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SANDATA TECHNOLOGIES INC  
Form PRER14A  
March 25, 2003

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  [X]  
Filed by a Party other than the Registrant  [ ]

Check the appropriate box:  
 [X] Preliminary Proxy Statement  [ ] Confidential, for Use of the  
Commission Only  
(as permitted by rule 14a-6(e)(2))

[ ] Definitive Proxy Statement  
 [ ] Definitive Additional Materials  
 [ ] Soliciting Material Pursuant to Rule 14a-12

SANDATA TECHNOLOGIES, INC.

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-----  
(Name of Registrant as Specified in Its Charter)  
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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[ ] No fee required.

[X] 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:  
Sandata Technologies, Inc. Common Stock, par value \$.001 per share  
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(2) Aggregate number of securities to which transaction applies:  
2,481,806 shares of Sandata Technologies, Inc. Common Stock, par value \$.001 per  
share  
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(3) Per unit price or other underlying value of transaction computed  
pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee  
is calculated and state how it was determined): The filing fee was determined  
based upon the sum of (a) the product of 665,208 shares of common stock and the  
merger consideration of \$2.21 per share and (b) the product of options to  
purchase 20,000 shares of common stock and \$1.21 (which is the difference  
between the merger consideration of \$2.21 per share of common stock and the  
exercise price of \$1.00 per share of common stock of each of the 20,000 shares  
covered by the outstanding options). In accordance with Rule 0-11 under the  
Securities Exchange Act of 1934, as amended, the filing fee represents one-50th  
of one percent of the total transaction fee.

(4) Proposed maximum aggregate value of transaction: \$1,494,310

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(5) Total fee paid: \$299  
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[ ] Fee paid previously with preliminary materials.  
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[X] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11 (a) (2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid: 258  
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(2) Form, Schedule or Registration Statement No.: Schedule 14A  
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(3) Filing Party: Sandata Technologies, Inc.  
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(4) Date Filed: November 15, 2002  
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\_\_\_\_\_, 2003

Sandata Technologies, Inc.  
26 Harbor Park Drive  
Port Washington, NY 11050

Dear Stockholder:

You are cordially invited to attend a special meeting of the stockholders of Sandata Technologies, Inc. ("Sandata") to be held at 10:00 a.m., local time, on \_\_\_\_\_, 2003, at our corporate offices, 26 Harbor Park Drive, Port Washington, New York 11050.

As described in the enclosed proxy statement, at the special meeting, you will be asked to consider and vote on a proposal to adopt an Agreement and Plan of Merger, dated as of October 28, 2002, by and among Sandata Acquisition Corp., a Delaware corporation, Bert E. Brodsky, Hugh Freund, Gary Stoller and Sandata, as amended by a First Amendment to the Agreement and Plan of Merger, dated as of January 27, 2003 (the "Merger Agreement"). Pursuant to the Merger Agreement, prior to the effective time of the merger, Messrs. Brodsky, Freund and Stoller

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and members of their immediate families (the "Acquisition Group") will contribute all of the shares of Sandata common stock owned by them into Sandata Acquisition Corp. and at the effective time of the merger, Sandata Acquisition Corp. will merge with and into Sandata, with Sandata being the surviving corporation. If the merger and Merger Agreement are adopted, at the effective time, each share of Sandata common stock issued and outstanding immediately prior to the merger (excluding shares contemplated to be contributed to Sandata Acquisition Corp. by the members of the Acquisition Group and shares held by stockholders who perfect their appraisal rights under Delaware law) will be converted into the right to receive \$2.21 in cash. A copy of the Merger Agreement is attached as Appendices A-1 and A-2 to the accompanying proxy statement, and we urge you to read it carefully.

A special committee of the Board of Directors of Sandata, consisting of two non-management directors who are not materially interested in the merger, was formed to consider, evaluate and negotiate the merger and the Merger Agreement. The special committee unanimously recommended to the Board of Directors of Sandata that the Board adopt the Merger Agreement. Based upon the recommendation of the special committee, the Board of Directors has unanimously concluded that the merger consideration is fair to, and the Merger Agreement is advisable and in the best interests of, the unaffiliated stockholders of Sandata, and therefore, the Board recommends that you vote "FOR" adoption of the Merger Agreement.

Details of the merger and other important information are described in the accompanying notice of special meeting and proxy statement. You are urged to read these important documents carefully before casting your vote.

Whether or not you plan to attend the special meeting, we urge you to complete, sign, date and promptly return the enclosed proxy card.

We thank you for your prompt attention to this matter and appreciate your support.

Very truly yours,

Hugh Freund  
Secretary

Port Washington, New York

SANDATA TECHNOLOGIES, INC.  
26 Harbor Park Drive  
Port Washington, NY 11050

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
TO BE HELD ON \_\_\_\_\_, 2003

To the Stockholders of  
SANDATA TECHNOLOGIES, INC.:

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of SANDATA TECHNOLOGIES, INC. ("Sandata" or the "Company") will be held on \_\_\_\_\_,

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2003 beginning at 10:00 a.m., local time, at our corporate offices, 26 Harbor Park Drive, Port Washington, New York 11050, to consider and vote on a proposal to approve an Agreement and Plan of Merger, dated as of October 28, 2002, by and among Sandata Acquisition Corp., a Delaware corporation, Bert E. Brodsky, Hugh Freund, Gary Stoller and Sandata, as amended by a First Amendment to the Agreement and Plan of Merger, dated as of January 27, 2003 (the "Merger Agreement"). Pursuant to the Merger Agreement, prior to the effective time, Messrs. Brodsky, Freund and Stoller and members of their immediate families (the "Acquisition Group") will contribute all of the shares of Sandata common stock owned by them into Sandata Acquisition Corp., and at the effective time of the merger, Sandata Acquisition Corp. will merge with and into Sandata, with Sandata being the surviving corporation. If the merger and Merger Agreement are adopted, at the effective time of the merger, each share of Sandata common stock, par value \$.001 per share, issued and outstanding immediately prior to the merger (excluding shares contemplated to be contributed to Sandata Acquisition Corp. by the members of the Acquisition Group and shares held by stockholders who perfect their appraisal rights under Delaware law) will be converted into the right to receive \$2.21 in cash. A copy of the Merger Agreement is attached to the proxy statement as Appendices A-1 and A-2 and is incorporated in the attached proxy statement by reference.

Any stockholder who does not vote in favor of adopting the Merger Agreement and who properly demands appraisal under Delaware law will have the right to have the fair value of his shares determined by a Delaware court. A copy of Section 262 of the Delaware General Corporation Law is included in the attached proxy statement as Appendix D. Appraisal rights are subject to a number of restrictions and technical requirements described in the attached proxy statement.

Only stockholders of record as of the close of business on \_\_\_\_\_, 2003 are entitled to notice of the special meeting and to vote at the special meeting and any adjournment of this meeting. Any stockholder will be able to examine a list of stockholders of record, for any purpose germane to the special meeting, for ten (10) days prior to the special meeting and continuing through the meeting and any adjournment of the meeting. The list will be available at our corporate headquarters located at 26 Harbor Park Drive, Port Washington, New York 11050, during ordinary business hours.

Adoption of the Merger Agreement requires the approval by the affirmative vote of a majority of the outstanding shares of our common stock entitled to vote at the special meeting. Approval of the merger is not subject to a vote of a majority of the unaffiliated stockholders of Sandata. The number of shares of Sandata common stock contemplated to be contributed to Sandata Acquisition Corp. by the Acquisition Group is sufficient to obtain such approval. Under the Merger Agreement, Messrs. Brodsky, Freund and Stoller agreed to vote, and they agreed to cause Sandata Acquisition Corp. and the members of their immediate families to vote, all shares of Sandata owned by them and by Sandata Acquisition Corp. at the effective time, in favor of the merger.

By Order of the Board of Directors,

Hugh Freund  
Secretary

Port Washington, New York

\_\_\_\_\_, 2003

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EACH STOCKHOLDER IS URGED TO COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. IF A STOCKHOLDER DECIDES TO ATTEND THE SPECIAL MEETING, HE, SHE OR IT MAY, IF SO DESIRED, REVOKE THE PROXY AND VOTE THE SHARES IN PERSON.

PLEASE DO NOT SEND IN ANY CERTIFICATES FOR YOUR COMMON STOCK AT THIS TIME. AFTER THE MEETING, IF THE MERGER IS APPROVED, STOCKHOLDERS WILL RECEIVE A LETTER OF TRANSMITTAL AND RELATED INSTRUCTIONS.

[PRELIMINARY COPIES]

SANDATA TECHNOLOGIES, INC.  
26 Harbor Park Drive  
Port Washington, New York 11050

PROXY STATEMENT  
FOR  
SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON \_\_\_\_\_, 2003

This proxy statement is being furnished to the holders of common stock, par value \$.001 per share, of Sandata Technologies, Inc. ("Sandata"), in connection with the solicitation of proxies by our Board of Directors for use at the special meeting of stockholders to be held at our corporate offices, 26 Harbor Park Drive, Port Washington, New York 11050, on \_\_\_\_\_, 2003 beginning at 10:00 a.m., local time. The special meeting has been called to consider and vote on a proposal to approve an Agreement and Plan of Merger, dated as of October 28, 2002, by and among Sandata Acquisition Corp., a Delaware corporation, Bert E. Brodsky, Hugh Freund, Gary Stoller and Sandata, as amended by a First Amendment to the Agreement and Plan of Merger, dated as of January 27, 2003 (the "Merger Agreement"). Pursuant to the Merger Agreement, prior to the effective time of the merger, Messrs. Brodsky, Freund and Stoller and members of their immediate families (the "Acquisition Group") will contribute all of the shares of Sandata common stock owned by them into Sandata Acquisition Corp. and at the effective time of the merger, Sandata Acquisition Corp. will merge with and into Sandata, with Sandata being the surviving corporation. If the merger and Merger Agreement are adopted, at the effective time of the merger, each share of Sandata common stock, par value \$.001 per share, issued and outstanding immediately prior to the merger (excluding shares contemplated to be contributed to Sandata Acquisition Corp. by the members of the Acquisition Group and shares held by stockholders who perfect their appraisal rights under Delaware law) will be converted into the right to receive \$2.21 in cash. A copy of the Merger Agreement is attached as Appendices A-1 and A-2 and is incorporated herein by reference.

Only stockholders of record on \_\_\_\_\_, 2003 are entitled to receive notice of and vote at the meeting. On that record date, there were \_\_\_\_\_ shares of our common stock outstanding (including the shares owned by members of the Acquisition Group) held by approximately \_\_\_\_\_ record holders, of which shares approximately \_\_\_\_\_ will be converted into the right to receive the merger consideration.

Each share of our common stock is entitled to one vote. The Merger

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Agreement provides that the merger must be approved by the affirmative vote of a majority of the outstanding shares of our common stock entitled to vote at the special meeting. Approval of the merger is not subject to a vote of a majority of the unaffiliated stockholders of Sandata. Under the Merger Agreement, Messrs. Brodsky, Freund and Stoller agreed to vote, and they agreed to cause Sandata Acquisition Corp. and the members of their immediate families to vote, all shares of Sandata owned by them and Sandata Acquisition Corp. at the effective time, in favor of the merger. The number of shares of Sandata common stock owned by the Acquisition Group is sufficient to obtain approval of the merger.

A quorum for the special meeting requires that holders of a majority of the outstanding shares of our common stock must be present in person or by proxy.

The Board of Directors recommends that you vote "FOR" approval of the Merger Agreement.

Proxies will be voted in the manner you specify in the proxy card. You must sign and date your proxy. If you return your proxy but do not specify how it should be voted, your shares will be voted FOR approval of the Merger Agreement.

If your stock is held by a broker or other custodian in "street name," your shares will not be voted ("broker non-votes") unless you provide specific instructions to the broker or custodian. Proxies submitted by brokers or custodians who have not received voting instructions will be counted for the purposes of determining a quorum, but will not be voted for or against adoption of the Merger Agreement. The failure to submit a proxy card, the abstention from voting by a stockholder, broker non-votes, or the failure to vote in person at the special meeting, will result in your vote not being counted either for or against adoption of the merger and the Merger Agreement. Abstentions and broker non-votes will be counted as present at the special meeting for quorum purposes. Since the Merger Agreement requires the approval of a majority of the outstanding common stock of Sandata, abstentions and broker non-votes will have the effect of a negative vote. You are urged to complete and return your proxy or, if your shares are held in street name, to provide voting instructions in accordance with the materials you receive from your broker or other custodian.

This proxy statement and the accompanying form of proxy are dated \_\_\_\_\_, 2003 and are first being mailed to stockholders on or about \_\_\_\_\_, 2003.

No person has been authorized to give any information or make any representation other than those contained in this proxy statement, and, if given or made, such information or representation must not be relied upon as having been authorized. This proxy statement does not constitute a solicitation of a proxy in any jurisdiction from any person to whom it is unlawful to make a proxy solicitation in such jurisdiction. The information in this proxy statement may only be accurate on the date of this proxy statement.

THIS TRANSACTION HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED UPON THE FAIRNESS OR MERITS OF THE TRANSACTION NOR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

TABLE OF CONTENTS

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QUESTIONS AND ANSWERS ABOUT THE MERGER.....  
-----  
SUMMARY TERM SHEET.....  
-----  
The Special Meeting.....  
-----  
    Date, Time, Place and Matters to be Considered.....  
    -----  
    Record Date for Voting.....  
    -----  
    Procedures Relating to Your Vote at the Special Meeting.....  
    -----  
Parties to the Transaction.....  
-----  
    Sandata Technologies, Inc.....  
    -----  
    Sandata Acquisition Corp.....  
    -----  
    The Acquisition Group.....  
    -----  
The Merger Agreement.....  
-----  
Effective Time of Merger.....  
-----  
Stockholder Litigation.....  
-----  
Opinion of Brean Murray & Co., Inc.....  
-----  
Recommendations of the Special Committee and Our Board of Directors.....  
-----  
Reasons for Engaging in the Transaction.....  
-----  
Effects of the Merger.....  
-----  
Interests of our Directors and Executive Officers in the Merger.....  
-----  
Material United States Federal Income Tax Consequences.....  
-----  
Financing of the Merger.....  
-----  
SPECIAL FACTORS.....  
-----  
    Background of the Merger.....  
    -----  
    Opinion of Brean Murray.....  
    -----  
    Our Forecasts.....  
    -----  
    Stockholder Litigation.....  
    -----  
    Recommendation of the Special Committee and the Board of Directors; Fairness of the Merger....  
    -----  
    Reasons for the Recommendation of the Special Committee.....  
    -----  
    Reasons for the Recommendation of the Board of Directors.....  
    -----  
    Sandata Acquisition Corp.'s and the Acquisition Group's Position as to the Fairness of the Mer  
    -----  
    Purpose and Structure of the Merger; Certain Effects of the Merger;  
    Plans or Proposals After the Merger.....

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-----  
Interests of the Members of the Acquisition Group in the Merger.....  
-----  
Interests of Executive Officers and Directors in the Merger.....  
-----  
    Director and Executive Officer Stock Options.....  
-----  
    Security Ownership of Certain Beneficial Owners and Management.....  
-----  
    Transactions in Common Stock by Certain Persons.....  
-----  
    Employment Agreements.....  
-----  
    Special Committee.....  
-----  
    Indemnification; Directors' and Officers' Insurance.....  
-----  
Certain Relationships Between Sandata, Sandata Acquisition Corp and Members of the Acquisition  
-----  
    IDA/SBA Financing.....  
-----  
    Revolving Credit Agreement.....  
-----  
    Non-Recourse Promissory Notes.....  
-----  
    National Medical Health Card Systems, Inc.....  
-----  
    Leases.....  
-----  
    Medical Arts Office Services, Inc.....  
-----  
Material United States Federal Income Tax Consequences of the Merger to our Stockholders.....  
-----  
    Non-continuing Stockholders.....  
-----  
    Continuing Stockholders.....  
-----  
    Sandata and Sandata Acquisition Corp.....  
-----  
FORWARD LOOKING STATEMENTS MAY PROVE INACCURATE.....  
-----  
SPECIAL MEETING.....  
-----  
    Introduction.....  
-----  
    Proposal to be Considered at the Special Meeting.....  
-----  
    Voting Rights; Vote Required for Approval.....  
-----  
    Voting and Revocation of Proxies.....  
-----  
    Solicitation of Proxies.....  
-----  
    Trading Market and Price; Dividends; Stock Repurchases.....  
-----  
THE MERGER.....  
-----  
    Effective Time of the Merger.....  
-----  
    Payment of Merger Consideration and Surrender of Stock Certificates.....  
-----  
    Financing of the Merger; Fees and Expenses of the Merger.....



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-----  
Appraisal Rights.....  
-----  
Regulatory Approvals.....  
-----  
THE MERGER AGREEMENT.....  
-----  
General.....  
-----  
Consideration to be Received by the Stockholders.....  
-----  
Stock Options.....  
-----  
Representations and Warranties.....  
-----  
Covenants.....  
-----  
Indemnification; Directors' and Officers' Insurance.....  
-----  
Conditions to the Merger.....  
-----  
Termination of the Merger Agreement.....  
-----  
Effect of Termination; Expenses.....  
-----  
Amendment to the Merger Agreement.....  
-----  
OTHER MATTERS.....  
-----  
Other Matters for Action at the Special Meeting.....  
-----  
Proposals by Holder of Shares of Common Stock.....  
-----  
Expenses of Solicitation.....  
-----  
Independent Auditors.....  
-----  
Available Information.....  
-----  
Information Incorporated by Reference.....  
-----  
Financial Disclosure.....  
-----

- Appendix A-1 Agreement and Plan of Merger, dated as of October 28, 2002, by and among Sandata Technologies, Inc., Sandata Acquisition Corp., Bert E. Brodsky, Hugh Freund and Gary Stoller
- Appendix A-2 First Amendment to the Agreement and Plan of Merger, dated as of January 27, 2003
- Appendix B - Opinion of Brean Murray, dated October 28, 2002 B-1 Appendix C-1 - Presentation of Brean Murray to the Special Committee, dated October 28, C-1 2002
- Appendix C-2 - Presentation of Brean Murray to the Special Committee, dated August 27, 2002
- Appendix C-3 - Presentation of Brean Murray to the Special Committee, dated August 20, 2002
- Appendix D - Section 262 Delaware General Corporation Law
- Appendix E - Sandata Annual Report on Form 10-KSB for the fiscal year ended May 31, 2002 ("Form 10-KSB")
- Appendix F - Amendment Number 1 to Sandata's Form 10-KSB
- Appendix G - Amendment Number 2 to Sandata's Form 10-KSB
- Appendix H - Amendment Number 3 to Sandata's Form 10-KSB

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Appendix I - Sandata Quarterly Report on Form 10-QSB for the Quarter ended  
November 30, 2002  
Appendix J - Amendment Number 1 to Sandata's Form 10-QSB  
Appendix K - Amendment Number 2 to Sandata's Form 10-QSB

### QUESTIONS AND ANSWERS ABOUT THE MERGER

The following questions and answers, together with the Summary Term Sheet that follows, briefly describe material terms of the merger. These questions and answers may not address all questions that may be important to you as a stockholder. Please refer to the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement, and the documents referred to or incorporated by reference in this proxy statement. In this proxy statement, "we", "us" and "our" refer to Sandata.

What is the proposed transaction?

Our Board of Directors is asking you to vote to approve a Merger Agreement which provides that Sandata Acquisition Corp. will merge with and into Sandata, with Sandata being the surviving corporation. If the Merger Agreement is adopted, each share of our common stock issued and outstanding immediately prior to the merger (excluding shares contemplated to be contributed to Sandata Acquisition Corp. by Messrs. Brodsky, Freund and Stoller and members of their immediate families (the "Acquisition Group") and shares held by stockholders who perfect their appraisal rights under Delaware law) will be converted into the right to receive \$2.21 in cash. At the effective time of the merger, each issued and outstanding share of Sandata Acquisition Corp. common stock will be converted into one fully paid and non-assessable share of Sandata common stock as the surviving corporation. See "Special Factors - Purpose and Structure of the Merger; Certain Effects of the Merger; Plans or Proposals After the Merger," "Special Factors - Interests of the Members of the Acquisition Group in the Merger" and "Special Meeting - Proposal to be Considered at the Special Meeting."

What does our Board of Directors recommend?

Our Board of Directors recommends that you vote "FOR" adoption of the Merger Agreement. In the opinion of the Board of Directors, the merger consideration of \$2.21 per share of common stock in cash, is fair to, and the Merger Agreement is advisable and in the best interests of, the unaffiliated stockholders of Sandata. All references throughout this proxy statement to the unaffiliated stockholders of Sandata means all of our stockholders other than Sandata Acquisition Corp. and the members of the Acquisition Group. See "Special Factors - Recommendation of the Special Committee and the Board of Directors; Fairness of the Merger," "Special Factors - Reasons for the Recommendation of the Special Committee" and "Special Factors - Reasons for the Recommendation of the Board of Directors."

What vote is required to approve the Merger Agreement?

Under Delaware law and our bylaws, the merger must be approved by the affirmative vote of the holders of at least a majority of the outstanding shares of common stock entitled to vote at the special meeting. Approval of the merger is not subject to a vote of a majority of the unaffiliated stockholders of Sandata. On the record date, \_\_\_\_\_ shares of our common stock were outstanding of which approximately \_\_\_\_\_ will be converted into the right to receive the merger consideration and approximately \_\_\_% are owned by the

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Acquisition Group, all of which will contributed to Sandata Acquisition Corp. prior to the effective time of the merger. Under the Merger Agreement, Messrs. Brodsky, Freund and Stoller agreed to vote, and they agreed to cause Sandata Acquisition Corp. and the members of their immediate families to vote, all shares of Sandata owned by them and Sandata Acquisition Corp. at the effective time in favor of the merger. The Acquisition Group owns a sufficient number of shares of our common stock to approve the Merger Agreement. See "Special Meeting - Voting Rights; Vote Required for Approval."

If my shares are held in "Street Name" by my broker, will my broker vote my shares for me?

Your broker will vote your shares ONLY if you instruct your broker how to vote. You should fill out, sign, date and return the proxy card and otherwise follow the directions provided by your broker regarding how to vote your shares. See "Special Meeting - Voting Rights; Vote Required for Approval" and "Special Meeting - Voting and Revocation of Proxies."

What do I need to do now?

Please mark your vote on, sign, date and mail your proxy card in the enclosed return envelope as soon as possible, so that your shares may be represented at the special meeting.

May I change my vote after I have mailed my signed proxy card?

Yes, your vote can be changed at any time before the proxy is voted at the special meeting. This can be done by (i) sending a written revocation or another signed proxy card with a later date to our Corporate Secretary at 26 Harbor Park Drive, Port Washington, New York 11050; it must be received by us before the special meeting, (ii) attending the special meeting and voting in person, as long as you, and not your broker, are a record holder of our stock, or (iii) delivering a notice of revocation of the proxy at the special meeting prior to the vote on the Merger Agreement. See "Special Meeting - Voting and Revocation of Proxies."

Should I send my stock certificates now?

No. After the merger is completed, our exchange agent will send you a transmittal form and written instructions for exchanging your stock certificates. See "The Merger - Payment of Merger Consideration and Surrender of Stock Certificates."

What rights do I have if I oppose the Merger?

You may oppose the merger and seek appraisal of the fair value of your Sandata shares, but only if you comply with all of the Delaware law procedures explained in this proxy statement. In order to qualify for appraisal rights, you must not vote in favor of the merger. In addition, you must deliver to Sandata a written demand for appraisal of your shares prior to the vote on the Merger Agreement and continue to hold such shares until the consummation of the merger. See "The Merger - Appraisal Rights" and Appendix D.

When do you expect the merger to be completed?

We hope to complete the merger as soon as possible. For the merger to occur, it must be approved by our stockholders. If our stockholders adopt the Merger Agreement, we expect to complete the merger on or about \_\_\_\_\_, 2003.

Who can help answer my questions?

If you have more questions about the merger or would like additional copies

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of this proxy statement, you should contact our in-house counsel, Jonathan Friedman, Esq., at (516) 484-4400.

### SUMMARY TERM SHEET

The following summary, together with the previous Question and Answer section, briefly describes material terms of the merger as more fully discussed in this proxy and presented in the documents annexed to this proxy statement. This summary is qualified by the more detailed information contained elsewhere in this proxy statement, the annexes and the documents we refer to in this proxy statement, all of which we urge you to review carefully.

#### The Special Meeting

##### Date, Time, Place and Matters to be Considered

- o The special meeting of stockholders of Sandata Technologies, Inc. will be held on \_\_\_\_\_, 2003 at 10:00 a.m., local time, at our corporate offices, 26 Harbor Park Drive, Port Washington, New York 11050. At the special meeting, stockholders will be asked to consider and vote upon a proposal to adopt an Agreement and Plan of Merger, dated as of October 28, 2002, by and among Sandata Acquisition Corp., a Delaware corporation, Bert E. Brodsky, Hugh Freund, Gary Stoller and Sandata, as amended by a First Amendment to the Agreement and Plan of Merger, dated as of January 27, 2003 (the "Merger Agreement"), pursuant to which Sandata Acquisition Corp. will merge with and into Sandata, with Sandata being the surviving corporation. Pursuant to the Merger Agreement, prior to the effective time of the merger, the members of the Acquisition Group will contribute all of the shares of Sandata common stock owned by them to Sandata Acquisition Corp. A copy of the Merger Agreement is attached as Appendices A-1 and A-2 to this proxy statement. For additional information regarding the matters to be considered at the special meeting, see "Special Meeting - Proposal to be Considered at the Special Meeting."

##### Record Date for Voting

- o Only stockholders of record as of the close of business on \_\_\_\_\_, 2003 are entitled to notice of and to vote at the special meeting. On that date, \_\_\_\_\_ shares of our common stock were outstanding held by approximately \_\_\_\_\_ record holders, of which shares approximately \_\_\_\_\_ will be converted into the right to receive the merger consideration and approximately \_\_\_% are owned by the Acquisition Group. Pursuant to the Merger Agreement, all shares of Sandata common stock owned by the Acquisition Group will be contributed to Sandata Acquisition Corp. prior to the effective time of the merger. For additional information regarding the record date for voting see "Special Meeting - Voting Rights; Vote Required for Approval."

##### Procedures Relating to Your Vote at the Special Meeting

- o Adoption of the Merger Agreement requires the affirmative vote of the holders of a majority of all outstanding shares of common stock of Sandata. Approval of the merger is not subject to a vote of a majority of the unaffiliated stockholders of Sandata. Each share of common stock entitles the holder to cast one vote at the special meeting. Abstentions and broker non-votes will result in your shares not being voted either for or against adoption of the Merger Agreement. Abstentions and broker

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non-votes will be counted as present at the special meeting for quorum purposes. Since the Merger Agreement requires the approval of a majority of the outstanding common stock of Sandata, abstentions and broker non-votes will have the effect of a negative vote.

- o The presence, in person or by proxy, at the special meeting of the holders of at least a majority of the shares of our common stock entitled to vote is necessary to constitute a quorum for the transaction of business.
- o Proxy cards that are properly signed and received at or prior to the special meeting will result in the voting of shares represented thereby in accordance with the instructions indicated on the proxy card. Proxy cards that are received without any instructions will result in a vote "FOR" the adoption of the Merger Agreement.
- o A proxy may be revoked by delivering to our secretary prior to the special meeting a later dated, signed proxy card or a written revocation of your proxy; or by delivering a notice of revocation of the proxy at the special meeting prior to the vote on the Merger Agreement; or by attending the special meeting in person and voting your stock, provided you, not your broker, are the record holder of such stock. For additional information regarding the procedures relating to your vote at the special meeting, see "Special Meeting - Voting and Revocation of Proxies" and "Special Meeting - Solicitation of Proxies."

### Parties to the Transaction

#### Sandata Technologies, Inc.

- o Sandata Technologies, Inc. is a Delaware corporation with its principal business address at 26 Harbor Park Drive, Port Washington, New York 11050. Its business telephone is (516) 484-4400. The principal business of Sandata Technologies, Inc. is providing technology services to its customers. These services include either the utilization of software products that have been developed, acquired or licensed by Sandata or the leveraging of technology-based core competencies that Sandata has developed in formulating and delivering its software services. Sandata's core competencies principally refer to its SHARP (Sandsport Home Attendant Reporting Program) product which provides computer services, including payroll and billing, to the home health care industry.
- o Services that leverage Sandata's core competencies are driven by its information technology support services. These services include facilities outsourcing for database and operating system support, technology consulting, custom software development and support, resale and implementation of software written and distributed by others, website development and hosting, help desk services, and hardware maintenance and related administrative services.
- o Applications of Sandata's software include an automated payroll processing and Medicaid billing service delivered via leased lines or over the internet, computerized preparation of management reports, telephone-based data collection services, and automated database-driven outbound telephone notification.

#### Sandata Acquisition Corp.

- o Sandata Acquisition Corp. is a Delaware corporation which has its principal business address at 26 Harbor Park Drive, Port Washington, New York 11050. Its business telephone is (516) 484-4400. Sandata Acquisition Corp. was formed solely for the purpose of effecting the transactions

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contemplated by the merger and has not engaged in any business except in furtherance of this purpose. Pursuant to the Merger Agreement, prior to the effective time, the members of the Acquisition Group will contribute all shares of Sandata common stock owned by them to Sandata Acquisition Corp. The Merger Agreement contemplates that, prior to the effective time of the merger, the Acquisition Group will own all of the outstanding common stock of Sandata Acquisition Corp. and at the effective time of the merger, each issued and outstanding share of Sandata Acquisition Corp. common stock will be converted into one fully paid and non-assessable share of Sandata common stock as the surviving corporation. After the contribution of Sandata common stock to Sandata Acquisition Corp., the Acquisition Group will have common ownership and voting control of both Sandata and Sandata Acquisition Corp.

### The Acquisition Group

- o The Acquisition Group is comprised of Bert E. Brodsky, Hugh Freund, Gary Stoller, Jessica Brodsky Miller, David C. Brodsky, Jeffrey H. Brodsky, Lee J. Brodsky, Muriel M. Brodsky, Emily Freund, Leland Freund, Gertrude Kay, the Bert E. Brodsky Revocable Trust, Gary Stoller and Susan Stoller as Custodians for Joseph Bailey under the New York Uniform Transfer to Minors Act, Gary Stoller and Susan Stoller as Custodians for Jennifer Stoller under the New York Uniform Transfer to Minors Act. Prior to the effective time of the merger, the members of the Acquisition Group, who hold approximately 72% of the outstanding shares of Sandata common stock in the aggregate, will contribute all shares of Sandata common stock owned by them to Sandata Acquisition Corp. in exchange for shares of Sandata Acquisition Corp. The Merger Agreement contemplates that, prior to the effective time of the merger, the Acquisition Group will own all of the outstanding common stock of Sandata Acquisition Corp. and at the effective time of the merger, each issued and outstanding share of Sandata Acquisition Corp. common stock will be converted into one fully paid and non-assessable share of Sandata common stock as the surviving corporation. The members of the Acquisition Group have interests that are different from, or in addition to, the interests of the unaffiliated stockholders of Sandata, generally. For additional information regarding the members of the Acquisition Group, see "Special Factors - Purpose and Structure of the Merger; Certain Effects of the Merger; Plans or Proposals After the Merger" and "Special Factors - Interests of the Members of the Acquisition Group in the Merger."

### The Merger Agreement

- o Sandata, Sandata Acquisition Corp. and Messrs. Brodsky, Freund and Stoller have entered into the Merger Agreement, a copy of which is attached as Appendices A-1 and A-2 to this proxy statement. In general, the Merger Agreement provides that, subject to the approval of Sandata stockholders and the satisfaction of other conditions to the merger, Sandata Acquisition Corp. will merge with and into Sandata, with Sandata being the surviving corporation. Under the Merger Agreement, Messrs. Brodsky, Freund and Stoller agreed to vote, and they agreed to cause Sandata Acquisition Corp. and the members of their immediate families to vote, all shares of Sandata owned by them and Sandata Acquisition Corp. at the effective time in favor of the merger. For additional information regarding the terms of the Merger Agreement, see "The Merger - The Merger Agreement."

### Effective Time of Merger

- o The merger will become effective upon the filing with, and acceptance by, the Secretary of State of Delaware of a duly executed certificate of merger. At the effective time of the merger, each share of Sandata (excluding shares contemplated to be contributed to Sandata Acquisition Corp. by the members of the Acquisition Group and shares held

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by stockholders who perfect their appraisal rights under Delaware law) will be converted into the right to receive \$2.21 in cash and each issued and outstanding share of Sandata Acquisition Corp. common stock held by members of the Acquisition Group will be converted into one fully paid and non-assessable share of Sandata common stock as the surviving corporation. For additional information regarding the effective time of the merger, see "Special Factors - Purpose and Structure of the Merger; Certain Effects of the Merger; Plans or Proposals After the Merger," "Special Factors - Interests of the Members of the Acquisition Group in the Merger" and "The Merger - Effective Time of the Merger."

### Stockholder Litigation

- o In early and mid-September, two stockholders filed separate lawsuits against Sandata and the members of the Board of Directors alleging that the defendants breached their fiduciary duties to Sandata and its stockholders in connection with the merger, that the members of the special committee were not independent and that the merger consideration was inadequate. In October, these actions were consolidated by the Delaware Chancery Court. In late December, the parties to the consolidated actions executed a Memorandum of Understanding pursuant to which Sandata Acquisition Corp. agreed to increase the merger consideration from \$1.91 to \$2.21 per share of Sandata common stock and the plaintiffs agreed to dismiss the lawsuits, subject to the execution of a Stipulation of Settlement. On January 27, 2003, a Stipulation of Settlement was executed by the parties to the lawsuits which formalized the agreement of the parties as set forth in the Memorandum of Understanding. The Stipulation of Settlement is subject to, among other things, the approval of the Delaware Chancery Court. Pursuant to the Stipulation of Settlement, Sandata, Sandata Acquisition Corp. and Messrs. Brodsky, Freund and Stoller amended the Merger Agreement to increase the merger consideration to \$2.21 per share of Sandata common stock and the defendants have agreed to dismiss the lawsuits against Sandata and the members of the Board of Directors. For additional information regarding the litigation and settlement, see "Special Factors - Background of the Merger" and "Special Factors - Stockholder Litigation."

### Opinion of Brean Murray & Co., Inc.

- o The special committee retained Brean Murray & Co., Inc. ("Brean Murray") as its financial advisor regarding the value of the merger consideration and to opine as to the fairness of the merger consideration from a financial point of view. On October 28, 2002, Brean Murray delivered its written opinion to the special committee that, as of the date of the opinion, and based on and subject to the assumptions, limitations and qualifications contained in that opinion, the merger consideration of \$1.91 that each of our public stockholders would have had the right to receive under the Merger Agreement prior to the amendment increasing the merger consideration, is fair, from a financial point of view, to such stockholders. Brean Murray has not withdrawn its opinion since the amendment to the Merger Agreement was executed, which amendment increased the merger consideration to \$2.21 per share of Sandata common stock. For additional information regarding the Opinion of Brean Murray, see "Special Factors - Opinion of Brean Murray."
- o A copy of Brean Murray's written fairness opinion is attached to this proxy statement as Appendix B. We urge you to read Brean Murray's opinion carefully.

### Recommendations of the Special Committee and Our Board of Directors

- o A special committee of our Board of Directors, consisting of two non-management directors of Sandata who are not materially interested in

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the merger, was formed to consider, evaluate and negotiate the merger and the Merger Agreement. On October 28, 2002, the special committee unanimously determined that the merger consideration of \$1.91 in cash per share contained in the Merger Agreement, prior to the amendment increasing the merger consideration, is fair to the unaffiliated stockholders of Sandata, and recommended to our Board of Directors that it approve the Merger Agreement and recommend to the unaffiliated stockholders of Sandata that they approve the Merger Agreement. On the same date, the Board of Directors, based upon this recommendation of the special committee, unanimously determined that the merger consideration of \$1.91 in cash per share contained in the Merger Agreement, prior to the amendment increasing the merger consideration, is fair to, and the merger is advisable and in the best interests of, Sandata and the unaffiliated stockholders of Sandata. As a result of the stockholder lawsuits against Sandata and the members of its Board of Directors, the parties to the litigation engaged in arms-length settlement negotiations which resulted in the execution of a Stipulation of Settlement pursuant to which Sandata Acquisition Corp. agreed to increase the merger consideration from \$1.91 to \$2.21 per share of Sandata common stock and the plaintiffs agreed to dismiss the lawsuits against Sandata and the members of the Board of Directors. The Stipulation of Settlement is subject to final approval of the settlement by the Delaware Chancery Court of which there can be no assurances. On January 16, 2003, the special committee unanimously determined to recommend that the Board of Directors enter into the Stipulation of Settlement, which provides for an increase in the merger consideration to \$2.21 per share of Sandata common stock. The special committee also unanimously determined that the amended merger consideration of \$2.21 is fair to the unaffiliated stockholders of Sandata, and recommended to our Board of Directors that, subject to the execution of the Stipulation of Settlement, it approve the amendment to the Merger Agreement and recommend to the unaffiliated stockholders of Sandata that they approve such amendment. On the same date, the Board of Directors unanimously determined that the Stipulation of Settlement be executed by Sandata and that, subject to its execution by all parties, the Merger Agreement be amended to increase the merger consideration to \$2.21 per share of Sandata common stock and that the increased merger consideration is fair to, and the merger is advisable and in the best interests of, Sandata and the unaffiliated stockholders of Sandata. Accordingly, our Board of Directors has approved the Merger Agreement and unanimously recommends that you vote "FOR" the proposal to adopt it. For additional information regarding the material factors considered by the special committee and the Board of Directors in reaching their conclusions and the reasons why the special committee and the Board of Directors determined that the merger is fair to the unaffiliated stockholders of Sandata, see "Special Factors - Background of the Merger," "Special Factors - Recommendations of the Special Committee and the Board of Directors; Fairness of the Merger," "Special Factors - Reasons for the Recommendation of the Special Committee" and "Special Factors - Reasons for the Recommendation of the Board of Directors."

### Reasons for Engaging in the Transaction

- o The principal purposes of this merger are to enable the members of the Acquisition Group to acquire all of the equity interests in Sandata not already owned by them through Sandata Acquisition Corp., and to provide the unaffiliated stockholders of Sandata, the opportunity to receive a cash price for their shares at a significant premium over the market price at which the common stock traded prior to the public announcement of their proposal to acquire all of Sandata's outstanding stock. Additionally, the Acquisition Group is presently engaging in this transaction because the members of the Acquisition Group believe that Sandata has good potential business prospects and that Sandata will have greater operating flexibility to focus on long-term value without the constraint of the public market's



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emphasis on quarterly results. For additional information regarding the reasons for engaging in this transaction, see "Special Factors - Background of the Merger" and "Special Factors - Purpose and Structure of the Merger; Certain Effects of the Merger; Plans or Proposals After the Merger."

### Effects of the Merger

- o After the merger is effective, shares of Sandata will no longer be traded on the Nasdaq SmallCap Market and the registration of the shares under the Securities and Exchange Act of 1934 will be terminated. Following the merger, there will be no publicly traded common stock of Sandata outstanding. For additional information regarding the effects of the merger, see "Special Factors - Purpose and Structure of the Merger; Certain Effects of the Merger; Plans or Proposals After the Merger."

### Interests of our Directors and Executive Officers in the Merger

- o You should be aware that, in addition to the matters discussed above, our executive officers and some members of our Board of Directors have various interests in the merger that are in addition to, or different from, the interests of the unaffiliated stockholders generally and that such interests create potential conflicts of interest.
- o Pursuant to the Merger Agreement, prior to the effective time, the members of the Acquisition Group will contribute all shares of Sandata common stock owned by them to Sandata Acquisition Corp. and, at the effective time of the merger, each outstanding share of Sandata Acquisition Corp. will be converted into one share of common stock of the surviving corporation. The Merger Agreement contemplates that, prior to the effective time of the merger, the Acquisition Group will own all of the outstanding common stock of Sandata Acquisition Corp. and that at the effective time of the merger, each issued and outstanding share of Sandata Acquisition Corp. common stock will be converted into one fully paid and non-assessable share of Sandata common stock as the surviving corporation. The Acquisition Group will have common ownership and voting control of both Sandata and Sandata Acquisition Corp. Since Sandata will be the surviving corporation, it is contemplated that the members of the Acquisition Group will continue as the owners of Sandata as a private company.
- o Certain of our executive officers and directors also have options to purchase 1,016,500 shares of common stock of Sandata. At the effective time of the merger, all outstanding options to purchase common stock of Sandata will be cancelled in exchange for the right to receive a cash payment equal to the product of the number of shares of Sandata subject to the options and the excess of the merger consideration, if any, over the exercise price per share related to such options (excluding options held by the members of the Acquisition Group). Pursuant to the Merger Agreement, at the effective time, options held by the members of the Acquisition Group will be cancelled and the holders of such options will not be entitled to receive any of the merger consideration.
- o Messrs. Fish and Bernard each hold options to purchase shares of Sandata common stock, all of which will be cancelled in exchange for the right to receive a cash payment equal to the product of the number of shares of Sandata subject to the options and the excess of the merger consideration over the exercise price per share related to such options. Accordingly, it is anticipated that each of Messrs. Fish and Bernard will each receive a cash payment equal to \$12,100 in exchange for the cancellation of their options.

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- o The members of the special committee are being paid \$1,000 per day for each day of work related solely to serving on the special committee, pro-rated for partial days.
- o Mr. Bernard, a member of the special committee, is a sales executive for The Rampart Group Insurance Associates, an insurance company from which Sandata purchases insurance policies through Mr. Bernard. The Board of Directors determined that the economic benefits received by The Rampart Group and Mr. Bernard with respect to these policies are not material to either of them.
- o Indemnification arrangements and directors' and officers' liability insurance for our present and former directors and officers will be continued by the surviving corporation after the merger.
- o For additional information regarding interests of our directors and executive officers in the merger, see "Special Factors - Interests of the Members of the Acquisition Group in the Merger" and "Special Factors - Interests of Executive Officers and Directors in the Merger."

### Material United States Federal Income Tax Consequences

- o The receipt of \$2.21 in cash for each share of common stock pursuant to the merger will be a taxable transaction to the unaffiliated stockholders of Sandata for United States Federal income tax purposes and under most state, local, foreign and other tax laws. For United States Federal income tax purposes, each of the unaffiliated stockholders of Sandata generally will realize taxable gain or loss as a result of the merger measured by the difference, if any, between the tax basis per share of our common stock owned by such unaffiliated stockholder of Sandata and \$2.21. Each holder of a compensatory option to acquire our common stock who receives a cash payment equal to the difference between \$2.21 and the exercise price per share of such option will have ordinary income to the extent of the cash received. Neither Sandata nor Sandata Acquisition Corp. will realize any gain or loss in the merger. For additional information regarding material United States Federal income tax consequences of the merger to the unaffiliated stockholders of Sandata, see "Special Factors - Material United States Federal Income Tax Consequences of the Merger to our Stockholders."

### Financing of the Merger

- o The total amount of funds required to consummate the merger and to pay related fees and expenses is estimated to be approximately \$\_\_\_\_\_. Pursuant to the Merger Agreement, at the effective time of the merger, Messrs. Brodsky, Freund and Stoller will cause the necessary funds to be contributed to Sandata Acquisition Corp. and, at the effective time, Sandata Acquisition Corp. will have the funds necessary to pay the purchase price and all related fees and expenses in cash. The funds required to consummate the merger transaction will be contributed to Sandata Acquisition Corp. by Jessica Brodsky Miller, David C. Brodsky, Jeffrey H. Brodsky and Lee J. Brodsky, members of the Acquisition Group, from their personal funds. The merger is not conditioned on any financing arrangements, nor will any of the funds required to fund the merger consideration be borrowed funds.
- o For additional information regarding the financing of the merger, see "Special Factors - Purpose and Structure of the Merger; Certain Effects of the Merger; Plans or Proposals After the Merger,"

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"Special Factors - Interest of the Members of the Acquisition Group in the Merger" and "The Merger - Financing of the Merger; Fees and Expenses of the Merger."

### SPECIAL FACTORS

#### Background of the Merger

During the months of January and February of 2002, when Sandata common stock traded at an average price of \$1.31 on average daily volume of 971 shares, Mr. Brodsky began to consider a transaction in which he could, either alone or with others, obtain private ownership of Sandata. Mr. Brodsky considered taking Sandata private due to the fact that (i) Sandata's low market capitalization made it difficult to use Sandata stock as consideration for potential acquisitions, (ii) Sandata continued to incur substantial expenses in connection with being a publicly traded company and (iii) Sandata's current stock price did not fully reflect Sandata's value and any growth in the business would not be reflected in Sandata's market price because of the lack of trading volume and analyst coverage. On April 5, 2002, a letter was sent to Sandata on behalf of Mr. Brodsky by his legal counsel proposing a "going private" transaction in which he and a group of investors would purchase all of the outstanding Sandata common stock not owned by them for \$1.50 per share. During this time, Mr. Brodsky contemplated that he could engage in this transaction with Messrs. Freund and Stoller, the other original founders of Sandata, along with members of each of their families in order to continue Sandata as a private, family-owned, company; however, no discussions took place at this time. Mr. Brodsky's valuation of \$1.50 per share of Sandata common stock was based upon his financial analysis of Sandata's balance sheets, debt, earnings and capitalized software at the time the offer was made. The closing price of Sandata's common stock as reported on the Nasdaq SmallCap Market on April 5, 2002 was \$0.91. Mr. Brodsky's April 5 letter outlined the following terms of a potential transaction: the investment group would offer to purchase all of Sandata's outstanding common stock not owned by them for a cash price equal to \$1.50 per share; a new company formed and owned by the investment group would purchase Sandata's stock pursuant to an agreement incorporating standard provisions; the stock purchase would be funded through the working capital of the newly formed company; and the proposal was subject to satisfactory completion of legal and financial due diligence. The letter also indicated that the offer would expire on April 12, 2002.

At a special meeting of our Board of Directors on April 17, 2002, Mr. Brodsky directed the attention of the Board to his April 5, 2002 letter sent to Sandata on behalf of Mr. Brodsky and the investment group which had been distributed to the members of the Board at this meeting. The closing price of Sandata's common stock as reported on the Nasdaq SmallCap Market on April 17, 2002 was \$1.00.

The Board engaged in a discussion regarding its fiduciary obligations to the Company and its stockholders and the possibility of forming a special committee to consider and negotiate the proposal on behalf of Sandata and its unaffiliated stockholders. The Board also discussed the responsibilities and course of conduct of the special committee. The Board agreed that, in order to ensure fairness of the transaction to the unaffiliated stockholders of Sandata, Messrs. Fish and Bernard (being Sandata's two board members not employed by Sandata), would be appointed to the special committee, subject to an additional inquiry to ensure that neither of them were materially interested in the proposed transaction. The additional inquiry focused primarily on the

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relationships between Sandata and its officers and management directors with Messrs. Fish and Bernard to determine the extent, if any, that either of them are affiliated with Sandata, its officers or directors or any of its or their affiliates. The Board considered the commissions received by Mr. Bernard in connection with Sandata's insurance policies and determined that the receipt of the commissions and the business relationship between Mr. Bernard and Sandata would not prevent him from providing independent advice on behalf of Sandata and the unaffiliated stockholders in connection with the proposed transaction. The Board of Directors determined that the economic benefits received by The Rampart Group and Mr. Bernard with respect to these policies are not material to either of them. The Board also considered the common stock owned by Mr. Fish and the options held by each of Messrs. Fish and Bernard and determined that their stock ownership would not prevent either of them from providing independent advice on behalf of Sandata and the unaffiliated stockholders. The members of the Board also agreed that the special committee should meet as soon as possible to discuss the proposal, to retain its own legal and financial advisors, to analyze information relative to the proposal and to negotiate the transaction with the investment group. The Board agreed to grant the special committee broad authority to conduct its inquiry and to consider and negotiate the proposal on behalf of Sandata and its unaffiliated stockholders, including the power and authority to solicit alternative proposals from unaffiliated third parties and to reject Mr. Brodsky's proposal. The Board placed no restrictions on the authority and power of the special committee. The Board also considered obtaining approval of the "going private" offer from a majority of the unaffiliated stockholders of Sandata, but this was rejected by the Board as impractical. Given the lack of investor interest in Sandata's stock, as indicated by its low trading volume, among other things, it would be unlikely that a majority of the unaffiliated stockholders would vote with respect to the proposed transaction. The Board also discussed waiving any conflicts of interest that would exist during any potential legal representation of the special committee by Certilman, Balin, Adler & Hyman, LLP ("Certilman") as a result of Certilman's representation of Sandata and certain of its affiliates from time to time. The Board determined that the economic benefits received by Certilman with respect to its representation of Sandata and certain of its affiliates are not material to Certilman.

After an additional discussion in which Mr. Brodsky clarified the terms of the proposal, Mr. Brodsky indicated that the expiration date of the proposal would be extended indefinitely, subject to the right to fix a new expiration date upon reasonable notice to the Board, and that the transaction would probably be a cash-out merger, not a stock purchase.

The Board then adopted the following resolutions:

- o to form the special committee for the purpose of evaluating the proposal and inquiring into, considering and negotiating a "going private transaction";
- o to appoint Messrs. Fish and Bernard as members of the special committee;
- o to grant the special committee all of the necessary powers to carry on such an inquiry, including, but not limited to, the power to reject Mr. Brodsky's proposal and the power to negotiate and accept offers from unaffiliated third-parties;
- o that the special committee keep the president and the Board advised regarding the progress of the inquiries and negotiations of the special committee;
- o that the "going private" proposal be submitted to the special

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committee for such inquiry, consideration and negotiation as the special committee may determine;

- o the special committee specifically consider, among other things, the fairness of the proposed transaction to the public stockholders of Sandata;
- o that the special committee take all necessary action in order to assess the proposal, including the expenditure of funds, retention of an investment banker to prepare a fairness opinion, retention of legal counsel to represent the special committee, and the negotiation of the terms of the "going private" transaction with the group of investors;
- o that Sandata waives all conflicts of interest that would exist during any potential legal representation of the special committee by Certilman in connection with the "going private" transaction; and
- o that, provided the special committee deems it to be in the best interests of Sandata, the Board has no objections to the retention of Certilman as legal advisor to the special committee.

On the same day, the special committee met to discuss the process they would undertake to evaluate the "going private" proposal, including the selection of a financial advisor and retention of legal counsel. The special committee identified several potential financial advisors to contact. The members of the special committee also discussed compensation and obtaining officer and director insurance. After a discussion with a representative of Certilman regarding potential conflicts of interest if the special committee retained Certilman as its legal advisor, the special committee resolved to retain Certilman as its legal advisor in connection with the "going private" transaction.

On April 24, 2002, at a meeting of the special committee, the members of the committee interviewed representatives of several potential financial advisors, including Ladenburg Thalmann & Co., Inc.; Brooks, Houghton & Company, Inc.; Fahnestock & Co., Inc.; and Capitalink, L.C. The special committee discussed with representatives of each of the potential financial advisors their experience in rendering fairness opinions to companies similar in size, business and structure to Sandata, and in transactions similar to the proposed merger transaction. The special committee also discussed the process such advisors used and their fee structure, in the event one of them was chosen to represent the special committee. Based upon the interviews and materials presented, the special committee preliminarily identified Fahnestock & Co. and Capitalink as potential financial advisors, but expressed concerns that the fees quoted by Fahnestock & Co. were significantly higher than had been anticipated by the special committee and that Capitalink was currently engaged by certain affiliates of Mr. Brodsky in potential economically significant transactions and that its representative had been a member of Sandata's placement agent with respect to Sandata's 1995 private placement.

The special committee met again on April 30, 2002 and further discussed its concerns about Fahnestock & Co.'s fees and Capitalink's relationship with affiliates of Mr. Brodsky. The special committee decided to schedule additional meetings with potential financial advisors and to advise the Board of Directors of the status of the special committee's deliberations and to further consider the matter of investment advisors.

On May 10, 2002, the Board of Directors of Sandata convened for another special meeting at the request of the special committee to discuss the selection of its financial advisor. Legal counsel to the special committee informed the Board that the special committee had researched a number of financial advisors,

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including Brooks, Houghton; Capitalink; Fahnestock; and Ladenburg Thalmann. Of the potential financial advisors the special committee initially narrowed the selection to Capitalink and Fahnestock, but decided against retaining Capitalink due to its ongoing relationship with National Medical Health Card Systems, Inc., an affiliate of Mr. Brodsky. The special committee's counsel also indicated that Fahnestock's fee was the highest of the financial advisors interviewed. The members of the special committee informed the Board that the fees for the fairness opinion that will be incurred in connection with the proposed transaction could be considerable and that they were aware that the payment of a large amount of fees might affect Mr. Brodsky's willingness to consummate the transaction. The members of the special committee also informed the Board that it was not comfortable retaining a financial advisor for such a high fee in the context of the size of the proposed transaction and indicated that they thought they should continue researching additional investment firms to find a financial advisor at the lower or middle end of the cost spectrum and the Board raised no objections. The special committee's legal counsel also informed the Board that, based on the interviews with potential financial advisors held by the special committee to date, the fee structure of these financial advisors would be bifurcated, with a lower initial payment regarding an analysis of the structure of an offer and a higher payment upon the issuance of a fairness opinion because of the risk associated with the issuance of an opinion.

At this meeting, the members of the special committee informed the Board that it wanted Sandata to enter into indemnification agreements with each of them and that, in consideration for the extra work being done in connection with the "going private" transaction, they each wanted to receive an hourly cash stipend. The Board then discussed whether compensating the members of the special committee would be appropriate and the amount of compensation they should receive. Legal counsel to the special committee then noted to the members of the Board that it is not unusual for members of special committee's to receive non-contingent compensation for services performed in connection with similar transactions. After a discussion between the members of the Board and the members of the special committee about the significant amount of time and attention that would be required for the members of the special committee to fulfill their duties to Sandata and the unaffiliated stockholders, the Board agreed to compensate the members of the special committee \$1,000 per day, pro-rated for partial days. The decision by the Board to compensate the members of the special committee \$1,000 per day, pro-rated for partial days, was based upon the foregoing discussions between the members of the Board and the members of the special committee.

The Board then adopted the following resolution:

- o that in consideration for the services to be rendered by the members of the special committee in connection with the "going private" transaction, such members each be paid a fee of \$1,000 per day, pro-rated for the actual number of hours devoted to the work of the special committee.

On May 20, 2002, the special committee, Sandata and Mr. Brodsky received a letter from Certilman indicating that it has represented in the past, and currently represents, each of Sandata and Mr. Brodsky. The letter requests that each party confirm its waiver of any and all conflicts of interest that arise during the course and as a result of Certilman's representation of the special committee in the proposed transaction. This letter was executed by Mr. Brodsky, Sandata and the special committee on the same day.

On June 4, 2002, the special committee met again with representatives of potential financial advisors, including, Ladenburg Thalmann & Co., Inc.; T.M. Capital Corp.; Duff & Phelps, LLC; and Brooks, Houghton & Company, Inc. After

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interviewing each of the potential advisors, the special committee identified T.M. Capital Corp. as a potential financial advisor and decided to advise the full Board of Directors of its decision.

On June 6, 2002, another special meeting of the Board of Directors was held to further discuss the recommendation of a financial advisor by the special committee. Legal counsel for the special committee informed the Board that the special committee had preliminarily chosen T.M. Capital Corp. to act as its financial advisor, subject to the successful negotiation of an engagement letter. Counsel to the special committee also informed the Board that following the special committee's meeting with T.M. Capital Corp., T.M. Capital Corp. advised the special committee of its fees if the special committee decided to engage T.M. Capital Corp. The special committee's legal counsel indicated that, while the special committee felt the fee was still somewhat higher than it had anticipated, if T.M. Capital Corp. would agree to include its expenses in the amount quoted, the special committee would be more comfortable retaining it as financial advisor to the special committee. The special committee then informed the Board that it was still interviewing other potential financial advisors.

On June 18, 2002, the special committee met to discuss the status of its discussions with T.M. Capital Corp. The special committee's legal counsel stated that T.M. Capital Corp. would not agree to the special committee's comments to its engagement letter and therefore declined the representation. The special committee's primary comment to T.M. Capital Corp.'s engagement letter focused on the fact that T.M. Capital Corp. wanted to be compensated for its expenses in addition to its fee for rendering a fairness opinion, the ultimate cost of which the special committee felt was unreasonable. At this meeting, the special committee also met with representatives of ValueMetrics and Brean Murray & Co., Inc. ("Brean Murray"), other potential financial advisors. During this meeting, the special committee identified Brean Murray as a potential financial advisor and decided to inform the full Board of Directors of the status of its deliberations and to consider the matter of retaining an investment advisor.

On July 15, 2002, the special committee met to discuss the engagement of Brean Murray as its financial advisor. At this meeting, the special committee adopted the following resolutions:

- o that, subject to negotiating an engagement letter on terms acceptable to the special committee, Brean Murray be selected as the financial advisor to the special committee; and
- o that the form of engagement letter between the special committee and Brean Murray presented to the special committee be authorized and that the execution of the same be approved.

On July 22, 2002, the special committee formally engaged Brean Murray to provide financial advisory services and potentially render a fairness opinion. The engagement consisted of Brean Murray conducting a due diligence review, reviewing one or more proposed going-private transactions, developing a financial valuation, assisting with transaction negotiations and other services related to the proposal to take Sandata private. The factors considered by the special committee in selecting Brean Murray to render the fairness opinion included, Brean Murray's expertise and experience in valuing companies comparable in size to Sandata, Brean Murray's ability to meet the special committee's needs as to time, the lack of any prior relationship between Brean Murray and Sandata or any of its affiliates, and the structure and amount of Brean Murray's fee to render the opinion.

On August 5, 2002, Sandata received a letter on behalf of Sandata Acquisition Corp., a Delaware corporation formed by Mr. Brodsky, offering to purchase the shares of Sandata common stock for a cash price of \$1.50 per share. The closing price of Sandata's common stock as reported on the Nasdaq SmallCap

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Market on August 5, 2002 was \$0.50. On the same day, Sandata issued a press release announcing that it had received an offer from a group of investors to engage in a going private transaction in the form of a merger with an entity owned by an investor group to be led by Mr. Brodsky, and that the investor group offered Sandata's stockholders \$1.50 per share of common stock. Sandata also disclosed that it had formed a special committee to review the proposal and that the proposed transaction was subject to (1) the negotiation, execution and delivery of a definitive agreement, (2) approval of the transaction by the special committee, the Board of Directors and Sandata's stockholders, (3) the receipt of a fairness opinion by the special committee, (4) applicable regulatory approval and (5) obtaining all necessary third-party consents or waivers. At this time, Mr. Brodsky still contemplated that he could engage in this transaction with Messrs. Freund and Stoller and the members of each of their families; however, no discussions took place at this time.

On August 20, 2002, the special committee met with a representative of Brean Murray, Derek Woodworth, to receive a presentation regarding the merger proposal made by Messrs. Brodsky, Freund and Stoller. In providing an overview of the proposed transaction, the representative of Brean Murray noted that Sandata is ignored by public financial markets, Sandata's stock price is depressed and liquidity is nominal, and the ratio of Sandata's market capitalization to its annual costs of being a public company is excessive (representing 20% to 25% of Sandata's pre-announcement market capitalization). In addition, Brean Murray's representative discussed the fact that Sandata's stock traded inefficiently and explained that in an inefficient marketplace, investors would never realize true intrinsic value for their common stock investment.

Brean Murray's representative also discussed various valuation models. The representative indicated that, based on a discounted cash flow analysis, Sandata had a discounted cash flow value of \$2.05 per share, assuming a liquid marketplace. The representative also noted that a terminal multiplier of more than four could not be used because of Sandata's inefficient marketplace (small size and lack of growth). The representative also felt it appropriate to place a 20% majority insider-owned discount and a 20% illiquidity discount on the value of Sandata. Brean Murray indicated that a majority owner discount is appropriate when one or more institutions or individuals own a substantial percentage of the outstanding stock of a company. Based upon these factors, the representative indicated that the discounted cash flow value of Sandata was \$1.23 per share.

Brean Murray's representative also informed the special committee that a comparable company analysis, in which eight companies that were selected by Brean Murray because they were deemed relatively similar to Sandata, showed median values of approximately \$1.55 per share. The representative noted that this valuation overstated the value of Sandata since all of the comparable companies were larger and enjoyed more efficient markets than Sandata. Brean Murray's representative also pointed out that the \$1.50 per share offer, a premium of approximately 200% over the pre-announcement price of Sandata's stock, is substantial and not likely to be matched by another bidder or be made available via the public markets in terms of stock price. The representative noted that other valuation models, such as the book value or appraised value, were not relevant to Sandata and expressed the opinion that the discounted cash flow model was the most relevant model to Sandata.

Brean Murray's representative also indicated that the projections provided by Sandata were reasonable. The members of the special committee questioned Brean Murray's representative regarding the investigation performed by Brean Murray in connection with the projections provided by Sandata management. The special committee relied on Brean Murray's conclusion that these projections were reasonable, but did not conduct an independent inquiry to verify their accuracy and completeness. In addition, the special committee determined that



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Brean Murray's reliance on the projections was reasonable. The special committee also discussed with the representative from Brean Murray whether it should solicit indications of interest in engaging in a similar transaction from unaffiliated third parties. Brean Murray's representative indicated that a market check would not be worth the time and expense given that Mr. Brodsky was not interested in selling his shares of Sandata to an unaffiliated third party. Based upon the information Brean Murray provided to the special committee, its representative advised the special committee that in its opinion the \$1.50 per share offer was a fair price. The members of the special committee then engaged in a discussion with the Brean Murray representative and its legal counsel about whether it should try to obtain a higher price per share in the transaction although the current offer of \$1.50 was fair to Sandata's stockholders from a financial point of view. The special committee concluded, at the suggestion of Brean Murray's representative that it would try and negotiate for a price closer to \$1.75 per share in order to obtain a higher price for the stockholders of Sandata. The members of the special committee then asked Brean Murray's representative if it was possible to prepare a modified presentation using a slightly lower discount rate in the discounted cash flow analysis and to exclude the 20% illiquidity discount. The members of the special committee intended to use this modified presentation in order to support its negotiation with the buy-out group for a higher price. Mr. Woodworth agreed to revise Brean Murray's presentation to reduce the discount rate and not apply the illiquidity discount so that the members of the special committee could support its negotiation at a higher price. Mr. Woodworth added that any amount the special committee obtained above \$1.50 per share would be inherently fair.

On August 27, 2002, the special committee met to discuss a strategy of negotiating with the buy-out group to obtain a higher price per share. Brean Murray's representative distributed a presentation to the special committee supporting an increased per-share value. The special committee agreed to begin negotiations at \$2.00 per share, but also to accept a counteroffer at \$1.75 or higher. Brean Murray's representative noted to the special committee that, in its opinion, the offer of \$1.50 should be considered a significant enhancement to stockholder value. The special committee noted that Brean Murray's discounted cash flow analysis presented at this meeting was intentionally inflated by Brean Murray's representative at the request of the special committee in order to provide the committee with leverage to negotiate with Sandata Acquisition Corp. for a higher price per share of Sandata common stock. Brean Murray's discounted cash flow analysis presented at this meeting used a discount rate of 20% instead of 25% and did not include the illiquidity discount of 20%. The foregoing adjustments were made by Brean Murray in its role as an advisor to the special committee and solely for the purposes of the special committee's negotiation with the buy-out group. In addition, Brean Murray's representative noted that the comparable company analysis contained in its August 27 presentation yielded a higher median value than its analysis in the August 20 presentation as a result of fluctuations in the market value of the compared companies at the time the presentation materials were prepared.

On the same day, a special meeting of the Board of Directors was held at the request of the special committee to respond to the offer by Sandata Acquisition Corp. to take Sandata private. Legal counsel for the special committee informed the Board that the special committee believed that there was more stockholder value in Sandata than was reflected in the "going private" offer and requested that Brean Murray discuss the financial background to the special committee's conclusion. A representative of Brean Murray presented a brief overview of the transaction and pointed out that Sandata had no recent history of growth, no coverage by financial industry analysts, and has seen little institutional interest in its current or future performance. The representative also noted that Sandata's enterprise value prior to the announcement of the "going private" offer was approximately \$4.1 million. Brean Murray's representative proceeded with a summary of the various analyses of

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Sandata that it had performed. The first, the comparable-companies analysis, included the review of publicly available information about eight companies. All of the selected companies were in the same or similar lines of business as Sandata, but were all larger than Sandata. Based upon this analysis, Brean Murray concluded that the median price in the range of values resulting from this analysis was \$2.40, prior to factoring in an applicable discount due to the large percentage of shares held by a single stockholder. The Brean Murray representative then described differing rates of return that would accrue to the acquiring group's members depending on the per-share price of the transaction. Based upon a purchase price of \$2.00 per share in the transaction, the investor group would receive an estimated internal rate of return of approximately 27% over a three-year period.

The Brean Murray representative then described the discounted cash flow analysis, which relied in part on financial projections prepared by Sandata and included a capital-risk component which lead to a discounting of the terminal value derived by Brean Murray. The members of the Board inquired as to Brean Murray's investigation in connection with the financial projections provided by Sandata management. The Board relied on Brean Murray's conclusion that these projections were reasonable, but it did not conduct an independent inquiry to verify their accuracy and completeness. In addition, the Board determined that Brean Murray's reliance on these projections was reasonable. After applying an additional 20% discount because a large percentage of Sandata common stock is held by a single stockholder, Brean Murray indicated that the discounted cash flow analysis yielded a value of \$1.91 per share.

After clarification by the Brean Murray representative and legal counsel to the special committee that Brean Murray was not recommending an offer of \$1.91 per share of Sandata common stock, Mr. Brodsky advised the Board that Sandata Acquisition Corp. would increase its offer to \$1.91 per share. Mr. Brodsky's decision to increase Sandata Acquisition Corp.'s offer to \$1.91 was the result of negotiations with the members of the special committee, Brean Murray's presentation, and the fact that the increased price limited the risk of stockholder litigation regarding the fairness of the price. At no point during this meeting did Brean Murray's representative recommend that Sandata Acquisition Corp. offer \$1.91 per share of Sandata common stock. After a brief recess by Messrs. Fish and Bernard, they informed the Board that they considered the \$1.91 per share offer a fair price and that, subject to the receipt of a fairness opinion from Brean Murray and the successful negotiation of a definitive agreement, they would recommend a transaction at this price to the Board and Sandata's unaffiliated stockholders.

On August 30, 2002, Sandata announced that it had accepted an offer from Sandata Acquisition Corp. to take Sandata private pursuant to a transaction whereby Sandata Acquisition Corp. would pay \$1.91 per share in cash for each outstanding share of Sandata common stock. The transaction remained subject to the satisfaction of the same conditions contained in Sandata's August 5 announcement.

On September 2, 2002, a stockholder of Sandata filed a lawsuit in the Delaware Chancery Court against the Company and the members of its Board of Directors. (*Eva Seitler v. Sandata Technologies, Inc., Bert E. Brodsky, Ronald L. Fish, Martin Bernard, Hugh Freund, and Gary Stoller*, Civil Action No. 19886-NC). The plaintiff alleges that the defendants breached their fiduciary duties to Sandata and Sandata's public stockholders in connection with Sandata Acquisition Corp.'s proposal to acquire all of the outstanding public shares of Sandata. The plaintiffs also allege, among other things, that the directors serving on the special committee are not independent, and that the merger consideration is inadequate. The complaint seeks certification of the action as a class action, both preliminary and permanent injunctive relief against the

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proposed transaction, and rescission if it is not enjoined. On September 18, another stockholder of Sandata, Stephen Yetzer, filed a separate lawsuit in the same court, against the same defendants, making substantially identical allegations and seeking substantially identical remedies (Civil Action No. 19903-NC). These actions were consolidated by the Delaware Chancery Court in an order dated October 22, 2002 (Civil Action No. 19886-NC).

On October 3, 2002, the special committee's legal counsel at Certilman circulated a preliminary draft Merger Agreement on behalf of the special committee to Sandata Acquisition Corp. and indicated that Sandata Acquisition Corp. and its legal counsel, Panza, Maurer & Maynard, P.A. ("Panza Maurer"), should review the agreement and proceed with negotiations. The preliminary draft Merger Agreement generally provided that at the effective time of the merger, Sandata Acquisition Corp. would merge with and into Sandata, and Sandata would continue as the surviving corporation and that each share of Sandata (excluding shares being contributed to Sandata Acquisition Corp. by the Acquisition Group and owned by holders who validly perfect their appraisal rights under Delaware law) would be converted into the right to receive \$1.91 in cash.

Following circulation of the preliminary draft Merger Agreement, Mr. Brodsky contacted Messrs. Freund and Stoller and asked each of them if they would be interested in joining Mr. Brodsky in the merger transaction by contributing their shares of Sandata common stock into Sandata Acquisition Corp. prior to the merger. Messrs. Freund and Stoller indicated that they might be interested in pursuing this transaction with Mr. Brodsky, but would need to consider the matter further.

Later in October, Messrs. Brodsky, Freund and Stoller engaged in further discussions regarding the possibility of having the members of their immediate families who owned Sandata common stock participate in the merger as well. Mr. Brodsky indicated that he was going to discuss this matter with his wife and children and thought they might be interested in taking part in the transaction. Messrs. Freund and Stoller indicated that they would need to discuss this matter in more detail with certain members of their families. Over the course of the next several days, each of Messrs. Brodsky, Freund and Stoller discussed this matter with certain members of their families.

On October 16, Sandata Acquisition Corp.'s legal counsel at Panza Maurer requested that the Merger Agreement be revised in the following respects:

- o to reflect that Sandata Acquisition Corp. is a corporation formed under the laws of the State of Delaware;
- o to reflect that the merger consideration will be paid from the working capital of Sandata Acquisition Corp. and that there will be no lenders or financing conditions;
- o that Sandata make representations and warranties with respect to (1) its organization, standing and power; (2) its subsidiaries; (3) its capital structure; (4) its authority to engage in the transaction; (5) the compliance of its SEC filings during the last three years with all laws and that all of its filings were timely; (6) the accuracy of the information in the proxy statement and in the Schedule 13e-3; (7) the impact of any changes or events in operating its business; (8) the presence of any litigation against Sandata; (9) the compliance with Delaware law of the merger and the Merger Agreement; and (10) the receipt of a fairness opinion from Sandata's financial advisor;
- o that Sandata Acquisition Corp. will not close on the merger unless Sandata's representations and warranties are true and correct as of the closing date; and

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- o that the representations and warranties of either party under the Merger Agreement will not survive beyond the effective time.

On October 23, 2002, the special committee's legal counsel at Certilman contacted Sandata Acquisition Corp.'s legal counsel at Panza Maurer and indicated that the special committee did not agree to any of the changes requested by Sandata Acquisition Corp. The special committee's legal counsel further informed Sandata Acquisition Corp.'s legal counsel at Panza Maurer that the special committee was requesting additional information regarding the organizational and capital structure of Sandata Acquisition Corp. Between October 23 and October 28, legal counsel at Certilman and Panza Maurer negotiated the final aspects of the Merger Agreement including, the treatment of options held by the members of the Acquisition Group, the timing of the contributions of Sandata common stock and cash to Sandata Acquisition Corp., the financing necessary to consummate the merger and the payment of expenses. The Merger Agreement was ultimately revised to include provisions concerning the following:

- o the cancellation of options to purchase Sandata common stock held by Messrs. Brodsky, Freund and Stoller and members of their immediate families;
- o the capitalization of Sandata Acquisition Corp. and beneficial ownership of Sandata common stock by Messrs. Brodsky, Freund and Stoller and members of their immediate families;
- o the contribution of Sandata common stock to Sandata Acquisition Corp. by Messrs. Brodsky, Freund and Stoller and members of their immediate families;
- o that Messrs. Brodsky, Freund and Stoller will vote, and will cause Sandata Acquisition Corp. and members of their immediate families to vote, all of the Sandata common stock owned by them and it in favor of the merger, that they will not take any action that would prevent Sandata Acquisition Corp. from owning their Sandata common stock and that they would contribute sufficient capital to Sandata Acquisition Corp. to pay the merger consideration; and
- o that Messrs. Brodsky, Freund and Stoller will pay Sandata's expenses in connection with the merger in the event the transaction is terminated for reasons other than Sandata's failure to satisfy a condition.

In late October, Messrs. Brodsky, Freund and Stoller met to discuss the specific terms of each of their participation in Sandata Acquisition Corp. and the merger transaction in greater detail. Messrs. Brodsky, Freund and Stoller discussed, among other things, the funds needed to effect the transaction, how these funds would be contributed and how these contributions would affect each of their percentage ownership in Sandata Acquisition Corp. Messrs. Brodsky, Freund and Stoller determined that the funds would be contributed in cash by Mr. Brodsky and/or his designees and that the ownership structure in Sandata Acquisition Corp. of each of Messrs. Brodsky, Freund and Stoller would be pro-rata based on their ownership in Sandata at the time of the contribution, except that additional shares of Sandata Acquisition Corp. would be distributed in consideration for the capital investment used to finance the merger transaction. It was agreed that the valuation of the shares being issued in exchange for the capital investment would be based on the \$2.21 per share consideration to be paid to the unaffiliated stockholders of Sandata. Ultimately, each of Messrs. Brodsky, Freund and Stoller executed the Merger Agreement, effective October 28, 2002.

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On October 28, 2002, a meeting of the special committee was held with representatives of Brean Murray and Certilman present. Counsel to the special committee first discussed the terms of the indemnification agreements he had prepared on behalf of the members of the special committee. The special committee's legal counsel also presented the Merger Agreement to the members of the committee explaining its material terms. At this meeting, Brean Murray presented to the special committee its financial analysis of the proposed transaction which included a discussion of a discounted cash flow analysis, a comparable company analysis and a comparable transaction valuation model of Sandata. The special committee also engaged in a discussion of a number of factors relative to the proposed merger. Based on Brean Murray's statement regarding the fairness of the proposed merger consideration and subject to the terms and conditions of the Merger Agreement, the special committee unanimously determined that the \$1.91 per share merger consideration was fair to the unaffiliated stockholders of Sandata, that the merger is advisable and in the best interests of the unaffiliated stockholders of Sandata, and to recommend that the Board of Directors and stockholders of Sandata vote to approve the Merger Agreement. In reaching this determination, the special committee relied on and expressly adopted the fairness opinion of Brean Murray that the merger consideration to be received by Sandata's stockholders is fair, from a financial point of view, and adopted the analyses set forth in the report of Brean Murray presented to the special committee and attached as Appendix C-1 to this proxy statement.

On the same day, a special meeting of the Board of Directors was held at the request of the special committee in order for the full board to receive the recommendation of the special committee and to vote upon the Merger Agreement. Counsel to the special committee first discussed execution of the new indemnification agreements with the members of the Board to which no one objected. The special committee's counsel then presented the Merger Agreement to the full Board, in the form previously approved by the special committee. The special committee's legal counsel explained the material terms of the Merger Agreement to the Board and then indicated that the special committee, based upon the fairness opinion from Brean Murray and in light of and subject to the terms and conditions set forth in the Merger Agreement, had determined that the merger consideration is fair to the unaffiliated stockholders of Sandata, and that the merger is advisable and in the best interests of the unaffiliated stockholders of Sandata. At this meeting, a representative of Brean Murray presented to the special committee its financial analysis of the proposed transaction, which included a discussion of a discounted cash flow analysis, a comparable company analysis and a comparable transaction valuation model of Sandata. Following this presentation, Brean Murray's representative delivered to the special committee its opinion that, as of that date and based on and subject to the matters described in the opinion, the merger consideration to be paid by Sandata Acquisition Corp. in connection with the proposed merger transaction was fair, from a financial point of view, to the stockholders of Sandata. The members of the Board also discussed a number of factors relative to the merger. After the discussion the Board of Directors unanimously adopted the following resolutions:

- o that, based on the recommendation and approval of the special committee, the merger consideration is fair to the unaffiliated stockholders of Sandata;
- o that the merger and the Merger Agreement are advisable and in the best interests of the unaffiliated stockholders of Sandata; and
- o that the Merger Agreement is approved and that it be executed and submitted to the stockholders of Sandata for their approval at a special meeting.

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In reaching its determination, the Board of Directors expressly relied upon and adopted the analyses of the special committee. In addition, the Board adopted the analysis of Brean Murray in its presentation to the Board and its conclusion that the merger consideration to be paid to the unaffiliated stockholders of Sandata is fair, from a financial point of view, to such stockholders. The foregoing resolutions were unanimously approved by our Board of Directors, including by a majority of our directors who are not employees of Sandata (namely Messrs. Fish and Bernard).

On November 4, 2002, the first date on which all of the signature pages to the Merger Agreement were delivered, Sandata issued a press release announcing the execution of the Merger Agreement with Sandata Acquisition Corp. and Messrs. Brodsky, Freund and Stoller.

In early November, Messrs. Brodsky, Freund and Stoller met with certain members of their respective families to further discuss the terms of the merger transaction in greater detail. The family members of Messrs. Brodsky, Freund and Stoller then indicated that they would be interested in participating in the merger transaction as contemplated by the Merger Agreement, subject to more definitive discussions regarding their respective obligations.

Later in November, The Bayard Firm, Delaware legal counsel to Sandata and the members of the special committee, contacted counsel to the plaintiffs in the consolidated actions against Sandata and the members of the Board regarding a possible settlement. On November 7, 2002, The Bayard Firm received a letter from plaintiffs' counsel, Beattie & Osborn LLP, indicating that the plaintiffs were willing to settle the actions if the merger consideration was increased to \$2.31 per share, if the plaintiffs were entitled to confirmatory discovery and if reasonable attorneys' fees were paid to plaintiffs' counsel. At a meeting with Messrs. Brodsky, Freund and Stoller and counsel for the respective parties to the lawsuit, Mr. Brodsky, on behalf of Sandata Acquisition Corp., indicated that Sandata Acquisition Corp. would increase its offer to \$2.21 per share if plaintiffs' counsel could assure that the plaintiffs would agree to settle the lawsuit at that price. Following this meeting, at the request of Sandata Acquisition Corp., representatives from The Bayard Firm, Certilman and Greenberg Traurig LLP, counsel to the members of the Acquisition Group who are directors of Sandata, contacted Beattie & Osborn asking them to send a revised letter lowering their settlement request to \$2.21 per share, Sandata's book value. On November 19, 2002, Beattie & Osborn sent a revised letter to The Bayard Firm and Greenberg Traurig indicating the plaintiffs' willingness to settle the actions if the merger consideration was increased to \$2.21 per share, if the plaintiffs were entitled to confirmatory discovery and if reasonable attorneys' fees were paid to plaintiffs' counsel. Subsequently, Beattie & Osborn was notified that Sandata Acquisition Corp. had agreed to increase the merger consideration to \$2.21 per share, subject to the execution of formal documents. Sandata Acquisition Corp.'s decision to increase the merger consideration to \$2.21 per share was based on the settlement negotiations with the plaintiffs and the fact that settling the litigation with the stockholders of Sandata eliminated the risks and costs associated with litigation - in particular the risk that the transaction would not be consummated because of the issuance of an injunction against consummating the transaction or the failure to satisfy the condition under the Merger Agreement that no action be pending which seeks to prohibit consummation of the merger transaction.

On December 23, 2002, a Memorandum of Understanding was executed between Sandata, Messrs. Brodsky, Freund, Stoller, Fish and Bernard, as defendants, and the plaintiffs in the two lawsuits. Pursuant to the Memorandum of Understanding, Sandata Acquisition Corp. agreed to increase its offer set forth in the Merger

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Agreement, to \$2.21 for each outstanding share of Sandata common stock. The Memorandum of Understanding also provides for the parties to the lawsuits to use their best efforts to agree upon, execute, and present to the Delaware Chancery Court a formal Stipulation of Settlement in order to obtain the approval of the Delaware Chancery Court of the settlement and release of the claims in the consolidated actions. The parties agreed that the Stipulation of Settlement will provide, among other things, (i) that Sandata Acquisition Corp. will increase its offer contained in the Merger Agreement to \$2.21 per share of Sandata common stock and (ii) for a complete release and settlement of all claims against Sandata, the members of its Board, Sandata Acquisition Corp. and, among others, their respective predecessors, successors, assignees, parents and subsidiaries, which have been, or could have been, asserted relating to Sandata Acquisition Corp.'s proposal. The Memorandum of Understanding further provides that the parties to the consolidated actions will petition the Delaware Chancery Court for final certification of a non-opt out class defined as all holders of Sandata common stock as of August 5, 2002, through and including the closing date of the Merger Agreement. The settlement contemplated by the Memorandum of Understanding is subject to the execution of a formal Stipulation of Settlement, the consummation of the merger transaction with Sandata Acquisition Corp. for \$2.21 per share of Sandata common stock, final approval of the Delaware Chancery Court of the settlement, including certification of the class, and the dismissal of the consolidated actions by the Delaware Chancery Court. The Memorandum of Understanding also provides that, subject to approval of the Delaware Chancery Court, none of the defendants will object to an application by plaintiff's counsel for attorneys' fees and expenses in an amount not to exceed \$60,000.

On January 16, 2003, the special committee met to discuss the proposed Stipulation of Settlement and amendment to the Merger Agreement. The members of the special committee discussed with its legal counsel the background of the settlement which led to the execution of the Memorandum of Understanding and the proposed Stipulation of Settlement, the general provisions of the Stipulation of Settlement and the amendment to the Merger Agreement. The members of the special committee noted that the plaintiffs in the lawsuits against Sandata and the members of the Board of Directors were represented by independent legal counsel who negotiated for an increase in the merger consideration from \$1.91 to \$2.21 per share of Sandata common stock. The members of the special committee also noted that Brean Murray's fairness opinion, that the merger consideration of \$1.91 per share of Sandata common stock under the Merger Agreement, prior to the amendment increasing the merger consideration, is fair, from a financial point of view, to the stockholders of Sandata, had not been withdrawn by Brean Murray. At the end of this meeting, the members of the special committee unanimously determined to recommend that the Board of Directors enter into the Stipulation of Settlement which provides for an increase in the merger consideration to \$2.21 per share of Sandata common stock. The special committee also unanimously determined that the amended merger consideration of \$2.21 is fair to the unaffiliated stockholders of Sandata, and recommended to our Board of Directors that, subject to the execution of the Stipulation of Settlement, it approve the amendment and recommend to the unaffiliated stockholders of Sandata that they approve the amendment.

On the same date, the Board of Directors met to receive the recommendations of the special committee. The members of the Board, based upon the recommendations of the special committee that Sandata enter into the Stipulation of Settlement and that the amendment to the Merger Agreement to increase the merger consideration to \$2.21 per share of Sandata common stock is fair to the unaffiliated stockholders of Sandata, unanimously determined that the Stipulation of Settlement be executed by Sandata and that, subject to its execution, the Merger Agreement be amended to increase the merger consideration to \$2.21 per share of Sandata common stock and that the merger consideration, as amended, is fair to, and the merger is advisable and in the best interests of the unaffiliated stockholders of Sandata. In addition to the special committee's

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recommendation, the Board noted that Sandata Acquisition Corp.'s acceptance of the plaintiffs' settlement offer of \$2.21 per share was a \$0.30 additional benefit each stockholder would be entitled to receive in the transaction above the original merger consideration offered of \$1.91 per share. Entering into the Stipulation of Settlement would increase the likelihood that the transaction would be consummated and provide the stockholders with a fair price for each share of their Sandata common stock.

Shortly after the Board approved the amendment to the Merger Agreement, Messrs. Brodsky, Freund and Stoller met to discuss their obligations under the Merger Agreement. After an additional meeting with all of the members of the Acquisition Group, the members of the Acquisition Group verbally agreed that, after the effective time of the merger, each of them would own the same pro rata interest in the surviving corporation as they owned immediately prior to their contribution of their Sandata common stock to Sandata Acquisition Corp. In addition, Mr. Brodsky's children verbally agreed to contribute an aggregate of \$1,494,310 to the capital of Sandata Acquisition Corp., increasing their ownership therein pro rata based upon their additional contributions.

On January 27, 2003, Sandata, the members of its Board of Directors and the plaintiffs in the consolidated actions entered into a Stipulation of Settlement in connection with this action. The Stipulation of Settlement provides generally for the dismissal of the consolidated action and release of any and all causes of action or claims, among other things, that any of the plaintiffs or members of the class have against any defendant or their affiliates, including, among others, any of their associates, officers, directors, attorneys, investment bankers, investment advisors and valuation experts, including Sandata Acquisition Corp. and Brean Murray, among others, arising out of any of the proposals to take Sandata private, the merger, the Merger Agreement, the transactions contemplated thereby, the negotiation thereof, and any public filings or statements by the defendants contained in any of the above. In consideration for the dismissal of the consolidated action and release of all causes of action and claims, Sandata Acquisition Corp. agreed to increase the merger consideration from \$1.91 to \$2.21 per share of Sandata common stock. The Stipulation of Settlement further provides that the consolidated action will be maintained as a class action by the plaintiffs, without the right of any of the members of the class to opt out. The parties agreed to file the Stipulation of Settlement with the Delaware Chancery Court as soon as practicable. Sandata agreed to mail notice to the members of the class who were stockholders of record at any time from August 5, 2002, through the date of the merger. The defendants in the consolidated action also agreed not to oppose an application to the Delaware Chancery Court for attorneys' fees and expenses not to exceed \$60,000. If the Delaware Chancery Court approves the settlement, the parties agreed to move the court for an Order and Final Judgment (i) approving the settlement as fair, reasonable, adequate and in the best interests of the class and directing consummation of the settlement in accordance with its terms, (ii) formally certifying the class, (iii) dismissing the consolidated action with prejudice as against the plaintiffs and all members of the class, (iv) permanently barring and enjoining the members of the class from instituting any action or other proceeding in any court in any jurisdiction that in any way relates to the settled claims, (v) authorizing plaintiffs' counsel to execute a release of settled claims on behalf of the members of the class, (vi) awarding plaintiffs' counsel such fees and expenses as the court deems appropriate and (vii) reserving jurisdiction over all matters relating to the administration and consummation of the settlement. The Stipulation of Settlement is subject to final approval of the settlement by the Delaware Chancery Court of which there can be no assurances. The decision by the Board to enter into the Stipulation of Settlement was motivated by its determination that the merger consideration, as amended, is advisable and in the best interests of the unaffiliated stockholders of Sandata. The Board also considered the fact that settling the litigation



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eliminated the risk that the transaction would not be consummated and the unaffiliated stockholders would not receive any merger consideration. The parties to the lawsuit anticipate that a hearing with the Delaware Chancery Court will occur shortly after consummation of the merger transaction.

On January 28, 2003, Sandata issued a press release announcing that it had executed the Stipulation of Settlement and subsequently amended the Merger Agreement to increase the merger consideration from \$1.91 to \$2.21 per share of Sandata common stock.

### Opinion of Brean Murray

In connection with the merger, the special committee engaged Brean Murray as its financial advisor to render an opinion as to the fairness to our public stockholders, from a financial point of view, of the merger consideration. The factors considered by the special committee in selecting Brean Murray to render the fairness opinion included Brean Murray's expertise and experience in valuing companies comparable in size to Sandata, Brean Murray's ability to meet the special committee's needs as to time, the lack of any prior relationship between Brean Murray and Sandata or any of its affiliates, and the structure and amount of Brean Murray's fee to render the opinion. According to Brean Murray, while the fairness opinion does not distinguish between the affiliated and unaffiliated stockho