DALEEN TECHNOLOGIES INC
Form DEFA14A
October 01, 2004

**SCHEDULE 14A**
**(RULE 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

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

**EXCHANGE ACT OF 1934**

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Proxy Statement
þ Definitive Additional Materials
o Soliciting Material Pursuant to Section 240.14a-11c or Section 240.14a-12

DALEEN TECHNOLOGIES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

**DALEEN TECHNOLOGIES, INC.**

**NOTICE OF SALE OF SERIES A PREFERRED STOCK**

**October 1, 2004**

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Dear Series F Stockholder:

Daleen Holdings, Inc. ( Daleen Holdings ) is a wholly-owned subsidiary of Daleen Technologies, Inc. (referred to herein as the Company and we, us or our ). This notice is being sent to you as a holder of our Series F Convertible Preferred Stock, par value $0.01 per share (the Series F Preferred Stock ), pursuant to which you are entitled to participate in the sale of shares of Daleen Holdings Series A Convertible Redeemable PIK Preferred Stock, par value $0.01 per share (the Series A Preferred Stock ), pursuant to the terms, and subject to the conditions, of the Series A Convertible Redeemable PIK Preferred Stock Investment Agreement, dated as of May 7, 2004, as amended (the Investment Agreement ). A copy of the Investment Agreement was sent to you on June 16, 2004. The Investment Agreement was subsequently amended pursuant to a Transaction Restructuring Agreement, dated as of September 24, 2004 (the Transaction Restructuring Agreement ), a copy of which is attached as Exhibit A.

This offer represents a reopening on modified terms of the offer made to you on June 16, 2004. We are reopening this offer as a result of the amendment, effective September 24, 2004, of the transactions described in our Definitive Proxy Statement dated August 31, 2004. These amendments are included in the Transaction Restructuring Agreement and described in our Second Proxy Supplement dated September 28, 2004, a copy of which is attached as Exhibit B.

Under the terms, and subject to the conditions, of the amended Investment Agreement, Quadrangle Capital (together with certain of its affiliates) has agreed to purchase an aggregate of 140,000 shares of the Series A Preferred Stock for an aggregate purchase price of $14,000,000 (including crediting against commitment of the outstanding amounts owed and cancelled at closing under notes of Daleen in favor of such Quadrangle affiliates). Behrman Capital II, L.P. ( Behrman ) and Strategic Entrepreneur Fund II, L.P. ( SEF ) have agreed to purchase 68,000 shares of the Series A Preferred Stock for an aggregate purchase price of $6,800,000 (including crediting against commitment of the outstanding amounts owed and cancelled at closing under notes of Daleen in favor of such Behrman affiliates).

The amended Investment Agreement provides that up to 34,286 of the 68,000 shares of Series A Preferred Stock to be purchased by Behrman and SEF may instead be purchased by holders of the Series F Preferred Stock other than Behrman and SEF (the Other Series F Holders ), on the same terms and conditions as set forth in the Investment Agreement, including price ($100 per share). The aggregate purchase price for all shares that may be purchased by the Other Series F Holders is accordingly $3,428,600. In the event that the Other Series F Holders express a desire to purchase in excess of an aggregate of 34,286 shares, the 34,286 shares of Series A Preferred Stock will be allocated among the participating Other Series F Holders on a pro rata basis in accordance with their current ownership of the Series F Preferred Stock.

If you intend to participate and to purchase the Series A Preferred Stock, you must give us notice of your desire to purchase and we must receive your notice via mail or facsimile to the address or

facsimile number listed below no later than October 6, 2004. We included the following transaction documents in our June 16, 2004 mailing (each of which will be amended by the Transaction Restructuring Agreement): the Stockholders Agreement; the Registration Rights Agreement; and the Transaction Support Agreement, dated as of May 7, 2004. If you elect to purchase, you must become a party to each of the foregoing transaction documents, as amended, and the Investment Agreement, as amended. If you elect to purchase, please return an executed Joinder in the form attached hereto as Exhibit C ( Joinder ) to the foregoing transaction documents. If you require additional copies of the transaction documents enclosed in our June 16, 2004 mailing, please contact Dawn Landry at the Company at the number indicated below.

If this offer is oversubscribed, we will notify you as soon as possible of the pro rated amount of the Series A Preferred Stock that you may purchase. IF WE DO NOT RECEIVE A NOTICE FROM YOU BY OCTOBER 6, 2004, WE WILL ASSUME THAT YOU HAVE CHOSEN NOT TO PURCHASE THE SERIES A PREFERRED STOCK.

The Company, Daleen Holdings, and certain other parties plan to engage in a series of transactions in addition to those contemplated by the amended Investment Agreement, including a merger of an indirectly wholly-owned subsidiary of the Company with and into the Company, with the Company surviving as a wholly-owned subsidiary of Daleen Holdings (the Merger ), and an acquisition by Daleen Holdings of all of the outstanding stock of Protek Telecommunications Solutions Limited. These transactions are more fully described in the definitive proxy statement and Schedule 13E-3 filed by us with the Securities and Exchange Commission (the SEC ) on August 31, 2004, and in the proxy supplements dated September 14, 2004, and September 28, 2004, which have previously been mailed to you and filed with the SEC. This notice is solely related to your rights as a holder of the Series F Preferred Stock.

This notice relates solely to an offer to participate in the sale of Series A Preferred Stock contemplated by the amended Investment Agreement and does not constitute an offer to participate with Behrman and SEF in any other related transaction. In particular, participation in the offering contemplated by the amended Investment Agreement will not in any way grant any participant the right to right to participate in either the bridge facility or the share exchange described in the Definitive Proxy Statement and its supplements.

**This notice is neither a solicitation of a proxy, an offer to purchase nor a solicitation of an offer to sell shares of any securities of the Company. The Company intends to file with the SEC and deliver all forms, proxy statements, notices and documents required under state and federal law regarding the Merger. The Company has called a special meeting of its stockholders to vote on the Merger and has filed with the SEC and mailed to the Company s stockholders definitive proxy materials and supplements thereto. Before making any voting decisions, you are urged to carefully read the definitive proxy materials regarding the Merger and the supplements thereto in their entirety, because they contain important information about the Merger.**

**Copies of the definitive proxy materials, supplements thereto, ancillary agreements to the amended Investment Agreement and other agreements related to the transactions described above have been filed by the Company with the SEC and are available free of charge at the SEC s website at http://www.sec.gov. You may also obtain a free copy of any of these documents (including exhibits and schedules omitted from the Company s public filings) upon your request directed to the address set forth below. You may contact us at the number provided below with any requests for additional information regarding the transactions described in this notice.**

**The Company and certain of its executive officers and directors may be deemed to be participants in the solicitation of proxies from the Company s stockholders with respect to the approval of the Merger by the stockholders. Certain executive officers and directors of the Company have interests in the Merger, and these interests are described in the definitive proxy materials.**

Please return this notice, all requests for documents and all questions related to this notice to the following address:

Dawn Landry
Vice President and General Counsel
Daleen Technologies, Inc.
902 Clint Moore Road, Suite 230
Boca Raton, Florida 33487
Phone (561) 981-2106
Facsimile (561) 981-1106

Thank you for your prompt attention to this matter.

Sincerely,

DALEEN TECHNOLOGIES, INC.

**ELECTION/REJECTION NOTICE**

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___THE UNDERSIGNED WILL NOT PARTICIPATE.

___THE UNDERSIGNED WILL PURCHASE $_____IN PRINCIPAL AMOUNT OF THE SERIES A PREFERRED STOCK*

*PLEASE INCLUDE AN EXECUTED JOINDER TO THE INVESTMENT AGREEMENT.

_____

Name of Series F Preferred Stockholder

By: _____

Title: _____

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**Exhibit A**

**TRANSACTION RESTRUCTURING AGREEMENT**

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**Transaction Restructuring Agreement**

This is a Transaction Restructuring Agreement (this **Agreement**) by and among (a) Daleen Technologies Inc., a Delaware corporation (**Daleen**), (b) Daleen Holdings, Inc, a Delaware corporation (**Holdings**), (c) Parallel Acquisition, Inc, a Delaware corporation, (**Acquisition Sub**), (d) Protek Telecommunications Solutions Limited, a corporation organized under the laws of England and Wales, whose principal place of business is located at 1 York Road, Maidenhead, Berkshire, United Kingdom (**Protek**), (e) Paul A. Beaumont, Geoff Butcher, Ian Watterson, Michael White, Michael Kersten and Barbara Krystyna Kalinowska (each, a **Protek Seller**), (f) 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 together with QCP and QSP, the **Quadrangle Entities**), (g) Behrman Capital II, L.P., a Delaware limited partnership (**Behrman**), (h) Strategic Entrepreneur Fund II, L.P., a Delaware limited partnership (**SEF**), (i) Protek Network Management (UK) Limited, a company formed under the laws of England and Wales, that is a wholly-owned subsidiary of Protek and (j) Quadrangle Advisors LLC, a Delaware limited liability company.

Reference is made to the following agreements, each dated as of May 7, 2004: the Stock Purchase Agreement by and among Protek, the Protek Sellers and Holdings (together with the exhibits and schedules thereto, the **Stock Purchase Agreement**); the Investment Agreement by and among Holdings, the Quadrangle Entities, Behrman and SEF (together with the exhibits and schedules thereto, the **Investment Agreement**); the Agreement and Plan of Merger and Share Exchange by and among Daleen, Holdings, Acquisition Sub, Behrman and SEF (together with the exhibits and schedules thereto, the **Merger Agreement**); and the Transaction Support Agreement by and among the Quadrangle Entities, Behrman, SEF, Daleen, Holdings, Protek and certain of the Protek Sellers (the **Transaction Support Agreement** and, together with the Stock Purchase Agreement, the Merger Agreement and the Investment Agreement, the **Transaction Agreements**). Capitalized terms used without further definition in this Agreement have the meaning given to them in the respective Transaction Agreement in respect of which such term is used below.

This Agreement is intended to implement the agreed upon amendments to the Transaction Agreements and related agreements referenced therein collectively set forth in the Preliminary Proposed Term Sheet, dated as of September 24, 2004, referencing the Investment Agreement, the Merger Agreement and the Transaction Support Agreement, by and among certain of the parties to this Agreement (the **Daleen Term Sheet**) and in the Preliminary Proposed Term Sheet, dated as of September 24, 2004, referencing the Stock Purchase Agreement by and among certain of the parties to this Agreement (the **Protek Term Sheet,** and collectively with the Daleen Term Sheet, the **Term Sheets**). Except as expressly set forth in Section F below, upon execution and delivery of this Agreement by all parties hereto, the Term Sheets shall be superceded and will be of no further force or effect.

In consideration of the foregoing premises and the mutual promises set forth below, the undersigned parties hereby agree as follows:

A. Modification of Stock Purchase Agreement. The Stock Purchase Agreement is amended as follows:

1. Section 3.1 of the Stock Purchase Agreement shall be deleted and replaced in its entirety with the following:

Purchase Price. As full payment of the purchase price for (a) the Shares and (b) the conversion of all options held by the Converting Optionholders (the Purchase Price), Buyer shall, at Closing, (a) deliver to the Selling Shareholders an aggregate of 166,414 shares of Common Equity of Buyer (the Common Equity Consideration), to be allocated among the Selling Shareholders and Converting Optionholders as set forth on Exhibit J attached hereto, together with certificates representing the same, the further transfer of which shall be restricted under the United States Securities Act of 1933, as amended (the Securities Act), (b) deliver $200,000 in cash to Butcher, and (c) deliver to the Converting Optionholders fully vested options in respect of an aggregate of 47,120 shares of the Common Equity of Buyer as set forth on Exhibit J attached hereto. The parties hereto agree that each share of

Common Equity of Buyer shall be deemed, solely for purposes of this Agreement, to have a value per share of Common Equity of $25.

Twenty-four thousand (24,000) shares of the Common Equity Consideration and shares of Common Equity of the Buyer underlying the fully-vested options shall not be distributed at Closing and shall be held by Daleen Holdings for release upon receipt of cash under certain arrangements as set forth on Exhibit J-1 attached hereto. Upon receipt of any amounts (as a result of full or partial payment) referenced on Exhibit J-1, shares of, and options to acquire, Daleen Holdings Common Stock (valued as set forth above) representing the dollar value of the cash so received (based on the exchange rate at that time) shall be distributed amongst the Sellers pro rata in accordance with the Escrow Equity set forth beside each such Sellers name on Exhibit J. No fractional shares or options to purchase fractional shares shall be distributed pursuant to the foregoing and any such fractional shares shall be subject to distribution upon the next distribution event. Upon receipt of all amounts by September 24, 2005, all such Escrow Equity set forth beside the name of each such Seller on Exhibit J attached hereto shall be released without regard to aggregate dollar values of cash so received. If any amounts set forth on Exhibit J-1 attached hereto are not received by September 24, 2005, Common Equity Consideration and options to acquire Common Equity of the Buyer with a value equal to the amounts so not received, pro rata among the Sellers, shall be deemed returned to Daleen Holdings as indemnification therefor and promptly cancelled and the balance (if any) of any such shares or options still being held by Daleen Holdings shall be distributed to the appropriate Sellers.

In addition to the foregoing, Buyer shall assume, pay and perform the Company s obligations (i) set forth on Exhibit K attached hereto, (ii) arising under all executory contracts and leases, (iii) statutory contributions required under the laws of the United Kingdom to be made by the Company s optionholders in connection with the exercise of options upon consummation of the transactions contemplated by this Agreement, (iv) described in Section 7.1(o)(i) and (v) incurred after September 24, 2004 and approved by Quadrangle (collectively, the Assumed Liabilities ). Notwithstanding the foregoing, the Buyer shall not assume, pay or discharge any of the Liabilities of the Company, whether fixed, unliquidated, contingent or otherwise, which arise out of or relate to periods prior to the Closing other than the Assumed Liabilities (the Retained Liabilities ) and the Retained Liabilities shall hereby be assigned to the Sellers concurrent with the Closing. The Assumed Liabilities shall hereby be assigned to the Buyer concurrent with the Closing. The Buyer hereby agrees to assume and timely pay and discharge the Assumed Liabilities and the Sellers hereby agree to assume and timely pay and discharge the Retained Liabilities on and after the Closing. In addition to the obligations set forth in Section 11 hereof, each of the Buyer and the Sellers shall defend, protect, indemnify, and hold harmless the others and its affiliates from and against any and all loss, cost, liability, expense, claim, action, damages, and fines (including those arising from the loss of life, personal injury and/or property damage), including reasonable attorneys fees, directly or indirectly arising from or out of any failure by such party to perform his or its obligations, or any breach or violation of his or its obligations, with respect to the foregoing assignment and assumption from and after the Closing Date.

Schedule A attached hereto shall be attached to the Stock Purchase Agreement as Exhibit J thereto, Schedule A-1 attached hereto shall be attached to the Stock Purchase Agreement as Exhibit J-1 and Schedule B attached hereto shall be attached to the Stock Purchase Agreement as Exhibit K thereto.

2. The second sentence of Section 3.8 shall be deleted and replaced with the following:

Of this amount, Protek and the Buyer agree that $500,000 (such amount, the Deposit ) shall be treated, and Protek shall cause PNM(UK)L to treat such amount, as follows: The full amount of the Deposit shall be deemed additional purchase price payable to the Company under Section 3.1 at Closing.

3. Section 6.4 shall be amended by replacing (a) the reference to 300,000 with 208,000 , (b) the reference to 50,000 with 24,789 and (c) the reference to 504,000 with 347,257.

4. Section 7.1(a) shall be amended by adding the following sentence to the end of such section:

The parties hereby agree and acknowledge that no material business decision shall be made or effected by Protek or any of its Subsidiaries between September 24, 2004 and Closing without the prior written consent of the chief executive officer of Daleen and that any business decision that affects the revenue, expenses, cash flow and balance sheet (and items comprising the same) must be subject to prior coordination with the chief executive officer of Daleen. To better effect this coordination and consent and in addition to the obligations set forth in Section 7.1(b) hereof, the management of Protek shall provide to the chief executive officer of Daleen current (at least once a week or, more frequently, if similar reports are produced more frequently by Daleen) and detailed (in accordance with past practice and custom and containing, at the very least, information which is equivalent to that similarly included in reports internally by Daleen s management) financial reports. The chief executive officer of Daleen shall meet by teleconference with the chief executive officer and chief financial officer of Protek no less than once a week to discuss ordinary course business matters of Protek (such meetings to be in addition to and not in lieu of discussions in respect of preparations for closing and post-closing combined operations).

5. The first sentence of the second paragraph of Section 7.1(d) shall be amended to replace the reference to the date hereof with September 24, 2004.

6. Clause (b) of Section 7.1(n)(ii) shall be deleted and replaced in its entirety with the following:

(b) the Company shall, and the Sellers shall cause the Company to, offer to pay in cash to each holder of Options, in consideration of the consensual cancellation thereof, an amount equal to (a) the aggregate value of the Buyer Common Equity (determined in accordance with Section 3.1) delivered at Closing in respect of each Non-Voting Ordinary Share held by a Converting Optionholder times (b) the number of Non-Voting Ordinary Shares subject to such Option;

7. Section 7.1(o) shall be deleted and shall be replaced in its entirety with the following:

**Liabilities of the Company**At the Closing, the only Liabilities of the Company and the Company Subs shall be (i) trade payables of an amount and type consistent with the Ordinary Course of the Company s and the Company Subs business and the Company s and the Company Subs past practice, (ii) Assumed Liabilities and (iii) such Retained Liabilities as shall have been jointly and severally assumed by the Sellers pursuant to Section 3.1 hereof.

8. Section 7.1(r)(iii)(3) shall be deleted and replaced in its entirety with the following:

waives the application of Article 7 of the Articles of Association of the Company to the deliveries to be made at Closing;

9. Section 7.2(b) shall be amended by deleting the first sentence and replacing in its entirety with the following:

The Sellers and their respective Affiliates and Associates shall not, from the date of this Agreement until the six-month anniversary of the Closing (with respect to Butcher and Kalinowska, until the Closing), directly or indirectly own, manage, operate, join, control or participate in the ownership, management, operation or control of, or be employed or retained by, render services to, provide financing or advice to, or otherwise be connected in any manner with any Restricted Business.

10. Section 8.2 shall be amended by inserting the following parenthetical (other than those set forth in Sections 4.13 and 5.3 and without reference to the term prospects in Section 4.7(i)) after the word Agreement and before the words , or otherwise.

11. Section 8.11 shall be amended by replacing the reference to February 29, 2004 therein with September 24, 2004.

12. Section 9.5 shall be amended by deleting its title and replacing the same with Delivery of Common Equity Consideration and other Consideration and deleting the words the Total Cash Purchase Price and therein and replacing them with the cash payable pursuant to Section 3.1 hereof .

13. Section 10 shall be deleted and replaced in its entirety with the following:

None of the representations or warranties in this Agreement (other than those set forth in Sections 4.1, 4.2, 4.3, 4.4, 4.5, 4.21, 5.1 and 5.2, which shall survive the Closing indefinitely) shall survive the Closing. Following consummation of the Closing, any breach of representations or warranties by any party shall be deemed to be waived by all other parties, and such other parties shall be deemed to fully release and forever discharge the breaching party on account of any and all claims, demands or charges, known or unknown with respect to the same, except that nothing in this Section 10 shall be construed so as to limit the ability of any party to bring a claim or action against any other person for fraud committed directly by such person. The foregoing provision shall not limit any covenant or agreement of any of the parties which by its terms contemplates performance after the Closing.

14. Section 12.1(ii) shall be revised by replacing the reference to September 30, 2004 therein with January 31, 2005.

15. Section 12.1(iii) shall be deleted and replaced in its entirety with the following:

by Buyer, if there shall have occurred, on the part of the Company or the Sellers, a breach of any representation, warranty, covenant or agreement contained in this Agreement (other than those set forth in Sections 4.13 and 5.3 and without reference to the term prospects in Section 4.7(i)) that (x) would result in a failure of a condition set forth in Section 8.1 or 8.2 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 Buyer to the Company;

16. The definition of Company Material Adverse Effect shall be amended by adding the following new clauses to the end of such definition:

(g) any effect on the Company or its Affiliates as a result of the public announcement of the Term Sheets or this Agreement and the pendency of the transactions contemplated by the Transaction Agreements;

(h) any effects arising out of matters disclosed in the disclosure schedules delivered by the Company other than those arising out of or related to the Russian Investigation which have not been disclosed as anticipated or expected in such schedules; and

(i) any changes arising out of economic or business conditions generally applicable to companies in the Company s and its Subsidiaries line of business.

19. Sections 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, 3.9, 3.10, 7.1(n)(iii), 7.1(h), 7.2(h), 8.18, 9.7 and 11 of the Stock Purchase Agreement shall be deleted, together with all references thereto. Exhibits B, D and I to the Stock Purchase Agreement shall be deleted and all references thereto shall be deleted. The second sentence of Section 7.1(m) and the last sentence of Section 13.6 shall be deleted.

B. Modifications to the Protek Bridge Agreement. The Protek Bridge Agreement (as defined in the Stock Purchase Agreement) is hereby amended as follows:

1. Clause (c) under the definition of Repayment Date shall be deleted and replaced in its entirety with 31 January 2005.

2. Sub-Facility A Amount shall be revised to mean and refer to US$4,000,000.

3. Section 5.1 shall be amended by adding the following clause to the end thereof:

(g) Quadrangle (as defined in the Definitive Agreement) has consented to such Advance.

C. Modification of Investment Agreement. The Investment Agreement is hereby amended as follows:

1. The number of shares of Series A Preferred Stock set forth next to the name of each Quadrangle Investor and each Behrman Investor shall be amended to reflect the number of shares of Series A Preferred Stock set forth next to the names of each Quadrangle Investor and each Behrman Investor on Schedule C to this Agreement, subject to adjustment as contemplated by Section 1(c) of the Investment Agreement.

2. Section 1(a) shall be amended by inserting the words or by assignment of the promissory notes made by Daleen in favor of the Quadrangle Investors after the word funds and before at the Closing.

3. Section 1(b) shall be amended by adding the following to the end of such section, and the right to receive $827,391.59 under Section 1.1(d) of the Merger Agreement.

4. Section 1(c) shall be amended by (a) replacing the reference to the date hereof with September 24, 2004 , (b) replacing the reference to ten (10) days with five (5) days and (c) the term Additional Investors Maximum Purchase Amount shall be amended to mean and refer to an aggregate Offering Price of $3,428,676.

5. The penultimate sentence of Section 2 shall be amended by inserting the words in a manner permitted by Section 1 after the words wire transfer and before the words , or any combination thereof.

6. The term Minimum Offering Amount shall mean and refer to $20,800,000.

7. Section 6.1(c) shall be amended by replacing the words the date hereof with September 24, 2004.

8. Sections 6.3(c), 9.3(b) and 9.3(g)(ii) shall be deleted.

9. Section 9.3(g) shall be amended to replace the reference to September 30, 2004 with January 31, 2005.

10. Section 9.3(f) shall be deleted and replaced in its entirety with the following:

> may be terminated by the Quadrangle Investors, if, prior to any termination of the Protek Stock Purchase Agreement or delivery of a termination notice under the Protek Stock Purchase Agreement, each in accordance with its terms, there shall have occurred, on the part of Protek or any Seller, a breach of any representation, warranty, covenant or agreement contained in the Protek Stock Purchase Agreement (other than those set forth in Sections 4.13 and 5.3 thereof and without reference to the term prospects in Section 4.7(i) thereof) that (x) would result in a failure of a condition set forth in Section 8.1 or 8.2 thereof 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 Protek;

The parties hereto acknowledge and agree that this revision is not intended to condition the transactions contemplated in the Investment Agreement and the Merger Agreement upon consummation of the transactions contemplated by the Stock Purchase Agreement.

11. Material Adverse Effect shall be amended by adding the following to the end of the definition , any effect on the Company or its Affiliates as a result of the public announcement of the Term Sheets or this Agreement and the pendency of the transactions contemplated by the Transaction Documents, any effects arising out of matters disclosed in the Protek Stock Purchase Agreement and Daleen Merger Agreement (including the disclosure schedules thereto updated as of September 24, 2004), any changes arising out of economic or business conditions generally to companies in the Company s line of business and any change of effect relating to or arising out of the Protek Stock Purchase Agreement, including any termination thereof.

12. The Certificate of Designations (Exhibit B to the Investment Agreement) shall be amended by deleting the second, third, penultimate and last sentences of Section 2(a) thereof and deleting clause (A)(1)(y) of the definition of Additional Shares of Common Stock.

13. The Stockholders Agreement (Exhibit C to the Investment Agreement) shall be amended by (a) revising the definition of Exempted Issuance by replacing the word including in clause (i) thereof with the words other than and adding Daleen Merger Agreement (as defined in the Investment Agreement) and immediately after the words pursuant to in clause (i) and (b) revising Section 3.2 by inserting the parenthetical, (after taking into account, and subject to, liquidation preferences set forth in the Certificate of Designations (as defined in the Investment Agreement) such that amounts distributed in respect of different classes of stock need not be the same if such difference arises as a result of observation of the liquidation preferences reflected therein) after the words at the same price per share.

14. The Registration Rights Agreement (Exhibit D to the Investment Agreement) shall be revised by deleting clauses (i) and (ii) of Section 3.1(d) and replacing the same with all Registrable Securities requested to be included in such registration by the Selling Holders holding securities set forth in clauses (a), (b) and (c) of the definition of Registrable Securities, in each case, allocated pro rata, as nearly as practical, to the respective amounts of Registrable Securities held by the Selling Holders (with all calculations pursuant to this sentence to be made excluding any Selling Holders who withdraw its request for registration as provided in the immediately following sentence).

D. Modifications to the Bridge Loan Agreement (as defined in the Investment Agreement). The Bridge Loan Agreement is hereby amended as follows:

1. The Quadrangle Entities shall be added as Lenders under the Bridge Loan Agreement. The Borrower shall deliver Notes to the Quadrangle Entities in the amounts set forth herein concurrently with the execution of this Agreement.

2. Section 1.1 of the Bridge Loan Agreement shall be amended by replacing the reference to $5.1 million to $14.3 million and replacing the reference to May 25, 2005 with January 25, 2005. The maximum principal amount set forth beneath each Lender s respective signature shall be amended to reflect the amounts set forth on Schedule D attached hereto. Section 1.1 shall be further amended by adding the following sentence to the end of such section:

The Quadrangle Entities agree to fund $7,500,000 on September 24, 2004 and thereafter all additional loans shall be funded 50% by Behrman and SEF and 50% by the Quadrangle Entities.

3. The second sentence of Section 1.2(b) is deleted.

4. Section 1.2(d) shall be amended be replacing the reference to Lenders therein with Behrman, on behalf of the Lenders .

5. A new Section 1.2(e) shall be inserted to read as follows:

Behrman hereby holds the security interest granted in Section 1.2(d) above under and subject to the terms and conditions set forth in this Section 1.2(e) for the benefit of the Lenders. Behrman shall take such action with respect to the security interest granted herein as mutually agreed to by the Lenders. Behrman shall be responsible to disburse all proceeds from the security interests granted herein to the Lenders, pro rata based on the amounts extended hereunder, promptly upon receipt. Behrman shall not be personally liable for any acts, omissions, errors of judgment or mistakes of fact or law made, taken or omitted to be made or taken by it in accordance with this Agreement in respect of the security interests granted hereunder (including, without limitation, acts, omissions, errors or mistakes with respect to the collateral), except for those arising out of or in connection with Behrman s gross negligence or willful misconduct.

6. All references to Lender or Lenders in Section 1.3 shall be amended to refer instead to Behrman and/or SEF.

7. Section 3(a) shall be amended by replacing the reference to $1,500,000 with $4,000,000 and by adding ; provided, that, any such advances under the Protek Facility on or after September 24, 2004 shall require the consent of the Quadrangle Entities.

8. The following shall be inserted as new sections under Section 8:

8.4 Daleen Merger Agreement. The Borrower shall not take any of the actions prohibited by (nor omit to take any of the actions required by) Article V of the Daleen Merger Agreement as in effect as of the date hereof (it being understood that a termination of the Daleen Merger Agreement shall not affect this covenant or the terms contained therein).

8.5 Affirmative Covenants. The Borrower shall (a) timely pay its taxes when due, (b) maintain its good standing in its jurisdiction or organization and in all jurisdictions in which it is qualified to do business, and (c) be bound by Section 9 of the Registration Rights Agreement (Exhibit D to the

Investment Agreement) as if the covenants of Daleen Holdings therein were, mutatis mutandi, covenants of the Borrower (excluding, however, the covenants in paragraphs (d) (reservation of stock), (e) (restrictive covenant agreements), (f) (indemnification agreements), (g) (subsidiary boards), (h) (equity incentive plan) and (i) (insurance), and the Lenders shall be entitled to all of the rights of the Qualified Holders and holders of Registrable Securities contemplated thereunder.

9. Exhibit A to the Bridge Loan Agreement shall be amended by replacing the reference to May 1, 2005 in clause (a) of the definition of Maturity Date therein with January 1, 2005.

E. Modifications to the Merger Agreement. The Merger Agreement shall hereby be amended as follows:

1. Section 1.01(c) shall be amended by (a) replacing clauses (x) and (y) thereof with 0.1113 shares of Parent PIK Preferred , (b) deleting the proviso after clause (y), (c) amending the definition of Series F Value to mean and refer to 11.13 per share of Daleen Series F Preferred Stock and (d) deleting the words and Common Stock in the penultimate sentence thereof. Exhibit A to the Merger Agreement shall be replaced in its entirety with Exhibit A attached hereto.

2. Section 2.01(a) shall be amended by deleting clauses (i) and (ii) therein and the language thereafter and replacing the same with 0.4452 shares of fully paid and nonassessable shares of Parent Common Stock.

3. Sections 2.02, 2.05, 7.02(c)(ii), 7.02(d) and 7.02(e) shall be deleted.

4. Section 4.02 shall be amended by deleting the third sentence therein and replacing the same in its entirety with the following:

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) 208,000 shares of Parent Series A PIK Preferred to be issued under the Investment Agreement, (c) 246,414 shares of Parent Common Stock to be issued under the Protek Agreement and the Side Purchase Agreements referenced therein, (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.

5. Section 7.03(a) shall be amended by inserting the parenthetical (other than Section 3.10) immediately before clause (i) therein.

6. Section 7.04(a) shall be amended by inserting the parenthetical (other than Section 4.05) immediately before clause (i) therein.

7. Section 7.04(e) shall be amended by replacing the reference to the date hereof with September 24, 2004 and deleting the words after Company Material Adverse Effect.

8. Section 8.01(c) shall be amended by replacing the reference to September 30, 2004 therein with January 31, 2005.

9. Article IX shall be deleted in its entirety.

10. The first sentence Section 10.01 shall be deleted and replaced in its entirety with the following:

None of the representations or warranties in this Agreement shall survive the Closing. Following consummation of the Closing, any breach of representations or warranties by any party shall be deemed to be waived by all other parties, and such other parties shall be deemed to fully release and forever discharge the breaching party on account of any and all claims, demands or charges, known or unknown with respect to the same, except that nothing in this Section 10.01 shall be construed so as to limit the ability of any party to bring a claim or action against any other person for fraud committed directly by such person. The foregoing provision shall not limit any covenant or agreement of any of the parties which by its terms contemplates performance after the Closing.

11. The definition of Company Material Adverse Effect shall be amended by inserting the following clauses at the end of such definition:

(g) any effect on Company or its Subsidiaries as a result of the public announcement of the Term Sheets or this Agreement and the pendency of the transactions contemplated by the Transaction Agreements;

(h) any effects arising out of matters disclosed in this Agreement and the schedules hereto;

(i) any changes arising out of economic or business conditions generally to companies in the Company s line of business; or

(j) any change or effect relating to or arising out of the Protek Agreement, including any termination thereof.

F. Modification to Transaction Support Agreement. Section 1 of the Transaction Support Agreement is hereby amended by inserting if not otherwise terminated prior thereto, after the words Daleen Agreement and immediately prior to Sections 8 and 9 of the Protek Agreement. Section 3 shall be amended by inserting (other than the Protek Agreement) after the first reference to Transaction Agreement therein. A new Section 13 shall be inserted to read as follows:

13. Termination. Upon termination of the Protek Agreement in accordance with the terms set forth therein, Protek, Beaumont, Butcher and Watterson shall no longer have any rights or obligations under this Agreement. In addition, upon any such termination of the Protek Agreement, the remaining parties hereby agree to use all commercially reasonable efforts to amend the Transaction Agreements and related agreements to reflect the terms set forth in the term sheet among the other parties hereto dated as of September 24, 2004, in the event of an acquisition of Daleen without Protek.

G. Other Corresponding Modifications to Transaction Agreements. The recitals contained in the Transaction Agreements and cross-references in the Transaction Agreements are hereby modified in accordance with the amendments to the Transaction Agreements and the related agreements contemplated herein. Schedules attached hereto shall be incorporated by reference into the document in which they are so referenced pursuant to the terms contained in this Agreement. The Schedules to the Stock Purchase Agreement referenced, and intended to qualify representations set forth, in Article 4 thereof shall be modified to reflect the revisions set forth in Schedule E attached hereto (as so modified, the **Updated Protek Schedules** ) and the Company Disclosure Schedules shall be modified to reflect the revisions set forth in Schedule F attached hereto (as so modified, the **Updated Daleen Schedules** ). Defined terms no longer used shall be deleted and references to terms defined in sections which have been deleted shall continue to have the meaning set forth in such deleted section, such deletion notwithstanding. All references to the Transaction Agreements and the related agreements herein and therein shall mean and refer to such agreement, as amended by this Agreement (including amendments to the schedules and exhibits thereto).

H. Modifications to Voting Agreements. The parties to this Agreement acknowledge that the Voting Agreements (as defined in the Merger Agreement) have been amended as contemplated by the Daleen Term Sheet.

I. Modifications to Transaction Fee. The side letter by and among Daleen, Daleen Holdings and Quadrangle Advisors LLC shall be hereby amended by replacing the reference to $400,000 therein with $300,000.

I. No Admissions. This Agreement is entered into in order to effect the premises set forth above, to compromise and settle certain disputed claims and to avoid litigation, and nothing contained in this Agreement shall constitute or be deemed an admission of breach, default, liability or fault on the part of any party hereto, each of which specifically denies any such breach, default, liability or fault. This Agreement does not constitute a release of any claim that any party may have under the Transaction Agreements, as amended hereby. Notwithstanding, the parties agree and acknowledge that upon execution and delivery of this Agreement, no claims may be made with respect to the provisions and disclosures which have been superceded specifically hereby. It is understood and acknowledged by all parties that the settlement and

compromise contemplated by this Agreement shall be effective only upon the consummation of the transactions contemplated by this Agreement.

J. Representations and Warranties. Protek and the Sellers hereby make the representations and warranties set forth in Sections 4 and 5 (without taking into account the reference to the word prospects in Section 4.7(i)) of the Stock Purchase Agreement, as modified by the Updated Protek Schedules. In addition, Protek and the Sellers confirm that they have complied to date with the obligations set forth in Section 7.1(n)(ii) of the Stock Purchase Agreement. Daleen hereby makes the representations and warranties set forth in Article III of the Merger Agreement, as modified by the Updated Daleen Schedules.

K. Miscellaneous. Except as modified or amended by this Agreement, each of the Transaction Agreements shall continue unaltered and in full force and effect. This Agreement shall be governed by the law of the State of New York (but, in respect of the amendments made to the Investment Agreement, by the law of the State of Delaware), without regard to any principles of conflict of laws that would require the application of the law of another jurisdiction. The undersigned consent to the jurisdiction of and venue in any state or federal court located in the City of New York, State of New York in any action relating to this Agreement. Together with the Transaction Agreements, this Agreement constitutes the entire understanding of the parties in respect of the subject matter of this Agreement and may only be amended in writing by a document signing by each party hereto. This Agreement may be signed in counterparts.

**[Remainder of page left blank; signature pages follow]**

Intending to be bound hereby, the undersigned have executed and delivered this Agreement as of this 24th day of September, 2004.

QUADRANGLE CAPITAL PARTNERS LP
By: Quadrangle GP Investors LP, its General Partner
By: Quadrangle GP Investors LLC, its General Partner

By: /s/ MICHAEL HUBER

Name: Michael Huber

Title: Managing Principal

QUADRANGLE SELECT PARTNERS LP
By: Quadrangle GP Investors LP, its General Partner
By: Quadrangle GP Investors LLC, its General Partner

By: /s/ MICHAEL HUBER

Name: Michael Huber

Title: Managing Principal

QUADRANGLE CAPITAL PARTNERS-A LP
By: Quadrangle GP Investors LP, its General Partner
By: Quadrangle GP Investors LLC, its General Partner
By: /s/ MICHAEL HUBER

Name: Michael Huber

Title: Managing Principal

Intending to be bound hereby, the undersigned have executed and delivered this Agreement as of this 24th day of September, 2004.

DALEEN TECHNOLOGIES, INC.

By: /s/ GORDON QUICK

Name: Gordon Quick

Title: Pres. & CEO

DALEEN HOLDINGS, INC.

By: /s/ GORDON QUICK

Name: Gordon Quick

Title: CEO & Treas.

PARALLEL ACQUISITION, INC.

By: /s/ GORDON QUICK

Name: Gordon Quick

Title: CEO & Treas.

Intending to be bound hereby, the undersigned have executed and delivered this Agreement as of this 24th day of September, 2004.

BEHRMAN CAPITAL II, L.P.

Behrman Brothers, LLC, its General Partner

By: /s/ GRANT G. BEHRMAN

Name: Grant G. Behrman

Title: Managing Member

STRATEGIC ENTREPRENEUR FUND II, L.P.

By: /s/ GRANT G. BEHRMAN

Name: Grant G. Behrman

Title: General Partner

Intending to be bound hereby, the undersigned have executed and delivered this Agreement as of this 24th day of September, 2004.

PROTEK TELECOMMUNICATIONS SOLUTIONS LIMITED

By: /s/ P. A. BEAUMONT

Name: P. A. Beaumont
Title: CEO

PROTEK NETWORK MANAGEMENT (UK) LIMITED

By: /s/ P. A. BEAUMONT

Name: P. A. Beaumont
Title: Director

PAUL A. BEAUMONT

/s/ PAUL A. BEAUMONT

GEOFF BUTCHER

/s/ GEOFF BUTCHER

IAN WATTERSON

/s/ IAN WATTERSON

MICHAEL WHITE

/s/ MICHAEL WHITE

MICHAEL KERSTEN

/s/ MICHAEL KERSTEN

BARBARA KRYSTYNA KALINOWSKA

Acting by her attorney Martin Coakley

/s/ MARTIN COAKLEY

Intending to be bound hereby, the undersigned have executed and delivered this Agreement as of this 24th day of September, 2004.

QUADRANGLE ADVISORS LLC

By: /s/ DAVID TANNER

Name: David Tanner
Title: Managing Member

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**EXHIBIT A**

**Exchanged Shares**

| | Daleen Common Stock | Daleen Series F Preferred Stock |
|---|---|---|
| **Behrman Capital II, L.P.** | **21,258,417** | **219,744** |
| **Strategic Entrepreneurship Fund II, L.P.** | **288,239** | **2,980** |

**Exhibit B**

# DALEEN TECHNOLOGIES, INC.

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

## SECOND SUPPLEMENT TO PROXY STATEMENT FOR THE SPECIAL MEETING OF STOCKHOLDERS September 28, 2004

### INTRODUCTION AND PURPOSE OF SECOND SUPPLEMENT

This second supplement (the Proxy Supplement ) to our proxy statement, dated August 31, 2004 (the Proxy Statement ), as amended by the proxy supplement dated September 14, 2004 (the First Proxy Supplement ), is being mailed to the stockholders of Daleen Technologies, Inc., a Delaware corporation (the Company ), who are eligible to vote at the special meeting of the Company s stockholders being held for the purposes set forth in the Notice of Special Meeting of Stockholders and the accompanying Proxy Statement (the Special Meeting ), which was first mailed to stockholders of the Company on August 31, 2004. Only holders of record of the Company s Common Stock, par value $0.01 per share ( Common Stock ), and holders of record of the Company s Series F Convertible Preferred Stock, par value $0.01 per share ( Series F Preferred Stock ), at the close of business on August 20, 2004 are entitled to vote at the Special Meeting. This Proxy Supplement and the accompanying proxy cards are first being mailed to the Company s stockholders on or about September 28, 2004.

The Special Meeting will be held for the following purposes, as more fully described in the Proxy Statement:

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 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 preferred stock.

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

A copy of the Merger Agreement, as amended through August 31, 2004, was attached as Appendix A to the Proxy Statement. A copy of the Transaction Restructuring Agreement, dated as of September 24, 2004 (the Transaction Restructuring Agreement ), by and among the Company, Daleen Holdings, Parallel Acquisition, Protek Telecommunications Solutions Limited, a corporation organized under the laws of England and Wales ( Protek ), Paul A. Beaumont, Geoff Butcher, Ian Watterson, Michael White, Michael Kersten and Barbara Krystyna Kalinowska, each a shareholder of Protek, Quadrangle Capital Partners LP, a Delaware limited partnership ( Quadrangle ), Quadrangle Select Partners LP, a Delaware limited partnership ( QSP ), Quadrangle Capital Partners-A LP, a Delaware limited partnership ( QCP-A and together with Quadrangle and QSP, the Quadrangle Investors ), Behrman Capital, SEF and Protek Network Management (UK) Limited, a company formed under the laws of England and Wales, which contains the further amendments to the Merger Agreement which are described in this Proxy Supplement, is attached as Annex 1 to this Proxy Supplement.

The Strategic Planning Committee (the Special Committee ), a special committee of our Board of Directors consisting of non-employee directors not affiliated with Behrman Capital that was formed by our Board of Directors in order to consider the interests of our unaffiliated stockholders in evaluating the Merger Agreement, approved the amendments to the Merger Agreement contained in the Transaction Restructuring Agreement and described in this Proxy Supplement for the reasons set forth in the Proxy Statement under SPECIAL FACTORS Reasons for the Special Committee s Determination; Fairness of the Merger . Our Board of Directors has reaffirmed its recommendation that you vote FOR approval and adoption of the Merger Agreement, as further amended by the Transaction Restructuring Agreement, and the Merger for the reasons set forth in the Proxy Statement under SPECIAL FACTORS Reasons for the Board of Directors Determination; Fairness of the Merger . The Special Committee has reaffirmed its determination that the Merger Agreement, as amended by the Transaction Restructuring Agreement, and the transactions contemplated by it, including the Merger, are advisable, fair to and in the best interests of the Company and its stockholders including unaffiliated stockholders.

This Proxy Supplement updates the Proxy Statement and the First Proxy Supplement to reflect certain developments that occurred after September 14, 2004, the date of the First Proxy Supplement. In particular, this Proxy Supplement describes amendments to the Merger Agreement and related transaction documents that were agreed upon by the parties in order to resolve disputes among the parties regarding whether a breach had occurred of certain representations and warranties made under the transaction documents that could have resulted in the termination of the Merger Agreement and related transaction documents, to amend such documents to assure that there would not be an immediate termination of the transactions and to provide the parties with a significant level of comfort regarding the likelihood of completion of the Merger and related transactions. **The amendments described in this Proxy Supplement do not change in any way the form or amount of the per share consideration payable to holders of our Common Stock at the effective time of the Merger.** You should read this supplement in conjunction with the Proxy Statement and the First Proxy Supplement, each of which were previously delivered to you.

As of August 20, 2004, the record date for the Special Meeting, stockholders party to the separate voting agreements described in the Proxy Statement under SUMMARY TERM SHEET Transactions Related to the Merger *Voting Agreements* and in this Proxy Supplement under UPDATED INFORMATION REGARDING TRANSACTIONS RELATED TO THE MERGER *Voting Agreements* held in the aggregate 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 and adopt the Merger Agreement at the Special Meeting.

**ADJOURNMENT OF THE SPECIAL MEETING**

In order to permit stockholders sufficient time to review this Proxy Supplement before the Special Meeting, the Company intends to convene the Special Meeting on September 28, 2004, as originally scheduled, and adjourn the Special Meeting until October 15, 2004 without a vote on any proposal other than an adjournment. The proposals to be considered at the Special Meeting will be submitted to a vote of the Company s stockholders at the reconvened meeting on October 15, 2004. Stockholders may submit their proxies to vote their shares on the proposals until the time of the reconvened meeting on October 15, 2004.

The Special Meeting will be initially convened on September 28, 2004, 9:00 a.m., local time at the Company s headquarters at 902 Clint Moore Road, Suite 230, Boca Raton, Florida 33487 and, in accordance with the planned adjournment, will be subsequently reconvened on October 15, 2004 at 9:00 a.m., local time, at the Company s headquarters at 902 Clint Moore Road, Suite 230, Boca Raton, Florida 33487. References in this Proxy Supplement to the Special Meeting are to the subsequently reconvened meeting.

Unless you are present at the reconvened Special Meeting, we must receive your proxy card, if we have not already done so, on or before the opening of the reconvened Special Meeting at 9:00 a.m. on October 15, 2004 in order for your shares to be voted at the reconvened Special Meeting. If you have already submitted a proxy card but you wish to change your vote, we must receive your new proxy card at or before the opening of

the reconvened Special Meeting. **Stockholders should follow the procedures described below under Proxies for the Special Meeting.**

**UPDATE TO BACKGROUND OF THE MERGER**

The following disclosure updates the information in the Proxy Statement under SPECIAL FACTORS Background of the Merger .

On August 23, 2004, the Company was notified by Protek that a tax investigation of Protek s Russian subsidiary had been commenced by the Department of Internal Affairs of the Central Administrative Region of the City of Moscow. During the week of August 23, 2004, Protek provided additional information about the situation by informing the Company and Quadrangle that it had filed and accounted appropriately for all Russian taxes but had not timely met all payment schedules with respect to certain of the Russian taxes, resulting in a continued accrued tax liability. The Company and Quadrangle initiated separate reviews, using separate accounting and legal advisors, to better understand the issues and risks associated with the tax investigation.

Separately, in a series of informal conversations with the Company s management beginning in late August 2004, Quadrangle expressed concern about the operational performance of both Protek and the Company.

On August 29, 2004, the Company s Board of Directors held a special meeting. Dennis G. Sisco, a member of the Company s Board of Directors and a member of Behrman Brothers, L.L.C., the general partner of Behrman Capital, made a statement immediately after the meeting was called to order indicating Behrman Capital s commitment to the transactions and his preference that the Board of Directors consider the issues at hand without his presence, given Behrman Capital s involvement as a party to the transactions and the bridge loan facility. Mr. Sisco then left the meeting. The Company s outside legal counsel then described the developments and facts as then known regarding the Protek Russian tax investigation and the possible outcomes under the terms of the agreements. Mr. Quick discussed the status of the operations of Protek and the Company and the Company s strategic options given the circumstances. The Board of Directors determined that the Company should continue to take all necessary steps to meet the closing conditions in preparation for a closing on or prior to September 30, 2004. The Board of Directors also authorized Mr. Quick to negotiate a restructuring of the transactions in an attempt to increase the likelihood of completion of the Merger and related transactions.

On August 30, 2004, the Special Committee met telephonically with Dawn R. Landry, the Company s Vice President, General Counsel and Corporate Secretary, and representatives of Thompson Coburn LLP, the Special Committee s special counsel, for an overview of recent developments regarding the Merger. Ms. Landry summarized Protek s tax issue in Russia and discussions between the Company s outside counsel and the Board of Directors regarding the effect of the Protek Russian tax issue under the Merger Agreement and related transaction documents. The Special Committee discussed in depth the developments surrounding the Russian tax issue, including the respective positions of Quadrangle and the Company. The Special Committee determined to direct the Company s management to proceed with discussions regarding the issues relating to the Merger and to continue to express the Company s legal position that Protek s Russian tax issue would not relieve the parties of their obligation to close the Merger. Ms. Landry then updated the Special Committee on the status of litigation brought by certain stockholders arising out of the Merger Agreement.

During the week of August 30, 2004, Quadrangle expressed growing concern and noted that it was conceivable that one or both companies might be unable to represent that there had not been a material adverse change since the signing of the various transaction documents.

During the week of September 6, 2004, Quadrangle, the Company and Protek continued to exchange information regarding the operations of both the Company and Protek, as well as the Russian tax situation.

On September 10 and 13, 2004, representatives of Quadrangle and the Company discussed the preliminary reports of their respective advisors with respect to the Russian tax situation. Neither the Company

nor Quadrangle was able definitively to conclude that Protek would be able to make all required representations and warranties at closing if the investigation were to be on-going at that time, and neither was able to definitively conclude that, even with full payment of the outstanding tax liability, the investigation would be fully resolved before the anticipated closing date. As a result, the Russian tax investigation continued to create substantial uncertainty regarding Protek s ability to satisfy the closing conditions contained in the Protek stock purchase agreement.

The combination of Quadrangle s concerns with respect to the operating performance of both the Company and Protek and the uncertainty regarding the Russian tax investigation created considerable uncertainty with respect to the closing of the Merger and related transactions by September 30, 2004, the date after which the Transaction Agreements could be terminated by any non-breaching party.

On September 13, 2004, representatives of Quadrangle and the Company discussed the status of the transaction by telephone. Quadrangle indicated that it would continue to reserve its rights with respect to potentially terminating the transaction agreements. The Company indicated that continued uncertainty with respect to closing was highly undesirable. Consequently, on September 13, 2004, the Company suggested to Quadrangle that there were three alternatives for the parties going forward:

Quadrangle could seek to terminate the transaction agreements, which the Company would resist with all available legal remedies;

the parties could complete the deal as originally contemplated, which Quadrangle continued to indicate to be an uncertain prospect; or

the parties could negotiate revised transaction terms that would significantly increase the parties level of certainty regarding the closing of the Merger and related transactions.

On September 14, 2004, the Company filed and mailed the First Proxy Supplement to its stockholders, providing additional information on the Protek tax situation in Russia and Quadrangle s concerns.

Also on September 14, 2004, Quadrangle indicated that it would consider settling any potential issues with the Company by restructuring the transaction. Quadrangle and the Company agreed that expediency required that Quadrangle and the Company reach agreement on revised terms to the Merger Agreement prior to approaching Protek, given the separate uncertainty associated with consummation of the Protek acquisition due to the Russian tax situation. Quadrangle also indicated that any revised deal with the Company would have to include a reduction in consideration, involve additional support from the Company s existing principal stockholders and increase the working capital available to Daleen Holdings at closing. The Company indicated its view that any revised deal would need to increase the likelihood of closing and treat all stockholders of the Company fairly.

Further, on September 14, 2004, the Special Committee met telephonically with Gordon Quick, the Company s Chief Executive Officer, Ms. Landry and representatives of Thompson Coburn to discuss a restructuring of the transactions. No decision was reached at that meeting, but the Special Committee directed the Company to continue the negotiations with Quadrangle. Additionally, given Quadrangle s desire to seek greater participation from the Company s existing principal investor base, the Company indicated to Quadrangle that it would have to negotiate directly with Behrman Capital, the Company s only active funding source, regarding Behrman Capital s participation in any revised transaction.

On September 15, 2004, Quadrangle and Behrman Capital briefly discussed by telephone a restructured transaction, and on September 16, 2004, Quadrangle and Behrman Capital met in Quadrangle s offices and developed a preliminary term sheet that provided for an increase in Behrman Capital s cash contribution to Daleen Holdings at closing, reduced the aggregate consideration to the Company s Series F Holders, preserved the aggregate consideration to the Company s public common shareholders and significantly simplified the transaction structure, thereby greatly decreasing the uncertainty associated with closing and eliminating a variety of post-closing mechanisms which potentially negatively affected the value of the Series F Preferred Stock, including the indemnity provisions and certain aspects of the Trigger Events (as defined in the investment agreement). Quadrangle and Behrman Capital also indicated that the revised

transaction would not be conditioned on the consummation of the Protek transaction, thereby insulating the Company from unforeseeable consequences related to potential developments in the Russian tax situation or with Protek s operations.

On September 16, 2004, the Special Committee met telephonically with Mr. Quick, Ms. Landry and representatives of Thompson Coburn. Mr. Quick provided the Special Committee with an update on negotiations with Behrman Capital and Quadrangle regarding possible amendments to the Merger Agreement and reviewed the terms of a draft term sheet outlining proposed changes to the terms of the Merger Agreement and related transaction documents, which had been circulated to the Special Committee. Mr. Quick provided the Special Committee with a financial analysis of the new proposed merger consideration. In addition, Mr. Quick reviewed the Company s financial situation and negative cash flows, including anticipated transaction costs, outstanding debt owed, litigation expenses and other obligations of the Company. Mr. Quick opined that the Company would not be able to meet its imminent cash needs unless it received an additional cash investment. Because of the financial condition of the Company and the costs of litigation if the Company desired to litigate claims against the other parties to the Merger Agreement and related transaction documents if one or more of such parties refused to close the Merger and related transactions under the current terms, Mr. Quick did not think that there was any other strategic alternative available to the Company other than renegotiating the terms of the Merger and related transactions. In Mr. Quick s view, the only desirable alternative available to the Company was a liquidation in bankruptcy, in which it was likely that the holders of our Common Stock would receive nothing, and the potential recovery of any proceeds by holders of Series F Preferred Stock was doubtful.

Thompson Coburn representatives reviewed with the Special Committee its fiduciary obligations to the Company s stockholders generally, and to the holders of Common Stock and Series F Preferred Stock in particular. The Special Committee discussed the proposed terms of the renegotiated Merger and Mr. Quick s analysis of the terms. Mr. Quick indicated his intent to negotiate with Quadrangle and Behrman Capital to increase the consideration to be received by the holders of Series F Preferred Stock from approximately $5.0 million to $6.0 million and to determine if the holders of Series F Preferred Stock could receive warrants to purchase Daleen Holdings securities in the renegotiated transaction. The Special Committee authorized Mr. Quick to negotiate further with Quadrangle and Behrman Capital.

The Special Committee then discussed whether or not to request that its financial advisor opine as to the fairness to the Company s stockholders, from a financial point of view, of the consideration to be received under the proposed renegotiated Merger as set forth in the draft term sheet provided to the Special Committee. The Special Committee noted that the holders of the Company s Common Stock would receive the same amount of aggregate merger consideration in the p