF THEM INTENDS TO UPDATE OR OTHERWISE REVISE THE PROJECTIONS TO REFLECT CIRCUMSTANCES EXISTING AFTER THE DATE WHEN MADE OR TO REFLECT THE OCCURRENCE OF FUTURE EVENTS EVEN IN THE EVENT THAT ANY OR ALL OF THE ASSUMPTIONS UNDERLYING THE PROJECTIONS ARE SHOWN TO BE IN ERROR.

Voting Agreements

The Quadrangle Investors have entered into separate voting agreements with SAIC Venture Capital Corporation, Behrman Capital, SEF, HarbourVest Partners VI Direct Fund, L.P. and HarbourVest Partners V Direct Fund, L.P. Under those separate Voting Agreements, each of these stockholders has irrevocably and unconditionally agreed to vote all of their shares of our Common Stock and Series F Preferred Stock as follows:

in favor of the Merger Agreement;

against approval of any proposal made in opposition to or in competition with the Merger;

against any liquidation or winding up of us;

against any extraordinary dividend by us;

against any amendment of our Certificate of Incorporation or By-laws;

against any change in our capital structure (other than in accordance with the Merger Agreement or the voting agreements); and

against any other action that may reasonably be expected to impede, interfere with, delay, postpone or attempt to discourage the consummation of the Merger or result in a breach of any of our covenants, representations, warranties or other obligations or agreements under the Merger Agreement.

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. Further, these stockholders have granted an irrevocable proxy to Michael Huber, in his capacity as a managing member of Quadrangle Capital Partners LP, to vote their shares in favor of the Merger Agreement.

The execution of the above described voting agreements is also a condition to certain other transactions including a stock purchase agreement pertaining to the Protek acquisition and an investment agreement pursuant to which the Quadrangle Investors, Behrman Capital and SEF are investing in Daleen Holdings.

Based on the number of outstanding shares of our Common Stock and Series F Preferred Stock held directly or indirectly as of August 20, 2004, the record date of the Special Meeting, by our executive officers and directors and the parties to the voting agreements, such shares constitute approximately 73% of the total votes that may be cast at the Special Meeting.

Provisions for Unaffiliated Stockholders

In connection with the execution of the Merger Agreement, we did not make any provision to either grant unaffiliated stockholders access to our corporate files or the corporate files of any other party to the Merger Agreement or obtain counsel, appraisal services or an unaffiliated representative to act solely on behalf of unaffiliated security holders for purposes of negotiating the terms of the Merger or preparing a report concerning the fairness of the Merger for our unaffiliated stockholders at our expense or the expense of any other party to the Merger Agreement.

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. Although our Board of Directors presently believes that the proposal is in our best interest and in the best interests of our stockholders, and thus has recommended a stockholder vote FOR the proposal, our Board of Directors nonetheless believes that it is prudent to recognize that, between the date of this proxy statement and the effective date of the Merger, factual circumstances could possibly change such that it might not be consistent with the fiduciary duties of the directors to effect the Merger at that time. If our Board of Directors decides to withdraw the proposal from the agenda of the Special Meeting, the Board of Directors will notify our stockholders of such decision promptly by mail or by announcement at the Special Meeting. If our Board of Directors decides to abandon the proposal after the Special Meeting and before the effective date of the Merger, the Board of Directors will notify the stockholders of that decision promptly by mail and by means of a Current Report on Form 8-K filed with the Securities and Exchange Commission which would be available as described under OTHER INFORMATION Where You Can Find More Information.

THE SPECIAL MEETING

Date, Time and Place

The Special Meeting will be held on September 28, 2004, at 9:00 a.m. local time, at our headquarters, 902 Clint Moore Road, Suite 230, Boca Raton, Florida 33487. We mailed this proxy statement and accompanying proxy card on or about , 2004, to all stockholders entitled to vote at the Special Meeting.

Matters to be Considered

At the Special Meeting, our stockholders will be asked to:

consider and vote upon a proposal to approve and adopt the Merger Agreement; and

transact such other matters as may properly come before the Special Meeting and/or any adjournment or postponement of the Special Meeting and any matters incidental thereto.

Vote Required

The Merger requires 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, the record date of the Special Meeting, with each share of our Common Stock being entitled to one vote and each share of our Series F Preferred Stock being entitled to 100 votes. This is the vote required by the Delaware General Corporation Law and our Certificate of Incorporation.

Our executive officers and directors, as a group, beneficially own an aggregate of approximately 21.8 million shares of our Common Stock on a fully diluted basis and approximately 188,000 shares of our Series F Preferred Stock. Such beneficial ownership amounts include: (i) beneficial ownership of an aggregate of approximately 19.3 million shares of our Common Stock, which may be deemed to be beneficially owned by Mr. Ofer Nemirovsky, a director, which are registered in the name of HarbourVest Partners V Direct Fund L.P. and HarbourVest Partners VI Direct Fund, L.P., with which Mr. Nemirovsky is affiliated; (ii) beneficial ownership of an aggregate of approximately 887,000 shares of our Common Stock, which may be deemed to be beneficially owned by Mr. Daniel J. Foreman, a member of the Special Committee and a director, which are registered in the name of certain entities affiliated with ABN AMRO, Inc., of which Mr. Foreman is a managing director; and (iii) beneficial ownership of an aggregate of approximately 452,000 shares of our Common Stock, which may be deemed to be beneficially owned by Mr. John McCarthy, a member of the Special Committee and a director, which are registered in the name of Gateway Partners, L.P., of which Mr. McCarthy is a managing general partner. Messrs. Nemirovsky, Foreman and McCarthy disclaim beneficial ownership over all such shares of such Common Stock. We have been advised that our executive officers and directors, as well as ABN AMRO and Gateway Partners, intend to vote in favor of the approval and adoption of the Merger Agreement.

In addition, SAIC Venture Capital Corporation, Behrman Capital, SEF, HarbourVest Partners V Direct Fund L.P. and HarbourVest Partners VI Direct Fund, L.P. each are parties to respective voting agreements with the Quadrangle Investors 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 and to waive the mandatory redemption rights of our Series F Preferred Stock in connection with the Merger.

The shares of our Common Stock and Series F Preferred Stock held directly or indirectly as of August 20, 2004, the record date of the Special Meeting, by our executive officers and directors and the parties to the voting agreements constitute approximately 73% of the total votes that may be cast at the Special Meeting, which is sufficient in and of itself to approve the Merger Agreement. Except as described above, we have not obtained any assurances or agreements from any of our stockholders as to how they will vote.

Record Date, Voting Rights, Quorum and Revocability of Proxies

As of the close of business on August 20, 2004, the record date for the Special Meeting, we had issued and outstanding approximately 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.

Brokers who hold shares in street name for clients typically have the authority to vote on routine proposals when they have not received instructions from beneficial owners. However, absent specific instructions from the beneficial owner of the shares, brokers are not allowed to exercise their voting discretion with respect to the approval and adoption of non-routine matters, such as the Merger Agreement; proxies submitted without a vote by the brokers on these matters are referred to as broker non-votes. Abstentions and broker non-votes are counted for purposes of determining whether a quorum exists at the Special Meeting.

Any person giving a proxy pursuant to this solicitation has the power to revoke it at any time before it is voted. It may be revoked by sending a written notice to our Secretary at our headquarters located at 902 Clint Moore Road, Suite 230, Boca Raton, Florida 33487, submitting a duly executed proxy bearing a later date, voting by telephone or via the Internet at a later date or attending the Special Meeting and voting in person. Attendance at the Special Meeting will not, by itself, revoke a proxy. Furthermore, if a stockholder s shares are held of record by a broker, bank or other nominee and the stockholder wishes to vote at the Special Meeting, the stockholder must obtain from the record holder a proxy issued in the stockholder s name.

Adjournments and Postponements

Although it is not expected, the Special Meeting may be adjourned or postponed. Any adjournment or postponement of the Special Meeting may be made without notice, other than by an announcement made at the Special Meeting, by approval of the holders of shares of our Common Stock and Series F Preferred Stock, voting as a single class, having a majority of the combined voting power of our Common Stock and Series F Preferred Stock present in person or represented by proxy at the Special Meeting, whether or not a quorum exists.

THE MERGER

The following information describes the material aspects of the Merger. This description is qualified in its entirety by reference to the appendices to this proxy statement, including the Merger Agreement itself, a copy of which is attached to this proxy statement as Appendix A and is incorporated herein by reference. You are encouraged to read Appendix A in its entirety. See also the section of this proxy statement entitled THE MERGER AGREEMENT.

Effective Time of the Merger

If all of the conditions to the Merger are satisfied or, to the extent permitted, waived, the Merger will be consummated and become effective on the date and at the time that a certificate of merger is filed with the Secretary of State of the State of Delaware or such later time as otherwise agreed by the parties to the Merger Agreement and specified in the certificate of merger. If the conditions to the Merger are satisfied or, to the extent permitted, waived, we expect to complete the Merger as promptly as practicable, but not later than the second business day following the satisfaction or, if permissible, waiver of all of the conditions.

Payment of Merger Consideration and Surrender of Stock Certificates

At or prior to the effective time of the Merger:

Daleen Holdings and Parallel Acquisition will designate SunTrust Bank or another national bank or trust company mutually acceptable to Daleen Holdings and us to act as exchange agent for the purpose of making the payments of the merger consideration;

Daleen Holdings will enter into an exchange agent agreement with the exchange agent in form and substance reasonably acceptable to us; and

Daleen Holdings will deposit, for the benefit of our stockholders, the full merger consideration with the exchange agent.

The cash portion of the merger consideration will be invested by the exchange agent as directed by Daleen Holdings. Any net profit resulting from, or interest or income produced by, such investments will be payable to Daleen Holdings. The exchange agent will deliver to you your merger consideration according to the procedure summarized below.

Promptly and as soon as practicable after the effective time of the Merger, the exchange agent will mail to you a letter of transmittal and instructions advising you of the effectiveness of the Merger and the procedures for surrendering to the exchange agent your stock certificates in exchange for payment of the merger consideration. Upon the surrender for cancellation to the exchange agent of your stock certificates, together with a letter of transmittal, duly executed and completed in accordance with its instructions, and any other items specified by the letter of transmittal, the exchange agent will pay to you your merger consideration, subject to the escrow arrangement described under THE MERGER Escrow Arrangement, and your stock certificates will be cancelled. Payments of merger consideration also will be reduced by any applicable withholding taxes.

If your stock certificates have been lost, stolen or destroyed, you may be required to deliver to the exchange agent an affidavit of such loss, theft or destruction and, if required by the surviving corporation of the Merger, (i) an indemnity bond in a reasonable amount that the surviving corporation deems reasonably necessary as indemnity or (ii) enter into an indemnity agreement reasonably satisfactory to the surviving corporation to indemnify the surviving corporation, in order to receive your merger consideration.

If the merger consideration, or any portion of it, is to be paid to a person other than you, it will be a condition to the payment of the merger consideration that your stock certificates be properly endorsed or otherwise in proper form for transfer and that you pay to the exchange agent any transfer or other taxes required by reason of the transfer or establish to our satisfaction that the taxes have been paid or are not

required to be paid. You should not forward your stock certificates to the exchange agent without a letter of transmittal, and you should not return your stock certificates with the enclosed proxy.

At and after the effective time of the Merger, you will cease to have any rights as a stockholder of ours, except for the right to surrender your stock certificates, according to the procedures described in the Merger Agreement, in exchange for payment of the merger consideration, without interest, less any applicable withholding taxes, or, if you exercise your appraisal rights, the right to perfect your right to receive payment for your shares under Delaware law.

At the effective time of the Merger, our stock ledger with respect to shares of our Common Stock that were outstanding prior to the Merger will be closed, and no further registration of transfers of these shares will be made.

Any portion of the merger consideration deposited with the exchange agent which remains undistributed on the date 180 days after the effectiveness of the Merger will be promptly delivered to Daleen Holdings. Any holders of shares of our Common Stock or our Series F Preferred Stock who have not theretofore complied with the exchange procedures may thereafter look only to Daleen Holdings for payment and only as general creditors for payment of their claim for cash, shares of Daleen Holdings common stock, cash in lieu of fractional shares of Daleen Holdings common stock and any dividends or distributions with respect to shares of Daleen Holdings common stock, in each case as applicable, to which such holders may be entitled. Neither we nor Daleen Holdings or Parallel Acquisition will be liable to you for any merger consideration delivered to a public official under any applicable abandoned property, escheat or similar law.

Escrow Arrangement

$970,618.01, representing 12.5% of the aggregate consideration allocated in the Merger to the holders of our Series F Preferred Stock (regardless of their election), excluding consideration delivered to Behrman Capital and SEF in exchange for their shares our Series F Preferred Stock immediately prior to the Merger, will be retained in a general escrow account in accordance with the terms of an indemnity escrow agreement to secure the obligations of holders of Series F Preferred Stock 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.

In addition, if certain specified litigation is pending against us as of the effective time of the Merger, an additional $503,944.87, representing 6.49% of such aggregate consideration allocated to holders of our Series F Preferred Stock (other than 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 to indemnify 66.67% of any and all losses, liabilities, claims, obligations, damages, costs and expenses relating to or arising out of that litigation.

If, within 30 calendar days of the receipt by Daleen Holdings of its audited financial statements for its fiscal year ending December 31, 2004, at least 75% of each of the cash and shares of Daleen Holdings common stock allocated to the general escrow account remain in escrow and are not otherwise the subject of any good faith claim made by an indemnitee pursuant to the Merger Agreement, then 50% of each of the cash and shares of Daleen Holdings common stock that were delivered to the escrow agent at the closing of the Merger and allocated to the general escrow account and are not the subject of a good faith indemnitee claim pursuant to the Merger Agreement will be released to the holders of our Series F Preferred Stock pro rata. If, within 30 calendar days of the receipt by Daleen Holdings of its audited financial statements for its fiscal year ending December 31, 2005, any portion of each of the cash and shares of Daleen Holdings common stock still held in the general escrow account is not the subject of a good faith indemnitee claim pursuant to the Merger Agreement, such portion shall be released in its entirety to the holders of our Series F Preferred Stock pro rata.

Assets held in the general escrow account or in the escrow account securing Behrman Capital s and SEF s indemnification obligations (described below) that are the subject of a good faith claim of any Daleen Holdings indemnitee shall be released to such indemnitee upon the earlier of:

- the 20th business day after delivery of a written claim for indemnification under the Merger Agreement if the stockholders representative under the indemnity escrow agreement has not delivered a written notice of objection by that day;
- the date of a written agreement between the stockholders representative under the indemnity escrow agreement and an indemnitee establishing the amount of such claim to be indemnified; and
- a final and binding adjudication of the claim for indemnification.

Assets held in the general escrow account after each release to an indemnitee subsequent to the date on which the release otherwise has been made (or would have been made but for the existence of claims by indemnitees) that are not otherwise subject to a good faith claim for indemnification by an indemnitee will be released to the holders of our Series F Preferred Stock pro rata.

The special escrow account will be delivered to the escrow agent for the sole purpose of securing the indemnification obligations of the holders of our Series F Preferred Stock with respect to certain litigation specified in the schedules to the Merger Agreement. Assets held in the special escrow account will be released upon the earlier of:

- the 20th business day after delivery by an indemnitee of a written claim for indemnification if the stockholders representative under the indemnity escrow agreement has not delivered a written notice of objection to such claim by such day;
- the date of a written agreement between the stockholders representative under the indemnity escrow agreement and such indemnitee establishing the amount of such claim to be indemnified; and
- a final and binding adjudication of such claim for indemnification.

Assets held in the special escrow account after each such release to an indemnitee that are not otherwise subject to a good faith claim for indemnification by an indemnitee will be released to the holders of our Series F Preferred Stock pro rata.

An additional approximately $826,432.98, representing all of the cash amounts that otherwise would be deliverable to Behrman Capital and SEF in respect of their shares of our Common Stock, will be delivered to the escrow agent to secure all of the indemnification obligations of Behrman Capital and SEF under the Merger Agreement. Amounts remaining in that escrow account will be released to Behrman Capital and SEF, pro rata, on the date on which all remaining assets in the general and special escrow accounts referred to above have been released to the holders of our Series F Preferred Stock.

Any cash held in any escrow account pursuant to the indemnity escrow agreement and all interest earned thereon will be invested by the escrow agent at the written direction of the stockholders representative under the indemnity escrow agreement subject to the limitations provided therein.

Risks That the Merger Will Not Be Completed

Completion of the Merger is subject to various risks, including, but not limited to, the following:

- that the parties will not have performed in all material respects their obligations contained in the Merger Agreement before the closing date;
- that the representations and warranties made by the parties in the Merger Agreement will not be true and correct as of the closing of the Merger in a manner which results in all closing conditions being satisfied;

that a court of competent jurisdiction or other governmental entity will have issued, enacted, promulgated or enforced any law, order, judgment, decree, injunction or ruling or taking any other action that has not been vacated or withdrawn, in each case permanently restraining, enjoining or otherwise prohibiting the Merger or any transaction contemplated by the Merger Agreement and such law, order, judgment, ruling, injunction, order or decree has become final and nonappealable; and

that the investment agreement by which the Quadrangle Investors, Behrman Capital and SEF are investing $30 million in Daleen Holdings concurrently with the completion of the Merger or the Protek stock purchase agreement are terminated for any reason, including a breach by the Quadrangle Investors or Protek of their respective representations, warranties, covenants or agreements.

As a result of these and other various risks to the completion of the Merger, there can be no assurance that the Merger will be completed even if the requisite stockholder approval is obtained at the Special Meeting.

In connection with the foregoing, we note in particular the following:

The deterioration of our cash position has continued since the signing of the Merger Agreement, and we therefore are increasingly exposed to the risk of cash flow mismatches which may result in our being unable to meet ordinary course obligations as they come due. Should such cash flow incidents occur prior to closing, we would expect to seek Behrman Capital s consent (which it may grant or withhold in its sole discretion) to permit us to make additional draws on our bridge facility with Behrman Capital. Behrman Capital has indicated to us that it will continue to monitor our financial condition with care and that it may be inclined to assist us with additional draws under the bridge facility as events warrant, but only if, in Behrman Capital s judgment, the timely completion of the Merger is assured; however, Behrman Capital is not under any contractual or other commitment to make such funds available, and, therefore, there can be no assurance that Behrman Capital will do so, especially if the completion of the Merger is threatened by delays such as a delay caused by the litigation described under THE MERGER Litigation Relating to the Merger.

We expect to be in default under one of the financial covenants of the Exim Facility for July 2004. Silicon Valley Bank has granted us a forbearance from enforcement of its rights in respect of such default through July 31, 2004, but no further forbearance has been obtained or is assured. We anticipate that we will provide our results for July 2004 to Silicon Valley Bank approximately at the end of August 2004. If we are in default for July 2004, and no further forbearance is granted, Silicon Valley Bank will be entitled to exercise its rights under the Exim Facility. The Exim Facility is secured by a first priority lien on all of our assets.

Merger Financing; Sources of Funds

Daleen Holdings estimates that the amount of funds required to fund the payment of the cash merger consideration is approximately $4.6 million. Daleen Holdings intends to obtain the funds required to pay the merger consideration from the $25 million to be invested by the Quadrangle Investors concurrent with the completion of the Merger. The following table sets forth the sources and uses of funds involved in the Merger and related transactions.

Sources	
Quadrangle Preferred	$25,000,000.00
Behrman Preferred	10,000,000.00
Total Preferred	$35,000,000.00
Behrman Capital II + SEF II	$ 2,635,055.88
Other Series F Holders	4,964,944.12
Total Daleen Shareholder Equity	$ 7,600,000.00
Protek Shareholders Equity	5,000,000.00
Total Shareholder s Equity	$12,600,000.00
Total Sources	$47,600,000.00
Uses	
Daleen Merger	
Cash to Daleen Shareholders	$ 1,800,000.00
Cash to Series F Holders	2,800,000.00
Total Cash	4,600,000.00
Behrman Conversion To Preferred	5,000,000.00
Rollover Daleen Shareholder Equity	7,600,000.00
Total Value of Daleen	$17,200,000.00
Protek Acquisition	
Cash Consideration	$13,000,000.00
Common Stock Consideration	5,000,000.00
Consideration to Protek at Closing	$18,000,000.00
Estimated Total Fees and Expenses	3,700,000.00
Additional Cash Funded	8,700,000.00
Total Uses	$47,600,000.00

There are no alternative financing arrangements or plans in the event Daleen Holdings is not able to obtain the funds from the Quadrangle Investors. See TRANSACTIONS RELATED TO THE MERGER Investment Agreement.

Material U.S. Federal Income Tax Consequences

The following is a discussion of material U.S. federal income tax consequences of the Merger, the related share exchange and the transactions contemplated by the Investment Agreement to holders of the Company s Common Stock and Series F Preferred Stock. This discussion is based upon the current provisions of the Internal Revenue Code of 1986, as amended, or the Code, treasury regulations

promulgated under the Code, Internal Revenue Service (IRS) rulings and pronouncements, and judicial decisions now in effect, all of which are subject to change at any time by legislative, judicial or administrative action. Any such changes may be applied retroactively.

The Company has not sought and will not seek any rulings from the IRS or opinions from counsel with respect to the U.S. federal income tax consequences discussed below. The discussion below does not in any way bind the IRS or the courts or in any way constitute an assurance that the U.S. federal income tax consequences discussed herein will be accepted by the IRS or the courts.

The U.S. federal income tax consequences to a stockholder from the Merger, the related share exchange and the transactions contemplated by the Investment Agreement may vary depending on such stockholder s particular situation or status. This discussion is limited to stockholders who hold their Common Stock or Series F Preferred Stock as capital assets, and it does not address aspects of U.S. federal income taxation that may be relevant to stockholders who are subject to special treatment under U.S. federal income tax laws, such as foreign persons, dealers in securities, financial institutions,

insurance companies, tax-exempt organizations, persons holding Common Stock or Series F Preferred Stock as part of a hedge , straddle , or other risk reduction transaction, and persons holding their Common Stock or Series F Preferred Stock indirectly through partnerships, trusts or other entities. In addition, this discussion does not consider the effect of any applicable foreign, state, local or other tax laws, or estate or gift tax considerations or the alternative minimum tax.

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, THE RELATED SHARE EXCHANGE AND THE TRANSACTIONS CONTEMPLATED BY THE INVESTMENT AGREEMENT, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS AND OF CHANGES IN APPLICABLE TAX LAWS.

Stockholders Who Receive Only Cash in the Merger. A stockholder of the Company who owns only Common Stock and, thus, receives solely cash in the Merger for those shares of Common Stock generally would recognize 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. The recognized gain or loss would be capital gain or loss and any such capital gain or loss would be long-term if, as of the date of the Merger, the stockholder had held the Common Stock for more than one year; or would be short-term if, as of the date of the Merger, the stockholder had held the Common Stock for one year or less. Some noncorporate taxpayers are eligible for preferential rates of taxation on long-term capital gains. The deductibility of capital losses is subject to limitation.

Stockholders Who Receive Cash and Daleen Holdings Common Stock in the Merger. A stockholder who holds Series F Preferred Stock and elects to receive a combination of cash and Daleen Holdings common stock in the Merger would recognize gain (if any), but not loss. Generally, the amount of gain recognized would equal the lesser of: (i) the amount of cash received in the exchange; and (ii) the amount of gain realized in the exchange. The aggregate amount of gain that is realized in the exchange would equal the excess (if any) of: (i) the sum of the cash plus the fair market value of the Daleen Holdings common stock received in the exchange (including any cash and Daleen Holdings common stock held pursuant to the indemnity escrow agreement), over (ii) the tax basis of the Series F Preferred Stock and Common Stock (if any) surrendered in the exchange. Any gain recognized generally would be treated as capital gain.

Because a portion of the cash merger consideration would be held with an escrow agent pursuant to the indemnity escrow agreement, a stockholder would recognize gain under the installment method of accounting, unless the stockholder elects out of the installment method. In general, under the installment method of reporting a stockholder would recognize a proportionate part of the total gain realized from the Merger in tax years in which the stockholder actually receives a cash payment. Accordingly, the stockholder would defer a portion of gain recognition until the year in which cash payments are received pursuant to the indemnity escrow agreement. The application of the installment method of reporting to the Merger is complex, and stockholders are urged to consult their tax advisor as to the tax consequences of installment method reporting and the election out of the installment method. Income earned on the funds held in the escrow fund would be allocated to the stockholders and would be treated as ordinary income of the stockholders. Moreover, a portion of any cash payment that you receive under the installment method of reporting could be characterized as interest income taxable at ordinary income rates.

The holding period of the Daleen Holdings common stock received in the Merger (including any Daleen Holdings common stock held pursuant to the indemnity escrow agreement) should include the holding period of the stock surrendered in exchange therefor. The tax basis of the Daleen Holdings common stock received in the Merger (including any Daleen Holdings common stock held pursuant to the indemnity escrow agreement) would be the same as the stock surrendered in the Merger, decreased by the amount of cash received by the stockholder in the Merger and increased by the amount of gain recognized by the stockholder in the Merger.

A stockholder should not recognize gain or loss upon surrender of shares of Daleen Holdings common stock pursuant to the indemnity escrow agreement to satisfy an indemnification obligation. In this situation, the stockholder s tax basis in such surrendered shares would be allocated among the remaining shares of Daleen Holdings common stock held by the stockholder.

Stockholders Who Receive Only Daleen Holdings Common Stock in the Merger. Stockholders who hold only Series F Preferred Stock and elect to receive 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, they receive in lieu of a fractional share of Daleen Holdings common stock. Each stockholder s aggregate tax basis in the Daleen Holdings common stock received in the Merger (including any Daleen Holdings common stock held pursuant to the indemnity escrow agreement) would be the same as his or her aggregate tax basis in the Series F Preferred Stock surrendered in the Merger, decreased by the amount of any cash received by the stockholder in lieu of a fractional share interest, and increased by the amount of gain recognized by the stockholder with respect to any cash received in lieu of a fractional share interest. The holding period of Daleen Holdings common stock received in the Merger (including any Daleen Holdings common stock held pursuant to the indemnity escrow agreement) would include the holding period of the Series F Preferred Stock surrendered in the Merger.

A stockholder should not recognize gain or loss upon surrender of shares of Daleen Holdings common stock pursuant to the indemnity escrow agreement to satisfy an indemnification obligation. In this situation, the stockholder s tax basis in such surrendered shares would be allocated among the remaining shares of Daleen Holdings common stock held by the stockholder.

Information Reporting and Backup Withholding. Certain stockholders may be subject to information reporting with respect to the cash received in exchange for Common Stock or Series F Preferred Stock. Stockholders who are subject to information reporting and who do not provide appropriate information when requested also may be subject to backup withholding at the rate of 28%. Any amount withheld as backup withholding may be credited against the stockholder s U.S. federal income tax liability, provided that the required information is properly furnished in a timely manner to the IRS.

Stockholders Who Participate in the Merger and Exchange. Stockholders who participate in the Merger and Exchange would recognize gain (if any), but not loss. Generally, the amount of gain recognized would equal the lesser of: (i) the amount of cash received pursuant to the Merger; and (ii) the amount of gain realized pursuant to the Merger and Exchange. The aggregate amount of gain realized would equal the excess (if any) of: (i) the sum of the cash plus the fair market value of the Daleen Holdings Series A Preferred Stock, Series A-1 Preferred Stock and common stock received (including any cash and stock held pursuant to the indemnity escrow agreement), over (ii) the amount of money contributed to Daleen Holdings pursuant to the Investment Agreement, plus the tax basis of the Series F Preferred Stock and Common Stock surrendered pursuant to the Merger and Exchange.

Because the cash merger consideration would be held with an escrow agent pursuant to the indemnity escrow agreement, a stockholder would recognize gain under the installment method of accounting, unless the stockholder elects out of the installment method. In general, under the installment method of reporting a stockholder would recognize a proportionate part of the total gain realized in tax years in which the stockholder actually receives a cash payment. Accordingly, the stockholder would defer a portion of its gain recognition until the year in which cash payments are received pursuant to the indemnity escrow agreement. The application of the installment method of reporting is complex, and stockholders are urged to consult their tax advisor as to the tax consequences of installment method reporting and the election out of the installment method. Income earned on the funds held in the escrow fund would be allocated to the stockholders and generally would be treated as ordinary income of the stockholders. Moreover, a portion of any cash payment that you receive under the installment method of reporting could be characterized as interest income taxable at ordinary income rates.

A stockholder s aggregate tax basis in the Daleen Holdings Series A Preferred Stock, Series A1 Preferred Stock and common stock received would be an amount equal to the amount of money paid for such stock pursuant to the investment agreement plus the aggregate tax basis in the Series F Preferred

Stock and Common Stock surrendered in the transaction, decreased by the money received by the stockholder in the Merger and increased by the amount of gain recognized by the stockholder. This aggregate tax basis generally would be allocated among the Series A Preferred Stock, Series A1 Preferred Stock and common stock in proportion to the relative fair market values of the Series A Preferred Stock, Series A1 Preferred Stock and common stock. The holding period of each share of Series A Preferred Stock, Series A1 Preferred Stock and common stock (including any stock held pursuant to the indemnity escrow agreement) would be determined by reference to the assets deemed exchanged for each share of the Series A Preferred Stock, Series A1 Preferred Stock and common stock.

U.S. Federal Income Tax Consequences to the Company, Daleen Holdings, Inc. and Parallel Acquisition, Inc. None of the Company, Daleen Holdings, Inc. or Parallel Acquisition, Inc. should recognize gain or loss for U.S. federal income tax purposes as a result of the Merger and Exchange.

The Merger, Exchange and transaction contemplated by the Investment Agreement will result in an ownership change of the Company for purposes of Section 382 of the Code. Therefore, the Company s use of its pre-ownership change net operating loss carryforwards (NOLs) that could be used to offset taxable income of the Company in a post-ownership change tax year generally would be limited to an amount equal to the product of: (i) the value of the Company immediately before the ownership change; multiplied by (ii) the highest of the long-term tax-exempt rate in effect for any month in the 3-calendar month period ending with the calendar month in which the ownership change occurs. The applicable long-term tax-exempt rate for ownership changes occurring during the month of July is 4.72%.

Litigation Relating to the Merger

Following the May 7, 2004 announcement of the execution of the Merger Agreement, a putative class action lawsuit was filed in the Delaware Court of Chancery by an individual holder of the Common Stock against the Company, our directors, Quadrangle Group LLC (Quadrangle Group), Quadrangle Capital Partners LP, Behrman Capital and Behrman Brothers, L.L.C. (Behrman Brothers). On June 24, 2004, a virtually identical lawsuit was filed in the Delaware Court of Chancery by another individual holder of the Common Stock. The complaints in these actions, which are purported to be brought on behalf of the public holders of the Common Stock, generally allege:

- that the Company and our directors breached their fiduciary duties;
- that the consideration offered by Quadrangle Capital Partners LP and Behrman Capital is inadequate and that the transaction was a result of unfair dealing;
- that Behrman Capital, as controlling stockholder, breached its fiduciary duty to our minority stockholders by acting to further its own interests at the expense of our minority stockholders; and
- that Behrman Brothers, Quadrangle Group and Quadrangle Capital Partners LP knowingly aided and abetted Behrman Capital s violations of fiduciary duty.

These complaints seek to enjoin the Merger and related transactions, or if the Merger and related transactions are consummated, to rescind them; to recover damages in an unstated amount and to recover costs including attorney s fees associated with the lawsuit. In addition to the payment of our own legal costs and fees, we may be required to advance the payment of legal fees and costs incurred in these lawsuits by the members of our Board of Directors under indemnification agreements previously entered into with the members of our Board of Directors.

On June 21, 2004, a purported class action lawsuit was filed in the Delaware Court of Chancery by an individual holder of 122,500 shares of Common Stock of the Company, against the Company, our directors, Behrman Brothers L.L.C., Behrman Capital and SEF. The plaintiff amended the complaint filed by the plaintiff on April 6, 2004 with respect to our previously proposed reverse stock split.

The amended complaint in this action, which is purported to be brought on behalf of the holders of the Company s Common Stock, excluding the defendants and their affiliates, generally alleges that the Merger is a freeze out of Common Stock by the Series F Preferred through unfair dealing by the

defendants and that the defendants have breached and continue to breach their fiduciary duties of loyalty, care and good faith to the plaintiff and other members of the class.

The amended complaint seeks for the Merger, if consummated, to be rescinded and set aside or for rescissory damages to be awarded to the class; for the defendants to be directed to account to the class for all profit received by the defendants and all damages sustained by the class; and for costs of the action including attorney s and experts fees to be awarded to the plaintiff.

We believe that all of these complaints are without merit and intend to vigorously defend the lawsuits. However, litigation is inherently uncertain. Moreover, even if we ultimately were to prevail on the merits, given our limited and declining cash position, if these lawsuits result in a significant delay in the Merger, the effect could be to deprive our stockholders of value and seriously jeopardize our ability to draw funds under the bridge facility provided to us by Behrman Capital, as Behrman Capital has advised us that it will not continue to make additional funds available under our bridge loan if any delay threatens the completion of the Merger. If any of these litigations were to result in a permanent injunction against consummation of the Merger or related transactions, the Merger Agreement and related transaction agreements would be subject to termination as contemplated by the Transaction Support Agreement. No plaintiff has as yet specified an amount of damages to be sought, and we are therefore unable to state at this time whether, if any claim for damages were to be adversely determined, any condition to consummation of the Merger or related transactions would fail to be satisfied, or any right of termination would be created.

Regulatory Matters

We do not believe that any material federal or state regulatory approvals, filings or notices are required in connection with the Merger other than approvals, filings or notices required under federal securities laws and the filing of a certificate of merger with the Secretary of State of the State of Delaware.

Accounting Treatment

The Merger will be accounted for under the purchase method of accounting under which the total consideration paid in the Merger will be allocated among our consolidated assets and liabilities based on the fair values of the assets and liabilities assumed.

Estimated Fees and Expenses of the Merger

Except as otherwise described in this proxy statement, all fees and expenses incurred in connection with the Merger will be paid by the party incurring those fees and expenses. If the Merger Agreement is terminated for certain reasons, the Company would be required to reimburse the Quadrangle Investors and/or Protek for transaction expenses. See THE MERGER AGREEMENT Fees and Expenses and TRANSACTIONS RELATED TO THE MERGER Transaction Support Agreement. The estimated total fees and expenses to be incurred by the Company in connection with the Merger and the related transactions described in this proxy statement are as follows:

Legal fees and expenses	$1,700,000
Investment bankers fees and expenses	750,000
Accounting fees	400,000
Special committee fees and expenses	225,000
Payments to transaction parties for fee reimbursement	500,000
Printing, proxy solicitation and mailing expenses	100,000
Miscellaneous expenses	25,000
Total	$3,700,000

These expenses will not reduce the merger consideration to be received by our stockholders (although certain legal expenses may be the subject of indemnification by Behrman Capital, SEF and other holders of Series F Preferred Stock).

Appraisal Rights

Under Delaware law, if you do not wish to accept the consideration provided for in the Merger Agreement, you have the right to dissent from the Merger and to receive payment in cash for the fair value of your shares, exclusive of any element of value arising from the accomplishment or expectation of the Merger. Stockholders electing to exercise appraisal rights must comply with the provisions of Section 262 of the Delaware General Corporation Law in order to perfect their rights. We will require strict compliance with the statutory procedures.

The following is intended as a brief summary of the material provisions of the Delaware statutory procedures required to be followed by a stockholder in order to dissent from the Merger and perfect appraisal rights. This summary, however, is not a complete statement of all applicable requirements and is qualified in its entirety by reference to Section 262 of the Delaware General Corporation Law, the full text of which is set forth in Appendix C to this proxy statement.

Section 262 requires that stockholders be notified that appraisal rights will be available not less than 20 days before a special meeting to vote on a merger. A copy of Section 262 must be included with such notice. This proxy statement constitutes our notice to our stockholders of the availability of appraisal rights in connection with the Merger in compliance with the requirements of Section 262. If you wish to consider exercising your appraisal rights, you should carefully review the text of Section 262 contained in Appendix C to this proxy statement since failure to timely and properly comply with the requirements of Section 262 will result in the loss of your appraisal rights under Delaware law.

If you elect to demand appraisal of your shares of our Common Stock or Series F Preferred Stock, you must satisfy each of the following conditions:

You must deliver to us a written demand for appraisal of your shares before the vote with respect to the Merger is taken. This written demand for appraisal must be in addition to and separate from any proxy or vote abstaining from or voting against adoption of the Merger Agreement. Voting against or failing to vote for adoption of the Merger Agreement by itself does not constitute a demand for appraisal within the meaning of Section 262.

You must not vote in favor of adoption of the Merger Agreement. A vote in favor of the adoption of the Merger Agreement, by proxy or in person, will constitute a waiver of your appraisal rights in respect of the shares so voted and will nullify any previously filed written demands for appraisal.

If you fail to comply with either of these conditions and the Merger is completed, you will be entitled to receive the cash payment for your shares as provided for in the Merger Agreement, but you will have no appraisal rights with respect to your shares.

All demands for appraisal should be addressed to Dawn Landry, Vice President and General Counsel, at Daleen Technologies, Inc., 902 Clint Moore Road, Suite 230, Boca Raton, Florida 33487, before the vote on the Merger is taken at the Special Meeting, and should be executed by, or on behalf of, the record holder of the shares. The demand must reasonably inform us of the identity of the stockholder and the intention of the stockholder to demand appraisal of his, her or its shares.

To be effective, a demand for appraisal by a holder must be made by, or in the name of, such registered stockholder, fully and correctly, as the stockholder s name appears on his or her stock certificate(s) and cannot be made by the beneficial owner if he or she does not also hold the shares of record. The beneficial holder must, in such cases, have the registered owner submit the required demand in respect of those shares.

If shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of a demand for appraisal should be made in that capacity; and if the shares are owned of record

by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or for all joint owners. An authorized agent, including an authorized agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, he or she is acting as agent for the record owner. A record owner, such as a broker, who holds shares as a nominee for others, may exercise his or her right of appraisal with respect to the shares held for one or more beneficial owners, while not exercising this right for other beneficial owners. In that case, the written demand should state the number of shares as to which appraisal is sought. Where no number of shares is expressly mentioned, the demand will be presumed to cover all shares held in the name of the record owner.

If you hold your shares in a brokerage account or in other nominee form and you wish to exercise appraisal rights, you should consult with your broker or the other nominee to determine the appropriate procedures for the making of a demand for appraisal by the nominee.

Within 10 days after the effective date of the Merger, we must give written notice that the Merger has become effective to each stockholder who has properly filed a written demand for appraisal and who did not vote in favor of the Merger or consent to the Merger. At any time within 60 days after the effective date, any stockholder who has demanded an appraisal has the right to withdraw the demand and to accept the consideration specified by the Merger Agreement for his, her or its shares. Within 120 days after the effective date, either we or any stockholder who has complied with the requirements of Section 262 may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of the shares held by all stockholders entitled to appraisal. We have no obligation to file such a petition in the event there are dissenting stockholders. Accordingly, the failure of any stockholder to file such a petition within the period specified could nullify previously written demands for appraisal.

If a petition for appraisal is duly filed by a stockholder and a copy of the petition is delivered to us, we will then be obligated, within 20 days after receiving service of a copy of the petition, to provide the Delaware Court of Chancery with a duly verified list containing the names and addresses of all stockholders who have demanded an appraisal of their shares. After notice to dissenting stockholders, the Delaware Court of Chancery is empowered to conduct a hearing upon the petition, and to determine those stockholders who have complied with Section 262 and who have become entitled to the appraisal rights provided thereby. The Delaware Court of Chancery may require the stockholders who have demanded payment for their shares to submit their certificates representing shares to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with that direction, the Delaware Court of Chancery may dismiss the proceedings as to that stockholder.

After determination of the stockholders entitled to appraisal of their shares, the Delaware Court of Chancery will appraise the shares, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with a fair rate of interest. When the value is determined, the Delaware Court of Chancery will direct the payment of such value, with interest thereon accrued during the pendency of the proceeding, if the Delaware Court of Chancery so determines, to the stockholders entitled to receive the same, upon surrender by such holders of the certificates representing those shares.

In determining fair value, the Delaware Court of Chancery is required to take into account all relevant factors. You should be aware that the fair value of your shares as determined under Section 262 could be more, the same or less than the value that you are entitled to receive under the terms of the Merger Agreement.

Costs of the appraisal proceeding may be imposed upon us and the stockholders participating in the appraisal proceeding by the Delaware Court of Chancery as the Delaware Court of Chancery deems equitable in the circumstances. Upon the application of a stockholder, the Delaware Court of Chancery may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys fees and the fees and expenses of experts, to be charged pro rata against the value of all shares entitled to appraisal. Any stockholder who had demanded appraisal rights will not, after the effective date, be entitled to vote shares subject to that

demand for any purpose or to receive payments of dividends or any other distribution with respect to those shares, other than with respect to payment as of a record date prior to the effective date; however, if no petition for appraisal is filed within 120 days after the effective date of the Merger, or if the stockholder delivers a written withdrawal of his, her or its demand for appraisal and an acceptance of the Merger within 60 days after the effective date of the Merger, then the right of that stockholder to appraisal will cease and that stockholder will be entitled to receive the cash payment for his, her or its shares pursuant to the Merger Agreement. Any withdrawal of a demand for appraisal made more than 60 days after the effective date of the Merger may only be made with the written approval of the successor corporation and must, to be effective, be made within 120 days after the effective date.

In view of the complexity of Section 262, stockholders who may wish to dissent from the Merger and pursue appraisal rights should consult their legal advisors.

THE MERGER AGREEMENT

On May 7, 2004, Daleen Holdings, Parallel Acquisition, Behrman Capital and SEF entered into an Agreement and Plan of Merger and Share Exchange with us. The following is a summary of certain terms of the Merger Agreement and the Merger and is qualified by reference to the complete text of the Merger Agreement, which is incorporated by reference and included as Appendix A to this proxy statement. You are encouraged to carefully read the entire Merger Agreement.

Effective Time of the Merger

The Merger will become effective upon the filing of a certificate of merger with the Secretary of State of the State of Delaware in accordance with Delaware law (or such later time as may be agreed by the parties to the Merger Agreement and specified in the certificate of merger). The filing will occur as promptly as practicable after, but not later than the second business day following, the satisfaction or, if permissible, waiver of the conditions set forth in the Merger Agreement.

The Merger

At the effective time of the Merger, Parallel Acquisition will be merged with and into us, with us surviving as a wholly owned subsidiary of Daleen Holdings, and the separate existence of Parallel Acquisition will cease. We sometimes refer to ourself following the completion of the Merger as the surviving corporation. At the effective time, our Certificate of Incorporation and By-Laws will be the Certificate of Incorporation and By-Laws of the surviving corporation, in each case as in effect immediately prior to the effective time.

Merger Consideration

The Merger Agreement provides that each share of our Common Stock issued and outstanding immediately prior to the completion of the Merger (other than shares held by Daleen Holdings and shares as to which appraisal rights have been properly exercised), will, at the completion of the Merger, be converted into the right to receive $0.0384 per share in cash, without interest and less any applicable withholding taxes.

Each share of our Series F Preferred Stock issued and outstanding immediately prior to the completion of the Merger (other than any shares held by Daleen Holdings and its subsidiaries and shares as to which appraisal rights have been properly exercised) will, at the completion of the Merger, be converted into the right to receive, at the election of the holder either (i) 1.3712 fully paid and nonassessable shares of Daleen Holdings common stock or (ii) a combination of:

- 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 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 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 shall such per share payment exceed $34.28); 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 amount resulting from the calculation described in the immediately preceding bullet by (y) $25.

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.

Stock Options and Warrants

The Merger Agreement provides that upon the completion of the Merger, all options and warrants to purchase shares of our capital stock, whether or not exercisable, whether or not vested, and whether or not performance-based, outstanding under our stock option plans will, to the extent not exercised prior to the completion of the Merger, be terminated. We have amended the terms of each such stock option plan to provide that vesting and exercise of each such warrant or option shall accelerate effective as of the closing date of the Merger, and that, unless exercised by written notice of exercise delivered prior to the closing date of the Merger (and conditioned solely on the occurrence of the closing of the Merger), such option or warrant will be terminated immediately prior to the effective time.

Surrender of Certificates and Payment Procedures

Prior to the effective time, an exchange agent will be appointed to handle the issuance of applicable merger consideration to our stockholders. Promptly after the Merger, the exchange agent will mail to you a letter of transmittal and instructions explaining how to surrender your stock certificates. If you surrender your certificates to the exchange agent, together with a properly completed letter of transmittal and all other documents the exchange agent may reasonably require, you will receive the appropriate merger consideration, subject to the escrow arrangement described under THE MERGER Escrow Arrangement and any required withholding taxes. Until surrendered in accordance with the foregoing instructions, each certificate formerly representing shares of our Common Stock or Series F Preferred Stock, other than shares as to which appraisal rights have been properly exercised, will only represent the right to receive the applicable merger consideration. No interest will be paid or will accrue on the merger consideration payable.

At the completion of the Merger, our stock transfer book will be closed. and there will be no further registration of transfers of our shares. If certificates of shares are presented after the completion of the Merger, they will be cancelled and exchanged for the right to receive the merger consideration.

Representations and Warranties

We have made certain representations and warranties to Daleen Holdings and Parallel Acquisition, subject to disclosure schedules and certain materiality thresholds. These include representations and warranties as to:

organization and qualification;

subsidiaries;

capitalization;

authority to execute, deliver and perform the Merger Agreement;

no violation of charter documents, material agreements or law in connection with the Merger;

possession of applicable permits;

Securities and Exchange Commission regulatory compliances, financial statements and the absence of material misstatements and omissions in such documents;

absence of material misstatements and omissions in this proxy statement or in the related Schedule 13E-3 transaction statement;

absence of certain changes or events;

absence of litigation;

opinion of VRC;

approval by our Board of Directors;

absence of certain brokerage fees or commissions; and

title to assets.

Daleen Holdings and Parallel Acquisition have made certain representations and warranties to us, subject to certain materiality thresholds. These include representations and warranties as to:

organization and qualification;

authority to execute, deliver and perform the Merger Agreement;

no violation of charter documents, material agreements or law in connection with the Merger;

absence of litigation;

absence of material misstatements or omissions in information supplied by Daleen Holdings or Parallel Acquisition for inclusion in this proxy statement or in the related Schedule 13E-3 transaction statement; and

absence of certain brokerage fees or commissions.

Our representations and warranties contained in the Merger Agreement will survive the Merger until delivery of the financial statements of Daleen Holdings for its fiscal year ending December 31, 2005, as set forth in the Merger Agreement. After the Merger, any indemnification obligations arising out of a breach of any of our representations or warranties set forth in the Merger Agreement may only be satisfied out of the escrow accounts established at the closing of the Merger. See THE MERGER Escrow Arrangement.

Covenants

Conduct of Business. Until the completion of the Merger, we have agreed to continue conducting our businesses in the ordinary course consistent with past practices. Moreover, until the completion of the Merger, we may not take certain actions without the prior written consent of Daleen Holdings. Specifically, without the consent of Daleen Holdings, we may not:

amend or otherwise change our Certificate of Incorporation or By-laws or the equivalent organizational documents of any subsidiary;

issue, sell, pledge, dispose of, grant, encumber or authorize the issuance, sale, pledge, disposition, grant or encumbrance of any shares of our capital stock of any class, or any options, warrants, convertible securities or other rights of any kind to acquire any shares of our capital stock, or any other ownership interest in us;

transfer, lease, license, guarantee, sell, mortgage, pledge, dispose of or encumber any of our assets or any assets of any subsidiary, except for sales and licenses in the ordinary course of business consistent with past practices;

declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of our capital stock;

reclassify, combine, split, subdivide, redeem, purchase or otherwise acquire, directly or indirectly, any of our capital stock;

incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee or endorse, or otherwise as an accommodation become responsible for, the obligations of any person, or make any loans or advances, except for loans from Behrman Capital and in the ordinary course of business consistent with past practices;

enter into or amend in any material respect any material contract that would be breached by the consummation of the Merger or that would require the consent of any third party in order to continue in full force following consummation of the Merger;

increase (other than salary increases in the ordinary course of business consistent with past practices) the compensation payable or to become payable to officers or employees generally or grant any bonus, severance or termination pay to, or enter into any employment or severance agreement with any director, officer or other employee;

take any action, other than reasonable and usual actions in the ordinary course of business consistent with past practices, with respect to accounting policies or procedures (including, without limitation, procedures with respect to the payment of accounts payable and collection of accounts receivable);

pay, discharge or satisfy any claim, liability or obligation (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction, in the ordinary course of business consistent with past practice, of liabilities reflected or reserved against in our consolidated balance sheet as of December 31, 2003 or subsequently incurred in the ordinary course of business consistent with past practices or otherwise permitted by the Merger Agreement;

fail to comply in all material respects with applicable laws;

fail to pay and discharge any taxes upon or against any of our properties or assets before the taxes become delinquent and before penalties accrue thereon, except to the extent and so long as the taxes are being contested in good faith and by appropriate proceedings;

settle or compromise any claims or litigation (i) for an amount in any case in excess of $250,000 or (ii) seeking injunctive relief against or on our behalf;

authorize, recommend, propose or announce an intention to adopt a plan of our complete or partial liquidation or dissolution or that of any of our subsidiaries;

make or revoke any material tax election not required by law or settle or compromise any material tax liability or amend, in any material respect, any tax return or closing agreement with respect to taxes;

other than in the ordinary course of business consistent with past practice, (i) waive any right of material value or (ii) cancel or forgive any material indebtedness for borrowed money owed to us or any of our subsidiaries other than indebtedness of ours or wholly-owned subsidiary of ours;

except as may be required as a result of a change in law or under U.S. generally accepted accounting principles, make any material change in our methods, principles and practices of accounting, including tax accounting policies and procedures;

acquire (by merger, consolidation, acquisition of stock or assets or otherwise) any corporation, partnership, other business organization or any division thereof or any assets outside the ordinary course of business consistent with past practices;

enter into any material joint venture, partnership or similar agreement;

enter into any contract or agreement which limits our ability or the ability of any subsidiary to compete in any material manner with or conduct any business or line of business in any geographic area;

terminate or fail to maintain any insurance policies, other than with respect to policies which are replaced in the ordinary course of business consistent with past practices with policies of substantially similar type, term, amount of coverage and premium; or

enter into any agreement to, or make any commitment to, take any of the preceding actions, or take or fail to take, as applicable, any action which would make any of our representations or warranties contained in the Merger Agreement untrue or incorrect as of the date when made or as if made as of the effective time of the Merger (except for representations and warranties which address matters only as of a certain date, in which case untrue or incorrect as of such certain date).

The ability of Daleen Holdings to grant consents with respect to these actions prior to the completion of the Merger is limited by the rights of the Quadrangle Investors under the investment agreement under which Behrman Capital, SEF and the Quadrangle Investors have agreed to invest $30 million in Daleen Holdings concurrently with the completion of the Merger. 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, SEF and us.

In addition, the covenants in the Merger Agreement may not be amended, waived or modified without the prior written consent of the parties to a transaction support agreement. See TRANSACTIONS RELATED TO THE MERGER Transaction Support Agreement.

Stockholders Meeting. Within 40 calendar days following the mailing of this proxy statement to our stockholders, we will call and hold a special meeting of our stockholders for the purpose of voting upon the adoption and approval of the Merger Agreement.

Reasonable Efforts. We and Daleen Holdings have agreed to use our commercially reasonable efforts to take or cause to be taken all appropriate actions and do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations and to obtain in a timely manner all necessary governmental or regulatory consents or approvals necessary to complete the Merger. Moreover, we have agreed to cooperate with each other in connection with making all necessary filings and submissions necessary to complete the Merger, including this proxy statement, and to take all necessary action to deliver such other documents or instruments as may be reasonably necessary to consummate the Merger.

Directors and Officers Indemnification Provisions. The surviving corporation will use commercially reasonable efforts to maintain in effect for six years from the effective time of the Merger, if available, (i) directors and officers liability insurance covering those persons who are currently covered by our directors and officers liability insurance policy on terms comparable to those applicable to the then current directors and officers of Daleen Holdings 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 more than an amount per year equal to 200% of current annual premiums paid by us for such insurance in order to comply with this covenant.

Access to Information. We agreed to provide Daleen Holdings and its representatives, advisors, counsel and consultants full access to our offices and other facilities and to the books and records and all information and documents which Daleen Holdings reasonably requests regarding us, other than information and documents that in the opinion of our counsel may not be disclosed under applicable law.

Conditions to Completing the Merger

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

- the Merger Agreement must be approved and adopted by the requisite vote of our stockholders in accordance with Delaware law and our Certificate of Incorporation;
- Behrman Capital and SEF must have delivered all shares of our Series F Preferred Stock held by them to Daleen Holdings, and Daleen Holdings must have issued the number of fully paid and nonassessable shares of Daleen Holdings preferred stock and common stock in exchange for such shares of our Series F Preferred Stock as called for by the Merger Agreement;
- all conditions to the consummation of the transactions contemplated by the Investment Agreement must have been satisfied (or, to the extent permitted, waived), save for (i) the closing of the Merger, (ii) the consummation of Daleen Holdings acquisition of Protek and (iii) those conditions which could only be satisfied by deliveries made at the closing under the investment agreement by which the Quadrangle Investors and Behrman Capital are investing $30 million in Daleen Holdings

concurrently with the completion of the Merger. 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 between Behrman Capital, SEF and us;

all conditions to the consummation of the acquisition of Protek by Daleen Holdings must have been satisfied (or, to the extent permitted, waived), save for (i) the closing of the Merger, (ii) the consummation of the investment agreement and (iii) those conditions which could only be satisfied by deliveries made at the closing of the acquisition of Protek;

The aggregate amount of shares as to which appraisal rights are properly exercised under Delaware law may not include more than (a) 5% of the shares of our Common Stock outstanding at the effective time of the Merger nor (b) 5% of the shares of our Series F Preferred Stock (including shares held by Behrman Capital and SEF) outstanding at the effective time of the Merger; and

No order, stay, decree, judgment or injunction shall have been entered, issued or enforced by any governmental entity or court of competent jurisdiction which prohibits consummation of the Merger or any other transaction contemplated by the Merger Agreement, and there shall not be any action taken, or any statute, rule, regulation or order enacted, entered, enforced or deemed applicable to the Merger or any other transaction contemplated by the Merger Agreement, which makes the consummation of the Merger or any other transaction contemplated by the Merger Agreement illegal or substantially deprives Daleen Holdings of any of the anticipated benefits of the Merger or any other transaction contemplated by the Merger Agreement.

Conditions to Our Obligations

Our obligation to complete the Merger is subject to the satisfaction or waiver of the following further conditions:

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;

Daleen Holdings and Parallel Acquisition must have fully performed in all material respects each of their covenants set forth in the Merger Agreement; and

Daleen Holdings and Parallel Acquisition must have delivered a certificate of an authorized officer of each of them as to the satisfaction of these conditions.

Conditions to the Obligations of Daleen Holdings and Parallel Acquisition

The obligations of Daleen Holdings and Parallel Acquisition to complete the Merger are subject to the satisfaction or waiver of the following further conditions:

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 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 consent and waiver agreement has been obtained;

we must have fully performed in all material respects our covenants set forth in the Merger Agreement;

we must have delivered a certificate of an authorized officer as to the satisfaction of the preceding two conditions;

there must not have occurred as of the closing of the Merger any occurrence that has or reasonably would be expected to have a material adverse change in or effect upon our financial condition, business, operations or assets taken as a whole, or upon our ability to consummate the transactions contemplated by the Merger Agreement, other than:

changes of a general economic character applicable to all industries in a material region of our operations;

changes resulting from our performance of our express obligations under the Merger Agreement;

changes resulting from actions by us outside the ordinary course of business taken before the completion of the Merger with the prior written consent of Daleen Holdings;

changes resulting from or relating to certain outstanding litigation; and

the realization of any contingent liability expressly disclosed to Daleen Holdings in the disclosure schedules to the Merger Agreement, but solely if and to the extent the specific dollar amount of the liability is disclosed; 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.

Our ability and the ability of Daleen Holdings to waive closing conditions are materially limited by the rights of Quadrangle and Protek under a transaction support agreement. See TRANSACTIONS RELATED TO THE MERGER Transaction Support Agreement.

Termination

We, Daleen Holdings and Parallel Acquisition may agree by mutual written consent to terminate the Merger Agreement at any time prior to the effectiveness of the Merger Agreement. In addition, the Merger Agreement may be terminated:

by either Daleen Holdings or us, if a court of competent jurisdiction or other governmental entity shall have issued, enacted, promulgated or enforced any final and nonappealable law, order, judgment, decree, injunction or ruling or taken any other action that has not been vacated, withdrawn or overturned, in each case permanently restraining, enjoining or otherwise prohibiting the Merger or any other transaction contemplated by the Merger Agreement (provided that the party seeking to terminate shall have used its reasonable best efforts to challenge such law, order, judgment, decree, injunctions or ruling);

by Daleen Holdings or us, if the Merger is not effective on or prior to September 30, 2004 (provided that neither we nor Daleen Holdings may terminate for this reason if such party has materially breached the Merger Agreement);

by us, if Daleen Holdings or Parallel Acquisition has breached any representation, warranty, covenant or agreement contained in the Merger Agreement which is not cured within 30 days after written notice of the breach by us;

by Daleen Holdings, if we have breached any representation, warranty, covenant or agreement contained in the Merger Agreement which is not cured within 30 days after written notice of the breach by Daleen Holdings;

by Daleen Holdings if: (i) our Board of Directors or any committee thereof has withdrawn, modified, changed or failed to publicly affirm within 10 days of Daleen Holdings reasonable request

its approval or recommendation with respect to the Merger Agreement in a manner adverse to the Merger or to Daleen Holdings or Parallel Acquisition; (ii) our Board of Directors or any committee thereof shall have recommended a competing transaction, we enter into a competing transaction or have consummated a competing transaction; (iii) we have violated or breached in any material respect our non-solicitation covenant in the Merger Agreement; or (iv) our Board of Directors or any committee thereof resolves to take any of the foregoing actions; or

by us, if our Board of Directors or any committee thereof, after compliance with its obligations under our non-solicitation covenant in the Merger Agreement, has recommended or resolved to recommend to our stockholders a proposal for a competing transaction under circumstances where a majority of our directors reasonably determines in good faith (i) after consultation with independent legal counsel, that failure to accept the competing proposal would be a breach of the fiduciary duty of the directors 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 (provided that a termination for this reason shall not be effective unless and until (A) our Board of Directors has provided Daleen Holdings with written notice that we intend to enter into a binding written agreement in respect of the competing transaction, (B) we have attached the most current written version of the competing transaction to the notice and (C) Daleen Holdings does not make, within five days after receipt of the written notice, an offer that our Board of Directors determines in good faith, after consultation with its outside legal and financial advisors, is as favorable to our stockholders as the competing transaction.

Subject to limited exceptions, including the survival of certain obligations, if the Merger Agreement is validly terminated it will become void and will be of no further effect with no liability on the part of any party to the Merger Agreement or any of their respective officers or directors.

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.

Amendment and Waiver

The Merger Agreement may not be amended except by means of a written instrument executed on behalf of each party to the Merger Agreement.

At any time prior to the effective time of the Merger, any of the parties to the Merger Agreement may, to the extent legally allowed, by written instrument signed by the party or parties to be bound thereby: (i) extend the time for the performance of any of the obligations or other acts of any of the other parties; (ii) waive any inaccuracy in the representations and warranties in the Merger Agreement or in any document delivered pursuant to the Merger Agreement; or (iii) waive compliance with any agreement or condition contained in the Merger Agreement.

Our ability and the ability of Daleen Holdings to amend the Merger Agreement 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.

Fees and Expenses

Except as described below, all fees and expenses incurred in connection with the Merger or any other transaction contemplated by the Merger Agreement will be paid by the party to the Merger Agreement incurring those fees and expenses, whether or not the Merger is consummated.

If either of the following occurs, we will be obligated under a transaction support agreement to pay to the Quadrangle Investors or their designees their pro rata shares of an aggregate one-time termination fee of $500,000:

- the Merger Agreement is terminated by us because our Board of Directors or any committee thereof, after compliance with its obligations in the Merger Agreement with respect to competing transactions, has recommended or resolved to recommend to our stockholders a proposal for a competing transaction where a majority of our directors reasonably determines in good faith (i) after consultation with independent legal counsel, that failure to accept the competing proposal would be a breach of the directors 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 stockholder from a financial point of view than the Merger; and

- the Merger Agreement is terminated by Daleen Holdings because

  - our Board of Directors or any committee thereof has withdrawn, modified, changed or failed to publicly affirm, within 10 days after a reasonable request by Daleen Holdings, its approval or recommendation in respect of the Merger Agreement, the Merger or the share exchange by Behrman Capital and SEF in a manner adverse to the Merger, the share exchange or to Daleen Holdings or Parallel Acquisition;

  - our Board of Directors or any committee thereof has recommended any competing transaction, we enter into or approve an agreement relating to a competing transaction or we have consummated a competing transaction;

  - we have violated or breached in any material respect any of our obligations under the Merger Agreement with respect to competing transactions; or

  - our Board of Directors or any committee thereof has resolved to take any of the foregoing actions.

  We enter into or approve a definitive agreement with respect to, or consummate, a competing transaction with any person other than Daleen Holdings, Parallel Acquisition or their respective affiliates within twelve months following any termination described above.

We also are obligated to pay to Protek a fee equal to its transaction expenses upon the termination of the Merger Agreement as a result of a termination for any of these reasons, so long as (i) Protek has not breached any of its representations, warranties, covenants or agreements in the stock purchase agreement by which Daleen Holdings has agreed to acquire Protek at the time of the termination that would give rise to a claim for indemnification under that stock purchase agreement and (ii) there has been no material adverse change in or effect upon our financial condition, business, operations or assets or upon our ability to consummate the transactions contemplated by the stock purchase agreement (subject to certain exceptions). Any payment of transaction expenses to Protek for this reason will first be made by offset against the principal amount and accrued but unpaid interest owed to us under our bridge loan to Protek described in this proxy statement.

In addition, we are obligated to pay the Quadrangle Investors or their designees their pro rata share of an aggregate fee equal to their transaction expenses upon a termination of the Merger Agreement permitted thereby (excluding any termination resulting from a breach by any Quadrangle Investor of any of its representations, warranties, covenants or agreements in the investment agreement by which it has agreed to invest $25 million in Daleen Holdings concurrently with the completion of the Merger).

See TRANSACTIONS RELATED TO THE MERGER Transaction Support Agreement.

Governing Law

The Merger Agreement is governed in all respects by the laws of the State of New York.

Assignment

No party to the Merger Agreement may assign any of its rights or delegate any of its obligations under the Merger Agreement to any other person without the prior written consent of the other parties, except that Daleen Holdings and Parallel Acquisition may assign all or any of their rights and obligations under the Merger Agreement to any affiliate of Daleen Holdings provided that the assignment does not relieve the assigning party of its obligations under the Merger Agreement if the assignee does not perform those obligations.

DESCRIPTION OF CAPITAL STOCK OF DALEEN HOLDINGS, INC.

The information set forth below is a summary of the material terms of the common stock and the preferred stock of Daleen Holdings. Except where stated otherwise, the terms of the preferred stock of Daleen Holdings described below are applicable to both Series A Convertible Redeemable PIK Preferred Stock and Series A-1 Convertible Redeemable PIK Preferred Stock. As a summary, this section is qualified by, and not a substitute for, the provisions of Daleen Holdings Certificate of Incorporation and Certificate of Designations, which have been filed as exhibits to our Quarterly Report on Form 10-Q for our fiscal quarter ended March 31, 2004.

Authorized Capital Stock

Daleen Holding s authorized capital stock consists of 4,500,100 shares, consisting of (i) 4,000,000 shares of common stock, par value $0.01 per share, and (ii) 500,100 shares of preferred stock, par value $0.01 per share. 425,000 shares of preferred stock have been designated as Series A Convertible Redeemable PIK Preferred Stock, 75,000 shares have been designated as Series A-1 Convertible Redeemable PIK Preferred Stock, and 100 shares have been designated as Junior Preferred Stock. All of the authorized shares of the Junior Preferred Stock are currently owned by us and will be redeemed for nominal consideration upon consummation of the Merger. Accordingly, references to Daleen Holdings preferred stock in this proxy statement are references solely to the Series A and Series A-1 Convertible Redeemable PIK Preferred Stock of Daleen Holdings.

Common Stock

Dividends and Other Distributions. Dividends may be declared and paid on Daleen Holdings common stock at the discretion of its board of directors.

Liquidation. Upon the dissolution or liquidation of Daleen Holdings, whether voluntary or involuntary, holders of its common stock will be entitled to receive all of its assets available for distribution to our stockholders after payment in full of the preferred liquidation preference of Daleen Holdings preferred stock.

Voting. Holders of Daleen Holdings common stock are entitled to one vote per share with no cumulative voting. The number of authorized shares can be increased or decreased (but not below the number then outstanding) without the consent of the holders of a majority of the outstanding shares of Daleen Holdings common stock.

Preferred Stock

Dividends. Holders of Daleen Holdings preferred stock are entitled to receive cumulative dividends of 8% per annum on the original issue price of $100 per share, prior to any declaration or payment of any dividend (payable other than in shares of Daleen Holdings common stock or other securities and rights convertible into or entitling the holder to receive, directly or indirectly, additional shares of its common stock) on its common stock and are entitled to fully participate with holders of Daleen Holdings common stock on an as converted basis in any dividends distributed to the holders of common stock.

If Daleen Holdings fails to meet certain financial targets, the 8% per annum dividends will be calculated based on an increased issue price. Any accrued and unpaid dividends on the Daleen Holdings preferred stock will be recalculated if and when Daleen Holdings fails to meet the financial targets using the increased issue price. The dividends to the holders of preferred stock are payable in additional shares of preferred stock or, with the consent of holders of a majority of the outstanding shares of Daleen Holdings preferred stock, in cash.

If the financial targets referred to above are not met, or if the dividends are paid in additional shares of preferred stock, this may result in dilution to the holders of Daleen Holdings common stock.

Liquidation. Upon liquidation, (i) first, the Series A Preferred Stock is entitled to be paid the original issue price of their shares and all outstanding dividends thereon; (ii) second, the Series A-1 Preferred Stock is entitled to be paid the original issue price of their shares and all outstanding dividends thereon; (iii) third, the Daleen Holdings preferred stock will be entitled to any additional liquidation preference in the event that the above-referenced financial targets are not met and the original issue price is reset as summarized above, prior to any payment to the holders of common stock. Notwithstanding the foregoing, upon liquidation, the holders of preferred stock will be entitled to receive the greater of (a) the amounts set forth in clauses (i)-(iii) above, or (b) the amounts payable in respect of common stock had the holder of preferred stock converted his, her or its shares into common stock immediately prior to liquidation.

Conversion. Subject to certain restrictions, each share of preferred stock is convertible, at the option of the holder, to the number of fully paid and non-assessable shares of common stock equal to the issue price, adjusted for any stock split, stock dividend, combination, or recapitalization affecting such shares plus the outstanding dividends divided by a conversion price which initially will be set at $25 per share.

The conversion price will be adjusted pursuant to any stock dividend, stock split or similar event so that holders of preferred stock continue to receive the same aggregate number of shares as they would have received if the shares had been converted immediately prior to the event.

Each share of preferred stock will automatically be converted if the holders of a majority of the then outstanding shares of preferred stock consent in writing, or upon consummation of a public offering of shares of Daleen Holdings common stock meeting certain requirements.

Voting. The holders of Daleen Holdings preferred stock are entitled to the number of votes equal to the aggregate number of shares of its common stock into which the shares of preferred stock are convertible. Generally, the holders of preferred stock will vote together with the holders of common stock as a single class on all matters submitted to the vote of holders of common stock. The affirmative vote of the holders of the majority of the outstanding shares of preferred stock voting together as a separate class is required for certain actions by Daleen Holdings.

TRANSACTIONS RELATED TO THE MERGER

In addition to other transactions that are related to the Merger, such as the voting agreements, the escrow arrangement under the indemnity escrow agreement and the employment agreement of Gordon Quick, each described elsewhere in this proxy statement, the following transactions also are closely related to the Merger and, by their terms, are to be consummated concurrently with the Merger.

Investment Agreement

Concurrent with the signing of the Merger Agreement, Quadrangle Capital Partners LP, Quadrangle Select Partners LP, Quadrangle Capital Partners-A LP, 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 cash in Daleen Holdings. The Quadrangle Investors will invest $25 million, and Behrman Capital and SEF will invest $5 million (reduced by any amounts owed by us to Behrman Capital under the bridge facility described below and outstanding at the completion of the Merger), each investment being made upon completion of the Merger. Holders of 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 million in the aggregate. For purposes of calculations appearing elsewhere in this proxy statement, we have assumed that no holders of Series F Preferred Stock will participate.

In consideration for these investments, the investors will receive an aggregate of 300,000 shares of Daleen Holdings preferred stock. Pursuant to the investment agreement, Series A Convertible Redeemable PIK Preferred Stock of Daleen Holdings will be issued to the Quadrangle Investors, Behrman Capital and SEF in consideration of their $30 million investment. The obligations of the investors to make these investments is contingent upon the completion of the Merger and certain other closing conditions.

Under the Investment Agreement, Series A Preferred Stock will be issued to Quadrangle Investors, Behrman Capital and SEF. Series A-1 Preferred Stock will be issued to Behrman Capital and SEF in the share exchange contemplated by the Merger Agreement. The stock issued to the holders of Series F Preferred Stock other than Behrman Capital and SEF in connection with the Merger will be Daleen Holdings common stock.

The obligations of the Quadrangle Investors, Behrman Capital and SEF to complete the investment in Daleen Holdings under the investment agreement is subject to the satisfaction or waiver of certain conditions, including:

- The representations and warranties of Daleen Holdings in the investment agreement must be true and correct in all material respects (except as specifically contemplated by the investment agreement or specifically required to effect the transactions contemplated by the Merger Agreement or the Protek stock purchase agreement) on and as of the closing date as if made on that date;
- No injunction or restraining order is in effect or overtly threatened in writing that restrains or prohibits any of the transactions contemplated by the investment agreement; and
- There must not have been any event, change, occurrence or circumstance that has had or would reasonably be expected to have a material adverse effect on Daleen Holdings.

The obligation of Daleen Holdings to complete the investment under the investment agreement is subject to the satisfaction or waiver of certain conditions, including:

- Daleen Holdings must have received payment for the shares purchased by each investor in immediately available funds and, with respect to Behrman Capital and SEF, by delivery of the promissory notes issued to them under a subordinated bridge loan agreement by and among them and Daleen Holdings; and

The representations and warranties of the Quadrangle Investors, Behrman Capital and SEF in the investment agreement must be true and correct in all material respects on and as of the closing date as if made on that date.

The obligations of each party to the investment agreement to complete the investment under the investment agreement is subject to the satisfaction or waiver of certain conditions, including:

The conditions to the consummation of the transactions contemplated by the Merger Agreement must have been satisfied or waived as set forth in the Merger Agreement, and Daleen Holdings, Parallel Acquisition and the Company shall be prepared to close the Merger simultaneously with or immediately after the closing of the transactions contemplated by the investment agreement; and

Daleen Holdings, the Quadrangle Investors, Behrman Capital, SEF and the other respective stockholders of Daleen Holdings party thereto shall have executed and delivered a stockholders agreement and a registration rights agreement.

Daleen Holdings has agreed in the investment agreement that it will operate its business in the ordinary course consistent with its prior practices pending the closing of the investment. It also agreed to the following:

To use commercially reasonable efforts to cause each condition to the obligations of the Quadrangle Investors, Behrman Capital and SEF to close under the investment agreement to be satisfied or waived;

To use commercially reasonable efforts to cause each of its representations and warranties contained in the investment agreement to be true and correct in all material respects on the closing date (except for any exceptions specifically contemplated by the investment agreement or specifically required to effect the transactions contemplated by the Merger Agreement and the Protek Stock Purchase Agreement);

To not (other than as required to consummate the transaction contemplated by the investment agreement, the stockholders agreement contemplated thereby, the registration rights agreement contemplated thereby, the transaction support agreement, the Merger Agreement and the Protek stock purchase agreement) increase the number of shares authorized or issued and outstanding of its capital stock, grant or make any pledge, option, warrant, call, commitment, right or agreement of any character relating to its capital stock, issue or sell any shares of its capital stock or securities convertible into such capital stock or any bonds, promissory notes, debentures or other corporate securities or become obligated so to sell or issue any such securities or obligations; and

Not effect, undertake or agree to effect any amendment, waiver or modification of any right or provision, or exercise any right, contained in the Merger Agreement, the Protek stock purchase or the documents entered into therewith without the prior written consent of the Quadrangle Investors, which shall not be unreasonably withheld in respect of such amendments, waivers or modifications which are not material to the transactions contemplated by the Merger Agreement or the Protek Stock Purchase Agreement.

The investment agreement may be terminated only as follows:

Subject to the provisions of the transaction support agreement, at any time by the mutual consent in writing of the Quadrangle Investors and Daleen Holdings;

By the Quadrangle Investors if the aggregate amount of all claims for indemnification under the Merger Agreement payable with respect to certain specified litigation exceeds or would reasonably be expected to exceed $1,000,000, after giving effect to limits on indemnification in the Merger Agreement and to all offsets pursuant thereto;

By the Quadrangle Investors if a court of competent jurisdiction or other governmental entity shall have issued, enacted, promulgated or enforced any law, order, judgment, decree, injunction or ruling or taken any other action (that has not been enacted, withdrawn or overturned), in each case

permanently restraining, enjoining or otherwise prohibiting the Merger or any other transaction contemplated by the Merger Agreement;

By the Quadrangle Investors if (i) our Board of Directors or any committee thereof shall have withdrawn, modified, changed or failed to publicly affirm, within 10 days after Daleen Holdings reasonable request, its approval or recommendation in respect of the Merger Agreement, the Merger or the exchange of shares of Series F Preferred Stock by Behrman Capital and SEF immediately prior to the Merger in a manner adverse to the Merger, such share exchange or to Daleen Holdings or Parallel Acquisition, (ii) our Board of Directors shall have recommended a competing transaction, we shall have entered into an agreement relating to a competing transaction or we shall have consummated a competing transaction, (iii) we shall have violated or breached in any material respect any of our obligations under the Merger Agreement with respect to competing transactions or (iv) our Board of Directors or any committee thereof shall have resolved to take any of the foregoing actions;

By the Quadrangle Investors upon a material breach of any of the representations, warranties, covenants or agreements of Protek or any selling shareholder under the Protek stock purchase agreement; and

Automatically if (i) the Merger Agreement is terminated in accordance with its provisions, (ii) the Protek Stock Purchase Agreement is terminated in accordance with its provisions or (iii) if the closing of the investment does not occur on or prior to September 30, 2004 unless the parties to the investment agreement agree otherwise in writing.

The ability of the parties to the investment agreement to waive closing conditions under or to terminate the investment agreement are materially limited by our rights and the rights of Protek under a transaction support agreement. See Transaction Support Agreement.

A copy of the subordinated bridge loan facility has been filed with the SEC as an exhibit to our Quarterly Report on Form 10-Q for our fiscal quarter ended March 31, 2004.

Bridge Loan Facilities

Protek Bridge Facility

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 facility 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 under 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. Protek must repay all amounts owed under the bridge facility on the earlier to occur of closing of the transactions contemplated by the Merger Agreement, a breach by Protek of the stock purchase agreement with Daleen Holdings, and any other termination of the Protek stock purchase agreement.

Interest will accrue at a rate of 6% per annum, payable at maturity, with a default rate of 15%. The bridge facility will be secured by liens on all of Protek s assets, subject solely to any first liens already existing in favor of Protek s creditors. In addition, we will hold a warrant exercisable after an uncured payment default for nominal consideration and entitling us to purchase voting securities representing 19.9% of the outstanding equity of Protek, as well as a warrant permitting conversion of the outstanding amount of the loan into voting securities of Protek.

We will fund the Protek bridge facility with proceeds of a loan to us by Behrman Capital and SEF under the bridge facility described below.

A copy of the working capital facility agreement has been filed with the SEC as an exhibit to our Quarterly Report on Form 10-Q for our fiscal quarter ended March 31, 2004.

As of August 30, 2004, borrowings in an aggregate principal amount of $1.0 million are outstanding under the Protek bridge facility, and Protek has submitted a request to draw the remaining $500,000 available under the bridge facility.

Behrman Capital Bridge Facility

We have established a bridge loan facility with Behrman Capital and SEF under which we may borrow up to an aggregate principal amount of $5.1 million. As of August 30, 2004, we have drawn $2.7 million. Approximately $1.0 million has been used by us to fund the bridge loan by us to Protek. Approximately $1.5 million has been drawn to support our ongoing operations, and we have paid $100,000 in associated fees to Behrman. We also have submitted a request to draw an additional $750,000 under the bridge facility. We intend to use $500,000 of that amount to fund the additional $500,000 requested by Protek under the Protek bridge facility and $250,000 for our ordinary course working capital needs.

Interest on loans under this facility will accrue at a rate of 6% per annum. The facility will be subject to a mandatory draw by us of up to the full maximum principal amount immediately prior to Closing. Any notes evidencing the debt under this facility will be transferred to Daleen Holdings at the closing of the Merger in consideration of the delivery of shares of Daleen Holdings preferred stock, and the aggregate principal amount of this loan outstanding upon completion of the Merger will be credited against Behrman Capital s investment commitment with respect to Daleen Holdings under the investment agreement.

In partial consideration of Behrman Capital s and SEF s agreement to enter into this bridge facility, those Daleen securities issued to Abiliti Solutions in connection with the Abiliti acquisition but held in escrow (the beneficial interest in which were immediately transferred to Behrman, SEF and certain other creditors of Abiliti) have been released from escrow. The escrowed securities consisted of shares of our Common Stock and Series F Preferred Stock, which will be converted into cash and/or shares of Daleen Holdings common stock in the Merge (or, if held by Behrman or SEF, into cash, Daleen Holdings common stock and Daleen Holdings preferred stock in the Merger and related share exchange share exchange), and warrants on our common stock, which will be cancelled in connection with these transactions. The shares of common stock and preferred stock released from escrow were valued as of May 7, 2004 at approximately $265,000 for purposes of indemnification under the Abiliti transaction agreements, but will entitle Behrman Capital and SEF to consideration valued at approximately $400,000 in the share exchange and the other former Abiliti creditors to consideration valued at approximately $40,000 in the Merger.

We may from time to time seek to draw amounts under our bridge facility with Behrman Capital to fund our working capital needs prior to Closing. Such draws prior to Closing are subject to Behrman s consent in its sole discretion, and there can be no assurance that such funds will be available if needed.

All amounts due under our bridge facility with Behrman Capital are secured by a lien on all of our assets, which is second in priority solely to the security interest of Silicon Valley Bank in all our assets as lender under our Exim facility.

A copy of the subordinated bridge loan facility has been filed with the SEC as an exhibit to our Quarterly Report on Form 10-Q for our fiscal quarter ended March 31, 2004.

Protek Acquisition

Daleen Holdings has agreed to acquire Protek Telecommunications Solutions Ltd. by purchase of all of its outstanding capital stock from its shareholders and conversion of its outstanding options, 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 a post closing performance bonus 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.

$500,000 of the initial drawing under the Protek bridge facility described below will be treated as a deposit and will be repaid to us only if the stock purchase agreement terminates because of a breach by Protek. The deposit amount will be credited to Daleen Holdings payment of the purchase price at closing and will be forgiven if the transaction terminates for any reason other than a breach by Protek.

A $200,000 break-up fee is payable by Protek to us if the acquisition is not consummated because of a breach by Protek, and if Protek is acquired by another party within ten months of the termination. In the event of a termination because of a party s breach, that party must pay the other party s (and in the case of Daleen Holdings, ours and the Quadrangle Investors) transaction expenses.

The obligation of Daleen Holdings to complete the acquisition of Protek under the Protek stock purchase agreement is subject to the satisfaction or waiver of certain conditions, including:

- Protek and the selling shareholders must have complied with and duly performed in all material respects all of their respective covenants, agreements and conditions to be complied with and performed by the closing date pursuant to the Protek stock purchase agreement;
- The representations and warranties of Protek and the selling shareholders in the Protek stock purchase agreement, or otherwise made in connection with transactions contemplated by the Protek stock purchase agreement, must be true and correct in all material respects on and as of the closing date as if made on that date;
- No court or governmental action or proceeding shall have been instituted or threatened to restrain, materially delay or prohibit the transactions contemplated by the Protek stock purchase agreement;
- All governmental and regulatory approvals and consents necessary to effectuate the stock purchase agreement and to consummate the transactions contemplated thereby must have been obtained; and
- Daleen Holdings, the Quadrangle Investors and the other parties to the $30 million investment in Daleen Holdings to occur concurrently with the closing of the Merger must have consummated the transactions contemplated by that investment agreement.

The obligation of Protek and the selling shareholders to complete the sale of Protek under the Protek stock purchase agreement is subject to the satisfaction or waiver of certain conditions, including:

- Daleen Holdings must have complied with and duly performed in all material respects all of its covenants, agreements and conditions to be complied with and performed by the closing date pursuant to the Protek stock purchase agreement;
- The representations and warranties of Daleen Holdings in the Protek stock purchase agreement, or otherwise made in the Protek stock purchase agreement, must be true and correct in all material respects on and as of the closing date as if made on that date;
- No court or governmental action or proceeding shall have been instituted or threatened to restrain, materially delay or prohibit the transactions contemplated by the Protek stock purchase agreement;
- Daleen Holdings shall have delivered the cash and equity consideration in accordance with the Protek stock purchase agreement; and
- Daleen Holdings, the Quadrangle Investors and the other parties thereto must be prepared to concurrently consummate the transactions contemplated by the investment agreement and the Protek stock purchase agreement, and no party thereto shall be in breach of the transaction support agreement.

The Protek stock purchase agreement may be terminated only as follows:

- At any time by the mutual consent in writing of all the parties thereto;
- By Daleen Holdings or Protek if the closing has not occurred on or before September 30, 2004 if the closing has not occurred for a reason other than a breach of the stock purchase agreement by the terminating party;
- At any time by Daleen Holdings upon a material breach of the stock purchase agreement by Protek or any selling shareholder; or

At any time by Protek upon a material breach of the stock purchase agreement by Daleen Holdings.

The ability of Daleen Holdings, Protek and certain shareholders of Protek to waive closing conditions under or to terminate the Protek stock purchase agreement are materially limited by our rights and the rights of the Quadrangle Investors under a transaction support agreement. See Transaction Support Agreement. There can be no assurance that all closing conditions will be met or waived or that the Protek acquisition ultimately will be consummated.

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.

A copy of the Protek stock purchase agreement has been filed with the SEC as an exhibit to our Quarterly Report on Form 10-Q for our fiscal quarter ended March 31, 2004.

Transaction Support Agreement

As a condition to the Merger Agreement, we have entered a transaction support agreement with Daleen Holdings, the Quadrangle Investors, Behrman Capital, SEF, Protek and certain stockholders of Protek. The purpose of the transaction support agreement is to coordinate the performance and consummation of the Merger Agreement, the Protek stock purchase agreement, and the investment agreement and to impose restrictions on the exercise of termination rights and waiver of conditions under those transaction agreements.

The following is a summary of the terms of the transaction support agreement. As a summary, this section is qualified by, and not a substitute for, the provisions of the transaction support agreement, which we have filed as an exhibit to our Quarterly Report on Form 10-Q for our fiscal quarter ended March 31, 2004.

Restrictions on Termination Rights and Waiver Conditions

The consummation of each of the transaction agreements is contingent upon the consummation of the other transaction agreements and all transaction agreements will close concurrently.

With the exception of certain Protek stockholders, the parties to the transaction support agreement cannot exercise certain termination rights under the transaction agreements without written consent of the other parties.

If any of the transaction agreements are terminated, the terminating parties must provide written notice to the other parties who will cause the other transaction agreements to terminate.

No material representations, warranties, conditions, covenants, or agreements in any of the transaction agreements can be amended, waived or modified, and no material conditions can be waived, without prior written consent of the other parties to the transaction agreement.

Certain Fees

If we terminate the Merger Agreement, we must pay to both the Quadrangle Investors and Protek, respectively, a fee equal to each parties respective transaction expenses, including out-of-pocket fees, costs and expenses incurred in connection with the transaction support agreement and the transaction agreements.

If after terminating the Merger Agreement, our Board of Directors recommends to our stockholders a competing transaction, or if we enter into or approve a definitive agreement with respect to, or

consummate, a competing transaction within 12 months following the termination, we must pay the Quadrangle Investors a termination fee of $500,000.

A copy of the transaction support agreement has been filed with the SEC as an exhibit to our Quarterly Report on Form 10-Q for our fiscal quarter ended March 31, 2004.

Amounts Paid by Daleen Holdings to or on Behalf of Behrman Capital

Daleen Holdings has agreed to pay Behrman Capital s legal expenses incurred in connection with the Merger and related transactions in an amount not to exceed $65,000.

Amounts Paid by the Company to or on Behalf of Behrman Capital

The Company has paid a $100,000 fee under the Behrman Facility.

Quadrangle Fee Letter

The Company has agreed to pay Quadrangle Advisors a fee equal to $400,000 for its assistance in negotiating the letter of intent in respect of the Protek acquisition, structuring the concurrent Protek acquisition and contemplated merger, conducting a due diligence investigation of Protek, assessing the product portfolios of the Company and Protek, structuring a management incentive plan for Daleen Holdings and assisting in the negotiation of management employment agreements on behalf of Daleen Holdings and negotiating and facilitating the final execution of the Protek acquisition agreement.

SUMMARY HISTORICAL FINANCIAL DATA

The summary historical financial data set forth below as of and for the fiscal years ended December 31, 2003, 2002, 2001, 2000 and 1999 and are derived from our audited consolidated financial statements. The summary financial information as of and for the six months ended June 30, 2004 and 2003 are derived from our unaudited financial statements for such periods. The summary historical financial data set forth below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and consolidated notes contained in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2003, which is attached as Appendix D to this proxy statement, and in our most recent Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2004, which is attached as Appendix E to this proxy statement. Copies of our Annual Report on Form 10-K/A may be inspected or obtained by accessing our public filings with the Securities and Exchange Commission. See the section of this proxy statement entitled WHERE YOU CAN FIND MORE INFORMATION for instructions.

	Six Months Ended June 30,		Year Ended December 31,				
	2003	2004	1999	2000	2001	2002	2003
	(Unaudited)		(Dollars in millions)				
Consolidated Statement of Operations Data:							
Total Revenue	$ 8,284	$ 8,073	$ 20,725	$ 43,629	$ 12,432	$ 6,604	$ 18,152
Total Cost of Revenue	2,633	2,928	7,785	14,560	8,948	2,755	5,818
Gross Margin	5,651	5,145	12,940	29,069	3,484	3,849	12,334
Total operating expenses	8,645	9,924	29,609	75,310	95,598	14,267	16,165
Operating loss	(2,994)	(4,779)	(16,669)	(46,241)	(92,114)	(10,418)	(3,831)
Nonoperating income	163	9	1,329	2,456	1,125	757	221
Net loss	(2,831)	(4,770)	(15,340)	(43,785)	(90,989)	(9,661)	(3,610)
Net loss applicable to common stockholders per share basic and diluted	$ (0.06)	$ (0.10)	$ (1.06)	$ (2.02)	$ (5.47)	$ (0.40)	$ (0.08)
Consolidated Balance Sheet Data (at end of period):							
Cash and cash equivalents	$ 6,080	$ 1,400	$ 52,852	$ 22,268	$ 13,093	$ 6,589	$ 2,497
Total assets	16,602	13,509	133,881	99,462	21,193	18,789	13,026
Current portion of long-term debt and obligations under capital leases	78	2		129		164	26
Long-term debt and obligation under capital leases, less current portion	2			607		26	
Stockholders equity	12,286	5,325	119,457	77,501	14,262	13,707	10,095

PRICE RANGE OF COMMON STOCK AND DIVIDENDS

Our Common Stock is traded on the Over The Counter (OTC) Bulletin Board under the symbol DALN.OB. From July 12, 2002 to December 31, 2002 our common stock was traded on the Nasdaq SmallCap Market under the symbol DALN. Our common stock was traded on The Nasdaq Stock Market under the symbol DALN from October 1, 1999 to July 12, 2002.

The closing sale price of our common stock as reported by the OTC on , 2004 was $ per share. The price per share reflected in the table below represents the range of low and high closing sale prices and bid quotations, as applicable, for our common stock as reported by The Nasdaq Stock Market, the Nasdaq SmallCap Market or the OTC for the periods indicated:

2004	High	Low
First Quarter	$0.38	$0.06
Second Quarter	0.17	0.03
Third Quarter (through , 2004)		

2003	High	Low
First Quarter Ended March 31, 2003	$0.13	$0.06
Second Quarter Ended June 30, 2003	0.17	0.07
Third Quarter Ended September 30, 2003	0.27	0.10
Fourth Quarter Ended December 31, 2003	0.40	0.16

2002	High	Low
First Quarter Ended March 31, 2002	$0.45	$0.17
Second Quarter Ended June 30, 2002	0.24	0.13
Third Quarter Ended September 30, 2002	0.17	0.11
Fourth Quarter Ended December 31, 2002	0.25	0.08

Since becoming a public company in 1999, we have not paid any cash dividend to our stockholders, and we do not presently anticipate the payment of cash dividends in the foreseeable future.

SECURITY OWNERSHIP OF CERTAIN

BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the amount and percent of shares of our Common Stock and Series F Preferred Stock as a class that, as of July 31, 2004, are deemed under the rules of the SEC to be beneficially owned by (i) any person or group (as that term is used in the Exchange Act) known to us as of that date to be a beneficial owner of more than 5% of the outstanding shares of our Common Stock, (ii) each of our named executive officers and directors, and (iii) all of our directors and executive officers as a group. Unless otherwise indicated, the holders of all shares shown in the table have sole voting and investment power with respect to such shares. As of July 31, 2004, there were 46,911,152 shares of our Common Stock and 449,237 shares of our Series F Preferred Stock issued and outstanding.

	Common Stock Beneficially Owned		Series F Preferred Stock Beneficially Owned	
Name of Beneficial Owner(1)	Number of Shares	Percentage of Class(2)	Number of Shares	Percentage of Class(3)
Quadrangle Capital Partners LP(4)	74,199,632(5)	79.36%	380,467	84.69%
Behrman Capital II L.P.(6)	58,863,523(7)	69.65%	219,744	48.91%
Strategic Entrepreneur Fund II, L.P.(6)	790,579(8)	1.67%	2,980	*
HarbourVest Partners V Direct Fund L.P.(9)	3,818,063	8.14%		
HarbourVest Partners VI Direct Fund, L.P.(9)	15,452,616(10)	24.78%	126,195(11)	26.00%
SAIC Venture Capital Corporation(12)	13,836,046(13)	23.65%	94,646(14)	19.87%
St. Paul Venture Capital IV, L.L.C.(15)	795,566	1.70%		
St. Paul Venture Capital Affiliates Fund I, L.L.C.(15)	22,497	*		
St. Paul Venture Capital VI, LLC(15)	3,090,523(16)	6.18%	25,239(17)	5.53%
ABS Ventures IV, L.P.(18)	3,180,967(19)	6.43%	20,633(20)	4.53%
ABX Fund, L.P.(18)	564,006(21)	1.19%	4,606(22)	1.02%
NorthBay Opportunities, L.P.(23)	2,317,862(24)	4.78%	13,304(25)	2.93%
NorthBay International Opportunities, Ltd.(23)	772,662(26)	1.63%	4,435(27)	*
James Daleen	659,399(28)	1.39%		
Gordon Quick(29)				
David McTarnaghan	267,559(30)	*		
Ofer Nemirovsky	19,353,179(31)	30.99%	126,195(32)	26.00%
Daniel J. Foreman	969,177(33)	2.06%		
Dennis Sisco	82,500(34)	*		
Stephen J. Getsy	217,223(35)	*		
John S. McCarthy	585,023(36)	1.24%	1,861(37)	*
All directors and executive officers as a group (8 persons)	22,134,060(38)	34.56%	128,056(39)	22.18%

* Less than 1% of the outstanding Common Stock or Series F Preferred Stock.

(1) Except as set forth herein, the street address of each named beneficial owner is c/o Daleen Technologies, Inc., 902 Clint Moore Road, Suite 230, Boca Raton, Florida 33487.

(2) For purposes of calculating the percentage beneficially owned, the number of shares of Common Stock deemed outstanding includes (i) 46,911,152 shares of Common Stock outstanding as of July 31, 2004, (ii) shares of Common Stock issuable by us pursuant to options or warrants held by the respective person or group which may be exercised within 60 days following July 31, 2004 (Presently Exercisable Options), and (iii) shares of Common Stock issuable by us upon conversion of shares of Series F Preferred Stock held by the respective person or group, including shares of Series F Preferred Stock issuable upon exercise of warrants (Series F warrants) held by such person or group. The Common Stock warrants, shares of Series F Preferred Stock, Series F

warrants and the Presently Exercisable Options are considered to be outstanding and to be beneficially owned by the person or group holding such warrant and options for the purpose of computing the percentage ownership of such person or group but are not treated as outstanding for the purpose of computing the percentage ownership of any other person or group based on a conversion rate at July 31, 2004 of 122.4503 shares of Common Stock for each share of Series F Preferred Stock converted. The number of shares of Common Stock deemed outstanding includes (i) warrants to purchase 10,757,939 shares of Common Stock at an exercise price of $0.9060 per share, (ii) warrants to purchase 500,000 shares of Common Stock at an exercise price of $0.17 per share and (iii) warrants to purchase 250,000 shares of Common Stock at an exercise price of $0.17 per share.

(3) For purposes of calculating the percentage beneficially owned, the number of shares of Series F Preferred Stock deemed outstanding includes (i) 449,237 shares of Series F Preferred Stock outstanding on July 31, 2004, and (ii) shares of Series F Preferred Stock issuable by us upon exercise of Series F warrants held by the respective person or group. The shares of Series F Preferred Stock issuable upon exercise of Series F warrants are considered to be outstanding and to be beneficially owned by the person or group holding such warrant for the purpose of computing the percentage ownership of such person or group but are not treated as outstanding for the purpose of computing the percentage ownership of any other person or group.

(4) Based solely on information filed with the Commission on Schedule 13D (Amend. No. 1) (the Quadrangle 13D) on May 18, 2004, and on information available to the Company, Quadrangle Select Partners LP, Quadrangle Capital Partners-A LP, Quadrangle GP Investors LP and Quadrangle GP Investors LLC may be deemed to share beneficial ownership with Quadrangle Capital Partners LP, with respect to our securities registered in the name of SAIC Venture Capital Corporation, Behrman Capital II L.P., Strategic Entrepreneur Fund II, L.P., HarbourVest Partners Direct Fund L.P. and HarbourVest Partners VI Direct Fund, L.P. Shares of our securities registered in the name of such parties are the subject of respective voting agreements (the Voting Agreements) between each such stockholder and Quadrangle Capital Partners LP. An aggregate amount of 27,611,334 shares of our Common Stock and 380,467 shares of our Series F Preferred Stock is subject to the Voting Agreements. Steven Rattner, David A. Tanner, Peter R. Ezersky, Joshua L. Steiner and Michael Huber, the managing members of Quadrangle GP Investors LLC, may be deemed to share voting power with respect to our securities subject to any of the Voting Agreements. Messrs. Rattner, Tanner, Ezersky, Steiner and Huber disclaim beneficial ownership of the shares subject to the Voting Agreements. The address of each of the reporting persons is 375 Park Avenue, 14th Floor, New York, New York 10152.

(5) The shares include 46,588,298 shares of Common Stock issuable upon the conversion of 380,467 shares of Series F Preferred Stock.

(6) Based solely on information filed with the Commission on Schedule 13D (Amend. No. 2) (the Behrman 13D) on May 18, 2004, and on information available to the Company, Behrman Brothers, L.L.C. (Behrman Brothers), the general partner of Behrman Capital II L.P. (Behrman Capital) and Messrs. Grant G. Behrman and William M. Matthes, managing members of Behrman Brothers, may be deemed to share beneficial ownership with Behrman Capital, with respect to our securities registered in the name of Behrman Capital. Mr. Behrman, the general partner of Strategic Entrepreneur Fund II, L.P. (SEF) may be deemed to share beneficial ownership with SEF, with respect to our securities registered in the name of SEF. Amounts reported for Behrman Capital and SEF are based on the Behrman 13D. The address of each of the reporting persons is 126 East 56th Street, 27th Floor, New York, NY 10022.

(7) The shares include 26,907,719 shares of Common Stock issuable upon the conversion of 219,744 shares of Series F Preferred Stock and warrants to purchase 10,697,386 shares of Common Stock at an exercise price of $0.9060 per share.

(8) The shares include 364,902 shares of Common Stock issuable upon the conversion of 2,980 shares of Series F Preferred Stock and warrants to purchase 137,439 shares of Common Stock at an exercise price of $0.9060 per share.

(9) Based solely on information filed with the Commission on Schedule 13D (Amend. No. 4) (the HarbourVest 13D) on May 28, 2004, HarbourVest Partners, LLC (HarbourVest) is the sole managing member of HVP V Direct Associates LLC (Associates V) and HVP VI Direct Associates LLC (Associates VI), the sole general partners of HarbourVest Partners V Direct Fund L.P. (Fund V) and HarbourVest Partners VI Direct Fund L.P. (Fund VI), respectively, and Messrs. D. Brooks Zug and Edward W. Kane are the managing members of HarbourVest. HarbourVest, as the sole managing member of Associates V and Associates VI, and Messrs. Zug and Kane, as the managing members of HarbourVest, may each be deemed to beneficially own all of our securities registered in the name of Fund V and Fund VI. Messrs. Kane and Zug disclaim beneficial ownership of such securities, except to the extent of their pecuniary interest therein. Associates V, as the sole general partner of Fund V, and Fund V as the record owner, may each be deemed to beneficially own all of our securities registered in the name of Fund V. Associates VI, as the sole general partner of Fund VI, and Fund VI as the record owner, may each be deemed to beneficially own all of our securities registered in the name of Fund VI. The address of each of the reporting persons is One Financial Center, 44th Floor, Boston, MA 02111.

(10) Based on the HarbourVest 13D, the shares include (i) 11,037,548 shares of Common Stock issuable upon the conversion of 90,139 shares of Series F Preferred Stock and (ii) 4,415,068 shares of Common Stock issuable upon conversion of 36,056 shares of Series F Preferred Stock that may be acquired by Fund VI upon exercise of Series F warrants.

(11) Based on the HarbourVest 13D, the shares include 36,056 shares of Series F Preferred Stock issuable upon exercise of Series F warrants held by Fund VI.

(12) Based solely on information filed with the Commission on Schedule 13D (Amend. No. 3) (the SVCC 13D) on May 13, 2004, SAIC Venture Capital Corporation (SVCC) is a wholly-owned subsidiary of Science Applications International Corporation (SAIC). SVCC and SAIC may each be deemed to beneficially own all of our securities registered in the name of SVCC. The address of SVCC is 3993 Howard Hughes Parkway, Suite 570, Las Vegas, NV 89109 and the address of SAIC is 10260 Campus Point Drive, San Diego, CA 92121.

(13) Based on the SVCC 13D, the shares include (i) 8,278,130 shares of Common Stock issuable upon conversion of 67,604 shares of Series F Preferred Stock and (ii) 3,311,301 shares of Common Stock issuable upon conversion 27,042 shares of Series F Preferred Stock that may be acquired by SVCC upon exercise of Series F warrants.

(14) Based on the SVCC 13D, the shares include 27,042 shares of Series F Preferred Stock issuable upon exercise of Series F warrants held by SVCC.

(15) Based solely on information filed with the Commission on Schedule 13G (Amend. No. 2) (the St. Paul 13G) on July 2, 2004, The St. Paul Travelers Companies, Inc. (The St. Paul) owns 100% of St. Paul Fire and Marine Insurance Company (F&M), and F&M owns 99% of St. Paul Venture Capital IV, LLC (SPVC IV) and St. Paul Venture Capital VI, LLC (SPVC VI). SPVC IV, SPVC VI and St. Paul Venture Capital Affiliates Fund I, LLC (SPVC Affiliates) are jointly managed by Vesbridge Partners, LLC (Vesbridge) and Split Rock Partners, LLC. Voting and investment power has been delegated solely to Vesbridge. Each of The St. Paul and F&M may be deemed to beneficially own the shares held by SPVC IV and SPVC VI, and Vesbridge may be deemed to beneficially own the shares held by SPVC IV, SPVC VI and SPVC Affiliates. The address of the St. Paul and F&M is 385 Washington St., St. Paul, MN 55102. The address of Vesbridge is 1700 West Park Drive, Westborough, MA 01581.

(16) Based on the St. Paul 13G, the shares include (i) 2,207,534 shares of Common Stock issuable upon the conversion of 18,028 shares of Series F Preferred Stock and (ii) 882,989 shares of Common Stock issuable upon conversion of 7,211 shares of Series F Preferred Stock that may be acquired by SPVC VI upon exercise of Series F warrants.

(17) Based on the St. Paul 13G, the shares include 7,211 shares of Series F Preferred Stock issuable upon exercise of Series F warrants held by SPVC VI.

(18) ABS Ventures IV, L.P. (ABS) and ABX Fund, L.P. (ABX) may be deemed to be under common control. Bruns Grayson and Philip Bleche are the managing members of the respective general partner to each ABS and ABX and control the investment and voting power of each of ABS and ABX. The street address of the named beneficial owners is 1 South Street Suite 2150 Baltimore, MD 21202-3220.

(19) The shares include (i) 1,804,673 shares of Common Stock issuable upon conversion of 14,738 shares of Series F Preferred Stock and (ii) 721,845 shares of Common Stock issuable upon conversion of 5,895 shares of Series F Preferred Stock that may be acquired by ABS upon exercise of Series F warrants.

(20) The shares include 5,895 shares of Series F Preferred Stock issuable upon exercise of Series F warrants held by ABS.

(21) The shares include (i) 402,861 shares of Common Stock issuable upon the conversion of 3,290 shares of Series F Preferred Stock and (ii) 161,145 shares of Common Stock issuable upon conversion of 1,316 shares of Series F Preferred Stock that may be acquired by ABX upon exercise of Series F warrants.

(22) The shares include 1,316 shares of Series F Preferred Stock issuable upon exercise of Series F warrants held by ABX.

(23) The sole general partner of NorthBay Opportunities, L.P., a Delaware limited partnership, is BayStar Management, LLC. The Investment Manager of NorthBay International Opportunities, Ltd., a British Virgin Islands corporation, is BayStar International Management, LLC. Both BayStar Management, LLC and BayStar International Management, LLC are owned equally by NorthBay Partners, LLC, a Wisconsin limited liability company, and MarinView Capital, LLC, a Delaware limited liability company. Michael Roth and Brian Stark share the investment and voting power of NorthBay Opportunities, L.P. and NorthBay International Opportunities Ltd. The street address of the named beneficial owner is 1500 W. Market Street, Suite 200, Mequon, WI 53092.

(24) The shares include (i) 966,868 shares of Common Stock issuable upon the conversion of 7,896 shares of Series F Preferred Stock and (ii) 662,211 shares of Common Stock issuable upon conversion of 5,408 shares of Series F Preferred Stock that may be acquired by NorthBay Opportunities, L.P. upon exercise of Series F warrants.

(25) The shares include 5,408 shares of Series F Preferred Stock issuable upon exercise of Series F warrants held by NorthBay Opportunities, L.P.

(26) The shares include (i) 322,289 shares of Common Stock issuable upon the conversion of 2,632 shares of Series F Preferred Stock and (ii) 220,778 shares of Common Stock issuable upon conversion of 1,803 shares of Series F Preferred Stock that may be acquired by NorthBay International Opportunities, Ltd. upon exercise of Series F warrants.

(27) The shares include 1,803 shares of Series F Preferred Stock issuable upon exercise of Series F warrants held by NorthBay International Opportunities, Ltd.

(28) The shares include 609,375 shares issuable upon exercise of Presently Exercisable Options, 48,220 shares held by the James Daleen Irrevocable Trust and 1,804 shares held by Mr. Daleen s wife. Mr. Daleen disclaims beneficial ownership of the shares held by the trust and his wife.

(29) Mr. Quick commenced employment with Daleen on December 20, 2002 and beneficially owned no shares as of July 31, 2004.

(30) The shares include 265,559 shares issuable upon exercise of Presently Exercisable Options.

(31) The shares include (i) 82,500 shares of Common Stock issuable upon exercise of Presently Exercisable Options, (ii) 3,818,063 shares of Common Stock owned by HarbourVest Partners V Direct Fund L.P. (Fund V), (iii) 11,037,548 shares of Common Stock issuable upon the conversion of 90,139 shares of Series F Preferred Stock held by HarbourVest Partners VI Direct

Fund L.P., (Fund VI) and (iv) 4,415,068 shares of Common Stock issuable upon conversion of 36,056 shares of Series F Preferred Stock that may be acquired upon exercise of Series F warrants held by Fund VI. Mr. Nemirovsky is a managing director of HarbourVest Partners LLC and a member of HVP V Direct Associates LLC and HVP VI Direct Associates LLC, the general partners of Fund V and Fund VI, respectively, and therefore may be deemed to share beneficial ownership of the Common Stock held by Fund V and Fund VI. Mr. Nemirovsky disclaims beneficial ownership of these shares.

(32) The shares include (i) 90,139 shares of Series F Preferred Stock held by Fund VI and (ii) 36,056 shares of Series F Preferred Stock issuable upon exercise of Series F warrants held by Fund VI. Mr. Nemirovsky disclaims beneficial ownership of these shares.

(33) The shares include (i) 82,500 shares of Common Stock issuable upon exercise of Presently Exercisable Options, (ii) 620,669 shares of Common Stock held by ABN AMRO Inc., (iii) 224,614 shares of Common Stock held by I Eagle Trust and (iv) 41,394 shares of Common Stock held by Burnham Capital, LLC. I Eagle Trust and Burnham Capital, LLC are affiliates of ABN AMRO Inc. Mr. Foreman, a director of Daleen, is a managing director of ABN AMRO Inc. and therefore may be considered to share beneficial ownership of these shares. Mr. Foreman disclaims ownership of these shares.

(34) The shares include 82,500 shares of Common Stock issuable upon exercise of Presently Exercisable Options. Mr. Sisco is a member of Behrman Brothers L.L.C., an investment firm that is the general partner of Behrman Capital II L.P. Mr. Sisco does not have beneficial ownership in our securities held by Behrman Capital II L.P. or Strategic Entrepreneur Fund II, L.P.

(35) The shares include (i) 166,250 shares of Common Stock issuable upon exercise of Presently Exercisable Options, and (ii) 50,973 shares of Common Stock held by the Stephen Getsy Living Trust.

(36) The shares include (i) 82,500 shares of Common Stock issuable upon exercise of Presently Exercisable Options, (ii) 159,401 shares of Common Stock held by Gateway Partners, L.P. (Gateway), (iii) 24,092 shares of Common Stock held by Mr. McCarthy, (iv) 198,002 shares of Common Stock issuable upon the conversion of 1,617 shares of Series F Preferred Stock held by Gateway, (v) 29,878 shares of Common Stock issuable upon the conversion of 244 shares of Series F Preferred Stock held by Mr. McCarthy, (vi) warrants to purchase an aggregate of 79,182 shares of Common Stock held by Gateway, and (vii) warrants to purchase an aggregate of 11,968 shares of Common Stock held by Mr. McCarthy. The warrants have an exercise price of $0.9060 per share. Mr. McCarthy is a managing general partner of Gateway and may be deemed to share beneficial ownership of Common Stock held by Gateway. Mr. McCarthy disclaims beneficial ownership of the shares held by Gateway.

(37) The shares include (i) 1,617 shares of Series F Preferred Stock held by Gateway and (ii) 244 shares of Series F Preferred Stock held by Mr. McCarthy. Mr. McCarthy disclaims beneficial ownership of the shares held by Gateway.

(38) The shares include (i) 11,265,428 shares of Common Stock issuable upon the conversion of 92,000 shares of Series F Preferred Stock, (ii) 4,415,068 shares of Common Stock issuable upon the conversion of 36,056 shares of Series F Preferred Stock that may be acquired upon exercise of Series F Warrants, (iii) 1,371,184 shares issuable upon exercise of Presently Exercisable Options, and (iv) warrants to purchase an aggregate of 91,150 shares of Common Stock. Amount includes an aggregate of 20,643,965 shares for which beneficial ownership is disclaimed. See the footnotes above for further explanation of these securities.

(39) The shares include 36,056 shares of Series F Preferred Stock that may be acquired upon exercise of Series F warrants. Amount includes an aggregate of 127,812 shares for which beneficial ownership has been disclaimed (see footnotes 31 and 35).

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Acquisition of Abiliti Solutions, Inc. and 2002 Private Placement of Series F Preferred Stock

On December 20, 2002, a wholly-owned subsidiary of ours acquired substantially all of the assets and assumed certain liabilities of Abiliti Solutions, Inc. As consideration for the asset acquisition, we issued to Abiliti 11,406,284 shares of our Common Stock, 115,681 shares of our Series F Preferred Stock, and warrants to purchase 5,666,069 additional shares of our Common Stock at an exercise price of $0.906 per share.

Concurrently with the acquisition of Abiliti, we completed a private placement of 10,992,136 shares of our Common Stock, 115,681 shares of our Series F Preferred Stock, warrants to purchase 5,666,069 additional shares of our Common Stock at an exercise price of $0.906 per share and warrants to purchase 500,000 additional shares of our Common Stock at an exercise price of $0.17 per share, for cash proceeds to us of approximately $5.015 million in cash. The purchasers in the private placement were Behrman Capital and SEF, which were stakeholders of Abiliti. Behrman Capital and SEF beneficially owned approximately 48% of our Common Stock as of August 20, 2004 on a fully diluted basis.

Effective upon the consummation of the private placement, Mr. Paul Cataford resigned from, and Mr. Gordon Quick, former President and Chief Executive Officer of Abiliti, Dennis F. Sisco and John S. McCarthy were appointed to, our Board of Directors. In connection with the private placement, we agreed to cause the nomination of two directors designated by Behrman Capital and SEF and one director designated by HarbourVest Partners V Direct Fund L.P. and HarbourVest Partners VI Direct Fund L.P. The HarbourVest partnerships beneficially owned approximately 8.1% of our Common Stock as of August 20, 2004. Pursuant to a supplemental voting agreement entered into by Behrman Capital, SEF, the HarbourVest partnerships and Abiliti, dated October 7, 2002, each of the parties thereto agreed to vote their shares of our Common Stock and Series F Preferred Stock at our 2003 annual meeting for the directors designated by Behrman Capital and SEF and the HarbourVest partnerships as described above. At our 2003 annual meeting, Messrs. Dennis G. Sisco and John S. McCarthy, the designees of Behrman Capital and SEF, and Mr. Ofer Nemirovsky, the designee of the HarbourVest partnerships, were elected as directors. The supplemental voting agreement terminated as of our 2003 annual meeting.

In connection with the 2002 private placement, we entered into a registration rights agreement with Behrman Capital and SEF, pursuant to which we agreed to file up to three registration statements at any time after the later of November 8, 2002 and the closing of the Abiliti acquisition and the 2002 private placement upon the demand of holders of more than a majority of, and covering, the following: (i) our Common Stock issuable upon conversion of the Series F Preferred Stock issued in each of the Abiliti acquisition and the 2002 private placement, (ii) our Common Stock issued in the Abiliti acquisition and the 2002 private placement, and (iii) our Common Stock issuable upon exercise of the warrants issued in the Abiliti acquisition and the 2002 private placement. In connection with the Abiliti acquisition and the 2002 private placement, we paid a fee in the amount of $650,000 to Behrman Brothers L.P., an entity under common control with Behrman Capital and SEF. We also reimbursed Behrman Capital and SEF $25,000 for costs and expenses incurred relating to the Abiliti acquisition and the 2002 private placement.

In connection with the Abiliti acquisition and the 2002 private placement, we entered into a number of employment agreements and/or amendments to the already existing employment agreements with certain of our executive officers. Mr. Gordon Quick s employment agreement became effective as of December 20, 2002. The agreement provides for an initial term of three years, with automatic one-year extensions, a $350,000 base salary, a performance-based bonus at an annual target of 50% of his then current base salary, compensation under our Long-Term Incentive Compensation Plan, and certain other benefits.

We entered into an amended and restated employment agreement with Mr. James Daleen, our current Chairman and our former President and Chief Executive Officer, dated September 20, 2002. Pursuant to the agreement, upon completion of the Abiliti acquisition and the 2002 private placement and termination of Mr. Daleen s employment in connection therewith, Mr. Daleen is entitled to certain

severance benefits, including (i) a lump sum payment of $328,900 paid on the separation date, and (ii) an additional payment of $328,900 to be paid in equal installments over a period of 24 months, with the first payment on the first day of the thirteenth month following the date of Mr. Daleen s termination. We also entered into a consulting agreement with Mr. Daleen, effective upon the termination of the amended and restated employment agreement described above, pursuant to which Mr. Daleen, for a period of six months, assisted us in the strategic initiatives and other services as directed by the new chief executive officer and our Board of Directors. As consideration, we paid Mr. Daleen $13,500 per month and reimbursed him for several expenses. In addition, Mr. Daleen is eligible to receive a participation percentage in our Long-Term Incentive Compensation Plan and 7.5% of the bonus pool upon a payout event, subject to vesting requirements. Mr. Daleen has entered into an agreement with us pursuant to which he has released certain rights under his settlement and release agreement in consideration of: (i) continued monthly payments of $13,704.17 on the first day of each month in accordance with the terms of the settlement and release agreement until the closing of the Merger and related transactions; (ii) a one-time payment of $274,083, less all payments made between April 29, 2004 and the date of the closing of the Merger and related transactions; and (iii) a one-time lump sum payment of $278,900.

We entered into an amendment of our employment agreement with Ms. Jeanne Praythe r, our former Chief Financial Officer, effective upon consummation of the Abiliti acquisition and the 2002 private placement. The amendment altered certain terms of our original employment agreement with Ms. Praythe r, including vacation and severance benefits, increased target bonus eligibility to 35% of the then-current base salary, and entitled Ms. Praythe r to participate in our Long-Term Compensation Plan. Ms. Praythe r resigned as of May 28, 2004.

We entered into an amendment of our employment agreement with Mr. David J. McTarnaghan, our Senior Vice President of Global Sales, which became effective upon consummation of the Abiliti acquisition and the 2002 private placement. The amendment altered certain terms of the original employment with Mr. McTarnaghan, including vacation and severance benefits, and entitles Mr. McTarnaghan to participate in our Long-Term Incentive Compensation Plan.

Certain Other Related Party Transactions

SAIC Venture Capital Corporation, a wholly-owned subsidiary of SAIC, is a significant stockholder of ours. We derived revenue in 2003 from SAIC pursuant to a license and services agreement between SAIC and us. In addition, SAIC owns 48.4% of all voting stock of Danet, Inc., 100% of the voting stock of Telcordia Technologies, Inc., and 60% of the stock of Intesacol. Danet is a customer, a distributor of our products, and a service provider. Revenue related to Danet for the year ended December 31, 2003 was less than one percent of our total revenue. We paid $283,000 to Danet in 2003. We have a strategic alliance relationship and an OEM license agreement and services agreement with Telcordia. Revenue related to Telcordia in 2003 was $3,590. We have a services agreement with Intesacol. We paid $216,302 to Intesacol in 2003.

In January 2001, we loaned Mr. James Daleen, our then Chairman and Chief Executive Officer, and currently a member of our Board of Directors, and his wholly owned limited partnership an amount of $1,237,823. The loan bore interest at a rate of 8.75% per annum. The principal was payable in full January 31, 2006 with interest payable annually on January 31st. The loan was secured by 901,945 shares of our Common Stock, and was non-recourse to the borrowers except to the extent of 901,945 shares held as collateral. On January 31, 2002, an interest payment of $119,871 was due and payable. The interest payment was not made, and as a result the loan was in default. Pursuant to the terms of the loan, we gave notice of default. On September 11, 2002, the borrowers surrendered our Common Stock held as collateral for the loan to us, and the loan was deemed satisfied. We entered into a consulting agreement with Mr. Daleen effective December 31, 2002. The agreement expired on June 30, 2003. Mr. Daleen was paid $13,500 per month and reimbursement of expenses. He is also eligible to participate in our Long-Term Incentive Compensation Plan at a participation percentage of 7.5%.

OTHER INFORMATION

Incorporation by Reference

We are no longer permitted to incorporate by reference certain documents and information into this proxy statement and therefore are attaching our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2003 and our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2004 (File No. 0-27491) to this proxy statement as Appendices D and E, respectively.

Independent Accountants

Our consolidated financial statements as of December 31, 2003 and 2002 and for each of the years in the three-year period ended December 31, 2003, which are included in our Annual Report on Form 10-K/A for the year ended December 31, 2003 attached to this proxy statement as Appendix D, have been audited by KPMG LLP, independent registered public accounting firm, as stated in their report therein, which contains an explanatory paragraph that states that our recurring losses from operations and accumulated deficit of $214.5 million at December 31, 2003, raise substantial doubt about our ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We anticipate that a representative of KPMG LLP will attend the Special Meeting and will have the opportunity to make a statement and respond to appropriate questions.

Where You Can Find More Information

The Merger will result in a going private transaction subject to Rule 13e-3 of the Exchange Act. We have filed a Rule 13e-3 Transaction Statement on Schedule 13E-3 under the Exchange Act with respect to the Merger. The Schedule 13E-3 contains additional information about us. Copies of the Schedule 13E-3, including any amendments and exhibits filed or incorporated by reference therein, as well as the opinion of VRC, are available for inspection and copying at our principal executive offices during regular business hours by any interested stockholder of ours, or a representative who has been so designated in writing, and may be inspected and copied, or obtained by mail, by written request directed to Daleen Technologies, Inc., 902 Clint Moore Road, Suite 230, Boca Raton, Florida 33487.

We are currently subject to the information requirements of the Exchange Act as a result of our Common Stock being registered pursuant to the Exchange Act and in accordance therewith file periodic reports, proxy statements and other information with the SEC relating to its business, financial and other matters. Copies of such reports, proxy statements and other information, including the Schedule 13E-3, may be copied (at prescribed rates) at the public reference facilities maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549. For further information concerning the SEC s public reference rooms, you may call the SEC at 1-800-SEC-0330. In addition, such reports, proxy statements and other information are available from the SEC s Internet Website at *www.sec.gov*. Our Internet Website is at *www.daleen.com*. The contents of our website are not part of this proxy statement.

This proxy statement does not constitute the solicitation of a proxy in any jurisdiction to or from any person to whom or from whom it is unlawful to make a proxy solicitation in that jurisdiction. You should rely only on the information contained in this proxy statement to vote your shares at our Special Meeting. We have not authorized anyone to provide you with information that is different from what is contained in this proxy statement. This proxy statement is dated , 2004. You should not assume the information contained in this proxy statement is accurate as of any date other than that date.

Information About Annual Meeting Stockholder Proposals

You may submit a proposal for consideration at future stockholder meetings, including director nominations. Under Rules 14a-8 of the Securities Exchange Act of 1934, proposals of stockholders

intended to be presented at the 2004 annual meeting of stockholders must have been received no later than December 30, 2003 to be eligible for inclusion in our proxy materials for that meeting. We did not receive any stockholder proposals for inclusion in our proxy materials with respect to the 2004 annual meeting of stockholders by that date. Under these rules, we are not required to include stockholder proposals in our proxy materials relating to the 2004 annual meeting.

In addition, our Certificate of Incorporation provides that in order for nominations or other business to be properly brought before an annual meeting by a stockholder, the stockholder must deliver timely notice thereof. To be timely, a stockholder s notice of any proposal or nomination must be delivered to the Corporate Secretary of Daleen not less then 90 days and not more than 120 days in advance of the first anniversary of the preceding annual meeting of stockholders which, in the case of the 2004 annual meeting of stockholders, was no earlier than February 11, 2004 and no later than March 12, 2004. We did not receive timely notice of any such nominations or other business with respect to the 2004 annual meeting of stockholders between those dates.

If the Merger is approved and implemented, the surviving corporation will have an annual meeting in 2004, but such meeting will not be in accordance with the Exchange Act proxy rules, and you will not have a right to participate in that annual meeting. If the Merger is not completed, Daleen will have its 2004 annual meeting at a time, date and place to be announced at a later date.

Other Matters

As of the date of this proxy statement, management knows of no matters other than those set forth in this proxy statement which will be presented for consideration at the Special Meeting. If any other matter or matters are properly brought before the Special Meeting or any adjournment thereof, the persons named in the accompanying proxy will have discretionary authority to vote or otherwise act, with respect to such matters in accordance with their judgment.

By Order of the Board of Directors,

Dawn R. Landry
Corporate Secretary

Boca Raton, FL
, 2004

APPENDIX A

AGREEMENT AND PLAN OF MERGER

AND SHARE EXCHANGE, AS AMENDED

CONFORMED TEXT

AGREEMENT AND PLAN OF MERGER AND

SHARE EXCHANGE

Among

DALEEN HOLDINGS, INC.,

PARALLEL ACQUISITION, INC.,

DALEEN TECHNOLOGIES, INC.,

BEHRMAN CAPITAL II, L.P.

and

STRATEGIC ENTREPRENEUR FUND II, L.P.

Dated as of May 7, 2004

TABLE OF CONTENTS

		Page
ARTICLE I THE SHARE EXCHANGE AND THE MERGER		2
SECTION 1.01.	THE SHARE EXCHANGE	2
SECTION 1.02.	THE MERGER	3
SECTION 1.03.	EFFECTIVE TIME; CLOSING	3
SECTION 1.04.	EFFECT OF THE MERGER	3
SECTION 1.05.	CERTIFICATE OF INCORPORATION; BY-LAWS	3
SECTION 1.06.	DIRECTORS AND OFFICERS	3
SECTION 1.07.	OTHER EFFECTS	3
ARTICLE II CONVERSION OF SECURITIES; EXCHANGE OF CERTIFICATES		4
SECTION 2.01.	CONVERSION OF SECURITIES	4
SECTION 2.02.	EQUITY ELECTION	5
SECTION 2.03.	SURRENDER OF SHARES; TRANSFER BOOKS	6
SECTION 2.04.	EFFECT OF THE MERGER ON STOCK OPTIONS AND WARRANTS	7
SECTION 2.05.	ESCROW	8
ARTICLE III REPRESENTATIONS AND WARRANTIES OF THE COMPANY		9
SECTION 3.01.	ORGANIZATION AND QUALIFICATION; SUBSIDIARIES	9
SECTION 3.02.	CERTIFICATE OF INCORPORATION AND BY-LAWS	10
SECTION 3.03.	CAPITALIZATION	10
SECTION 3.04.	AUTHORITY RELATIVE TO THIS AGREEMENT	11
SECTION 3.05.	NO CONFLICT; REQUIRED FILINGS AND CONSENTS	11
SECTION 3.06.	PERMITS	12
SECTION 3.07.	SEC FILINGS; FINANCIAL STATEMENTS	12
SECTION 3.08.	DISCLOSURE DOCUMENTS	14
SECTION 3.09.	ABSENCE OF CERTAIN CHANGES OR EVENTS	14
SECTION 3.10.	ABSENCE OF LITIGATION	15
SECTION 3.11.	EMPLOYEE BENEFIT PLANS	15
SECTION 3.12.	LABOR MATTERS	16
SECTION 3.13.	PERSONAL PROPERTY, REAL PROPERTY AND LEASES	16
SECTION 3.14.	INTELLECTUAL PROPERTY	17
SECTION 3.15.	TAXES.(A)	17
SECTION 3.16.	ENVIRONMENTAL MATTERS	19
SECTION 3.17.	MATERIAL CONTRACTS AND GOVERNMENT CONTRACTS	19
SECTION 3.18.	OPINION OF FINANCIAL ADVISOR	20
SECTION 3.19.	BOARD APPROVAL; CERTAIN ANTI-TAKEOVER PROVISIONS NOT APPLICABLE	20
SECTION 3.20.	VOTES REQUIRED	21
SECTION 3.21.	BROKERS	21
SECTION 3.22.	CUSTOMERS	21
SECTION 3.23.	CERTAIN PAYMENTS	21
SECTION 3.24.	INSURANCE	21
SECTION 3.25.	TITLE TO PROPERTIES	21

		Page
ARTICLE IV REPRESENTATIONS AND WARRANTIES OF PARENT AND ACQUISITION SUB		22
SECTION 4.01.	ORGANIZATION AND QUALIFICATION; SUBSIDIARIES	22
SECTION 4.02.	CERTIFICATE OF INCORPORATION AND BY-LAWS; CAPITALIZATION	22
SECTION 4.03.	AUTHORITY RELATIVE TO THIS AGREEMENT	23
SECTION 4.04.	NO CONFLICT; REQUIRED FILINGS AND CONSENTS	23
SECTION 4.05.	ABSENCE OF LITIGATION	23
SECTION 4.06.	NO OPERATIONS OR LIABILITIES	23
SECTION 4.07.	INFORMATION SUPPLIED	24
SECTION 4.08.	BROKERS	24
ARTICLE V CONDUCT OF BUSINESS PENDING THE EFFECTIVE TIME		24
SECTION 5.01.	CONDUCT OF BUSINESS BY THE COMPANY PENDING THE EFFECTIVE TIME	24
ARTICLE VI ADDITIONAL AGREEMENTS		26
SECTION 6.01.	COMPANY STOCKHOLDERS MEETING	26
SECTION 6.02.	SEC TRANSACTION FILINGS	26
SECTION 6.03.	APPROPRIATE ACTION; CONSENTS; FILINGS	26
SECTION 6.04.	ACCESS TO INFORMATION; CONFIDENTIALITY	28
SECTION 6.05.	NO SOLICITATION OF COMPETING TRANSACTIONS	28
SECTION 6.06.	DIRECTORS AND OFFICERS INDEMNIFICATION AND INSURANCE	29
SECTION 6.07.	NOTIFICATION OF CERTAIN MATTERS; UPDATING OF DISCLOSURE SCHEDULES	30
SECTION 6.08.	PUBLIC ANNOUNCEMENTS	30
SECTION 6.09.	STATE TAKEOVER LAWS	30
SECTION 6.10.	ADDITIONAL COMPANY SEC REPORTS; FINANCIAL STATEMENTS	31
ARTICLE VII CONDITIONS		31
SECTION 7.01.	CONDITIONS TO THE OBLIGATIONS OF EACH PARTY TO THE SHARE EXCHANGE	31
SECTION 7.02.	CONDITIONS TO THE OBLIGATIONS OF EACH PARTY TO THE MERGER	31
SECTION 7.03.	CONDITIONS TO THE OBLIGATIONS OF THE COMPANY CONCERNING THE MERGER	32
SECTION 7.04.	CONDITIONS TO THE OBLIGATIONS OF PARENT AND ACQUISITION SUB CONCERNING THE MERGER	32
ARTICLE VIII TERMINATION, AMENDMENT AND WAIVER		33
SECTION 8.01.	TERMINATION	33
SECTION 8.02.	EFFECT OF TERMINATION	34
SECTION 8.03.	FEES AND EXPENSES	34
SECTION 8.04.	AMENDMENT	34
SECTION 8.05.	WAIVER	35
ARTICLE IX INDEMNIFICATION		35
SECTION 9.01.	INDEMNIFICATION OF PARENT BY BEHRMAN, SEF AND THE SERIES F HOLDERS	35
SECTION 9.02.	INDEMNIFICATION OF BEHRMAN, SEF AND THE SERIES F HOLDERS BY PARENT	36
SECTION 9.03.	PROCEDURES	37
SECTION 9.04.	REDUCTION BY INSURANCE RECOVERIES	37
SECTION 9.05.	STOCKHOLDERS REPRESENTATIVES	38
ARTICLE X GENERAL PROVISIONS		39
SECTION 10.01.	SURVIVAL OF REPRESENTATIONS AND WARRANTIES	39

		Page
SECTION 10.02.	NOTICES	39
SECTION 10.03.	CERTAIN DEFINITIONS; INTERPRETATION	40
SECTION 10.04.	SEVERABILITY	45
SECTION 10.05.	ENTIRE AGREEMENT; ASSIGNMENT	46
SECTION 10.06.	PARTIES IN INTEREST	46
SECTION 10.07.	SPECIFIC PERFORMANCE	46
SECTION 10.08.	GOVERNING LAW	46
SECTION 10.09.	CONSENT TO JURISDICTION	46
SECTION 10.10.	HEADINGS	46
SECTION 10.11.	COUNTERPARTS	46
SECTION 10.12.	WAIVER OF JURY TRIAL	47

Exhibits:

Exhibit A Exchanged Shares

Exhibit B Form of Escrow Agreement

Exhibit C Interim Balance Sheet

Exhibit D Stockholders Agreement

COMPANY DISCLOSURE SCHEDULE

Schedule No.	Summary Description
2.04	Company Options
3.01	Subsidiaries
3.03	Capitalization
3.05(a)	No Conflict
3.05(b)	Required Filings and Consents
3.06-1	Company Authorizations
3.06-2	Company Permits
3.07(g)	Amendments/Modifications to Documents filed with SEC
3.09	Changes or Events Since December 31, 2003
3.10	Litigation
3.11	Employee Benefit Plans
3.13	Real Property and Leases
3.14-b	Intellectual Property
3.14-c	Intellectual Property
3.14-d	Intellectual Property
3.14-e	Intellectual Property
3.14-f	Intellectual Property
3.14-g	Intellectual Property
3.15(a)	Taxes
3.15(b)	Taxes
3.15(f)	Taxes
3.15(g)	Taxes
3.16	Environmental Matters
3.17(a)	Material Contracts
3.17(b)	Unfurnished Material Contracts
3.21	Brokers
3.22	Customers

PARENT DISCLOSURE SCHEDULES

Schedule No.	Summary Description
4.04(a)	No Conflict
4.04(b)	Required Filings and Consents

OTHER DISCLOSURE SCHEDULES

Schedule No.	Summary Description
5.01	Conduct of Business
10.03	Specified Litigation

AGREEMENT AND PLAN OF MERGER AND SHARE EXCHANGE

This is an AGREEMENT AND PLAN OF MERGER AND SHARE EXCHANGE, dated as of May 7, 2004 (this Agreement), made by and among Daleen Holdings, Inc., a Delaware corporation (Parent), Parallel Acquisition, Inc., a Delaware corporation and wholly owned subsidiary of Parent (Acquisition Sub), Daleen Technologies, Inc., a Delaware corporation (the Company), Behrman Capital II, L.P., a Delaware limited partnership (Behrman) and Strategic Entrepreneur Fund II, L.P., a Delaware limited partnership (SEF). Certain terms used in this Agreement are defined in Section 10.03 below.

Parent is a newly formed Delaware corporation that has been formed by the Company for the purpose of entering into and consummating the transactions contemplated by this Agreement. Concurrent with the execution and delivery of this Agreement, Quadrangle Capital Partners LP, a Delaware limited partnership (QCP), Quadrangle Select Partners LP, a Delaware limited partnership (QSP), Quadrangle Capital Partners-A LP, a Delaware limited partnership (QCP-A and collectively with QCP and QSP, Quadrangle), Behrman and SEF are entering into an Investment Agreement (the Investment Agreement), pursuant to and subject to the terms and conditions of which they have agreed to invest an aggregate of $30 million in cash in Parent in consideration of the issuance by Parent of shares of Parent Series A PIK Preferred. Also concurrent with the execution and delivery of this Agreement, Parent has agreed to purchase all outstanding shares of the outstanding capital stock of Protek Telecommunications Solutions Limited, a company organized in the United Kingdom (Protek) pursuant to and subject to the terms and conditions set forth in a Stock Purchase Agreement of even date herewith (the Protek Agreement). Concurrent therewith, the Company is entering into the Bridge Loan Facility with an operating subsidiary of Protek, and Behrman is providing a bridge loan facility to the Company.

Behrman and SEF desire to exchange their existing holdings of the capital stock of the Company for a combination of shares of Parent PIK Preferred and Parent Common Stock, on the terms and subject to the conditions set forth herein (the Share Exchange). Upon consummation of the Share Exchange, the parties further desire to cause Acquisition Sub to merge with and into the Company, on the terms and subject to the conditions set forth herein (the Merger). These transactions are expected to have the effect of permitting the Company to cease to be a reporting company under the Securities Exchange Act of 1934, as amended (the Exchange Act).

The respective boards of directors (or equivalent governing bodies) of Parent, Acquisition Sub, the Company, Behrman and SEF have approved and declared advisable this Agreement, the Share Exchange and the Merger, upon the terms and subject to the conditions hereof, whereby each Share not owned, directly or indirectly, by the Company, Parent or any of their respective Subsidiaries, excluding Shares held by persons who comply with all provisions of Delaware law concerning the right of holders of Shares to dissent from the Merger and require appraisal of their Shares, will be converted into the right to receive the respective consideration provided for herein pursuant to the Merger. In addition, certain stockholders of the Company have entered into Voting Agreements (collectively, the Voting Agreements), with Quadrangle, providing, among other things, that the stockholders party thereto shall vote all shares of the capital stock of the Company held by them in favor of the Merger and the other transactions contemplated by this Agreement.

Valuation Research Corporation, financial advisor to the Company, has on the date hereof issued an opinion addressed to the Special Committee of the Board of Directors of the Company for the benefit of the Board of Directors of the Company and its stockholders as to the fairness, from a financial point of view, of the consideration to be issued to the stockholders of the Company in connection with the Merger.

Parent, Acquisition Sub and the Company desire to make certain representations, warranties and agreements in connection with the Share Exchange, the Merger and the other transactions contemplated by this Agreement and also to prescribe various conditions to the Share Exchange, the Merger and the other transactions contemplated by this Agreement.

In consideration of the foregoing and the mutual covenants and agreements herein contained, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, Parent, Acquisition Sub, the Company, Behrman and SEF hereby agree as follows:

ARTICLE I

THE SHARE EXCHANGE AND THE MERGER

SECTION 1.01 *The Share Exchange.*

(a) Provided that this Agreement shall not have been terminated in accordance with Article VIII and the conditions set forth in Section 7.01 shall have been satisfied (unless, to the extent permitted hereby, waived), on the Closing Date, immediately prior to the Merger Closing, Behrman, SEF and Parent shall consummate the Share Exchange (the Share Exchange Closing) by making the respective deliveries set forth in paragraphs (b) and (c) following. Notwithstanding consummation of the Share Exchange Closing, if for any reason the Merger shall not occur or be deemed not to have occurred, the Share Exchange Closing shall be deemed void and of no effect, and the parties shall use their respective best efforts to reverse the deliveries set forth in paragraphs (b) and (c) below.

(b) At the Share Exchange Closing, each of Behrman and SEF shall deliver to Parent all shares of the Series F Convertible Preferred Stock, par value $0.01 per share, of the Company (the Daleen Series F Preferred Stock) held by it (all such shares of Daleen Series F Preferred Stock held by Behrman and SEF together, the Exchanged Shares), together with all certificates representing the same, duly endorsed in blank or with duly executed stock powers attached thereto, in proper form for transfer, free and clear of all Liens together with payment of any Taxes imposed on the transfer of such Exchanged Shares, and shall also deliver to Parent duly executed copies of the Stockholders Agreement.

(c) At the Share Exchange Closing, Parent shall issue to Behrman and SEF in respect of each Exchanged Share,

(x) a number of shares of Parent PIK Preferred equal to the result obtained by dividing (A) $5,000,000 by (B) the product of the Parent PIK Value and the aggregate number of Exchanged Shares, plus

(y) a number of shares of Parent Common Stock equal to the result obtained by dividing (A) the excess of (*X*) the Series F Value times the aggregate number of Exchanged Shares over (*Y*) $5,000,000, by (B) the product of the Parent Common Stock Value and the aggregate number of Exchanged Shares;

in each case duly certificated in the names of Behrman and SEF as the respective record holders thereof (collectively, the Share Exchange Consideration); provided, however, that certificates in respect of the Escrow Percentage of the shares of Parent PIK Preferred included in the Share Exchange Consideration and the Escrow Percentage of the shares of Parent Common Stock included in the Share Exchange Consideration shall be delivered to the Escrow Agent as contemplated by Section 2.05. The aggregate number of shares of Parent PIK Preferred and Parent Common Stock issued to Behrman and SEF respectively in the Share Exchange will be rounded down to the nearest whole share, without payment for any fractional shares eliminated by such rounding. For purposes of this Agreement, Parent PIK Value shall mean $100, and Parent Common Stock Value shall mean $25. The Series F Value shall mean $34.28 per share of Daleen Series F Preferred Stock.

(d) Each of Behrman and SEF hereby represents, warrants and covenants, severally and not jointly, both as of the date hereof and as of the Share Exchange Closing, that (i) it holds record and beneficial title to the number of shares of Common Stock, par value $0.01 per share, of the Company (the Daleen Common Stock) and Daleen Series F Preferred Stock set forth next to its name on Exhibit A, free and clear of all Liens other than Liens created by this Agreement, (ii) upon delivery of the Share Exchange Consideration, Parent will have good, legal and marketable title to the representing entity s Exchanged Shares, free and clear of all Liens, (iii) except for this Agreement and such representing entity s Voting

Agreement, none of such entity s Exchanged Shares is subject to any voting trust, proxy or other contract, agreement or arrangement, including any such contract, agreement or arrangement relating to the voting, dividend rights, liquidation rights, redemption rights or disposition of any such Exchanged Shares, (iv) there are no subscriptions, options, warrants, calls, preemptive rights or rights of conversion or other rights, agreements, arrangements or commitments relating to the Exchanged Shares obligating such representing entity to sell or transfer any Exchanged Shares and (v) it shall not at any time prior to Closing (or earlier termination of this Agreement in accordance with the terms hereof) enter into or effect any contract, agreement, arrangement or transaction that would reasonably be expected to have the effect of causing any of the foregoing representations and warranties to be incorrect in any material respect.

SECTION 1.02. *The Merger.* Upon the terms and subject to the conditions set forth herein, and in accordance with the Delaware General Corporation Law (the DGCL), at the Effective Time, Acquisition Sub shall be merged with and into the Company. As a result of the Merger, the separate corporate existence of Acquisition Sub shall cease, and the Company shall continue as the surviving corporation of the Merger (the Surviving Corporation).

SECTION 1.03. *Effective Time; Closing.* As promptly as practicable after, but not later than the second business day following, the satisfaction or, if permissible, waiver of the conditions set forth in Article VII, the parties hereto shall cause the Merger to be consummated by filing a certificate of merger (the Certificate of Merger) with the Secretary of State of the State of Delaware, in such form as is required by, and executed in accordance with the relevant provisions of, the DGCL. The term Effective Time means the date and time of the filing of the Certificate of Merger with the Secretary of State of the State of Delaware (or such later time as may be agreed by each of the parties hereto and specified in the Certificate of Merger). Immediately prior to the filing of the Certificate of Merger, the Share Exchange Closing and consummation of the other transactions contemplated by this Agreement (the Merger Closing and, together with the Share Exchange Closing, the Closing) at the offices of Kirkpatrick & Lockhart LLP located at 599 Lexington Avenue, New York, New York at 11 a.m., local time, on or before September 30, 2004, or at such other time, date and/or place as the parties may mutually agree in writing (the date of such Closing, the Closing Date).

SECTION 1.04. *Effect of the Merger.* At the Effective Time, the effect of the Merger shall be as provided in the applicable provisions of the DGCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all the property, rights, privileges, powers and franchises of the Company and Acquisition Sub shall vest in the Surviving Corporation, and all debts, liabilities, and duties of each of the Company and Acquisition Sub shall become the debts, liabilities, and duties of the Surviving Corporation.

SECTION 1.05. *Certificate of Incorporation; By-laws.*

(a) At the Effective Time, the Certificate of Incorporation of the Company, as in effect immediately prior to the Effective Time, shall be the Certificate of Incorporation of the Surviving Corporation until thereafter amended as provided by law and such Certificate of Incorporation.

(b) At the Effective Time, the By-laws of the Company, as in effect immediately prior to the Effective Time, shall be the By-laws of the Surviving Corporation until thereafter amended as provided by law, the Certificate of Incorporation of the Surviving Corporation and such By-laws.

SECTION 1.06. *Directors and Officers.* The directors of Acquisition Sub immediately prior to the Effective Time shall be the initial directors of the Surviving Corporation, each to hold office in accordance with the Certificate of Incorporation and By-laws of the Surviving Corporation, and the officers of the Company immediately prior to the Effective Time shall be the initial officers of the Surviving Corporation, in each case until their respective successors are duly elected or appointed and qualified.

SECTION 1.07. *Other Effects.* From and after the Effective Time, the Surviving Corporation shall possess all the assets, rights, privileges, powers and franchises and be subject to all of the liabilities, restrictions, disabilities and duties of the Company, all as provided under Delaware law.

ARTICLE II

CONVERSION OF SECURITIES; EXCHANGE OF CERTIFICATES

SECTION 2.01. *Conversion of Securities.* At the Effective Time, by virtue of the Merger and without any action on the part of Acquisition Sub, the Company or the holders of any of the following securities:

(a) Each Share of Daleen Series F Preferred Stock issued and outstanding immediately prior to the Effective Time (other than any Shares to be canceled pursuant to Section 2.01(d) (including Exchanged Shares) and other than Dissenting Shares) shall convert into the right to receive (subject to the escrow provided for in Section 2.05):

(i) cash per share equal to the result obtained by dividing (x) the result obtained by subtracting from $4,600,000 the sum of all amounts to be paid under paragraph (c) of this Section (assuming for purposes of such calculation that there are no Dissenting Shares), by (y) the aggregate number of shares of Daleen Series F Preferred Stock held by record holders (other than Parent) in respect of which such record holders have not duly and timely delivered an Equity Election Notice (it being acknowledged and agreed that in no event shall the amount of cash per share payable under this Section 2.01(a)(i) exceed the Series F Value); plus

(ii) a number of fully paid and nonassessable shares of Parent Common Stock equal to the result obtained by dividing (x) the excess of the Series F Value over the per share amount resulting from the calculation in clause (i) immediately preceding, by (y) the Parent Common Stock Value;

provided, however, that in the event that an Equity Election has been validly made in respect of a share of Daleen Series F Preferred Stock, and not withdrawn by the record holder thereof, in accordance with Section 2.02, such share shall convert instead into the right to receive that number of fully paid and nonassessable shares of Parent Common Stock equal to the result obtained by dividing the Series F Value by the Parent Common Stock Value, subject to the escrow provided for in Section 2.05.

(b) [Reserved].

(c) Each share of Daleen Common Stock issued and outstanding immediately prior to the Effective Time (other than any Shares to be canceled pursuant to Section 2.01(d) and other than Dissenting Shares) shall convert into the right to receive $0.0384 in cash (subject, in the case of shares of Daleen Common Stock held by Behrman and SEF, to the escrow described in Section 2.05 below).

(d) Each share of the capital stock of the Company (Share) held in the treasury of the Company and each Share owned by Parent or any direct or indirect wholly owned subsidiary of Parent or of the Company immediately prior to the Effective Time shall be canceled and extinguished without any conversion thereof, and no payment shall be made with respect thereto.

(e) Each share of common stock of Acquisition Sub issued and outstanding immediately prior to the Effective Time shall be converted into one validly issued, fully paid and nonassessable share of common stock of the Surviving Corporation.

(f) As of the Effective Time, all Shares outstanding immediately prior to the Effective Time (other than Shares to be cancelled pursuant to Section 2.01(d)) shall no longer be outstanding and shall automatically be canceled and shall cease to exist, and each holder of a certificate or certificates which prior thereto represented Shares shall cease to have any rights with respect thereto, except the right to receive, for each Share represented by such certificate, the respective consideration provided for in Section 2.01(a), (b) or (c) (Merger Consideration), as the case may be, without interest, or, if such holder is a Dissenting Stockholder, the rights, if any, afforded to such holder under Section 262 of the DGCL.

(g) Notwithstanding anything in this Agreement to the contrary, any Shares held by a person (a Dissenting Stockholder) who shall have demanded and perfected a right to receive payment of the fair value of such Shares pursuant to Section 262 of the DGCL (Dissenting Shares) shall not be converted as described in Section 2.01(a), (b) or (c), as the case may be, unless such holder fails to comply with the provisions of Section 262 of the DGCL or withdraws or otherwise loses its right to receive such fair value payment. At the Effective Time, by virtue of the Merger and without any action on the part of the Dissenting Stockholder, all Dissenting Shares shall be cancelled and cease to exist and shall represent only the right to receive only those rights provided under the DGCL. If, after the Effective Time, such Dissenting Stockholder fails to comply with the provisions of Section 262 of the DGCL or withdraws or loses his or her right to receive such fair value payment, such Dissenting Stockholder s Shares shall no longer be considered Dissenting Shares for the purposes of this Agreement and shall thereupon be deemed to have been converted into and to have become exchangeable for, at the Effective Time, the right to receive for each such Share the respective Merger Consideration provided for in Section 2.01(a), (b) or (c), as the case may be, without interest. The Company shall give Parent (i) prompt notice of any demands to receive payment of fair value of shares received by the Company and (ii) the opportunity to participate in and direct all negotiations and proceedings with respect to such demands. The Company shall not, without the prior written consent of Parent, make any payment with respect to, or settle, offer to settle or otherwise negotiate, any such demands.

SECTION 2.02. *Equity Election.*

(a) Each record holder of Daleen Series F Preferred Stock as of the record date for the Company Stockholders Meeting shall be entitled to make an election (an Equity Election) to receive in respect of the shares for which such election is made (subject to the terms and conditions of this Agreement) shares of Parent Common Stock in accordance with the proviso to Section 2.01(a) (the Equity Election Consideration). Such Equity Election may be made on or prior to the Election Date to receive in respect of the shares for which such election is made the Equity Election Consideration, on the basis hereinafter set forth.

(b) Prior to the mailing of the Company Proxy Statement, Parent and Acquisition Sub shall appoint SunTrust Bank or another national bank or trust company mutually acceptable to Parent and the Company to act as exchange agent (the Exchange Agent) for the payment of the Merger Consideration, and Parent shall enter into an exchange agent agreement with the Exchange Agent in form and substance reasonably acceptable to the Company.

(c) The Company shall, subject to any required clearance by the Securities and Exchange Commission (the SEC), prepare and mail a Equity Election Notice, which form shall be subject to the reasonable approval of Acquisition Sub (the Equity Election Notice), with the Company Proxy Statement to the record holders of Shares as of the record date for the Company Stockholders Meeting, which Equity Election Notice shall be used by each holder of Daleen Series F Preferred Stock that wishes to elect to receive the Equity Election Consideration upon conversion of such holder s shares of Daleen Series F Preferred Stock in the Merger, subject to the provisions of this Article II. The Company will use its best efforts to make the Equity Election Notice and the Proxy Statement available to all persons who become holders of Daleen Series F Preferred Stock during the period between such record date and the Election Date referred to below. Any such holder s election to receive the Equity Election Consideration shall have been properly made only if the Exchange Agent shall have received at its designated office, by 5:00 p.m., New York City time on the business day (the Election Date) preceding the date of the Company Stockholders Meeting, a Equity Election Notice properly completed and signed by such holder. Without limitation of the foregoing, in order to be deemed properly completed and submitted by a holder such holder must duly execute any joinder to the Stockholders Agreement included therein.

(d) Any Equity Election Notice may be revoked by the record holder submitting it to the Exchange Agent only by written notice of such holder received by the Exchange Agent prior to 5:00 p.m., New York City time, on the Election Date.

(e) The determination of the Exchange Agent shall be binding whether or not any Equity Election has been properly made or revoked pursuant to this Section 2.02 and when elections and revocations were received by it. If the Exchange Agent determines that any Equity Election was not properly made, the respective Shares shall be converted in the Merger into the right to receive cash and shares of Parent Common Stock in accordance with Section 2.01(a). The Exchange Agent shall also make all computations contemplated by Section 2.01(a), and any such computation shall be conclusive and binding on the holders of Shares. The Exchange Agent may, with the mutual agreement of the Company, Acquisition Sub and Parent, make such rules as are consistent with this Section 2.02 for the implementation of the elections provided for herein as shall be necessary or desirable fully to effect such elections.

SECTION 2.03. *Surrender of Shares; Transfer Books.*

(a) *Exchange Agent.* At or prior to the Effective Time, Parent shall deposit with the Exchange Agent, for the benefit of the holders of Shares, the Merger Consideration for exchange in accordance with this Article II (subject to the escrow described in Section 2.05 below). The cash portion of the Merger Consideration shall be invested by the Exchange Agent as directed by Parent. Any net profit resulting from, or interest or income produced by, such investments will be payable to Parent.

(b) *Exchange Procedures.* Promptly and as soon as practicable after the Effective Time, each holder of an outstanding certificate or certificates which prior thereto represented Shares shall, upon surrender to the Exchange Agent of such certificate or certificates and acceptance thereof by the Exchange Agent, be entitled to certificates representing the number of full shares of Parent Common Stock, if any, to be received by the holder thereof pursuant to this Agreement and the amount of cash, if any, which the holder of such shares has the right to receive pursuant to this Agreement and the cash, if any, payable in lieu of any fractional shares, subject to the escrow provided for in Section 2.05. The Exchange Agent shall accept such certificates upon compliance with such reasonable terms and conditions as the Exchange Agent may impose to effect an orderly exchange thereof in accordance with normal exchange practices. After the Effective Time, there shall be no further transfer on the records of the Company or its transfer agent of certificates representing Shares which have been converted pursuant to this Agreement into the right to receive the Merger Consideration, and if such certificates are presented to the Company for transfer, they shall be canceled against delivery of cash and/or certificates for shares of Parent Common Stock, as the case may be. If any certificate for such Parent Common Stock is to be issued in, or if cash is to be remitted to, a name other than that in which the certificate for Shares surrendered for exchange is registered, it shall be a condition of such exchange that the certificate so surrendered shall be properly endorsed, with signature guaranteed, or otherwise in proper form for transfer and that the person requesting such exchange shall pay to Parent or its transfer agent any transfer or other taxes required by reason of the issuance of certificates for such Shares in a name other than that of the registered holder of the certificate surrendered, or establish to the satisfaction of Parent or its transfer agent that such tax has been paid or is not applicable. Until surrendered as contemplated by this Section 2.03(b), each certificate for Shares which have been converted into the right to receive the Merger Consideration shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the Merger Consideration as contemplated by and determined in accordance with Sections 2.01 and 2.02. No interest will be paid or will accrue on any cash payable as Merger Consideration or in lieu of any fractional shares of Parent Common Stock.

(c) *Distributions with Respect to Unexchanged Shares.* No dividends or other distributions with respect to shares of Parent Common Stock with a record date after the Effective Time shall be paid to the holder of any unsurrendered certificate for Shares with respect to the shares of Parent Common Stock, if any, to be received in respect thereof and no cash payment in lieu of fractional shares shall be paid to any such holder pursuant to Section 2.03(e) until the surrender of such certificate in accordance with this Article II. Subject to the effect of applicable laws, following surrender of any such certificate, there shall be paid to the holder of the certificate representing whole shares of Parent Common Stock issued in connection therewith, without interest, (i) at the time of such surrender the amount of any cash payable in lieu of a fractional share of Parent Common Stock to which such holder is entitled pursuant to

Section 2.03(e) and the proportionate amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such whole shares of Parent Common Stock, and (ii) at the appropriate payment date, the proportionate amount of dividends or other distributions with a record date after the Effective Time but prior to such surrender and a payment date subsequent to such surrender payable with respect to such whole shares of Parent Common Stock; provided, however, that dividends or other distributions in respect of shares of Parent Common Stock held by the Escrow Agent in accordance with Section 2.05 shall not be delivered to the record holder thereof, but shall instead be delivered to the Escrow Agent to be held and applied in accordance with the Escrow Agreement.

(d) *No Further Ownership Rights in Shares.* All Merger Consideration paid or delivered upon the surrender for exchange of certificates representing Shares in accordance with the terms of this Article II (including any cash paid pursuant to Section 2.03(e)) shall be deemed to have been issued and paid in full satisfaction of all rights pertaining to the Shares exchanged therefor theretofore represented by such certificates.

(e) *No Fractional Shares.* No certificates or scrip representing fractional shares of Parent Common Stock shall be issued in connection with the Merger, and such fractional share interests will not entitle the owner thereof to vote or to any rights of a shareholder of Parent after the Merger. Each record holder of Shares exchanged pursuant to the Merger who would otherwise have been entitled to receive a fraction of a share of Parent Common Stock (after taking into account all Shares delivered by such holder) shall receive, in lieu thereof, a cash payment (without interest) in lieu of such fractional share in an amount equal to the product of such fraction multiplied by the Parent Common Stock Value.

(f) *Termination of Exchange Fund.* Any portion of the Merger Consideration deposited with the Exchange Agent pursuant to this Section 2.03 (the Exchange Fund) which remains undistributed to the holders of the certificates formerly representing Shares on the date that is 180 days after the Effective Time shall be promptly delivered to Parent, and any holders of Shares prior to the Merger who have not theretofore complied with this Article II shall thereafter look only to Parent and only as general creditors thereof for payment of their claim for cash, if any, shares of Parent Common Stock, if any, any cash in lieu of fractional shares of Parent Common Stock, and any dividends or distributions with respect to shares of Parent Common Stock, as applicable, to which such holders may be entitled.

(g) *No Liability.* None of Acquisition Sub, Parent, the Company nor the Exchange Agent shall be liable to any person in respect of any shares of Parent Common Stock (or dividends or distributions with respect thereto) or cash from the Exchange Fund delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. If any certificates representing Shares immediately prior to the Effective Time shall not have been surrendered prior to the date that is the first anniversary of the Effective Time (or immediately prior to such earlier date on which any cash, if any, any cash in lieu of fractional shares of Parent Common Stock, any dividends or distributions with respect to shares of Parent Common Stock in respect of such certificate would otherwise escheat to or become the property of any Governmental Entity, any such cash, dividends or distributions in respect of such certificate shall, to the extent permitted by applicable law, become the property of Parent, free and clear of all claims or interests of any person previously entitled thereto.

(h) *Withholding Rights.* Each of the Surviving Corporation and Parent shall be entitled to deduct and withhold, and to direct the Exchange Agent to so deduct and withhold, from the consideration otherwise payable pursuant to this Agreement to any holder of Shares such amounts as it is required to deduct and withhold with respect to the making of such payment under the Internal Revenue Code of 1986, as amended (the Code), or any provision of state, local or foreign tax law. To the extent that amounts are so withheld by the Surviving Corporation or Parent, as the case may be, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of such Shares in respect of which such deduction and withholding was made by the Surviving Corporation or Parent, as the case may be.

SECTION 2.04. *Effect of the Merger on Stock Options and Warrants.*

(a) As of the Effective Time, by virtue of the Merger and corporate actions taken concurrent with the execution and delivery of this Agreement and without any further action on the part of Acquisition Sub, the Company or the holders thereof, each option to purchase capital stock of the Company listed on Schedule 2.04 to the Company Disclosure Schedule (the Company Options), whether or not exercisable, whether or not vested, and whether or not performance-based, outstanding under the Company s stock plans listed on Schedule 2.04 to the Company Disclosure Schedule (collectively, the Company Stock Option Plans), shall, to the extent not exercised between the date hereof and Closing, be terminated. The Company has, concurrent with the execution and delivery of this Agreement, amended the terms of each grant under such Company Stock Option Plan to provide that vesting and exercise of each such Company Option shall accelerate effective as of the Closing Date, and that, unless exercised by written notice of exercise delivered prior to the Closing Date (and conditioned solely on the occurrence of Closing), such Company Option shall be terminated immediately prior to the Effective Time without further action or the Company or the holder thereof. Such amendments are effective to ensure that, following the Effective Time, no current or former employee, director, consultant or other person shall have any option to purchase Shares or any other equity interests or any phantom stock options or stock appreciation rights in the Company under any Company Stock Option Plan to require the Company to purchase Shares for his or her benefit or shall have any right to acquire or receive any securities of the Surviving Corporation or any consideration except as contemplated by this Section 2.04(a).

(b) As of the Effective Time, by virtue of the Merger and the consents set forth in the Voting Agreements and without any action on the part of Acquisition Sub, the Company or the holders thereof, all outstanding warrants of the Company shall be terminated and cancelled.

SECTION 2.05. *Escrow.* (a) *General.* Subject to the terms and conditions of an escrow agreement in substantially the form of Exhibit B (the Escrow Agreement), (a) the following portions of each of the aggregate cash and shares of Parent Common Stock deliverable to the Series F Holders under Section 2 and (b) the cash deliverable to Behrman and SEF in respect of their shares of Daleen Common Stock shall not be delivered to such persons at Closing, but shall instead be delivered to be held in escrow in accordance with the terms of the Escrow Agreement:

(i) an aggregate of 12.5% (the Escrow Percentage) shall be delivered to the Escrow Agent to be held as a general escrow account securing the indemnification obligations of the Series F Holders under Section 9.01(a) (the General Escrow);

(ii) if, but only if, any Specified Litigation is pending as of the Effective Time, 6.49% shall be delivered to the Escrow Agent to be held as a special escrow account securing the indemnification obligations of the Series F Holders under Section 9.01(d) (the Special Escrow); and

(iii) all cash that would otherwise be deliverable to Behrman and SEF in respect of their shares of Daleen Common Stock shall be delivered to the Escrow Agent to be held as an escrow account securing the indemnification obligations of Behrman and SEF under Sections 9.01(a) and 9.01(d) (the Behrman Escrow).

Certificates in respect of the shares so delivered into escrow shall be issued in the name of the respective Series F Holder shall be issued in the name of such holder as the record holder thereof, but shall be delivered to and held by the Escrow Agent as provided in the Escrow Agreement.

(b) *Initial Release.* If, within thirty (30) calendar days of the receipt by Parent of its audited financial statements for fiscal year ending December 31, 2004 (which audited financial statements Parent shall make all commercially reasonable efforts to have completed by March 31, 2005), at least seventy-five percent (75%) of each of the cash and shares of Parent Common Stock that were delivered to the Escrow Agent at Closing and allocated to the General Escrow remain in escrow and are not otherwise the subject of any good faith claim made by a Parent Indemnitee pursuant to Article 9, then fifty percent (50%) of each of the cash and shares of Parent Common Stock that were delivered to the Escrow Agent at Closing and allocated to the General Escrow and are not the subject of a good faith Parent Indemnitee claim

pursuant to Article 9 shall be released to the Series F Holders pro rata to their interests therein. For the purpose of avoidance of doubt, it is acknowledged for purposes of this Section 2.05(b) that in respect of any third party claim a Parent Indemnitee shall have a good faith claim in respect of the full amount (including Parent s reasonable estimate of attorneys fees and costs) claimed by such third party (or, if no specific amount is claimed, Parent s good faith determination of such Parent Indemnitee s maximum exposure if all claims presented by such third party claimant were to be finally determined adversely to such Parent Indemnitee).

(c) *Release Following Survival Period.* If, at any time after the thirtieth (30th) day after the receipt by Parent of its audited financial statements for fiscal year ending December 31, 2005 (which audited financial statements Parent shall make all commercially reasonable efforts to have completed by March 31, 2006), any portion of each of the cash and shares of Parent Common Stock held in the General Escrow is not the subject of a good faith Parent Indemnitee claim pursuant to Article 9, such portion shall be released to the Series F Holders pro rata to their interests therein.

(d) *Release to Parent Indemnitees.* Assets held in the General Escrow or in Behrman Escrow with respect to a good faith claim of any Parent Indemnitee shall be released to such Parent Indemnitee upon the earlier of (x) the 20th business day after delivery by a Buyer Indemnitee of a written claim for indemnification under Section 9.01 if the Stockholder Representative has not delivered to the Buyer a written notice of objection to such claim by such day, (y) the date of a written agreement between the Stockholders Representative and such Buyer Indemnitee establishing the amount of such claim to be indemnified and (z) a final and binding adjudication of such claim for indemnification, in each case in accordance with the provisions of the Escrow Agreement. Assets held in the General Escrow after each such release to a Parent Indemnitee subsequent to the date on which the release contemplated by Section 2.05(c) has been made (or would have been made but for the existence of claims by Parent Indemnitees) that are not otherwise subject to a good faith claim for indemnification by a Parent Indemnitee shall be released to the Series F Holders pro rata to their interests therein.

(e) *Special Escrow.* The Special Escrow shall be delivered to the Escrow Agent for the sole purpose of securing the indemnification obligations of the Series F Holders under Section 9.01(d). Assets held in the Special Escrow shall be released to Parent upon the earlier of (x) the 20th business day after delivery by a Buyer Indemnitee of a written claim for indemnification under Section 9.01(d) if the Stockholders Representative has not delivered to the Buyer a written notice of objection to such claim by such day, (y) the date of a written agreement between the Stockholder Representative and such Buyer Indemnitee establishing the amount of such claim to be indemnified and (z) a final and binding adjudication of such claim for indemnification, in each case in accordance with the provisions of the Escrow Agreement. Assets held in the Special Escrow after each such release to a Parent Indemnitee that are not otherwise subject to a good faith claim for indemnification by a Parent Indemnitee shall be released to the Series F Holders pro rata to their interests therein.

(f) *Behrman Escrow.* The Behrman Escrow shall be delivered to the Escrow Agent for the sole purpose of securing the indemnification obligations of Behrman and SEF under Sections 9.01(a) and 9.01(d). Amounts remaining in the Behrman Escrow shall be released to Behrman and SEF, pro rata to their interests therein, on the later of (i) the date on which all remaining assets in the General Escrow have been released to the Series F Holders pursuant to either (x) Section 2.05(c) or (y) the final sentence of Section 2.05(d) and (ii) the date on which all remaining assets in the Special Escrow have been released to the Series F Holders pursuant to the final sentence of Section 2.05(e).

(g) *Notices to Escrow Agent.* Parent and the Stockholders Representative shall give all such notices to Escrow Agent as are necessary or appropriate to effect the provisions of this Section 2.05.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to Parent and Acquisition Sub that:

SECTION 3.01. *Organization and Qualification; Subsidiaries.* Each of the Company and each subsidiary of the Company (a Subsidiary) is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation and has the requisite power (corporate or otherwise) and authority to own, lease and operate its properties and to carry on its business as it is now being conducted, except where the failure to be so organized, existing or in good standing or to have such power and authority would not, individually or in the aggregate, be reasonably likely to have a Company Material Adverse Effect. The Company and each Subsidiary is duly qualified or licensed as a foreign corporation (or other business entity) to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary, except for any failure to be so qualified or licensed and in good standing that would not, individually or in the aggregate, be reasonably likely to have a Company Material Adverse Effect. A true and complete list of all the Subsidiaries, together with the jurisdiction of incorporation or formation of each Subsidiary, the ownership of the outstanding capital stock or other equity interests of such Subsidiary and the percentage of the outstanding capital stock or other equity interests of each Subsidiary owned by the Company and each other Subsidiary, is set forth in Schedule 3.01 of the separate Disclosure Schedule previously delivered by the Company to Parent (the Company Disclosure Schedule). Except as disclosed in such Schedule 3.01, the Company does not directly or indirectly own any equity or similar interest in, or any interest convertible into or exchangeable or exercisable for, any equity or similar interest in, any corporation, partnership, joint venture or other business association or entity. The Company wholly owns, directly or indirectly, and has full voting and disposition power over all of the equity interests of each of its Subsidiaries. No stock appreciation rights, phantom stock, profit participation or other similar rights with respect to any Subsidiary or any capital stock of any Subsidiary are authorized or outstanding.

SECTION 3.02. *Certificate of Incorporation and By-laws.* The Company has heretofore furnished to Parent (i) a complete and correct copy of the Certificate of Incorporation and the By-laws or equivalent organizational documents, each as amended to date, of the Company and each Subsidiary; (ii) the minute books of the Company and each Subsidiary (which contain complete and accurate records of all meetings and accurately reflect all other corporate action of the stockholders and board of directors (including committees thereof) of the Company and its Subsidiaries) and (iii) the stock certificate books and stock transfer ledgers of the Company and its Subsidiaries. Each such Certificate of Incorporation, By-laws and equivalent organizational documents is in full force and effect. Neither the Company nor any Subsidiary is in violation of any provision of its Certificate of Incorporation, By-laws or equivalent organizational documents.

SECTION 3.03. *Capitalization.* As of the date hereof, the authorized capital stock of the Company consists of (i) 200,000,000 shares of Daleen Common Stock, $0.01 par value per share, of which 46,929,372 shares are issued and outstanding as of the date hereof; and (ii) 21,877,236 shares of Preferred Stock, $0.01 par value per share, of which (A) 3,000,000 shares are designated as Series A Convertible Preferred Stock (with no shares issued and outstanding); (B) 1,250,000 shares are designated as Series B Convertible Preferred Stock (with no shares issued and outstanding); (C) 1,222,222 shares are designated as Series C Convertible Preferred Stock (with no shares issued and outstanding); (D) 4,221,846 shares are designated as Series D Convertible Preferred Stock (with no shares issued and outstanding); (E) 686,553 shares are designated as Series D-1 Convertible Preferred Stock (with no shares issued and outstanding); (F) 1,496,615 shares are designated as Series E Convertible Preferred Stock (with no shares issued and outstanding); and (G) 588,312 shares are designated as Series F Preferred Stock (with 449,237 shares issued and outstanding as of the date hereof). Set forth on Schedule 3.03 is a description of the grant date,

number of shares available under, strike or exercise price and holder of each outstanding grant of Company Options or any other rights to acquire Shares pursuant to the Company Stock Option Plans. Each grant of Company Stock Options or other rights to acquire Common Stock under any of the Company Stock Option Plans is evidenced by a Stock Option Agreement, each in the form previously provided to the Parent. Except for rights to acquire Common Stock under the Company Stock Option Plans as set forth in this Section 3.03 and for the warrants set forth on Schedule 3.03 (which sets forth the holders of record of such securities), there are no options, warrants or other rights, agreements, arrangements or commitments of any character relating to the issued or unissued capital stock of the Company or any Subsidiary or obligating the Company or any Subsidiary to issue or sell any shares of capital stock of, or other equity interests in, the Company or any Subsidiary. All of the issued and outstanding Shares have been duly authorized and are validly issued, fully paid, nonassessable and were not issued in violation of any preemptive rights or comparable rights of any Person to acquire such shares. All Shares subject to issuance as aforesaid, upon issuance on the terms and conditions specified in the instruments pursuant to which they are issuable, will be duly authorized, validly issued, fully paid and nonassessable. Except as contemplated by this Agreement and as set forth on Schedule 3.03, there are no outstanding commitments, agreements, proxies, voting trusts, arrangements or undertakings of any kind to which the Company or any of its Subsidiaries is a party or by which any of them is bound obligating the Company or any of its Subsidiaries to dispose or vote any shares of capital stock or other equity securities of the Company or of any of its Subsidiaries and the Company is not bound by any debt agreements or instruments which grant any rights to vote (contingent or otherwise) on matters on which shareholders of the Company may vote. Except as set forth on Schedule 3.03, there are no outstanding contractual obligations of the Company or any Subsidiary to repurchase, redeem or otherwise acquire any Shares or any capital stock of or any equity interests in, any Subsidiary. Except as set forth on Schedule 3.03, each outstanding share of capital stock or other equity interest of each Subsidiary is duly authorized, validly issued, fully paid and nonassessable and each such share or other equity interest owned by the Company or any Subsidiary is free and clear of all security interests, liens, claims, pledges, options, rights of first refusal, agreements, limitations on the Company s or such other Subsidiary s voting rights, charges and other encumbrances of any nature whatsoever.

SECTION 3.04. *Authority Relative to This Agreement.* The Company has all necessary corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the Merger and the other transactions contemplated hereby. The execution and delivery of this Agreement by the Company and the consummation by the Company of the Merger and the other transactions contemplated hereby have been duly and validly authorized by all necessary corporate action and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement or to consummate the Merger (other than, with respect to the Merger, the stockholder approvals described in Section 3.20 and the filing and recordation of appropriate merger documents as required by the DGCL) and the other transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by the Company and, assuming the due authorization, execution and delivery by Parent and Acquisition Sub, constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

SECTION 3.05. *No Conflict; Required Filings and Consents.*

(a) The execution and delivery of this Agreement by the Company do not, and the performance of this Agreement by the Company will not (i) conflict with or violate the Certificate of Incorporation or By-laws or equivalent organizational documents of the Company or any Subsidiary; (ii) conflict with or violate any domestic (federal, state or local) or foreign law, rule, regulation, order, judgment or decree (collectively, Laws) applicable to the Company or any Subsidiary or by which any property or asset of the Company or any Subsidiary is bound or affected, except for such conflicts or violations which would not, individually or in the aggregate, be reasonably likely to result in a Company Material Adverse Effect or impair the ability of the Company to perform its obligations

under this Agreement in any material respect; (iii) result in a conflict with, a breach or violation of, a default under (or an event which with notice or lapse of time or both would become a default) or the triggering of any payment or other material obligations to any of the Company s or any of its Subsidiaries present or former employees pursuant to any of the Company s or any of its Subsidiaries existing employee benefit plans (as set forth in Section 3.11) or any grant or award made under any of the foregoing, other than the accelerated vesting of options under any of the Company Stock Option Plans, or (iv) except as specified in Schedule 3.05(a), result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any right of termination, amendment, acceleration or cancellation of, or result in the creation of a lien or other encumbrance on any property or asset of the Company or any Subsidiary pursuant to any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary or any property or asset of the Company or any Subsidiary is bound or affected, except for any such breaches, defaults or other occurrences which would not, individually or in the aggregate, have or reasonably be expected to result in a Company Material Adverse Effect.

(b) None of the execution or delivery or performance of this Agreement by the Company, the consummation by the Company of the Merger or the other transactions contemplated hereby, compliance by the Company with any of the provisions of this Agreement or the performance of this Agreement by the Company do or will require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Entity, except (i) (A) for applicable requirements, if any, of the Exchange Act or the Securities Act of 1933, as amended (the Securities Act), including the SEC Transaction Filings, (B) such filings and approvals as may be required by any applicable state securities, blue sky or takeover laws, and (C) the filing and recordation of appropriate merger documents as required by the DGCL; (ii) as specified in Schedule 3.05(b); and (iii) where failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not by the terms of the applicable requirement prevent or delay consummation of the Merger or any other transaction contemplated hereby, would not, individually or in the aggregate, have or reasonably be expected to have a Company Material Adverse Effect and would not impair the ability of the Company to perform its obligations under this Agreement in any material respect.

SECTION 3.06. *Permits.* Except as set forth on Schedule 3.06-1, the Company and each Subsidiary is in possession of all franchises, grants, authorizations, licenses, permits, easements, variances, exceptions, consents, certificates, approvals and orders necessary for the Company and each Subsidiary to own, lease and operate its properties or to carry on its business as it is now being conducted (the Company Permits), and no suspension or cancellation of any of the Company Permits is pending or, to the knowledge of the Company, threatened, except where the failure to have, or the suspension or cancellation of, any of the Company Permits would not, individually or in the aggregate, have or reasonably be expected to have a Company Material Adverse Effect. Set forth on Schedule 3.06-2 is a list of those Company Permits, the loss or suspension of any of which could, individually or in the aggregate, have or reasonably be expected to have a Company Material Adverse Effect. Neither the Company nor any Subsidiary is in conflict with, or in default or violation of, (i) any Laws, including the Foreign Corrupt Practices Act and related regulations, applicable to the Company or any Subsidiary or by which any property or asset of the Company or any Subsidiary is bound or affected; (ii) any of the Company Permits; or (iii) any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary or any property or asset of the Company or any Subsidiary is bound or affected, except for any such conflicts, defaults or violations that would not, individually or in the aggregate, have or reasonably be expected to have a Company Material Adverse Effect.

SECTION 3.07. *SEC Filings; Financial Statements.*

(a) The Company has filed all forms, reports and documents required to be filed by it with the SEC since December 31, 2001 (the SEC Filings), and has heretofore made available to Parent, in

the form filed with the SEC and as amended prior to the date hereof, (i) its Annual Report on Form 10-K for the fiscal year ended December 31, 2003; (ii) all proxy statements relating to the Company s meetings of stockholders (whether annual or special) held since January 1, 2003; and (iii) all other forms, reports and other registration statements filed by the Company with the SEC since January 1, 2003 (the forms, reports and other documents referred to in clauses (i), (ii) and (iii) above being referred to herein, collectively, as the Company SEC Reports). As of their respective dates, the SEC Filings (i) were prepared in accordance with the requirements of the Exchange Act and the Securities Act, as the case may be, and the rules and regulations thereunder including, without limitation, those amendments to the federal securities laws effected by, and those regulations adopted in accordance with, the Sarbanes-Oxley Act of 2002 to the extent applicable thereto; (ii) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; and (iii) did not omit any documents required to be filed as exhibits thereto. No Subsidiary is required to file any form, report or other document with the SEC.

(b) Each of (a) the consolidated financial statements (including, in each case, any notes thereto) contained in the SEC Filings and (b) the unaudited balance sheet of the Company attached as Exhibit C hereto (the Interim Balance Sheet) was prepared in accordance with GAAP (except as may be indicated in the notes, if any, thereto), and each fairly presented the consolidated financial position, results of operations and cash flows of the Company and the consolidated Subsidiaries as of the respective dates thereof and for the respective periods indicated therein in accordance with GAAP (subject, in the case of unaudited statements, to the absence of notes thereto and to normal and recurring quarter-end adjustments which were not material in amount).

(c) With respect to each Annual Report on Form 10-K and each Quarterly Report on Form 10-Q included in the Company SEC Reports, the financial statements and other financial information included in such reports fairly present (within the meaning of the Sarbanes-Oxley Act of 2002) in all material respects the consolidated financial condition and results of operations of the Company and its Subsidiaries as of, and for, the periods presented in the Company SEC Reports. The reports of the Company s independent auditors regarding the Company s consolidated financial statements in the SEC Filings have not been withdrawn, supplemented or modified, and none of the Company or any of its Subsidiaries has received any communication from its independent auditors concerning any such withdrawal, supplement or modification.

(d) The Company s principal executive officer and its principal financial officer have disclosed, based on their most recent evaluation, to the Company s auditors and the audit committee of the Board of Directors of the Company (i) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company s ability to record, process, summarize and report financial data and have identified for the Company s auditors any material weaknesses in internal controls and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company s internal controls.

(e) The Company has established and maintains disclosure controls and procedures (as such term is defined in Rule 13a-14 under the Exchange Act); such disclosure controls and procedures are designed to ensure that material information relating to the Company, including its consolidated Subsidiaries, is made known to the Company s principal executive officer and its principal financial officer by others within those entities, particularly during the periods in which the periodic reports required under the exchange Act are being prepared; and, to the Company s knowledge, such disclosure controls and procedures are effective in timely alerting the Company s principal executive officer and its principal financial officer to material information required to be included in the Company s periodic reports required under the Exchange Act.

(f) Except as and to the extent set forth on the consolidated balance sheet of the Company and the consolidated Subsidiaries as of December 31, 2003, including the notes thereto (the Company

2003 Balance Sheet), neither the Company nor any Subsidiary has any liability or obligation of any nature (whether accrued, absolute, contingent or otherwise) required by GAAP to be set forth on a consolidated balance sheet of the Company and its Subsidiaries, except for liabilities and obligations (i) disclosed in any Company SEC Report; (ii) incurred since December 31, 2003 in the Ordinary Course; (iii) incurred in connection with the filing of the Company s preliminary proxy statement of January 28, 2004 relating to a proposed reverse stock split, or (iv) incurred pursuant to or as contemplated by this Agreement (including Company Transaction Expenses).

(g) The Company has heretofore made available to Parent complete and correct copies of all amendments and modifications that have not been filed by the Company with the SEC to all agreements, documents and other instruments that previously had been filed by the Company with the SEC and are currently in effect, and has made available to Parent complete and unredacted copies of exhibits, if any, that were filed with any Company SEC Report in redacted form. Such amendments, modifications and agreements are identified on Schedule 3.07(g).

SECTION 3.08. *Disclosure Documents.* Neither the proxy statement relating to the special meeting of the Company s stockholders to approve the Merger and the other transactions contemplated hereby (the Company Proxy Statement) nor the Company s Rule 13e-3 Transaction Statement on Schedule 13E-3 (the 13E-3 and, together with the Proxy Statement, the SEC Transaction Filings) will, at the respective time any such SEC Transaction Filing (including any amendments or supplements thereto) is filed with the SEC, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. At the respective times when they are filed with the SEC, each SEC Transaction Filing (in each case, including any amendments or supplements thereto) will comply as to form in all material respects with the applicable requirements of the Exchange Act, and the rules and regulations thereunder. Notwithstanding the foregoing, the Company makes no representation or warranty with respect to any information supplied by Quadrangle, Behrman, SEF, Protek or any of their respective representatives for inclusion in any SEC Transaction Filing (including any amendments or supplements thereto).

SECTION 3.09. *Absence of Certain Changes or Events.* Since December 31, 2003, except as contemplated by this Agreement or any other Transaction Agreement or as disclosed in any Company SEC Report or set forth in Schedule 3.09, the Company and the Subsidiaries have conducted their businesses in the Ordinary Course and there has not been (a) any event or events having, or reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect, (b) any revaluation by the Company of any asset (including, without limitation, any writing down of the value of inventory or writing off of notes or accounts receivable), other than in the ordinary course of business consistent with past practice, (c) any entry by the Company or any Subsidiary into any commitment or transaction except in the ordinary course of business and consistent with past practice, (d) any declaration, setting aside or payment of any dividend or distribution in respect of any capital stock of the Company or any redemption, purchase or other acquisition of any of its securities, (e) any split, combination or reclassification of any of its capital stock or any issuance or the authorization of any issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, (f) except insofar as may have been disclosed in the SEC Filings or required by a change in GAAP, any change in accounting methods, principles or practices, (g) any making or revocation of any material Tax elections or any settlement or compromises of any material federal, state, foreign or local Tax liability or any waivers or extensions of the statute of limitations in respect of such Taxes, (h) any making of loans, advances or capital contributions to, or investments in, any Person or payment of any fees or expenses to any of the Company s shareholders or any Affiliate of any of such shareholders; (i) any mortgage or pledge of any Lien of any of its assets, or acquisition of any assets or sale, assignment, transfer, conveyance, lease or other disposition of any assets of the Company or any Subsidiary, except for assets acquired or sold, assigned, transferred, conveyed, leased or otherwise disposed of in the ordinary course of business, (j) any discharge or

satisfaction of any Lien, or payment of any obligation or liability (fixed or contingent), except in the Ordinary Course and which, in the aggregate, would not be material to the Company and its Subsidiaries taken as a whole; (k) any cancellation or compromises of any debt or claim or amendment, cancellation, termination relinquishment, waiver or release of any contract or right except in the Ordinary Course and which, in the aggregate, would not be material to the Company and its Subsidiaries taken as a whole; (l) any material delay in making any capital expenditure for an approved capital project as set forth in the Company s budget in excess of $25,000 individually or $100,000 in the aggregate, or the making or commitment to make any capital expenditures or capital additions or betterments in excess of $100,000 individually or $250,000 in the aggregate; (m) any incurrence of any indebtedness for borrowed money in an amount in excess of $25,000 in the aggregate; (n) any grant of any license or sublicense of any rights under or with respect to any Intellectual Property, other than pursuant to customer contracts entered into in the Ordinary Course; (o) any institution or settlement of any material Legal Proceeding; (p) other than pursuant to the contracts referred to in Section 3.11, any increase in or establishment of any bonus, insurance, severance, deferred compensation, pension, retirement, profit sharing, stock option (including, without limitation, the granting of stock options, stock appreciation rights, performance awards, or restricted stock awards), stock purchase or other employee benefit plan, or any other increase in the compensation payable or to become pay able to any officers or key employees of the Company or any Subsidiary, except for salary increases and benefit accruals in the Ordinary Course, or (q) any agreement to do anything set forth in this Section 3.09.

SECTION 3.10. *Absence of Litigation.* Except as disclosed in any Company SEC Report or as set forth in Schedule 3.10, there is no claim, action, proceeding, compliance review or investigation pending or, to the knowledge of the Company, threatened against the Company or any Subsidiary, or any property or asset of the Company or any Subsidiary, before any court, arbitrator or Governmental Entity, which (a) individually or in the aggregate, is reasonably likely to have a Company Material Adverse Effect or to impair the Company s ability to consummate the transactions contemplated under this Agreement or (b) seeks to delay or prevent the consummation of the Share Exchange, the Merger or the other transactions contemplated hereby. Except as disclosed in any Company SEC Report or Schedule 3.10, as of the date, neither the Company nor any Subsidiary nor any property or asset of the Company or any Subsidiary is subject to any order, writ, judgment, injunction, decree, determination or award having or reasonably expected to have, individually or in the aggregate, a Company Material Adverse Effect.

SECTION 3.11. *Employee Benefit Plans.*

(a) Plans means all severance, benefit, deferred compensation, incentive compensation, stock option, stock purchase and other equity, retirement, bonus, welfare benefit and other employee benefit plans, programs, agreements, policies and arrangements providing benefits to any present or former director, officer or employee of the Company or any of its Subsidiaries, or any beneficiary or dependent of any such person, to which the Company or any of its Subsidiaries or ERISA Affiliates contributes or is obligated to contribute or has any liability (contingent or otherwise). Without limiting the generality of the foregoing, the term Plans includes all employee welfare benefit plans within the meaning of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder (ERISA) and all employee pension benefit plans within the meaning of Section 3(2) of ERISA. An ERISA Affiliate means, with respect to the Company, any corporation, person or trade or business which is a member of the group which is under common control with the Company, and which together with the Company is treated as a single employer within the meaning of Section 414(b), (c), (m) or (o) of the Code. Controlled Group Liability means any and all liabilities (contingent or otherwise) of the Company and any of its ERISA Affiliates (i) under Title IV of ERISA, (ii) under Section 302 of ERISA, (iii) under Sections 412 and 4971 of the Code, (iv) as a result of a failure to comply with the continuation coverage requirements of Section 601 et seq. of ERISA and Section 4980B of the Code, and (v) under corresponding or similar provisions of foreign laws or regulations.

(b) Schedule 3.11 includes a complete list of each material Plan. With respect to each Plan, the Company has made available to Parent a true, correct and complete copy of (if applicable): (i) all plan documents, benefit schedules, trust agreements, and insurance contracts and other funding vehicles; (ii) the most recent summary including but not limited to the most recent Annual Report (Form 5500 Series) and accompanying schedule, if any; (iii) the current summary plan description, if any; (iv) the most recent annual financial report, if any; (v) the most recent actuarial report, if any; and (vi) the most recent determination letter from the Internal Revenue Service (the IRS), if any.

(c) Except as has not had, or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, the Company and each of its Subsidiaries has complied, and is now in compliance, with all provisions of ERISA, the Code and all laws and regulations applicable to the Plans.

(d) Except as has not had, or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, all contributions required to be made to any Plan, and all premiums due or payable with respect to insurance policies funding any Plan, have been made within the earliest time prescribed by in a timely manner in accordance with the requirements of any such plan, agreement or law. There does not now exist, nor, to the knowledge of the Company, do any circumstances exist that could reasonably be expected to result in, any Controlled Group Liability that would be a liability of the Company or its Subsidiaries, which has or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, following the Effective Time.

(e) Except as has not had, or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (i) as of the date hereof, each Plan that is subject to Section 302 of ERISA and Section 412 of the Code meets the minimum funding standards of Section 302 of ERISA and Section 412 of the Code (without regard to any funding waiver); and (ii) as of the date hereof, neither the Company nor any of its Subsidiaries is required to provide security to such Plan pursuant to Section 307 of ERISA or Section 501(a)(29) of the Code and no condition exists that could reasonably be expected to result in the Company or any ERISA Affiliate to provide such security.

(f) No Plan is a multiemployer plan, as defined in Section 3(37) of ERISA. Except as has not had, or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, no claims are pending or, to the knowledge of the Company, threatened or anticipated against the Plans, or the Company or any of its Subsidiaries with respect to the Plans, except for benefit payments in the normal course of business. No Plan provides benefits to current or former employees, beneficiaries, or dependents of the Company or its Subsidiaries which continue after termination of employment, other than as required by Section 601 et seq. of ERISA.

(g) Except as set forth in Schedule 3.11, the consummation of the transactions contemplated in this Agreement will not, either alone or in combination with another event, (i) entitle any current or former employee or officer of the Company or any of its ERISA Affiliates to any severance benefit or any other payment or (ii) accelerate the time of payment or vesting, or increase the amount of compensation due any such employee or officer or result in an obligation to fund to a trust or otherwise any compensation or benefits of any such employee or officer.

(h) None of the Company or any Subsidiary has incurred any material liability for any Tax or penalty imposed by section 4975 of the Code or section 502(i) of ERISA. None of the Company or any Subsidiary has withdrawn at any time within the preceding six years from any multiemployer plan, as defined in section 3(37) of ERISA. With respect to each Plan that is intended to be a qualified plan within the meaning of Section 401(a) of the Code, each such Plan is so qualified, and, to the knowledge of the Company, nothing has occurred or is expected to occur that would adversely affect the qualified status of such Plan or any related trust.

SECTION 3.12. *Labor Matters.* Neither the Company nor any Subsidiary is a party to any collective bargaining agreement or other labor union contract applicable to persons employed by the Company or any Subsidiary, and since January 1, 2000 there has not occurred any strike, work stoppage or union organizing effort and, to the knowledge of the Company, no such action is threatened or contemplated.

SECTION 3.13. *Personal Property, Real Property and Leases.*

(a) Schedule 3.13 sets forth a list of all real property owned, leased or used by the Company or any Subsidiary since January 1, 2002, and separately identifies that which is or has been owned and that which is or has been leased or otherwise used. The Company and the Subsidiaries have sufficient title or leasehold interests to all their properties and assets to conduct their respective businesses as currently conducted or as contemplated to be conducted, with only such exceptions as, individually or in the aggregate, would not have or reasonably be expected to have a Company Material Adverse Effect.

(b) All leases of real property leased for the use or benefit of the Company or any Subsidiary to which the Company or any Subsidiary is a party, and all amendments and modifications thereto are in full force and effect and have not been modified or amended, and there exists no default under any such lease by the Company, any Subsidiary, or, to the knowledge of the Company, by any other party thereto (nor, to the knowledge of the Company, is there any default by the sublessor under the sublease set forth on Schedule 3.13), nor any event which with notice or lapse of time or both would constitute a default thereunder by the Company or any Subsidiary or, to the knowledge of the Company, by any other party thereto.

SECTION 3.14. *Intellectual Property.*

(a) Company Intellectual Property means all trademarks, trademark rights, trade names, trade name rights, patents, patent rights, industrial models, inventions, copyrights, servicemarks, trade secrets, know-how, computer software programs, applications and other proprietary rights and information used or held for use in connection with the business of the Company and the Subsidiaries as currently conducted, together with all applications currently pending for any of the foregoing.

(b) Except as set forth in Schedule 3.14-b, the Company and the Subsidiaries own or have legally enforceable rights to use all of the Company Intellectual Property, and there is no assertion or claim (or basis therefor) challenging the validity of the Company s ownership of, or right to use, any Company Intellectual Property.

(c) Except as set forth on Schedule 3.14-c, the Company is not party to any license or other agreement pursuant to which it has the right to use any Company Intellectual Property utilized in connection with any product or process of the Company or any of its Subsidiaries.

(d) Except as set forth on Schedule 3.14-d, there are no pending or, to the knowledge of the Company, threatened interferences, re-examinations, oppositions or nullities involving any patents, patent rights or applications therefor of the Company or any Subsidiary that, individually or in the aggregate, would have or reasonably be expected to have a Company Material Adverse Effect.

(e) All employees of the Company have executed confidentiality and invention assignment agreements substantially in the forms previously delivered to the Parent except as set forth on Schedule 3.14-e. None of the employees of the Company maintains any proprietary interest in Company Intellectual Property, other than an indirect interest by virtue of his or its equity interest in the Company.

(f) Except as set forth in Schedule 3.14-f, the operation of the business of the Company and its Subsidiaries as such businesses currently are conducted does not infringe or misappropriate the intellectual property of any third party or constitute unfair competition or trade practices under the laws of any jurisdiction.

(g) Except as disclosed in Schedule 3.14-g, to the knowledge of the Company there are no infringements by third parties of any Company Intellectual Property which, individually or in the aggregate, have or would reasonably be expected to have a Company Material Adverse Effect.

(h) Other than pursuant to license agreements entered into in the Ordinary Course, neither the Company nor any Subsidiary has licensed or otherwise permitted the use by any third party of any Company Intellectual Property.

SECTION 3.15. *Taxes.* (a) Except as described in Schedule 3.15(a), or as reflected or reserved against in the Interim Balance Sheet, (i) the Company and each Subsidiary have filed all federal and all other material state, local and foreign Tax Returns, reports and declarations heretofore required to be filed by such entity on or prior to the Closing Date, and all such Tax Returns are true, correct and complete in all material respects, (ii) all Taxes due by the Company or any of its Subsidiaries have been timely paid in full or adequately reserved for in the Interim Balance Sheet in accordance with GAAP, as such reserves may be adjusted for the passage of time and transactions occurring in the Ordinary Course through the Closing Date in accordance with the past practice and custom of the Company and its Subsidiaries in filing their Tax Returns, and (iii) no claim for assessment and collection of Taxes in respect of their respective businesses is being asserted against the Company or any Subsidiary. The Company and the Subsidiaries have withheld or collected and paid over to the appropriate Governmental Entities or are properly holding for such payment all Taxes required by law to be withheld or collected. There are no liens for Taxes upon the assets of the Company or the Subsidiaries, other than liens for Taxes that are being contested in good faith by appropriate proceedings (each of which is described on Schedule 3.15).

(b) Except as set forth in Schedule 3.15(b), neither the Company nor any of its Subsidiaries has (i) been notified in writing that any Tax Return is currently under audit by the IRS or any state or local taxing authority or that it intends to conduct such an audit and no action, suit, investigation, claim or assessment is pending or, to the knowledge of the Company, proposed with respect to any Taxes; (ii) made any agreement for the extension of time or the waiver of the statute of limitations for the assessment, collection or payment of any Taxes; or (iii) executed any power of attorney with respect to any Tax matter that is currently in force.

(c) Neither the Company nor any of its Subsidiaries has any liability for Taxes as a result of Section 1.1502-6 of the Treasury Regulations or any comparable provision of state, local or foreign law (other than as a result of being in a group of which the Company is the common parent). The Company is not a United States real property holding corporation (USRPHC) and was not a USRPHC on any determination date (as defined in Section 1.897-2(c) of the Treasury Regulations) that occurred in the five-year period preceding the Closing Date.

(d) Except as set forth in Schedule 3.15(f), no written claim has been made by a taxing authority in a jurisdiction where the Company or any of its Subsidiaries does not file Tax Returns to the effect that such entity is or may be subject to taxation by that jurisdiction.

(e) Parent has been provided or given access to (i) all federal and other material income Tax Returns of the Company and its Subsidiaries for all taxable periods ending on or after December 31, 2001 and (ii) all United States revenue agents reports and other similar reports relating to the audit or examination of the Tax Returns of the Company and its Subsidiaries for all taxable periods ending on or after December 31, 2001.

(f) Neither the Company nor any other Person (including any of its Subsidiaries) on behalf of the Company or any of its Subsidiaries has (i) agreed to or are required to make any adjustments pursuant to Section 481(a) of the Code or any similar provision of state, local of foreign law by reason of a change in accounting method or has any knowledge that the IRS has proposed any such adjustment or change in accounting method, or has any application pending with any taxing authority requesting permission for any changes in accounting methods that relate to the business or operations of the Company or any of its Subsidiaries, or (ii) filed a consent pursuant to Section 341(f) of the

Code or agreed to have Section 341(f)(2) of the Code apply to the disposition of a subsection (f) asset (as such term is defined in Section 341(f) of the Code) owned by the Company or any of its Subsidiaries.

(g) Except as set forth in Schedule 3.15(g), neither the Company nor any of its Subsidiaries is a party to (i) any tax sharing or similar agreement or arrangement (whether or not written) pursuant to which they will have any obligation to make any payment after the Closing, (ii) any agreement that could obligate it to make any payment in connection with the transactions contemplated by this Agreement that will not be deductible by the Company or any of its Subsidiaries by reason of Section 280G of the Code, (iii) a closing agreement pursuant to Section 7121 of the Code or any predecessor provision thereof or any similar provision of state, local or foreign law with respect to the Company or any of its Subsidiaries or (iv) otherwise bound by any private letter ruling of the IRS or comparable rulings or guidance issued by any other taxing authority.

(h) Neither the Company nor any of its Subsidiaries (i) has constituted either a distributing corporation or a controlled corporation (within the meaning of Section 355(a)(1)(A) of the Code) in a distribution of stock qualifying for tax-free treatment under Section 355 of the Code (x) in the two years prior to the date of this Agreement or (y) in a distribution which could otherwise constitute part of a plan or series of related transactions (within the meaning of Section 355(e) of the Code) in conjunction with the transactions contemplated by this Agreement or (ii) is or was a member of any consolidated, combined, unitary or affiliated group of corporations that filed or was required to file a consolidated, combined or unitary Tax Return, other than the group of which it is now a member.

SECTION 3.16. *Environmental Matters.*

(a) For purposes of this Agreement, the following terms shall have the following meanings: (i) Hazardous Substances means (A) those substances defined in or regulated under any of the following U.S. federal statutes and their state or foreign counterparts, as each may be amended from time to time, and all regulations thereunder: the Hazardous Materials Transportation Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Clean Water Act, the Safe Drinking Water Act, the Toxic Substances Control Act, the Marine Protection, Research and Sanctuaries Act, the Atomic Energy Act, the Federal Insecticide, Fungicide, and Rodenticide Act, the Occupational Health and Safety Act and the Clean Air Act; (B) petroleum and petroleum products including crude oil and any fractions thereof; (C) natural gas, synthetic gas, and any mixtures thereof; (D) radon; (E) asbestos; (F) any other pollutant or contaminant; and (G) any substance with respect to which a federal, state or local agency requires environmental investigation, monitoring, reporting or remediation; (ii) Environmental Laws means any U.S. or foreign federal, state or local law relating to (A) releases or threatened releases of Hazardous Substances or materials containing Hazardous Substances; (B) the manufacture, handling, transport, use, treatment, management, storage or disposal of, or exposure to, Hazardous Substances or materials containing Hazardous Substances; or (C) otherwise relating to pollution of the environment or the protection of human health; and (iii) Release means spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration of a Hazardous Substance into the environment, including the abandonment or discarding of barrels, containers, and other closed receptacles containing any Hazardous Substance.

(b) Except as disclosed in the Company SEC Reports, on Schedule 3.16 or as has not had, or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (i) there has been no Release of Hazardous Substances on any real property currently owned, leased or operated by the Company or any of its Subsidiaries that would require a remedial action under applicable Environmental Law and no real property currently owned, leased or operated by the Company or any Subsidiary thereof is contaminated with any Hazardous Substances in a manner which would require a remedial action under Environmental Law; (ii) no judicial or administrative proceeding, order, judgment, decree or settlement is pending or, to the knowledge of

the Company, threatened against the Company or its Subsidiaries relating to alleged violations of or potential liabilities under Environmental Laws; and (iii) since December 31, 2001, the Company and its Subsidiaries have not received in writing any claims, notices or correspondence alleging liability under any Environmental Law from any Governmental Entity. No facts, circumstances or conditions exist with respect to the Company, its operations or any real property currently or formerly owned, operated or leased by the Company that could reasonably be expected to result in the Company incurring liabilities under Environmental Laws.

SECTION 3.17. *Material Contracts and Government Contracts.*

(a) The exhibit tables to the Company SEC Reports and Schedule 3.17(a) collectively set forth a list of all contracts and agreements (including, without limitation, oral and informal arrangements, and modifications, amendments and waivers of any of the foregoing) which either (a) are material as such term is used in Item 601 of Regulation S-K under the Securities Act, (b) are contracts which in the year ended December 31, 2003 generated, or are expected to generate in any fiscal year thereafter, revenues in excess of $250,000, (c) are contracts which in the year ended December 31, 2003 required payments by the Company or any subsidiary, or are expected to require payments in any fiscal year thereafter, of in excess of $250,000, or (d) are of a type described below:

(i) any partnership, limited liability company, joint venture or other similar agreement or arrangement;

(ii) any franchise agreements;

(iii) any agreement that limits (or would limit after the date hereof) the freedom or ability of the Company or any of its Subsidiaries to compete in any material manner in any line of business or in any geographic area; and

(iv) any agreement or arrangement with (A) any present or former officer or director of the Company or any of its Subsidiaries or any of their immediate family members (including their spouses), (B) any record or beneficial owner of five percent or more of the Shares, or (C) any Affiliate of any such director, officer, family member, or beneficial owner

(collectively, the Material Contracts).

(b) Each Material Contract, is a legal, valid and binding agreement, and none of the Company, any Subsidiary or, to the knowledge of the Company, any other party thereto is in default under any Material Contract; neither the Company, nor any Subsidiary is in default under any Material Contract; and none of the Company or any of the Subsidiaries anticipates any termination or change to, or receipt of a proposal with respect to, any of the Material Contracts as a result of the Share Exchange, the Merger or otherwise. Except as disclosed in Schedule 3.17(b), the Company has furnished Parent with true and complete copies of all Material Contracts, together with all amendments, waivers, or other changes thereto. At the Effective Time, the Long Term Incentive Plan shall have been terminated and shall be void and of no further effect.

SECTION 3.18. *Opinion of Financial Advisor.* The Company s Board of Directors has received the opinion of Valuation Research Corporation (VRC) on or prior to the date of this Agreement, addressed to the Special Committee of the Board of Directors and for the benefit of the Board of Directors and the Company s stockholders, to the effect that, as of the date of such opinion, the consideration to be received pursuant to the Merger is fair to the holders of Daleen Common Stock and of Daleen Series F Preferred Stock from a financial point of view, a copy of which opinion has been or will promptly after receipt thereof by the Company be delivered to Parent.

SECTION 3.19. *Board Approval; Certain Anti-Takeover Provisions Not Applicable.*

(a) Subject to Section 6.05, the Board of Directors of the Company, at a meeting duly called and held has unanimously adopted resolutions (i) approving and declaring advisable this Agreement, the Voting Agreements, the Share Exchange, the Merger and the other transactions contemplated

hereby, (ii) declaring that it is in the best interests of the Company s stockholders that the Company enter into this Agreement and consummate the Merger and the other transactions contemplated hereby on the terms and subject to the conditions set forth in this Agreement (as it may be amended from time to time), (iii) recommending that the Company s stockholders approve and adopt this Agreement and approve the Merger contemplated hereby, and (iv) approving the acquisition of Shares by Parent in the Share Exchange and the other transactions contemplated by this Agreement, including for purposes of Section 203 of the DGCL.

(b) No state takeover statute (including, without limitation, Section 203 of the DGCL), other than those with which this Agreement complies, applies or purports to apply to the Share Exchange, the Merger, this Agreement or the Voting Agreements, or any of the transactions contemplated hereby or thereby. The Company does not, and as of the Closing and the Effective Time will not, have a stockholder rights plan or poison pill.

SECTION 3.20. *Votes Required.* Approval of the Merger will require the affirmative vote of the holders of a majority of the votes represented by all shares of Daleen Common Stock and Daleen Series F Preferred Stock outstanding as of the record date for the Company Stockholders Meeting (with each share of Daleen Series F Preferred Stock being entitled to 100 votes in connection therewith). In addition, consummation of the Merger in accordance with the terms of this Agreement will require the affirmative vote or written consent of the holders of a majority of the shares of Series F Preferred Stock in favor of the waiver of the mandatory redemption rights of the Series F Preferred Stock in connection with the Merger. The foregoing votes and consents are the only votes or consents of the holders of any class or series of capital stock of the Company necessary to approve the Merger.

SECTION 3.21. *Brokers.* No broker, finder, investment banker or other person (other than the Persons set forth on Schedule 3.21, whose fees and expenses are deemed Company Transaction Expenses) is entitled to any brokerage, finder s or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company or any Subsidiary. The Company has heretofore furnished to Parent a complete and correct copy of all agreements between the Company and the Persons set forth on Schedule 3.21 pursuant to which such Persons would be entitled to any payment relating to the transactions contemplated by this Agreement.

SECTION 3.22. *Customers.* Schedule 3.22 sets forth the ten (10) largest customers of the Company, each ranked by revenue, for the most recent fiscal year. Except as set forth on Schedule 3.22 or as set forth in the Company SEC Reports, no customer named on Schedule 3.22 has cancelled, otherwise terminated or materially curtailed, or, to the knowledge of the Company, threatened to cancel, otherwise terminate or materially curtail its relationship with the Company.

SECTION 3.23. *Certain Payments.* Neither the Company nor any Subsidiary or any director, officer, agent or employee of the Company or any Subsidiary, or any other entity associated with or acting for or on behalf of the Company or any Subsidiary, has directly or indirectly (a) made any contribution, gift, bribe, rebate, payoff, influence payment, kickback or other payment to any entity, private or public, regardless of form, whether in money, property or services (i) to obtain favorable treatment in securing business, (ii) to pay for favorable treatment for business secured, (iii) to obtain special concessions or for special concessions already obtained, for or in respect of the Company, any Subsidiary or any affiliate of the Company or any Subsidiary or (iv) in violation of any federal, state, territorial, local or foreign law, statute, rule or regulation or (b) established or maintained any fund or asset that has not been recorded in the books and records of the Company or any Subsidiary.

SECTION 3.24 *Insurance.* Schedule 3.24 sets forth a correct and complete list of all material insurance policies (including information on the premiums payable in connection therewith and the scope and amount of the coverage provided thereunder) maintained by the Company or any of its Subsidiaries (the Policies). The Policies provide coverage for the operations conducted by the Company and its Subsidiaries of a scope and coverage consistent with customary practice in the

industries in which the Company and its Subsidiaries operate. Except for the termination of the Company s current director and officers liability policy, which is the subject of the Parent s covenants in Section 6.06 and except as set forth in Schedule 3.24, the consummation of the Merger will not, in and of itself, cause the revocation or cancellation of any Policy except for such revocations or cancellations which have not had and could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

SECTION 3.25 *Title to Properties.* The Company and each of its Subsidiaries (i) has good and marketable title to all properties and other assets which are reflected on the 2003 Company Balance Sheet as being owned by the Company or one of its Subsidiaries (or acquired after the date hereof) except (x) statutory liens securing payments not yet due, (y) security interests, mortgages and pledges that are disclosed in the SEC Reports that secure (a) the indebtedness under the Silicon Valley Bank Revolving Loan Facility or (b) indebtedness that is reflected in the most recent consolidated financial statements in the SEC Reports and (z) such other imperfections or irregularities of title or other Liens that, individually or in the aggregate, do not and could not reasonably be expected to have a Company Material Adverse Effect, (ii) has a valid leasehold interest in all leasehold interests set forth on Schedule 3.13, and (iii) is the lessee or sublessee of all leasehold estates and leasehold interests set forth on Schedule 3.13.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PARENT

AND ACQUISITION SUB

Parent and Acquisition Sub hereby, jointly and severally, represent and warrant to the Company that:

SECTION 4.01 *Organization and Qualification; Subsidiaries.* Each of Parent and Acquisition Sub is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has the requisite power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted, except where the failure to be so organized, existing or in good standing or to have such power and authority would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect. Each of Parent and Acquisition Sub is duly qualified or licensed as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary, except for such failures to be so qualified or licensed and in good standing that would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect.

SECTION 4.02. *Certificate of Incorporation and By-laws; Capitalization.* Parent has heretofore furnished to the Company a complete and correct copy of the Certificate of Incorporation and the By-laws, each as amended to date, of Parent and Acquisition Sub. Such Certificates of Incorporation and By-laws are in full force and effect. Neither Parent nor Acquisition Sub is in violation of any provision of its Certificate of Incorporation or By-laws. As of the Closing, the Certificate of Incorporation and Bylaws of Parent shall be as described in the Investment Agreement. Immediately after Closing, the issued shares of capital stock of Parent shall consist solely of (a) the shares of Parent PIK Preferred and Parent Common Stock to be issued under this Agreement, (b) 300,000 shares of Parent Series A PIK Preferred to be issued to Quadrangle, Behrman and SEF under the Investment Agreement, (c) *[200,000 less Converting Optionholder shares subject to new options]* shares of Parent Common Stock to be issued under the Protek Agreement, (d) shares of Parent Common Stock subject to options to be granted under the Management Incentive Plan of Parent and under the Protek Agreement, and (e) 100 shares of Parent s Junior Preferred Stock. Except as set forth in this Agreement, the Investment Agreement and the Protek Agreement, no equity securities are required to be issued by Parent or Acquisition Sub by reason of any currently existing or contemplated options, warrants, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into, any securities of Parent or

Acquisition Sub, as applicable, and there are no Contracts, commitments, understandings, or arrangements by which Parent or Acquisition Sub is bound to issue additional respective securities, or options, warrants or rights to purchase or acquire any additional respective securities. Except as set forth on Schedule 4.02, Parent is not a party or subject to any agreement or understanding, nor, to the knowledge of Parent, is there any agreement or understanding between any persons that affects or relates to the voting or giving of written consents with respect to any security or the voting by a director of Parent. Upon issuance, each share of Parent PIK Preferred and Parent Common Stock to be issued under this Agreement will have been duly and validly reserved for issuance and, upon issuance in accordance with the terms of this Agreement, will be duly and validly issued, fully paid, and nonassessable and will be free of restrictions on transfer other than restrictions on transfer under the Stockholders Agreement and under applicable state and federal securities laws.

SECTION 4.03. *Authority Relative to this Agreement.* Each of Parent and Acquisition Sub has all necessary corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the Share Exchange, the Merger and the other transactions contemplated hereby. The execution and delivery of this Agreement by Parent and Acquisition Sub and the consummation by Parent and Acquisition Sub of the Share Exchange, the Merger and the other transaction contemplated hereby have been duly and validly authorized by all necessary corporate action, and no other corporate proceedings on the part of Parent or Acquisition Sub are necessary to authorize this Agreement or to consummate the Share Exchange, the Merger or the other transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Parent and Acquisition Sub and, assuming due authorization, execution and delivery by the Company, constitutes a legal, valid and binding obligation of each of Parent and Acquisition Sub enforceable against each of Parent and Acquisition Sub in accordance with its terms.

SECTION 4.04. *No Conflict; Required Filings and Consents.*

(a) The execution and delivery of this Agreement by Parent and Acquisition Sub do not, and the performance of this Agreement by Parent and Acquisition Sub will not, (i) conflict with or violate the Certificate of Incorporation or By-laws of Parent or Acquisition Sub; (ii) conflict with or violate any Law applicable to Parent or Acquisition Sub or by which any property or asset of either of them is bound or affected, except for such conflicts or violations which would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect; or (iii) except as specified in Schedule 4.04(a) of the separate Disclosure Schedule previously delivered by Parent to the Company (the Parent Disclosure Schedule), result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of a lien or other encumbrance on any property or asset of Parent or Acquisition Sub pursuant to any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which Parent or Acquisition Sub is a party or by which Parent or Acquisition Sub or any property or asset of either of them is bound or affected, except for any such breaches, defaults or other occurrences which would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect.

(b) The execution and delivery of this Agreement by Parent and Acquisition Sub do not, and the performance of this Agreement by Parent and Acquisition Sub will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Entity, except (i) (A) for applicable requirements, if any, of the Exchange Act or the Securities Act; (B) such filings and approvals as may be required by any applicable state securities, blue sky or takeover laws, and (C) the filing and recordation of appropriate merger documents as required by the DGCL; (ii) as specified in Schedule 4.04(b) of the separate Parent Disclosure Schedule; and (iii) where failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not by the terms of the applicable requirement prevent or delay consummation of the Merger, and would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect.

SECTION 4.05. *Absence of Litigation.* There is no claim, action, proceeding or investigation pending or, to the knowledge of the Parent, threatened against the Parent before any court, arbitrator or Governmental Entity, which seeks to delay or prevent the consummation of the Share Exchange, the Merger and or any other transaction contemplated hereby.

SECTION 4.06 *No Operations or Liabilities.* Parent and Acquisition Sub are each newly formed entities created solely for the purpose of entering into and consummating this Agreement and the other Transaction Agreements to which they are party, and except for this Agreement and the other Transaction Agreements to which they are party, neither Parent nor Acquisition Sub is party to any Contract, nor have either otherwise conducted any business or incurred any liability or obligation.

SECTION 4.07 *Information Supplied.* None of the written information supplied or to be supplied by Parent or the Acquisition Sub specifically for inclusion or incorporation by reference in any SEC Transaction Filing, at the date it or any amendment or supplement thereto is to be filed with the SEC, will contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

SECTION 4.08 *Brokers.* Except as otherwise disclosed in this Agreement, no broker, finder or investment banker is entitled to any brokerage, finder s or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Parent or Acquisition Sub.

ARTICLE V

CONDUCT OF BUSINESS PENDING THE EFFECTIVE TIME

SECTION 5.01. *Conduct of Business by the Company Pending the Effective Time.* The Company covenants and agrees that, between the date of this Agreement and the earlier of the termination of this Agreement pursuant to Article VIII or the Effective Time, unless disclosed on Schedule 5.01 or Parent shall otherwise agree in writing, the businesses of the Company and the Subsidiaries shall be conducted only in, and the Company and the Subsidiaries shall not take any action except in, the Ordinary Course; and the Company shall use all commercially reasonable efforts to preserve intact its business organization, to keep available the services of the current officers, employees and consultants of the Company and the Subsidiaries and to preserve the current relationships of the Company and the Subsidiaries with customers, suppliers and other persons with which the Company or any Subsidiary has business relations. By way of amplification and not limitation, except as contemplated by this Agreement, neither the Company nor any of the Subsidiaries shall, between the date of this Agreement and the earlier of the termination of this Agreement pursuant to Article VIII or the Effective Time, directly or indirectly do, propose or commit to do, or authorize any of the following without the prior written consent of Parent (except as disclosed on Schedule 5.01 or as the same may be expressly required by or necessary to perform its obligations under this Agreement or any other Transaction Agreement):

(a) amend or otherwise change the Company s Certificate of Incorporation or By-laws or equivalent organizational documents of any Subsidiary;

(b) issue, sell, pledge, dispose of, grant, encumber, or authorize the issuance, sale, pledge, disposition, grant or encumbrance of any Shares or any shares of capital stock of any class of the Company or the Subsidiaries, or any options, warrants, convertible securities or other rights of any kind to acquire any Shares or shares of such capital stock, or any other ownership interest (including, without limitation, any phantom interest), of the Company or any Subsidiary (except for the issuance of Shares issuable pursuant to the exercise of employee stock options or other awards outstanding on the date hereof as set forth on Schedule 3.03 to the Company Disclosure Statement);

(c) transfer, lease, license, guarantee, sell, mortgage, pledge, dispose of or encumber any assets of the Company or any Subsidiary, except for sales and licenses in the Ordinary Course;

(d) declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of its capital stock, except that a wholly-owned Subsidiary may declare and pay a dividend to its parent;

(e) reclassify, combine, split, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock;

(f) (i) acquire (including, without limitation, by merger, consolidation, or acquisition of stock or assets) any corporation, partnership, other business organization or any division thereof or any assets outside the Ordinary Course; (ii) incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee or endorse, or otherwise as an accommodation become responsible for, the obligations of any person, or make any loans or advances, except in the Ordinary Course; or (iii) enter into or amend in any material respect any Material Contract or enter into any Material Contract that would be breached by, or require the consent of any third party in order to continue in full force following, consummation of the Merger;

(g) increase (except salary increases in the Ordinary Course) the compensation payable or to become payable to its officers or employees generally, or grant any bonus, severance or termination pay to, or enter into any employment or severance agreement with any director, officer or other employee of the Company or any Subsidiary, or establish, adopt, enter into or amend any collective bargaining, bonus, profit sharing, thrift, compensation, stock option, restricted stock, pension, retirement, deferred compensation, employment, termination, severance or other plan, agreement, trust, fund, policy or arrangement for the benefit of any director, officer or employee;

(h) take any action, other than reasonable and usual actions in the Ordinary Course, with respect to accounting policies or procedures (including, without limitation, procedures with respect to the payment of accounts payable and collection of accounts receivable);

(i) pay, discharge or satisfy any claim, liability or obligation (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction, in the Ordinary Course, of liabilities reflected or reserved against in the Company 2003 Balance Sheet, or subsequently incurred in the Ordinary Course, or as permitted by clause (l) below;

(j) fail to comply in all material respects with applicable Laws;

(k) fail to pay and discharge any Taxes upon or against any of its properties or assets before the same shall become delinquent and before penalties accrue thereon, except to the extent and so long as the same are being contested in good faith and by appropriate proceedings;

(l) settle or compromise any claims or litigation (x) for an amount in any case in excess of $250,000 or (y) seeking injunctive relief against or on behalf of the Company;

(m) authorize, recommend, propose or announce an intention to adopt a plan of complete or partial liquidation or dissolution of the Company or any of its Subsidiaries;

(n) make or revoke any material tax election not required by law or settle or compromise any material tax liability or amend, in any material respect, any Tax Return or closing agreement with respect to Taxes;

(o) other than in the Ordinary Course, (i) waive any rights of material value or (ii) cancel or forgive any material indebtedness for borrowed money owed to the Company or any of its Subsidiaries other than indebtedness of the Company or a wholly-owned Subsidiary of the Company;

(p) except as may be required as a result of a change in law or under GAAP, make any material change in its methods, principles and practices of accounting, including tax accounting policies and procedures;

(q) acquire (by merger, consolidation or acquisition of stock or assets) any corporation, partnership or other business organization or division thereof material to the Company and its Subsidiaries taken as a whole;

(r) enter into any material joint venture, partnership or similar agreement;

(s) enter into any contract or agreement which limits the ability of the Company or any Subsidiary to compete in any material manner with or conduct any business or line of business in any geographic area;

(t) terminate or fail to maintain any insurance policies, other than with respect to Policies which are replaced in the Ordinary Course with policies of substantially similar type, term, amount of coverage, and premium; or

(u) commit to do any of the foregoing, take, or agree in writing or otherwise to take, any of the foregoing actions or take or fail to take any action which would make any representation or warranty of the Company contained in this Agreement untrue or incorrect as of the date when made or as if made as of the Effective Time (other than representations and warranties which address matters only as of a certain date(s), in which case untrue or incorrect as of such certain date(s).

ARTICLE VI

ADDITIONAL AGREEMENTS

SECTION 6.01. *Company Stockholders Meeting.* The Company shall duly give notice of, convene and hold a meeting of its stockholders (the Company Stockholders Meeting) for the purpose of voting upon this Agreement (insofar as it relates to the Merger), the Merger and related matters within 40 calendar days of the mailing of the definitive Company Proxy Statement as contemplated by Section 6.02 below. The Company shall, through its Board of Directors, recommend to its stockholders approval and adoption of this Agreement and approval of the Merger. If the Board of Directors of the Company shall have withdrawn its approval or recommendation of this Agreement or the Merger to the extent permitted by Section 6.05, the obligations set forth in the preceding two sentences of this paragraph shall terminate and be of no further force or effect.

SECTION 6.02. *SEC Transaction Filings.* Within fifteen (15) calendar days following the date of this Agreement, the Company shall file the preliminary SEC Transaction Filings related to the Merger and this Agreement with the SEC and shall use reasonable best efforts to respond to any comments of the SEC or its staff and to cause a definitive Company Proxy Statement to be mailed to the Company s stockholders within five (5) days after the SEC Transaction Filings is cleared by the SEC. The Parent and the Company shall cooperate with each other in the preparation of the SEC Transaction Filings. The Company shall notify Parent promptly of the receipt of and shall respond promptly to (i) any comments from the SEC or its staff and (ii) any request by the SEC or its staff for amendments or supplements to the SEC Transaction Filings or for additional information and will supply Parent with copies of all correspondence between the Company or any of its representatives, on the one hand, and the SEC or its staff, on the other hand, with respect to the SEC Transaction Filings or the Merger. If at any time prior to the approval of this Agreement by the Company s stockholders there shall occur any event that is required to be set forth in an amendment or supplement to any SEC Transaction Filing, the Company will promptly notify Parent thereof and the Parent and the Company shall cooperate in the preparation and mailing to its stockholders such an amendment or supplement. Parent and its counsel shall be given a reasonable opportunity to be involved and the Company and the Parent shall cooperate in the drafting of and review and comment upon any SEC Transaction Filing and any amendment or supplement thereto and any such correspondence and the Company shall not mail any Company Proxy Statement, or any amendment or supplement thereto, to which Parent reasonably objects. Subject to Section 6.05, the Company shall include in the definitive Company Proxy Statement the recommendation of the Company s board of directors that stockholders of the Company vote in favor of the approval of the Merger and the adoption of this Agreement and shall use all reasonable efforts to solicit from the holders of Daleen

Common Stock and Daleen Series F Preferred Stock proxies in favor of the Merger, and take all actions reasonably necessary or, in the reasonable opinion of Parent and Acquisition Sub, advisable to secure the approval of stockholders required by the DGCL, the Company s Certificate of Incorporation and any other applicable law to effect the Merger.

SECTION 6.03. *Appropriate Action; Consents; Filings.*

(a) The Company and Parent shall use commercially reasonable efforts to (i) take, or cause to be taken, all appropriate action and do, or cause to be done, all things necessary, proper or advisable under applicable Law or otherwise to consummate and make effective the Share Exchange, the Merger and the other transactions contemplated hereby as promptly as practicable; (ii) obtain in a timely manner from any Governmental Entities any consents, licenses, permits, waivers, approvals, authorizations or orders required to be obtained or made by Parent or the Company or any of their subsidiaries in connection with the authorization, execution and delivery of this Agreement and the consummation of the Share Exchange, the Merger and the other transactions contemplated hereby; and (iii) as promptly as practicable make all necessary filings, and thereafter make any other required submissions, with respect to this Agreement, the Share Exchange, the Merger or the other transactions contemplated hereby that are required under (A) the Exchange Act, and any other applicable federal or state securities laws, (B) the HSR Act and any related governmental request thereunder, and (C) any other applicable Law; provided that Parent and the Company shall cooperate with each other in connection with the making of all such filings, including providing copies of all such documents to the non-filing party and its advisors prior to filing and, if requested, to accept all reasonable additions, deletions or changes suggested in connection therewith. The Company and Parent shall furnish to each other all information required for any application or other filing to be made pursuant to the rules and regulations of any applicable law (including all information required to be included in any SEC Transaction Filing) in connection with the transactions contemplated by this Agreement.

(b) Without limiting the generality of their undertakings pursuant to Section 6.03(a), each party hereto shall (i) use commercially reasonable efforts to prevent the entry in a judicial or administrative proceeding brought under any antitrust law by any Governmental Entity with jurisdiction over enforcement of any applicable antitrust laws or any other party of any permanent or preliminary injunction or other order that would make consummation of the Share Exchange, the Merger or any other transaction contemplated hereby in accordance with the terms of this Agreement (as it may be amended from time to time) unlawful or would prevent or delay it; and (ii) take promptly, in the event that such an injunction or order has been issued in such a proceeding, all steps necessary to take an appeal of such injunction or order.

(c) Notwithstanding anything to the contrary in this Section 6.03, the parties agree that, in response to any action taken or threatened to be taken by any court or Governmental Entity, Parent shall not be required to (i) take any action or agree to the imposition of any order that would compel Parent or the Company (or any of their respective subsidiaries) to sell, license or otherwise dispose of, hold separate or otherwise divest itself of any portion of its respective business or assets in order to consummate the Share Exchange, the Merger or any other transaction contemplated hereby or (ii) impose any limitation on Parent s ability to own or operate the business and operations of the Company and its Subsidiaries.

(d) (i) Each of Parent and the Company shall give (or shall cause its respective subsidiaries to give) any notices to third parties and use, and cause its respective subsidiaries to use, their reasonable best efforts to obtain any third party consents (A) necessary, proper or advisable to consummate the transactions contemplated in this Agreement, (B) disclosed or required to be disclosed in the Company Disclosure Schedule or the Parent Disclosure Schedule or (C) required to prevent a Company Material Adverse Effect from occurring prior to or after the Effective Time or a Parent Material Adverse Effect from occurring after the Effective Time; provided, however, that the Company and its Subsidiaries shall not be required to, and shall not without the written consent of Parent, incur fees and expenses in excess of $[100,000] in the aggregate in order to obtain any such third party consents.

(ii) In the event that either Parent or the Company shall fail to obtain any third party consent described in subsection (b)(i) above, it shall use its commercially reasonable efforts, and shall take any such actions reasonably requested by the other party, to minimize any adverse effect upon the Company and Parent, their respective subsidiaries, and their respective businesses resulting, or which could reasonably be expected to result after the Effective Time, from the failure to obtain such consent.

(e) From the date of this Agreement until the Effective Time, each party shall promptly notify the other party in writing of any pending or, to the knowledge of the first party, threatened action, proceeding or investigation by any Governmental Entity or any other person (i) challenging or seeking material damages in connection with the Share Exchange, the Merger or any other transaction contemplated hereby; or (ii) seeking to restrain or prohibit the consummation of the Share Exchange, the Merger or any other transaction contemplated hereby or otherwise limit the right of Parent or, to the knowledge of such first party, Parent s subsidiaries to own or operate all or any portion of the businesses or assets of the Company or its Subsidiaries, which in either case is reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect prior to or after the Effective Time, or a Parent Material Adverse Effect prior to the Effective Time.

(f) Each of the Company and Parent shall keep the other informed of any material communication, and provide to the other copies of all correspondence between it (or its advisors) and any Government Entity relating to this Agreement and shall permit the other to review any material communication to be given by it to, and shall consult with each other in advance of any telephone calls, meetings or conferences with, any Government Entity and, to the extent permitted, give the other party the opportunity to attend and participate in such telephone calls, meetings and conferences.

SECTION 6.04. *Access to Information; Confidentiality.*

(a) From the date hereof to the earlier of the termination of this Agreement and the Effective Time, upon reasonable notice and subject to restrictions contained in confidentiality agreements to which the Company is subject (from which the Company shall use commercially reasonable efforts to be released), the Company and its subsidiaries will provide to Parent (and its representatives, advisors, counsel and consultants) full access to the offices and other facilities and to the books and records of the Company and its Subsidiaries and all information and documents which Parent may reasonably request regarding the business, assets, liabilities, employees and other aspects of the Company, other than information and documents that in the opinion of the Company s counsel may not be disclosed under applicable law.

(b) No investigation pursuant to this Section 6.04 shall affect any representation or warranty in this Agreement of any party hereto or any condition to the obligations of the parties hereto.

SECTION 6.05. *No Solicitation of Competing Transactions.* Neither the Company nor any Subsidiary shall, directly or indirectly, through any officer, director, agent or otherwise, initiate, solicit or knowingly encourage (including by way of furnishing non-public information or assistance), or take any other action to facilitate knowingly, any inquiries about or the making of any proposal that the Company enter into any Competing Transaction, or enter into or maintain or continue discussions or negotiate with any person or entity in furtherance of such inquiries or to obtain a Competing Transaction, or agree to or endorse any Competing Transaction or withdraw or modify or propose publicly to withdraw or modify the approval or recommendation of the Board of Directors of this Agreement, the tender of Shares pursuant to the Share Exchange, the Merger or any other transaction contemplated hereby, or authorize or permit any person to take any such action, and the Company shall notify Parent orally (within one (1) business day) and in writing (as promptly as practicable) after receipt by any officer or director of the Company or any Subsidiary or any investment banker, financial advisor or attorney retained by the Company or any Subsidiary, of any inquiry concerning, or proposal for, a Competing Transaction, or of any request for nonpublic information relating to the Company or any of its Subsidiaries either in connection with such an inquiry or proposal or when such request for nonpublic information could reasonably be expected to lead to such a proposal, provided, however, that nothing contained in this Section 6.05 shall prohibit the board of directors of the Company from (i) furnishing information to, or entering into discussions or negotiations with, any person or entity that makes an unsolicited, bona fide written proposal for a Competing

Transaction, if, and only to the extent that, (A) the board of directors of the Company, after consultation with independent legal counsel (who may be the Company s regularly engaged independent legal counsel), determines in good faith that such action is necessary for the board of directors of the Company to comply with its fiduciary duties to stockholders under applicable law, and, solely with respect to entering into such discussions or negotiations, the board of directors of the Company determines in good faith, based on the written opinion of VRC or another nationally recognized financial advisor, that such Competing Transaction is reasonably likely to be more favorable to the Company s stockholders from a financial point of view than the Share Exchange, the Merger and the other transactions contemplated hereby and (B) prior to furnishing such information to, or entering into discussions or negotiations with, such person or entity, the Company (x) provides at least five (5) business days notice to Parent to the effect that it is furnishing information to, or entering into discussions or negotiations with, such person or entity and provides in any such notice to Parent in reasonable detail, the identity of the person or entity making such proposal and the terms and conditions of such proposal and any material updates with respect thereto, (y) provides Parent with all information to be provided to such person or entity which Parent has not previously been provided, and (z) receives from such person or entity an executed confidentiality agreement in reasonably customary form; (ii) complying with Rule 14e-2 promulgated under the Exchange Act with regard to a third-party tender or exchange offer, provided, however, that the board of directors of the Company shall not recommend acceptance of such tender or exchange offer unless, in the good faith judgment of the board of directors of the Company, after consultation with independent legal counsel, failure to recommend acceptance would constitute a violation of its fiduciary duties to the Company s stockholders under applicable law; or (iii) failing to make or withdrawing or modifying its recommendation of acceptance of the Share Exchange or the Merger following the making of an unsolicited, bona fide written proposal relating to a Competing Transaction if the board of directors of the Company, after consultation with independent legal counsel (who may be the Company s regularly engaged independent legal counsel) determines in good faith that such action is necessary for the board of directors of the Company to comply with its fiduciary duties to stockholders under applicable law and the board of directors of the Company determines in good faith, based on the written opinion of a nationally recognized financial advisor, that such Competing Transaction is reasonably likely to be more favorable to the Company s stockholders from a financial point of view than the Share Exchange, the Merger and the other transactions contemplated hereby. The Company agrees not to release any third party from, or waive any provision of, any confidentiality or standstill agreement to which the Company is a party. For purposes of this Agreement, Competing Transaction shall mean: (i) any merger, consolidation, share exchange, business combination, liquidation, recapitalization or other similar transaction involving the Company or any Subsidiary; (ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition of fifteen percent (25%) or more of the assets of the Company and the Subsidiaries, taken as a whole, in a single transaction or series of transactions; (iii) any tender offer or exchange offer for fifteen (25%) or more of the Shares or the filing of a registration statement under the Securities Act in connection therewith; (iv) any person having acquired beneficial ownership or the right to acquire beneficial ownership of, or any group (as such term is defined under Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder) having been formed which beneficially owns or has the right to acquire beneficial ownership of, fifteen (25%) or more of the Shares; or (v) any public announcement of a proposal, plan or intention to do any of the foregoing or any agreement to engage in any of the foregoing. In addition to the other obligations of the Company set forth in this Section 6.05, the Company shall promptly advise Parent orally and in writing of any request for information or other inquiry that the Company reasonably believes could lead to a Competing Transaction, the terms and conditions of any such request or inquiry (including any changes thereto) and the identity of the person making any such request or inquiry. The Company shall (i) promptly keep Parent fully informed of the status and details (including any change to the terms thereof) of any such request or inquiry and (ii) provide to Parent as soon as practicable after receipt or delivery thereof copies of any written offer, all correspondence and any other written material sent or provided to the Company or any of its Subsidiaries from any person that describes any of the terms or conditions of any such request or inquiry.

SECTION 6.06. *Directors and Officers Indemnification and Insurance.*

(a) The Surviving Corporation shall use commercially reasonable efforts to maintain in effect for six (6) years from the Effective Time, if available, (i) directors and officers liability insurance covering those persons who are currently covered by the Company s directors and officers liability insurance policy on terms comparable to those applicable to the then current directors and officers of Parent; or (ii) the current directors and officers liability insurance policies maintained by the Company with respect to matters occurring prior to the Effective Time; provided, however, that in no event shall the Surviving Corporation be required to expend pursuant to this Section 6.06 more than an amount per year equal to 200% of current annual premiums paid by the Company for such insurance.

(b) This Section 6.06 shall survive the consummation of the Merger at the Effective Time, is intended to benefit the Company, the Surviving Corporation and the present and former directors and officers of the Company (the Indemnified Parties), shall be binding, jointly and severally on all successors and assigns of the Surviving Corporation, and shall be enforceable by the Indemnified Parties.

SECTION 6.07. *Notification of Certain Matters; Updating of Disclosure Schedules.* (a) *Certain Notices.* From and after the date of this Agreement until the Effective Time, each party hereto shall promptly notify the other party hereto of (a) the occurrence, or nonoccurrence, of any event the occurrence, or non-occurrence of which would be likely to cause (i) any representation or warranty made in this Agreement by such party, or any information furnished on any Schedule in the Parent Disclosure Schedule or the Company Disclosure Schedule by such party, to be inaccurate either at the time such representation or warranty is made, or such information is furnished, or at the time of the occurrence or non-occurrence of such event; or (ii) any failure by such party to comply with or satisfy any condition to the obligations of such party to effect the Share Exchange, the Merger and the other transactions contemplated by this Agreement, or (b) the failure of the Company or Parent, as the case may be, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it pursuant to this Agreement which would be likely to result in any condition to the obligations of any party to effect the Share Exchange, the Merger and the other transactions contemplated by this Agreement not to be satisfied; provided, however, that the delivery of any notice pursuant to this Section 6.07 shall not be deemed to be an amendment of this Agreement or any Schedule in the Parent Disclosure Schedule or the Company Disclosure Schedule and shall not cure any breach of any representation or warranty requiring disclosure of such matter prior to the date of this Agreement. No delivery of any notice pursuant to this Section 6.07 shall limit or affect the remedies available hereunder to the party receiving such notice.

(b) *Updating of Disclosure Schedules.* Not later than the fifth business day prior to the scheduled Closing Date, the Company shall provide updated disclosure schedules to Parent reflecting any developments between the date hereof and the Closing Date which are expected to cause any of the representations of the Company set forth herein to be inaccurate or incomplete in any respect as of the Closing. Delivery of such updated disclosure schedules shall not be deemed to update, modify or amend in any respect the representations and warranties of the Company for purposes of Section 7.04, save in respect of such matters as fall within the exclusions from the definition of Company Material Adverse Effect set forth in Section 13.1, and, subject to the foregoing exception, Parent shall retain all of its rights under Section 7.04 based on the representations and warranties of the Company contained herein, as modified by the disclosure schedules delivered on the date hereof. If Parent elects to consummate the Closing notwithstanding the matters disclosed on such updated disclosure schedules, then the representations and warranties of the Company and shall be deemed modified for purposes of Article IX solely to the extent of matters that both (a) are expressly disclosed on the respective updated schedules and (b) relate solely to matters intervening between the date hereof and the Closing Date that cause a representation which is true and correct as of the date hereof not to be correct when given as of the Closing Date. The modification provided for in the preceding sentence shall not apply to a matter insofar as knowledge acquired between the date hereof and Closing causes a representation or warranty to be known to have been incorrect as of the date hereof.

SECTION 6.08. *Public Announcements.* Parent and the Company shall consult with each other before issuing any press release or otherwise making any public statements with respect to this Agreement or the Share Exchange, the Merger and the other transactions contemplated hereby and shall not issue any such press release or make any such public statement prior to such consultation, except as may be required by Law. The parties have agreed on the text of a joint press release by which Parent and the Company will announce the execution of this Agreement.

SECTION 6.09. *State Takeover Laws.* If any fair price, moratorium, control share acquisition, interested stockholder or other similar anti-takeover statute or regulation (each a Takeover Statute) (including the Interested Stockholder Statute) is or may become applicable to the Merger or the other transactions contemplated by this Agreement, each of Parent and the Company shall grant such approvals and take such actions as are necessary so that such transactions may be consummated as promptly as practicable on the terms contemplated by this Agreement, and otherwise act to eliminate or minimize the effects of such Takeover Statutes.

SECTION 6.10. *Additional Company SEC Reports; Financial Statements.* From and after the date of this Agreement until the Effective Time, (i) the Company shall file all forms, reports and documents required to be filed by it with the SEC; (ii) each of such forms shall be prepared in accordance with the requirements of the Securities Act and the Exchange Act, as the case may be, and the rules and regulations thereunder; (iii) each of such forms will not at the time they are filed contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they are made, not misleading; and (iv) each of such forms will not at the time they are filed omit any documents required to be filed as exhibits thereto. Each of the consolidated financial statements (including, in each case, the notes thereto) contained in the SEC reports referred to in the previous sentence shall be prepared in accordance with GAAP (except as may be indicated in the notes thereto) and each will fairly present the consolidated financial position, results of operations and cash flows of the Company and the consolidated Subsidiaries as at the respective dates thereof and for the respective periods indicated therein in accordance with GAAP (subject, in the case of unaudited statements, to normal and recurring quarterly and/or year-end adjustments which are not expected to be material in amount).

ARTICLE VII

CONDITIONS

SECTION 7.01. *Conditions to the Obligations of Each Party to the Share Exchange.* The obligations of Parent, Behrman and SEF to consummate the Share Exchange shall be subject to the satisfaction each of the conditions set forth in Sections 7.02, 7.03 and 7.04 following, save for those conditions which can only be satisfied by a delivery made at the Merger Closing. In addition, the obligations of Parent to consummate the Share Exchange shall be subject to the satisfaction of the condition that each of the representations of Behrman and SEF in Section 1.01(d) be true and correct as of the Share Exchange Closing as if made on the Closing Date.

SECTION 7.02. *Conditions to the Obligations of Each Party to the Merger.* The obligations of the Company, Parent and Acquisition Sub to consummate the Merger are subject to the satisfaction of the following conditions:

(a) this Agreement (insofar as it relates to the Merger) and the Merger contemplated hereby shall have been approved and adopted by the requisite affirmative vote or consent of the stockholders of the Company in accordance with the DGCL and the Company s Certificate of Incorporation;

(b) Behrman and SEF shall have delivered the Exchange Shares to Parent and Parent shall have issued the Share Exchange Consideration to Behrman and SEF as contemplated by Section 1.01;

(c) all conditions to the consummation of the transactions contemplated by the Investment Agreement shall have been satisfied (or, to the extent permitted thereby, waived), save for (i) the Closing hereunder, (ii) the consummation of the transactions contemplated by the Protek Agreement, and (iii) those conditions which could only be satisfied by deliveries made at the closing under the Investment Agreement;

(d) all conditions to the consummation of the transactions contemplated by the Protek Agreement shall have been satisfied (or, to the extent permitted thereby, waived), save for (i) the Closing hereunder, (ii) the consummation of the Investment Agreement, and (iii) those conditions which could only be satisfied by deliveries made at the closing under the Protek Agreement;

(e) the Dissenting Shares shall not include more than (a) 5% of the shares of Daleen Common Stock outstanding as of the Effective Time (including Exchanged Shares) nor (b) 5% of the outstanding shares of Daleen Series F Preferred Stock outstanding as of the Effective Time (including Exchanged Shares); and

(f) no order, stay, decree, judgment or injunction shall have been entered, issued or enforced, by any Governmental Entity or court of competent jurisdiction which prohibits consummation of the Merger or any other transaction contemplated hereby, and there shall not be any action taken, or any statute, rule, regulation or order enacted, entered, enforced or deemed applicable to the Merger or any other transaction contemplated hereby, which makes the consummation of the Merger or any other transaction contemplated hereby illegal or substantially deprives the Parent of any of the anticipated benefits of the Merger or any other transaction contemplated hereby.

SECTION 7.03. *Conditions to the Obligations of the Company Concerning the Merger.* The obligations of the Company to consummate the Merger are subject to the satisfaction of the following conditions:

(a) The representations and warranties of Parent and Acquisition Sub contained in this Agreement (i) to the extent qualified by materiality or Material Adverse Effect shall be true and correct in all respects at and as of the date of this Agreement and as if made on and as of the Effective Time (other than those representations and warranties which address matters only as of a certain date, which shall be true and correct as of such certain date), (ii) to the extent not qualified by materiality or Material Adverse Effect (other than Section 4.02) shall be true and correct in all material respects at and as of the date of this Agreement and as if made on and as of the Effective Time (other than those representations and warranties which address matters only as of a certain date, which shall be true and correct as of such certain date), and (iii) to the extent contained in Section 4.02 shall be true and correct in all respects at and as of the date of this Agreement and as if made on and as of the Effective Time (other than those representations and warranties which address matters only as of a certain date, which shall be true and correct as of such certain date);

(b) Parent and Acquisition Sub shall have fully performed in all material respects each of their covenants set forth in this Agreement; and

(c) Parent and Acquisition Sub shall have delivered to the Company a certificate of an authorized officer of each of them, in form and substance satisfactory to the Company, as to the satisfaction of the conditions set forth in paragraphs (a) and (b) preceding.

SECTION 7.04. *Conditions to the Obligations of Parent and Acquisition Sub Concerning the Merger.* The obligations of Parent and Acquisition Sub to consummate the Merger are subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Company contained in this Agreement (i) to the extent qualified by materiality or Material Adverse Effect shall be true and correct in all respects at and as of the date of this Agreement and as if made on and as of the Effective Time (other than those representations and warranties which address matters only as of a certain date, which shall be true and correct as of such certain date), (ii) to the extent not qualified by materiality or Material

Adverse Effect (other than Section 3.03) shall be true and correct in all material respects at and as of the date of this Agreement and as if made on and as of the Effective Time (other than those representations and warranties which address matters only as of a certain date, which shall be true and correct as of such certain date), and (iii) to the extent contained in Section 3.03 shall be true and correct in all respects at and as of the date of this Agreement and as if made on and as of the Effective Time (other than those representations and warranties which address matters only as of a certain date, which shall be true and correct as of such certain date), provided, however, that no representation or warranty shall be deemed to be untrue or incorrect as of the Effective Time on the basis of the existence, settlement or resolution of any Specified Litigation;

(b) The Company shall have fully performed in all material respects each of its covenants set forth in this Agreement;

(c) The Company shall have delivered to Parent and Acquisition Sub a certificate of an authorized officer of the Company, in form and substance satisfactory to Parent and Acquisition Sub, as to the satisfaction of the conditions set forth in paragraphs (a) and (b) preceding;

(d) The Company shall 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 this Agreement and each other Transaction Agreement and waiving any default in respect of the same; and

(e) There shall not have occurred after the date hereof, or as of the Closing Date, any occurrence that has or would reasonably be expected to have a Company Material Adverse Effect, and the aggregate amount of all claims by Parent Indemnitees for indemnification under Section 9.01(d) made prior to the Closing Date shall not exceed, after giving effect to the limitations on indemnification in Section 9.01(e) and to all offsets pursuant to Section 9.04, $1,000,000.

ARTICLE VIII

TERMINATION, AMENDMENT AND WAIVER

SECTION 8.01. *Termination.* This Agreement may be terminated and the Share Exchange, the Merger and the other transactions contemplated hereby may be abandoned at any time prior to the Effective Time, notwithstanding any requisite approval and adoption of this Agreement and the transactions contemplated hereby by the stockholders of the Company:

(a) by mutual written consent duly authorized by the boards of directors of each of Parent, Acquisition Sub and the Company; or

(b) by either Parent or the Company if a court of competent jurisdiction or other Governmental Entity shall have issued, enacted, promulgated, or enforced any law, order, judgment, decree, injunction or ruling or taken any other action (that has not been vacated, withdrawn or overturned), in each case permanently restraining, enjoining or otherwise prohibiting the Share Exchange, the Merger or any other transaction contemplated hereby, and such law, order, judgment, ruling, injunction, order or decree shall have become final and nonappealable; provided, that the party seeking to terminate pursuant to this Section 8.01(b) shall have used its reasonable best efforts to challenge such law, order, judgment, decree, injunctions or ruling;

(c) by Parent or the Company, if the Effective Time shall not have occurred on or prior to September 30, 2004 (the Termination Date); provided that the right to terminate this Agreement pursuant to this Section 8.01(c) shall not be available to the Parent or the Company if such party shall have materially breached this Agreement, or if the failure of the Effective Time to have occurred by the Termination Date is the result of a material breach of this Agreement by the party seeking to terminate this Agreement;

(d) by the Company, if there shall have occurred, on the part of Parent or Acquisition Sub, a breach of any representation, warranty, covenant or agreement contained in this Agreement that (x) would result in a failure of a condition set forth in Section 7.03(a) or 7.03(b) and (y) which is not curable or, if curable, is not cured within thirty (30) calendar days after written notice of such breach is given by the Company to Parent;

(e) by Parent, if there shall have occurred, on the part of the Company, a breach of any representation, warranty, covenant or agreement contained in this Agreement that (x) would result in a failure of a condition set forth in Section 7.04(a) or 7.04(b) and (y) which is not curable or, if curable, is not cured within thirty (30) calendar days after written notice of such breach is given by Parent to the Company;

(f) by Parent, if (i) the Company s board of directors or any committee thereof shall have withdrawn, modified, changed or failed to publicly affirm, within ten (10) days after the Parent s reasonable request, its approval or recommendation in respect of this Agreement, the Merger or the Share Exchange in a manner adverse to the Merger or the Share Exchange, or to Parent or Acquisition Sub, (ii) the Company s board of directors or any committee thereof shall have recommended any Competing Transaction, the Company enters into an agreement relating to the Company Transaction or the Company shall have consummated a Competing Transaction; (iii) the Company shall have violated or breached in any material respect any of its obligations under Section 6.05 or (iv) the board of directors of the Company or any committee thereof shall have resolved to take any of the foregoing actions;

(g) by the Company, if the board of directors of the Company or any committee thereof, after compliance with its obligations under Section 6.05, shall have recommended or resolved to recommend to the stockholders of the Company a proposal for a Competing Transaction under circumstances where a majority of such directors reasonably determines in good faith (i) after consultation with independent legal counsel, that failure to accept such proposal would be a breach of the fiduciary duty of such directors and (ii) based on the written opinion of a nationally recognized financial advisor, that such Competing Transaction is reasonably likely to be more favorable to the Company s stockholders from a financial point of view than the Merger; provided that any termination of this Agreement by the Company pursuant to this Section 8.01(g) shall not be effective unless and until (A) the board of directors of the Company has provided Parent with written notice that the Company intends to enter into a binding written agreement in respect of such Competing Transaction, (B) the Company shall have attached the most current written version of such Competing Transaction to such notice, and (C) Parent does not make, within five (5) days after receipt of the Company s written notice, an offer that the board of directors of the Company shall have determined in good faith (after consultation with its aforementioned outside legal and financial advisors) is as favorable to the stockholders of the Company as such Competing Transaction.

SECTION 8.02. *Effect of Termination.* Except as provided in Section 10.01, Section 6.04, this Section 8.02, Article X, in the event of the termination of this Agreement pursuant to Section 8.01, this Agreement shall forthwith become void and have no effect, without any liability on the part of Parent, Acquisition Sub, the Company, Behrman, SEF or any of their respective officers or directors. Nothing contained in this Section 8.02 shall relieve any party from liability for any material breach of this Agreement.

SECTION 8.03. *Fees and Expenses.*

(a) Upon a termination of this Agreement pursuant to Sections 8.01(f) or (g), the fees described in the Transaction Support Agreement shall be payable, subject to the terms and conditions set forth therein.

(b) Except as set forth in this Section 8.03, all costs and expenses incurred in connection with this Agreement and the Share Exchange, the Merger or any other transaction contemplated hereby shall be paid by the party incurring such expenses, whether or not the Share Exchange, the Merger or any other transaction contemplated hereby is consummated.

SECTION 8.04. *Amendment.* This Agreement may be amended by Parent and the Company by action taken by or on behalf of their respective boards of directors at any time prior to the Effective Time; provided, however, that (a) after the approval and adoption of this Agreement and the transactions contemplated hereby by the stockholders of the Company, if required, no amendment may be made which would reduce the per share amount or change the type of consideration into which each Share shall be converted upon consummation of the Merger, (b) no provision of Section 1.01 hereof may be amended without the written consent of Behrman and SEF, (c) no amendment which otherwise adversely affects the rights and obligations of Behrman and SEF hereunder may be made without the written consent of Behrman and SEF, and (d) the rights of amendment provided for hereunder are acknowledged to be subject to certain provisions of a Transaction Support Agreement of even date herewith among the parties to this Agreement, the Investment Agreement and the Protek Agreement. This Agreement may not be amended prior to the Effective Time except by an instrument in writing signed by the parties hereto provided for in the preceding sentence. This Agreement may be amended after the Effective Time by the written consent of Parent, Behrman and Series F Holders holding a majority in interest of all shares of Daleen Series F Preferred Stock held by Series F Holders immediately prior to the Effective Time.

SECTION 8.05. *Waiver.* Any party hereto may, to the extent legally allowed, (a) extend the time for the performance of any obligation or other act of any other party hereto, (b) waive any inaccuracy in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) waive compliance with any agreement or condition contained herein. Any such extension or waiver shall be valid if set forth in an instrument in writing signed by the party or parties to be bound thereby. Such rights of waiver shall be subject to the provisions of the Transaction Support Agreement.

ARTICLE IX

INDEMNIFICATION

SECTION 9.01. *Indemnification of Parent by Behrman, SEF and the Series F Holders.*

(a) Subject to the limitations and expiration dates contained in Section 10.01 and in this Article 9, Behrman, SEF and each Series F Holder (or, if the Closing shall not have occurred, the Company) shall, severally but not jointly, indemnify, defend and hold harmless Parent and its respective directors, officers, managers, employees, equity holders, agents, Affiliates (including upon Closing the Company and the Subsidiaries), successors and permitted assigns (collectively, the Parent Indemnitees) and each of them from and against, and shall pay and/or reimburse the foregoing Persons for, any and all losses, Liabilities, claims, obligations, damages and costs and expenses (including reasonable attorneys fees and disbursements and other costs incurred or sustained by an Indemnitee in connection with the investigation, defense or prosecution of any such claim or any action or proceeding between the Indemnitee and the Indemnifying Party or between the Indemnitee and any third party or otherwise), whether or not involving a third-party claim (collectively, Losses), relating to or arising out of the breach of any representation, warranty, covenant or agreement of the Company, Behrman or SEF contained in this Agreement.

(b) Except as set forth in the second sentence of this paragraph and subject to the additional limitations set forth in Section 9.01(c), Behrman, SEF and the Series F Holders (or, if closing shall not have occurred, the Company) shall not be required to indemnify the Parent Indemnitees with respect to any claim for indemnification pursuant to Section 9.01(a) unless and until the aggregate amount of all claims against Behrman, SEF and the Series F Holders (or, if Closing shall not have occurred, the Company) under Section 9.01(a) exceeds $250,000, at which point Behrman, SEF and the Series F Holders (or, if Closing shall not have occurred, the Company) shall be liable for the full amount of all such Losses. The amount of the indemnifiable portion of any Loss for which indemnification is sought under Section 9.01(a) shall be allocated among Behrman, SEF and the Series F Holders as follows: (a) 49.8%(the Behrman Indemnification Percentage) to Behrman and SEF, *pro rata* to their ownership of Daleen Series F Preferred Stock immediately prior to consummation of the Share Exchange, to the extent there are assets available therefor in the Behrman Escrow, and (b) 50.2%(the Series F Indemnification Percentage) to the Series F Holders, *pro rata* to their ownership of Daleen Series F

Preferred Stock immediately prior to the Effective Time, to the extent there are assets available therefor in the General Escrow. The limitations in the preceding sentence shall not limit in any way (a) the rights of the Parent Indemnitees to indemnification in respect of any remedies in respect of any inaccuracies in the representations and warranties contained in Sections 4.1, 4.2, 4.4 and Section 5, nor (b) the remedies of the Parent Indemnitees in respect of fraud or willful misrepresentation.

(c) The sole remedy of any Parent Indemnitee in respect of any claim for indemnification against Behrman, SEF or the Series F Holders under Section 9.01(a) (absent fraud by such entity and except in respect of any remedies in respect of any inaccuracies in the representations and warranties contained in Section 1.01(d)) shall be the right of Parent, exercisable on its own behalf or on behalf of the other Parent Indemnitees, to cause the forfeiture to Parent of such cash or shares of Parent capital stock as are held by the Escrow Agent in the General Escrow in respect of such Series F Holder and in the Behrman Escrow in respect of Behrman or SEF, as the case may be. For the purpose of avoidance of doubt, (i) the aggregate liability of the Series F Holders in respect of any claim for indemnification under Section 9.01(a) shall in no event exceed the Series F Indemnification Percentage of such claim, (ii) the aggregate liability of Behrman and SEF in respect of any claim for indemnification under Section 9.01(a) shall in no event exceed the Behrman Indemnification Percentage of such claim, and (iii) if the cash remaining in the Behrman Escrow is insufficient to fund the Behrman Percentage of such claim, the Parent Indemnitees shall not be entitled to indemnification from Behrman, SEF or any Series F Holder in respect of such shortfall, notwithstanding that assets may remain in the General Escrow.

(d) Subject to the limitations and expiration dates contained in Section 10.01 and in this Article 9, Behrman, SEF and each Series F Holder (or, if the Closing shall not have occurred, the Company) shall, severally but not jointly, indemnify, defend and hold harmless the Parent Indemnitees and each of them from and against, and shall pay and/or reimburse the foregoing Persons for, 66.67% of any and all Losses relating to or arising out of any Specified Litigation.

(e) Except as set forth in the second sentence of this paragraph and subject to the additional limitations set forth in Section 9.01(f), Behrman, SEF and the Series F Holders (or, if closing shall not have occurred, the Company) shall not be required to indemnify the Parent Indemnitees with respect to any claim for indemnification pursuant to Section 9.01(d) unless and until the aggregate amount of all claims against Behrman, SEF and the Series F Holders (or, if Closing shall not have occurred, the Company) under Section 9.01(d) exceeds $250,000, at which point Behrman, SEF and the Series F Holders (or, if Closing shall not have occurred, the Company) shall be liable for 66.67% of the excess of the full amount of all such Losses over $250,000. The amount of the indemnifiable portion of any Loss for which indemnification is sought under Section 9.01(d) shall be allocated among Behrman, SEF and the Series F Holders as follows: (a) the Behrman Indemnification Percentage to Behrman and SEF, to the extent there are assets available therefor in the Behrman Escrow, *pro rata* to their ownership of Daleen Series F Preferred Stock immediately prior to consummation of the Share Exchange, and (b) the Series F Indemnification Percentage to the Series F Holders, to the extent there are assets available therefor in the Special Escrow, *pro rata* to their ownership of Daleen Series F Preferred Stock immediately prior to the Effective Time.

(f) The sole remedy of any Parent Indemnitee in respect of any claim for indemnification against Behrman, SEF or the Series F Holders under Section 9.01(d) or otherwise relating to or arising out of any Specified Litigation shall be the right of Parent, exercisable on its own behalf or on behalf of the other Parent Indemnitees, to cause the forfeiture to Parent of such cash or shares of Parent capital stock as are held as are held by the Escrow Agent in the Special Escrow in respect of such Series F Holder and in the Behrman Escrow in respect of Behrman or SEF, as the case may be. For the purpose of avoidance of doubt, (i) the aggregate liability of the Series F Holders in respect of any claim for indemnification under Section 9.01(d) shall in no event exceed the Series F Indemnification Percentage of such claim, (ii) the aggregate liability of Behrman and SEF in respect of any claim for indemnification under Section 9.01(d) shall in no event exceed the Behrman Indemnification Percentage of such claim, and (iii) if the cash remaining in the Behrman Escrow is insufficient to fund the Behrman Percentage of such claim, the

Parent Indemnitees shall not be entitled to indemnification from Behrman, SEF or any Series F Holder in respect of such shortfall, notwithstanding that assets may remain in the Special Escrow.

(g) For avoidance of doubt, in no event shall the aggregate liability of Behrman and SEF in respect of all claims for indemnification brought by Parent Indemnitees under Article 9 exceed the amount of the Behrman Escrow.

SECTION 9.02. *Indemnification of Behrman, SEF and the Series F Holders by Parent.*

(a) Subject to the limitations and expiration dates contained in Section 10.01 and in this Article 9 and the rights of the Investor Indemnified Parties (as defined in the Investment Agreement) pursuant to Section 8.2(a) of the Investment Agreement, Parent and Acquisition Sub shall, jointly and severally, indemnify, defend and hold harmless Behrman, SEF and the Series F Holders (and if the Closing shall not have occurred, the Company) and each of their respective directors, officers, managers, employees, equity holders, agents, Affiliates, successors and permitted assigns (collectively, the Company Indemnitees) and each of them from and against, and shall pay and/or reimburse the foregoing Persons for, any and all Losses, relating to or arising out of the breach of any representation, warranty, covenant or agreement of the Parent or Acquisition Sub contained in this Agreement.

(b) Except as set forth in the second sentence of this paragraph, Parent and Acquisition Sub shall not be required to indemnify the Company Indemnitees with respect to any claim for indemnification pursuant to Section 9.02(a) unless and until the aggregate amount of all claims against Parent and Acquisition Sub under Section 9.02(a) exceeds $250,000, at which point Parent and Acquisition Sub shall be liable for the full amount of all such Losses; provided, however, that the aggregate liability of Parent and Acquisition Sub to the Company Indemnitees shall in no event exceed $966,916. The limitations in the preceding sentence shall not limit in any way the remedies of the Company Indemnitees in respect of fraud or willful misrepresentation.

SECTION 9.03. *Procedures.* If any party (the Indemnitee) receives notice of any claim or the commencement of any action or proceeding with respect to which the other party (or parties) is obligated to provide indemnification (the Indemnifying Party) pursuant to Sections 9.01 or 9.02, the Indemnitee shall give the Indemnifying Party written notice thereof within a reasonable period of time following the Indemnitee s receipt of such notice. Such notice shall describe the claim in reasonable detail and shall indicate the amount (estimated if necessary) of the Losses that have been or may be sustained by the Indemnitee. The Indemnifying Party may, subject to the other provisions of this Section 9.03, compromise or defend, at such Indemnifying Party s own expense and by such Indemnifying Party s own counsel, any such matter involving the asserted Liabilities of the Indemnitee in respect of a third-party claim. If the Indemnifying Party elects to compromise or defend such asserted Liabilities, it shall within thirty (30) days (or sooner, if the nature of the asserted Liabilities so requires) notify the Indemnitee of its intent to do so, and the Indemnitee, shall reasonably cooperate, at the request and reasonable expense of the Indemnifying Party, in the compromise of, or defense against, such asserted Liabilities. The Indemnifying Party will not be released from any obligation to indemnify the Indemnitee hereunder with respect to a claim without the prior written consent of the Indemnitee, unless the Indemnifying Party delivers to the Indemnitee a duly executed agreement settling or compromising such claim with no monetary liability to or injunctive relief against the Indemnitee and a complete release of the Indemnitee with respect thereto. The Indemnifying Party shall have the right to conduct and control the defense of any third-party claim made for which it has been provided notice hereunder, other than a third-party claim with respect to breach of a representation or warranty contained in Section 3.15, which shall be conducted and controlled by the Company, provided, that the Company shall act reasonably and in good faith in the conduct and control thereof and shall consult with the Indemnifying Parties with respect thereto. All costs and fees incurred with respect to any such claim will be borne by the Indemnifying Party. The Indemnitee will have the right to participate, but not control, at its own expense, the defense or settlement of any such claim; provided, that if the Indemnitee and the Indemnifying Party shall have conflicting claims or defenses, the Indemnifying Party shall not have control of such conflicting claims or defenses and the Indemnitee shall be entitled to appoint a separate counsel for such claims and defenses at the cost and

expense of the Indemnifying Party. If the Indemnifying Party chooses to defend any claim, the Indemnitee shall make available to the Indemnifying Party any books, records or other documents within its control that are reasonably required for such defense.

SECTION 9.04. *Reduction by Insurance Recoveries.*

(a) Any payment made to an Indemnitee hereunder shall be net of any insurance proceeds realized by and paid to such Indemnitee in respect of the respective claim (after giving effect to the present value of any costs, increased retentions, premium increases and similar present and future costs and expenses associated with the respective insurance claim). No Indemnitee shall be obligated to make any claim under an insurance policy if the Indemnitee, in its reasonable judgment, believes that the cost of pursuing such insurance claim, together with any corresponding increase in premiums or other costs or expenses, would exceed the value of the claim for which such Indemnitee is seeking indemnification. No Indemnitee shall have any obligation to bring litigation against an insurer or take other action in respect of any insurer s denial, whether in whole or in part, of a claim.

(b) No Indemnitee shall be obligated to recover from or pursue payment from insurance policies prior to the Indemnifying Person being required to provide indemnification hereunder. The Indemnitee shall provide the Indemnifying Person with prompt written notice of any receipt of insurance proceeds realized in respect of claims for which payment of indemnity has previously been made, and shall make prompt delivery to the Indemnifying Person of such portion of the same as equals the amount by which payment of indemnification would have been reduced pursuant to Section 9.04(a) if such proceeds had been realized prior to the making of such payment of indemnification.

SECTION 9.05. *Stockholders Representative.* Behrman and SEF by their execution hereof, and each Series F Holder, by their acceptance of the Merger Consideration, shall be deemed to have designated and appointed Behrman Brothers LLC (the Behrman Designee) and a party to be named by written consent of Series F Holders holding a majority of the shares of Series F Preferred Stock held by the Series F Holders (the Series F Designee) with full power of substitution (jointly, the Stockholders Representative) as the representative of each such stockholder, to perform all such acts as are required, authorized or contemplated by this Agreement and by the Escrow Agreement to be performed by them pursuant to Section 2.05 and Article IX hereof and the Escrow Agreement, and hereby acknowledges that the Stockholders Representative shall be the only person authorized to take any action so required, authorized or contemplated by Section 2.05 and Article IX hereof and the Escrow Agreement. Prior to the date on which all funds in the Behrman Escrow shall have been exhausted by delivery to Parent Indemnitees, both the Behrman Designee and the Series F Designee shall be required to sign any instruction or other instrument on behalf of the Stockholders Representative for such instrument to be effective. The Behrman Designee or its designated successor (as appointed by Behrman) shall be deemed to have ceased to be included in the definition of the Stockholders Representative on such date as all funds in the Behrman Escrow have been exhausted, and thereafter the Seires F Designee or its designated successor shall have sole authority to act as Stockholders Representative except to the extent any action undertaken or proposed to be undertaken under such sole authority could reasonably be expected to adversely affect Behrman or SEF, in which case the consent of Behrman shall be required. The Stockholders Representative shall act as the representative of Behrman, SEF, and each Series F Holders under Section 2.05 and this Article IX and the Escrow Agreement, and shall be authorized to act on behalf of Behrman, SEF, and each Series F Holders and to take any and all actions required or permitted to be taken by the Stockholders Representative under Section 2.05 and this Article IX or the Escrow Agreement with respect to any claims (including the settlement thereof) made by any Parent Indemnitees for indemnification pursuant to Section 2.05 and this Article IX of the Agreement and with respect to any actions to be taken by the Stockholders Representative pursuant to the terms of the Escrow Agreement. Behrman, SEF, and each Series F Holders shall be bound by all actions taken by the Stockholders Representative in its capacity thereof. The Stockholders Representative shall promptly, and in any event within five business days, provide written notice to Behrman, SEF, and each Series F Holders of any action taken on behalf of Behrman, SEF, and each Series F Holders by the Stockholders Representative pursuant to the authority delegated to the Stockholders Representative under this Section 9.05. Each of

Behrman, SEF and the Series F Holders is thereby deemed to have further acknowledged that the foregoing appointment and designation shall be deemed to be coupled with an interest and shall survive the death or incapacity of such stockholder. Each of Behrman, SEF and the Series F Holders is thereby deemed to have authorized the other parties hereto to disregard any notice or other action taken by such stockholder pursuant to Section 2.05 and Article IX hereof and the Escrow Agreement except for the Stockholders Representative. The other parties hereto are and will be entitled to rely on any action so taken or any notice given by the Stockholders Representative and are and will be entitled and authorized to give notices only to the Stockholders Representative for any notice contemplated by Section 2.05 and Article IX hereof and the Escrow Agreement to be given to any such stockholder. The Stockholders Representative may be replaced, and any successor thereto appointed, by written consent executed by (a) Behrman in respect of the Behrman Designee and its designated successors and (b) Series F Holders holding a majority of the shares of Daleen Series F Preferred Stock held by all Series F Holders as of the Effective Time in respect of the Series F Designee and his designated successors, with such written consent to be delivered to Parent and the Escrow Agent not later than the fifth business day after the execution and delivery thereof. The Stockholders Representative shall not be liable for any act done or omitted in such capacity while acting in good faith and in the exercise of reasonable judgment, and any act done or omitted pursuant to the advise of counsel shall be conclusive evidence of such good faith. Behrman, SEF and each Series F Holder shall, by their execution hereof or their acceptance of the Merger Consideration, as the case may be, be deemed to have agreed to severally indemnify the Stockholders Representative and hold it harmless against any loss, liability or expense incurred without gross negligence or bad faith on the part of the Stockholders Representative and arising out of or in connection with the acceptance or administration each of their duties hereunder. For the avoidance of doubt, the Stockholders Representative is not authorized to take any action in the name of Behrman, SEF or any Series F Holder other than as expressly required, authorized or contemplated by Section 2.05 and Article IX hereof and the Escrow Agreement, and shall not have authority to enter into any amendment, waiver or modification of this Agreement (including Section 2.05 and Article IX hereof), which amendments, waivers and modifications are solely governed by Section 8.04.

ARTICLE X

GENERAL PROVISIONS

SECTION 10.01. *Survival of Representations and Warranties.* The representations and warranties in this Agreement shall survive until the thirtieth day after the receipt of the audited financial statements for the Company for the fiscal year ended December 31, 2005 or the earlier termination of this Agreement pursuant to Section 8.01, as the case may be. The agreements and covenants set forth in this Agreement shall survive the Closing until the performance thereof, and those set forth in Sections 6.08, 8.02, 8.03, Article IX and Article X shall survive termination of this Agreement indefinitely.

SECTION 10.02. *Notices.* All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by cable, facsimile, telegram or telex or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 10.02):

if to Parent or Acquisition Sub after the Effective Time, in care of:

Quadrangle Group LLC
375 Park Avenue
New York, New York 10152
Attention: Chief Financial Officer
Facsimile number:(212) 418-1740

with a copy (which shall not constitute notice) to:

Weil, Gotshal & Manges, LLP
100 Federal Street
Boston, MA 02110
Attention: James Westra, Esq.
Facsimile: (617) 772-8333

if to the Company:

Chief Executive Officer
Daleen Technologies, Inc.
902 Clint Moore Road
Boca Raton, Florida 33487
Facsimile:(561) 999-8080

with a copy (which shall not constitute notice) to:

Robert P. Zinn, Esq.
Kirkpatrick & Lockhart LLP
Henry W. Oliver Building
535 Smithfield Street
Pittsburgh, PA 15222
Facsimile:(412) 355-6501

SECTION 10.03. *Certain Definitions; Interpretation.*

(a) For purposes of this Agreement and its Exhibits and schedules, the following terms shall have the following meanings unless the context otherwise clearly requires:

13E-3 shall have the meaning given to it in Section 3.08.

Acquisition Sub shall have the meaning given to it in the introductory paragraphs to this Agreement;

affiliate of a specified person means a person who directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with, such specified person;

Agreement shall have the meaning given to it in the introductory paragraphs to this Agreement;

Behrman shall have the meaning given to it in the introductory paragraphs to this Agreement;

beneficial owner with respect to any shares means a person who shall be deemed to be the beneficial owner of such shares (i) which such person or any of its affiliates or associates (as such term is defined in Rule 12b-2 promulgated under the Exchange Act) beneficially owns, directly or indirectly; (ii) which such person or any of its affiliates or associates has, directly or indirectly, (A) the right to acquire (whether such right is exercisable immediately or subject only to the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of consideration rights, exchange rights, warrants or options, or otherwise, or (B) the right to vote pursuant to any agreement, arrangement or understanding; or (iii) which are beneficially owned, directly or indirectly, by any other persons with whom such person or any of its affiliates or associates or any person with whom such person or any of its affiliates or associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any such shares;

business day means any day on which the principal offices of the SEC in Washington, D.C. are open to accept filings or, in the case of determining a date when any payment is due, any day on which banks are not required or authorized to close in the City of New York, New York;

Bridge Loan Facility means that certain Working Capital Facility Agreement of even date herewith between the Company and Protek, together with the other instruments and agreements contemplated thereby.

Certificate of Merger shall have the meaning given to it in Section 1.03;

Closing shall have the meaning given to it in Section 1.03;

Code shall have the meaning given to it in Section 2.03(h);

Company shall have the meaning given to it in the introductory paragraphs to this Agreement;

Company 2003 Balance Sheet shall have the meaning given to it in Section 3.07;

Company Disclosure Schedule shall have the meaning given to it in Section 3.01;

Company Indemnitees shall have the meaning given to it in Section 9.02;

Company Intellectual Property shall have the meaning given to it in Section 3.14(a);

Company Material Adverse Effect shall mean any material adverse change in or effect upon the financial condition, business, operations or assets of the Company and its Subsidiaries taken as a whole, or upon the ability of the Company to consummate the transactions contemplated hereby, other than

(a) changes of a general economic character applicable to all industries in a material region of the operations of the Company and Company Subs;

(b) changes resulting from the performance by the Company of its express obligations under this Agreement;

(c) changes resulting from actions consented to by Buyer under Section 5.01;

(d) changes resulting from the incurrence of Company Transaction Expenses;

(e) changes resulting from or relating to any Specified Litigation; and

(f) the realization of any contingent liability expressly disclosed in the Company Disclosure Schedules, but solely if and to the extent of the specific dollar amount of such liability disclosed on such Schedule.

Company Options shall have the meaning given to it in Section 2.04(b);

Company Permits shall have the meaning given to it in Section 3.06;

Company Proxy Statement shall have the meaning given to it in Section 3.08;

Company SEC Reports shall have the meaning given to it in Section 3.07;

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(2)

Qualified pension plan and other postretirement benefit obligations are approved for regulatory deferral. Such amounts are recoverable in rates, including an interest component, when recognized in net periodic benefit cost

(see Note 7).

(3) Other primarily consists of deferrals and amortizations under other approved regulatory mechanisms. The accounts being amortized typically earn a rate of return or carrying charge.

(4) Environmental costs are related to those sites that are approved for regulatory deferral. We earn the authorized rate of return as a carrying charge on amounts paid, whereas the amounts accrued but not yet paid do not earn a rate of return or a carrying charge until expended.

Rate Mechanisms

Purchased Gas Adjustment. Rate changes are established each year under PGA mechanisms in Oregon and Washington to reflect changes in the expected cost of natural gas commodity purchases, including gas storage, gas purchases hedged with financial derivatives, interstate pipeline demand charges, the application of temporary rate adjustments to amortize balances in deferred regulatory accounts and the removal of temporary rate adjustments effective for the previous year.

Table of Contents

In October 2009, the OPUC and WUTC approved rate changes effective on November 1, 2009 under our PGA mechanisms. The effect of the rate changes was to decrease the average monthly bills of Oregon residential customers by 18 percent, partially offset by an increase of 2 percent in the public purpose charge, and to decrease the bills of Washington residential customers by 22 percent.

Under the current Oregon PGA incentive sharing mechanism, we are required to select by August 1 of each year, either an 80 percent deferral or 90 percent deferral of higher or lower gas costs compared to PGA prices such that the impact on current earnings from the gas cost incentive sharing is either 20 percent or 10 percent, respectively. In addition to the gas cost incentive sharing mechanism, we are also subject to an annual earnings review to determine if the utility is earning over an allowed threshold. If utility earnings exceed a specific earnings threshold level, then 33 percent of the amount above the threshold will be deferred for refund to customers. Under this provision, if we select the 80 percent deferral option, then we retain all of our earnings up to 150 basis points above the currently authorized return on equity (ROE). If we select the 90 percent deferral option, then we retain all of our earnings up to 100 basis points above the currently authorized ROE. We selected the 80 percent deferral option for the 2008-2009 PGA year. The earnings threshold after adjustment for long-term interest rates was 13.1 percent for the calendar year 2008, which was 300 basis points above the authorized ROE under prior PGA incentive sharing mechanism methodology. In July 2009, we received the final report from the OPUC on our 2008 earnings review, which resulted in a utility ROE of 9.6 percent. As this was below the earnings threshold, no refund will be made to customers pursuant to the 2008 earnings review. In August 2009, we selected 90 percent deferral for the 2009-2010 PGA year, beginning November 1, 2009. The earnings threshold is subject to adjustment up or down depending on movements in long-term interest rates.

There has been no change to the Washington PGA mechanism under which we defer 100 percent of the higher or lower actual purchased gas costs and pass that difference through to customers as an adjustment to future rates. We do not have an earnings sharing mechanism in Washington.

Regulatory Recovery for Environmental Costs. In May 2003, the OPUC approved our request to defer environmental costs associated with certain named sites. In 2006, the OPUC also authorized us to accrue interest on deferred environmental cost balances, subject to an annual demonstration that we have maximized our insurance recovery or made substantial progress in securing insurance recovery for unrecovered environmental expenses. Through a series of extensions, these authorizations have been extended through January 25, 2010. See Note 11.

Integrated Resource Plan. The OPUC and WUTC have implemented integrated resource planning (IRP) processes under which utilities develop plans defining alternative growth scenarios and resource acquisition strategies. These plans are consistent with state and energy policy and include:

- an evaluation of supply and demand resources;
- the consideration of uncertainties in the planning process and the need for flexibility to respond to changes; and
- a primary goal of “least cost” service.

In January 2009, the OPUC acknowledged our 2008 IRP. Although the OPUC acknowledgment of the IRP does not constitute ratemaking approval of any specific resource acquisition strategy or expenditure, the OPUC generally indicates that it would give considerable weight in prudency reviews to utility actions that are consistent with acknowledged plans. We filed our 2009 IRP with the WUTC in March 2009. In July 2009, the WUTC provided notice that our 2009 IRP met the requirements of the Washington Administrative Code. The WUTC has indicated that the IRP process is one factor it will consider in a prudency review.

System Integrity Program. In July 2004, the OPUC approved specific accounting treatment and cost recovery for our transmission pipeline integrity management program, a program mandated by the Pipeline Safety Improvement Act of 2002 and the related rules adopted by the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration. We record these costs as either capital expenditures or regulatory assets, accumulate the costs over each 12-month period ending September 30, and recover the revenue requirement associated with the costs, subject to audit, through rate changes effective with the annual PGA in Oregon. In February 2009, the OPUC approved a stipulated agreement to create a new, consolidated system integrity program (SIP). The new SIP will integrate the existing and proposed programs into a single program. The SIP also includes a component for a proposed distribution integrity management program, which will be implemented following the enactment of new federal regulations. Costs will be tracked into rates annually, with recovery to be sought after the first $3.3 million of capital costs. An annual cap for expenditures will be approximately $12 million, but extraordinary costs above the cap may be approved with written consent of all parties.

Table of Contents

The SIP allows recovery of costs incurred in Oregon during the period from October 2008 through October 2011, or until the effective date of new rates adopted in our next general rate case. We do not have any special accounting or rate treatment for SIP costs incurred in the state of Washington.

AMR Deferral Application. In 2008, we initiated a project to automate the reading of gas meters for the remaining two-thirds of our customers. The capital cost of this automated meter reading project is estimated to be $30 million, and in January 2009 we filed for approval to defer the costs associated with the AMR project. This request was approved on March 30, 2009. We will continue to defer costs associated with the AMR project, including interest on deferred balances, until we amortize those balances. In October 2009, we filed a stipulation with the OPUC regarding the recovery of our AMR investment. If approved by the OPUC, we expect to begin recovery in November 2010 when new PGA rates go into effect.

Depreciation Study. In December 2008, the OPUC and WUTC approved our filed depreciation study and our request to change the amortization of our regulatory tax asset account balance on pre-1981 plant. These approvals specifically authorized the implementation of new depreciation expense rates in Oregon and Washington, with a corresponding decrease to customer billing rates effective January 1, 2009 (see "Consolidated Operating Expenses—Depreciation and Amortization," below). The new regulatory tax amortization schedule on pre-1981 assets, with a corresponding increase to customer rates, became effective January 1, 2009 in Washington and November 1, 2009 in Oregon. The implementation of the new rates decreases depreciation expense and increases income tax expense, both of which are offset on an annualized basis by a corresponding change in utility operating revenues. FERC approved the application of these new depreciation rates for our gas storage assets in May 2009 and the new rates were made effective as of January 1, 2009.

Customer Refunds for Gas Cost Incentive Sharing. For the period between November 1, 2008 and March 31, 2009, our actual gas costs were significantly lower than the gas costs embedded in customer rates. As a result, 80 percent of the gas cost savings attributed to Oregon and 100 percent of the savings attributed to Washington were recorded to a regulatory account for refund to customers (see “Purchased Gas Adjustment,” above). Ordinarily, these refunds would be included in customer rates in the next year’s PGA filing, but in 2009 we received special regulatory approval to refund the accumulated gas cost savings to our Oregon and Washington customers. In June and July 2009, we refunded a total of $31.5 million to our Oregon customers and $4.3 million to our Washington customers through billing credits.

Rate Adjustment for Income Taxes Paid and Interstate Storage Credits. In June and July 2009, $6.3 million was collected from Oregon customers, representing the 2007 surcharge for an adjustment for income taxes paid. The surcharge was included in operating revenues from residential, commercial and industrial customers (see “Business Segments—Utility Operations—Regulatory Adjustment for Income Taxes Paid,” below), but it was more than offset by a refund to customers of $7.4 million from an incentive sharing mechanism for interstate storage.

Business Segments - Utility Operations

Our utility margin results are primarily affected by customer growth and to a certain extent by changes in weather and customer consumption patterns, with a significant portion of our earnings being derived from natural gas sales to residential and commercial customers. In Oregon, we have a conservation rate mechanism that adjusts revenues to offset changes in margin resulting from increases or decreases in residential and commercial customer consumption. We also have a weather normalization mechanism that adjusts revenues and customer bills up or down to offset changes in margin resulting from above- or below-average temperatures during the winter heating season (see Part II, Item 7., “Results of Operations—Regulatory Matters—Rate Mechanisms,” in the 2008 Form 10-K). Both mechanisms have the effect of reducing the volatility of our utility earnings.

Three months ended September 30, 2009 compared to September 30, 2008:

Utility operations resulted in a net loss of $9.2 million, or 35 cents per share, in the third quarter of 2009 compared to a net loss of $12.3 million, or 47 cents per share, in the third quarter of 2008. Results from utility operations typically reflects a net loss during the third quarter each year because of the reduced use of natural gas in the summer. The $3.1 million improvement over 2008 is primarily due to lower gas costs in 2009 (see “Cost of Gas Sold,” below), partially offset by warmer weather and reduced customer use from residential, commercial and industrial classes in 2009. Total utility volumes sold and delivered in the third quarter of this year decreased by 15 percent over last year, while total utility margin increased by 11 percent, primarily due to a $5.4 million increase in gas cost savings from our incentive sharing mechanism.

Table of Contents

Nine months ended September 30, 2009 compared to September 30, 2008:

In the nine months ended September 30, 2009, utility operations contributed net income of $36.6 million or $1.38 per share, compared to $27.4 million or $1.03 per share in 2008. Total utility volumes sold and delivered in the nine months ended September 30, 2009 decreased by 13 percent over last year, while total utility margin increased by $17.9 million, or 8 percent, primarily due to a $22.2 million increase in gas cost savings from our incentive sharing mechanism.

The following tables summarize the composition of utility volumes, operating revenues and margin:

	Three months ended Sept. 30,		Favorable/
Thousands, except degree day and customer data	2009	2008	(Unfavorable)
Utility volumes - therms:			
Residential sales	27,704	29,230	(1,526)
Commercial sales	24,846	26,127	(1,281)
Industrial - firm sales	8,180	9,699	(1,519)
Industrial - firm transportation	26,962	43,475	(16,513)
Industrial - interruptible sales	15,235	18,594	(3,359)
Industrial - interruptible transportation	53,696	58,224	(4,528)
Total utility volumes sold and delivered	156,623	185,349	(28,726)
Utility operating revenues - dollars:			
Residential sales	$49,215	$45,668	$ 3,547
Commercial sales	33,396	30,478	2,918
Industrial - firm sales	9,561	9,490	71
Industrial - firm transportation	1,371	1,512	(141)
Industrial - interruptible sales	14,122	14,529	(407)
Industrial - interruptible transportation	1,993	1,938	55
Regulatory adjustment for income taxes paid (1)	883	1,003	(120)
Other revenues	1,282	785	497
Total utility operating revenues	111,823	105,403	6,420
Cost of gas sold	65,280	63,363	(1,917)
Revenue taxes	2,926	2,763	(163)
Utility margin	$43,617	$39,277	$ 4,340
Utility margin: (2)			
Residential sales	$22,137	$22,381	$ (244)
Commercial sales	9,682	10,059	(377)
Industrial - sales and transportation	6,484	6,758	(274)
Miscellaneous revenues	826	979	(153)
Gain (loss) from gas cost incentive sharing	3,623	(1,754)	5,377
Other margin adjustments	354	391	(37)
Margin before regulatory adjustments	43,106	38,814	4,292
Weather normalization adjustment	-	-	-
Decoupling adjustment	(372)	(540)	168
Regulatory adjustment for income taxes paid (1)	883	1,003	(120)
Utility margin	$43,617	$39,277	$ 4,340
Customers - end of period:			
Residential customers	596,917	592,419	4,498

Commercial customers	61,452		61,607		(155)
Industrial customers	923		939		(16)
Total number of customers - end of period	659,292		654,965		4,327
Actual degree days	61		77		
Percent colder (warmer) than average weather (3)	(40	%)	(25	%)	

Table of Contents

Thousands, except degree day data	Nine months ended Sept. 30, 2009	2008	Favorable/ (Unfavorable)
Utility volumes - therms:			
Residential sales	264,249	290,042	