

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

SANDATA TECHNOLOGIES INC
Form PREM14A
November 15, 2002

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.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[] 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

(2) Aggregate number of securities to which transaction applies:
2,481,806 shares of Sandata Technologies, Inc. Common
Stock, par value \$.001 per share

(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 \$1.91 per share and (b) the product of options to purchase 20,000 shares of common stock and \$.91 (which is the difference between the merger consideration of \$1.91 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: \$1,288,747

(5) Total fee paid: \$258

[] Fee paid previously with preliminary materials.

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

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

(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

_____, 2002

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 _____, 2002, at 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. Pursuant to the merger agreement, prior to the effective time of the merger, Messrs. Brodsky, Freund and Stoller and members of their immediate families will contribute all 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 Messrs. Brodsky, Freund and Stoller and members of their immediate families and shares held by stockholders who perfect their appraisal rights under Delaware law) will be converted into the right to receive \$1.91 in cash. A copy of the merger agreement is attached as Appendix A 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. In connection with its evaluation, the special committee engaged Brean Murray & Co., Inc. to act as its financial advisor and to opine as to the fairness of the merger from a financial point of view. In rendering its opinion, Brean Murray indicated that the merger

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

consideration of \$1.91 in cash per share is fair from a financial point of view to the stockholders of Sandata. The written opinion of Brean Murray is attached as Appendix B to the accompanying proxy statement, and we urge you to read it carefully.

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, our public stockholders other than Messrs. Brodsky, Freund and Stoller and members of their immediate families, 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,

/s/ Hugh Freund
Secretary

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

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON _____, 2002

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 _____, 2002 beginning at 10:00 a.m. at 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. Pursuant to the merger agreement, prior to the effective time, Messrs. Brodsky, Freund and Stoller and members of their immediate families will contribute all 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 Messrs. Brodsky, Freund and Stoller and members of their immediate families and shares held by stockholders who perfect their appraisal rights under Delaware law) will be converted into the right to receive \$1.91 in cash. A copy of the merger agreement is attached to the proxy statement as Appendix A and is incorporated in the attached proxy statement by reference.

Any stockholder who does not vote in favor of adopting the merger agreement

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

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 C. 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 _____, 2002 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. The number of shares of Sandata common stock contemplated to be contributed to Sandata Acquisition Corp. by Messrs. Brodsky, Freund and Stoller and members of their immediate families 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,

/s/ Hugh Freund
Secretary

Port Washington, New York

_____, 2002

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.

PROXY STATEMENT
FOR
SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON _____, 2002

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, and at any adjournment of the meeting, to be

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

held at 26 Harbor Park Drive, Port Washington, New York 11050, on _____, 2002 beginning at 10:00 a.m. 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. Pursuant to the merger agreement, prior to the effective time of the merger, Messrs. Brodsky, Freund and Stoller and members of their immediate families will contribute all 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 Messrs. Brodsky, Freund and Stoller and members of their immediate families and shares held by stockholders who perfect their appraisal rights under Delaware law) will be converted into the right to receive \$1.91 in cash. A copy of the merger agreement is attached as Appendix A and is incorporated herein by reference.

Only stockholders of record on _____, 2002 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 Messrs. Brodsky, Freund and Stoller and members of their immediate families) held by approximately _____ record holders.

Each share of our common stock will be entitled to one vote. The merger 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. 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 Messrs. Brodsky, Freund and Stoller and members of their immediate families 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. Abstentions are counted as present for the purpose of determining whether the merger agreement has been approved. Broker non-votes will not be counted for the purpose of determining whether the merger agreement has been approved. 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

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

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 _____, 2002 and are first being mailed to stockholders on or about _____, 2002.

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

QUESTIONS AND ANSWERS ABOUT THE MERGER.....	5
SUMMARY TERM SHEET.....	8
The Special Meeting.....	8
Date, Time, Place and Matters to be Considered.....	8
Record Date for Voting.....	8
Procedures Relating to Your Vote at the Special Meeting.....	9
Reasons for Engaging in the Transaction.....	9
Parties to the Transaction.....	10
Sandata Technologies, Inc.....	10
Sandata Acquisition Corp.....	10
The Merger Agreement.....	11
Effective Time of Merger.....	11
Effects of the Merger.....	11
Recommendations of the Special Committee and Our Board of Directors.....	12
Opinion of Brean Murray & Co., Inc.....	12
Interests of our Directors and Executive Officers in the Merger.....	13
Material United States Federal Income Tax Consequences.....	13
Financing of the Merger.....	14
FORWARD LOOKING STATEMENTS MAY PROVE INACCURATE.....	15
INTRODUCTION.....	15
SPECIAL MEETING.....	16
Proposal to be Considered at the Special Meeting.....	16
Voting Rights; Vote Required for Approval.....	17
Voting and Revocation of Proxies.....	18
Solicitation of Proxies.....	19
Trading Market and Price; Dividends; Stock Repurchases.....	19
SPECIAL FACTORS.....	20
Background of the Merger.....	20
Opinion of Brean Murray.....	30
Reasons for the Recommendations of the Special Committee and our Board of Directors.....	34
Sandata's Position as to the Fairness of the Merger.....	38
Sandata Acquisition Corp.'s Position as to the Fairness of the Merger; Sandata Acquisition Corp.'s Reasons for the Merger.....	40
Purpose and Structure of the Merger; Certain Effects of the Merger; Plans or Proposals After the Merger.....	42
Interests of Executive Officers and Directors in the Merger.....	43
Director and Executive Officer Stock Options.....	43
Security Ownership of Certain Beneficial Owners and Management.....	43

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

Transactions in Common Stock by Certain Persons.....	45
Special Committee.....	46
Indemnification; Directors' and Officers' Insurance.....	47
Certain Relationships Between Sandata and Sandata Acquisition Corp.....	48
IDA/SBA Financing.....	48
Revolving Credit Agreement.....	49
National Medical Health Card Systems, Inc.....	50
Leases.....	51
Medical Arts Office Services, Inc.....	51
Material United States Federal Income Tax Consequences of the Merger to our Stockholders.....	51
Non-continuing Stockholders.....	52
Continuing Stockholders.....	53
THE MERGER.....	53
Effective Time of the Merger.....	53
Payment of Merger Consideration and Surrender of Stock Certificates.....	54
Financing of the Merger; Fees and Expenses of the Merger.....	55
Appraisal Rights.....	56
Regulatory Approvals and Legal Proceedings.....	60
THE MERGER AGREEMENT.....	60
General.....	60
Consideration to be Received by the Stockholders.....	61
Stock Options.....	61
Representations and Warranties.....	61
Covenants.....	63
Indemnification; Directors' and Officers' Insurance.....	64
Conditions to the Merger.....	64
Termination of the Merger Agreement.....	66
Effect on Termination; Termination Fees; Expenses.....	67
Amendment to the Merger Agreement.....	67
OTHER MATTERS.....	67
Other Matters for Action at the Special Meeting.....	67
Proposals by Holder of Shares of Common Stock.....	68
Expenses of Solicitation.....	68
Independent Auditors.....	68
Available Information.....	69
Information Incorporated by Reference.....	69
Financial Disclosure.....	70
Appendix A - 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	A-1
Appendix B - Opinion of Brean Murray, dated October 28, 2002	B-1
Appendix C - Section 262 Delaware General Corporation Law	C-1
Appendix D - Sandata Annual Report on Form 10-KSB for the fiscal year ended May 31, 2002 ("Form 10-KSB")	D-1
Appendix E - Amendment Number 1 to Sandata's Form 10-KSB	E-1
Appendix F - Sandata Quarterly Report on Form 10-QSB for the Quarter ended August 31, 2002	F-1

QUESTIONS AND ANSWERS ABOUT THE MERGER

The following questions and answers, together with the Summary Term Sheet that follows, briefly address certain aspects 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 Technologies, Inc ("Sandata").

What is the proposed transaction?

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

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 and shares held by stockholders who perfect their appraisal rights under Delaware law) will be converted into the right to receive \$1.91 in cash. See "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 \$1.91 per share of common stock in cash, is fair to, and the merger agreement is advisable and in the best interests of, the holders of Sandata common stock other than Sandata Acquisition Corp. and Messrs. Brodsky, Freund and Stoller and members of their immediate families. All references throughout this proxy statement to our public stockholders means all of our stockholders other than Sandata Acquisition Corp. and Messrs. Brodsky, Freund and Stoller and members of their immediate families. See "Special Factors - Reasons for the Recommendations of the Special Committee and our 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 at least a majority of the outstanding shares of common stock entitled to vote at the special meeting. On the record date, _____ shares of our common stock were outstanding of which approximately ____% are owned by Messrs. Brodsky, Freund and Stoller and members of their immediate families, all of which will be 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. Messrs. Brodsky, Freund and Stoller and members of their immediate families own a sufficient number of shares of our common stock to approve the merger agreement. See "Introduction - 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 in one of two ways. First, you may send in 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

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

must be received by us before the special meeting. Second, you may attend the special meeting and vote in person, as long as you, and not your broker, are a record holder of our stock. 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 share 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. See "The Merger - Appraisal Rights" and Appendix C.

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 _____, 2002.

What are the tax consequences of the merger to me?

The receipt of cash in exchange for common stock surrendered in the merger will constitute a taxable transaction for United States Federal income tax purposes and under most state, local, foreign and other tax laws. In general, a stockholder who surrenders common stock pursuant to the merger will recognize a gain or loss equal to the difference, if any, between \$1.91 per share and such stockholder's adjusted basis in such share. Each holder of an option to acquire common stock who receives a cash payment equal to the difference between \$1.91 and the exercise price per share of such option will have ordinary income to the extent of the cash received. We urge you to consult your own tax advisor regarding the specific tax consequences that may result from your individual circumstances. For a more detailed discussion see "Special Factors - Material United States Federal Income Tax Consequences of the Merger to our Stockholders."

Who can help answer my questions?

If you have more questions about the merger or would like additional copies of this proxy statement, you should contact our Vice President of Legal Affairs and Compliance, Jonathan Friedman, Esq. at (516) 484-4400.

SUMMARY TERM SHEET

The following summary, together with the previous Question and Answer section, provides an overview of all information 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

- The special meeting of stockholders of Sandata Technologies, Inc. will be

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

held on _____, 2002 at 10:00 a.m. local time at 26 Harbor Park Drive, Port Washington, New York 11050. At the special meeting, stockholders will 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, 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, Messrs. Brodsky, Freund and Stoller and members of their immediate families will contribute all Sandata common stock owned by them to Sandata Acquisition Corp. A copy of the merger agreement is attached as Appendix A 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

- Only stockholders of record as of the close of business on _____, 2002 are entitled to notice of and to vote at the special meeting. On that date, _____ shares of our common stock were outstanding that were held by approximately _____ record holders of which approximately ____% are owned by Messrs. Brodsky, Freund and Stoller and members of their immediate families. Pursuant to the merger agreement, all shares of Sandata common stock owned by Messrs. Brodsky, Freund and Stoller and members of their immediate families 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

- Adoption of the merger agreement requires the affirmative vote of the holders of a majority of all outstanding shares of common stock 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 non-votes will be counted as present at the special meeting for quorum purposes. Abstentions are counted as present for the purpose of determining whether the merger agreement has been approved. Broker non-votes will not be counted for the purpose of determining whether the merger agreement has been approved. 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.

- 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.

- 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.

- 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 delivering a notice of revocation of the proxy at the special meeting prior to the vote on the merger agreement; or 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."

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

Reasons for Engaging in the Transaction

The principal purposes of this merger are to enable Messrs. Brodsky, Freund and Stoller and members of their immediate families to acquire all of the equity interests in Sandata not already owned by them through Sandata Acquisition Corp., and to provide Sandata stockholders, other than Sandata Acquisition Corp. and Messrs. Brodsky, Freund and Stoller and members of their immediate families, 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 for \$1.91 per share in cash. Our Board of Directors believes that the merger consideration is fair to, and the merger is advisable and in the best interests of, the holders of our common stock, other than Sandata Acquisition Corp. and Messrs. Brodsky, Freund and Stoller and members of their immediate families. For additional information regarding the reasons for engaging in the transaction, see "Special Factors - Reasons for the Recommendation of the Special Committee and our Board of Directors" and "Special Factors - Purpose and Structure of the Merger; Certain Effects of the Merger; Plans or Proposals After the Merger."

Parties to the Transaction

Sandata Technologies, Inc.

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.

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.

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.

Sandata Acquisition Corp.

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 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, Messrs. Brodsky, Freund and Stoller and members of their immediate families will contribute all shares of Sandata common stock owned by them to Sandata Acquisition Corp. The merger agreement contemplates that, at the effective time of the merger, Messrs. Brodsky, Freund and Stoller and members of their immediate families will own all of the outstanding common stock of Sandata Acquisition Corp.

The Merger Agreement

Sandata, Sandata Acquisition Corp. and Messrs. Brodsky, Freund and Stoller

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

have entered into the merger agreement, a copy of which is attached as Appendix A 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

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 Messrs. Brodsky, Freund and Stoller and members of their immediate families and shares held by stockholders who perfect their appraisal rights under Delaware law) will be converted into the right to receive \$1.91 in cash. For additional information regarding the effective time of the merger, see "The Merger - Effective Time of the Merger."

Effects of the Merger

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."

Recommendations of the Special Committee and Our Board of Directors

A special committee of our Board of Directors, consisting of two non-management directors of Sandata 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 determined that the merger consideration of \$1.91 in cash per share is fair to the holders of Sandata common stock other than Sandata Acquisition Corp. and Messrs. Brodsky, Freund and Stoller and members of their immediate families, and recommended to our Board of Directors that it approve the merger agreement and recommend to our public stockholders that they approve the merger agreement. The Board of Directors, based upon the recommendation of the special committee, has unanimously determined that the merger consideration is fair to, and the merger is advisable and in the best interests of, Sandata and the holders of Sandata common stock, other than Sandata Acquisition Corp. and Messrs. Brodsky, Freund and Stoller and members of their immediate families. 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 our public stockholders, see "Special Factors - Background of the Merger" and "Special Factors - Reasons for the Recommendations of the Special Committee and our Board of Directors."

Opinion of Brean Murray & Co., Inc.

The special committee retained Brean Murray & Co., Inc. ("Brean Murray") as its financial advisor regarding the value of the merger consideration and to

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

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 that each of our public stockholders will have the right to receive in the proposed merger is fair, from a financial point of view, to such stockholders. For additional information regarding the Opinion of Brean Murray, see "Special Factors - Opinion of Brean Murray."

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.

Interests of our Directors and Executive Officers in the Merger

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 our stockholders generally and that such interests create potential conflicts of interest.

Pursuant to the merger agreement, prior to the effective time, Messrs. Brodsky, Freund and Stoller and members of their immediate families 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, at the effective time of the merger, Messrs. Brodsky, Freund and Stoller and members of their immediate families will own all of the outstanding common stock of Sandata Acquisition Corp. Since Sandata will be the surviving corporation, it is contemplated that Messrs. Brodsky, Freund and Stoller and the members of their immediate families will continue as the owners of Sandata as a private company.

Our executive officers and directors also have options to purchase 1,016,500 shares of common stock of Sandata. Other than options held by Messrs. Fish and Bernard, all of these options will be cancelled at the time of the merger and the holders of these options will not receive any consideration for the cancellation of their options.

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.

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.

For additional information regarding interests of our directors and executive officers in the merger, see "Special Factors - Interests of Executive Officers and Directors in the Merger."

Material United States Federal Income Tax Consequences

The receipt of \$1.91 in cash for each share of common stock pursuant to the merger will be a taxable transaction 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 our public stockholders 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 public stockholder and \$1.91. Each holder of a compensatory option to acquire our common stock who receives a cash payment equal to the difference between \$1.91 and the exercise price per share of such option will have ordinary

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

income to the extent of the cash received. For additional information regarding material United States Federal income tax consequences of the merger to our public stockholders, see "Special Factors - Material United States Federal Income Tax Consequences."

Financing of the Merger

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 contribute the necessary funds 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 merger is not conditioned on any financing arrangements.

For additional information regarding the financing of the merger, see "The Merger - Financing of the Merger"

FORWARD LOOKING STATEMENTS MAY PROVE INACCURATE

Certain information contained in this proxy statement includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, and is subject to the safe harbor created by that act. Sandata cautions readers that certain important factors may affect its actual results and could cause such results to differ materially from any forward-looking statements which may be deemed to have been made in this proxy statement or which are otherwise made by or on behalf of Sandata. For this purpose, any statements contained in this proxy statement that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as "may", "will", "expect", "believe", or "anticipate", or the negative variations thereof, or comparable terminology, are intended to identify forward-looking statements. Factors which may affect Sandata's results include, but are not limited to, the risks and uncertainties associated with developments in and regulation of the health-care industry, new technology developments, competitive bidding, risks and uncertainties associated with the Internet and Internet-related products, and other factors.

Sandata is also subject to other risks detailed herein or detailed from time to time in its Securities and Exchange Commission ("SEC") filings. Readers are also urged to carefully review and consider the various disclosures made by Sandata which attempt to advise interested parties of the factors which affect its business, including, without limitation:

- o the anticipated timing of the completion of the merger;
- o the effects of the merger once completed;
- o the risks and uncertainties associated with development in and regulation of the health-care industry;
- o new technology developments;
- o competitive bidding;
- o risks and uncertainties associated with the Internet and Internet-related products; and
- o other factors.

INTRODUCTION

This proxy statement is being furnished in connection with the solicitation of proxies by our Board of Directors for a special meeting of stockholders to be held on _____, 2002 at 10:00 a.m. local time, at the corporate offices of Sandata Technologies, Inc., 26 Harbor Park Drive, Port Washington, New York 11050, or at any adjournment of the special meeting. Shares of our common stock, par value \$.001 per share, represented by properly executed proxies received by

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

us will be voted at the special meeting, or at any adjournment of the special meeting, in accordance with the terms of such proxies, unless revoked.

SPECIAL MEETING

Proposal to be Considered at the Special Meeting

The purpose of the special meeting is for our stockholders to consider and vote upon a proposal to adopt a merger agreement, dated as of October 28, 2002, by and among Sandata Acquisition Corp., a Delaware corporation, Bert E. Brodsky, Hugh Freund, Gary Stoller and Sandata. Under the merger agreement, prior to the effective time, Messrs. Brodsky, Freund and Stoller and members of their immediate families will contribute all shares of Sandata common stock owned by them to Sandata Acquisition Corp.

The merger agreement provides for the merger of Sandata Acquisition Corp. with and into Sandata. At the effective time of the merger, the separate corporate existence of Sandata Acquisition Corp. will cease and Sandata will continue as the surviving corporation. Pursuant to the merger:

- each share of Sandata common stock, par value \$.001 per share, issued and outstanding immediately prior to the effective time of the merger (excluding shares contemplated to be contributed to Sandata Acquisition Corp. by Messrs. Brodsky, Freund and Stoller and members of their immediate families and shares held by stockholders who perfect their appraisal rights under Delaware law), will be converted into the right to receive an amount in cash, without interest, equal to \$1.91 per share;

- each share of Sandata Acquisition Corp. common stock, par value \$.01 per share, issued and outstanding immediately prior to the effective time will be converted into and become one fully paid and nonassessable share of common stock of the surviving corporation; and

- each outstanding option to purchase Sandata common stock, whether vested or unvested (excluding options owned by Messrs. Brodsky, Freund, Stoller and members of their immediate families which will be cancelled for no consideration), will be cancelled and each holder thereof will be entitled to receive a cash payment equal to the product of the number of shares of Sandata subject to the option and the excess of the merger consideration, if any, over the exercise price per share related to such options.

Stockholders who perfect their appraisal rights under Delaware law will be entitled to receive a cash payment in the amount of the "fair value" of such shares, determined in accordance with Delaware law, but after the merger such shares will not represent any interest in the surviving corporation other than the right to receive such cash payment. If after the effective time a dissenting stockholder properly withdraws a demand for appraisal, such dissenting stockholder's shares will be deemed to be converted as of the effective time of the merger into the right to receive the merger consideration. See "The Merger - Appraisal Rights."

Representatives of Marcum & Kliegman LLP, our independent auditors, are expected to be present at the special meeting.

The special committee and our Board of Directors have approved the merger agreement and recommend a vote FOR its adoption and approval. Messrs. Brodsky, Freund and Stoller, who, pursuant to the merger agreement, with members of their immediate families, will own the surviving corporation after the effective time of the merger, took part in the vote by the Board of Directors and voted to approve the merger agreement.

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

Voting Rights; Vote Required for Approval

Under Delaware law (the State of our organization) and our bylaws, only holders of shares of our common stock on the record date will be entitled to receive notice of and to vote at the special meeting. If you own our stock through your broker, you are a beneficial owner of our common stock, but are not the record owner, and are not entitled to vote in person at the special meeting. At the close of business on _____, 2002, the record date for the special meeting, there were outstanding and entitled to vote _____ shares of our common stock. As of the record date, there were _____ shares of our common stock outstanding not owned by Sandata Acquisition Corp. and Messrs. Brodsky, Freund and Stoller and members of their immediate families which would be entitled to vote on the merger and merger agreement. Each holder of record of our common stock on the record date will be entitled to one vote for each share held. 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 (_____ shares) is necessary to constitute a quorum for the transaction of business.

Under Delaware law and our bylaws, the merger must be approved by the affirmative vote of at least a majority of the outstanding shares of common stock entitled to vote at the special meeting. Of the _____ shares of Sandata common stock outstanding, approximately ___% are owned by Messrs. Brodsky, Freund and Stoller and members of their immediate families, all of which, pursuant to the merger agreement, will be 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. Messrs. Brodsky, Freund and Stoller and members of their immediate families own a sufficient number of Sandata common stock to approve the merger agreement. See "Special Factors - Reasons for the Recommendations of the Special Committee and our Board of Directors" and "Special Factors - Interests of Executive Officers and Directors in the Merger."

Voting and Revocation of Proxies

Shares that are entitled to vote and represented by a proxy properly signed and received at or prior to the special meeting, unless subsequently properly revoked, will be voted in accordance with the instructions indicated thereon. If a proxy is signed and returned without indicating any voting instructions, shares represented by the proxy will be voted FOR the proposal to approve and adopt the merger agreement and the merger. 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 merger agreement. Abstentions and broker non-votes will be counted as present at the special meeting for quorum purposes. Abstentions are counted as present for the purpose of determining whether the merger agreement has been approved. Broker non-votes will not be counted for the purpose of determining whether the merger agreement has been approved. 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.

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before the shares represented by the proxy are voted at the special meeting by:

- delivering to our Corporate Secretary before the special meeting a duly executed proxy relating to the same shares and matters to be considered at the special meeting, bearing a date later than the proxy previously executed;

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

- delivering to our Corporate Secretary before the special meeting a written notice of revocation;

- giving notice of revocation of the proxy at the special meeting before the vote on the merger agreement and the merger; or

- attending and voting in person at the special meeting so long as you, and not your broker, are the record holder of such stock.

Revocation of the proxy will not affect any vote previously taken. Attendance at the special meeting will not in itself constitute the revocation of a proxy; you must vote in person at the meeting.

The Board is not currently aware of any business to be acted upon at the special meeting other than as described in this proxy statement. Proxies marked "AGAINST" the proposal to adopt the merger agreement will not be voted in favor of a motion to adjourn or postpone the special meeting for the purpose of soliciting further proxies in favor of adoption of the merger agreement.

Solicitation of Proxies

Sandata will bear the cost of soliciting proxies from stockholders. In addition to soliciting proxies by mail, some of our officers and directors may solicit proxies by telephone, facsimile or in person, without receiving additional compensation. Arrangements may also be made with brokerage firms and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of shares held of record by such persons, and we will reimburse such brokerage firms, custodians, nominees and fiduciaries for reasonable out-of-pocket expenses they incurred.

This proxy statement and the accompanying form of proxy are dated _____, 2002 and are first being mailed to stockholders on or about _____, 2002.

Trading Market and Price; Dividends; Stock Repurchases

Our common stock trades on the Nasdaq SmallCap Market under the symbol "SAND". The following table shows the quarterly high and low bid prices for the last two fiscal years ended May 31, 2002 reported by Nasdaq. The prices reflect inter-dealer prices, without retail mark-ups, markdowns or commissions, and may not necessarily represent actual transactions.

Fiscal Year Ended May 31, 2002

	High	Low
First Quarter	\$1.35	\$1.07
Second Quarter	\$1.18	\$0.84
Third Quarter	\$1.67	\$0.75
Fourth Quarter	\$1.02	\$0.44

Fiscal Year Ended May 31, 2001

	High	Low
First Quarter	\$1.88	\$1.25
Second Quarter	\$1.91	\$0.53
Third Quarter	\$1.41	\$0.84
Fourth Quarter	\$1.38	\$0.86

On _____, 2002, the record date for the special meeting, we had issued and outstanding _____ shares of our common stock. On that date, there were _____ holders of record of our common stock. This number includes

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

stockholders of record who hold stock for the benefit of others. On August 5, 2002, the last day the shares were traded prior to the announcement of the merger proposal, the closing price per share as reported on the Nasdaq SmallCap Market was \$0.50. On _____, 2002, the most recent practicable trading day prior to the date of this proxy statement, the last reported sales price per share of our common stock on the Nasdaq SmallCap Market was \$_____.

We have not declared or paid any dividends on the shares of our common stock since our inception. We do not anticipate paying cash dividends in the foreseeable future. We intend to retain future earnings to finance our operations and to fund the growth of the business. Any payment of future dividends will be at the discretion of our Board of Directors and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions with respect to the payment of dividends and other factors that our Board of Directors deems relevant. Pursuant to a Guaranty Agreement, as amended, made and entered into as of June 1, 1994, from Brodsky, Sibling Realty, Inc., as lessee, Sandata, Sandata Home Health Systems, Inc., Sandata Spectrum, Inc. and Sandata Inteck, Inc., as guarantors, to Marine Midland Bank, Sandata is restricted from declaring dividends on shares of its common stock. Under the provisions of a Revolving Credit Agreement, as amended, made as of the 18th day of April, 1997, by and among Sandsport Data Services, Inc., Sandata, Sandata Home Health Systems, Inc., Sandata Productivity, Inc., Sandata Spectrum, Inc., Sandata Inteck, Inc. and Santrax Systems, Inc., as guarantors, and Marine Midland Bank, Sandata is restricted from declaring dividends on shares of its common stock. See "Special Factors - Certain Relationships Between Sandata and Sandata Acquisition Corp. - IDA/SBA Financing" and "Special Factors - Certain Relationships Between Sandata and Sandata Acquisition Corp. - Revolving Credit Agreement."

On December 18, 2001, Sandata entered into agreements with each of Gerald Shapiro and Paul Konigsburg, two former directors of Sandata, whereby, in exchange for the cancellation of promissory notes, Messrs. Shapiro and Konigsburg surrendered 24,667 shares of Sandata common stock in the aggregate. The value per share of Sandata common stock in this exchange was \$1.54. The common stock surrendered by each of Messrs. Shapiro and Konigsburg is now held as Sandata treasury stock and will be cancelled at the effective time of the merger.

Other than the share exchange described above, during the period September 1, 2000 to August 31, 2002, we have not purchased any shares of our common stock on the open market or in privately negotiated transactions.

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. On April 5, 2002, Mr. Brodsky sent a letter to Sandata 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. 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 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

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

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 Board engaged in a discussion regarding its fiduciary obligations to the Company and its stockholders and the possibility of forming a special committee. 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 Sandata's public stockholders, 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 neither of them were materially interested in the proposed transaction. 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 also considered obtaining approval of the "going private" offer from a majority of the minority stockholders of Sandata, but this was rejected by the Board as impractical because 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 minority stockholders would vote with respect to the proposed transaction.

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 agreed to the following resolutions:

- to form the special committee for the purpose of evaluating the proposal and inquiring into, considering and negotiating a "going private transaction";

- to appoint Messrs. Fish and Bernard as members of the special committee;

- 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;

- that the special committee keep the president and the Board advised regarding the progress of the inquiries and negotiations of the special committee;

- that the "going private" proposal be submitted to the special committee for such inquiry, consideration and negotiation as the special committee may determine;

- the special committee specifically consider, among other things, the fairness of the proposed transaction to the public stockholders of Sandata;

- 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;

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

- that Sandata waives all conflicts of interest that would exist during any potential legal representation of the special committee by Certilman Balin Adler & Hyman, LLP ("Certilman") in connection with the "going private" transaction; and

- 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, 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

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

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 agreed to the following resolution:

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 waive 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 the special committee, 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 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 the special committee felt the fee was still a little higher than it had anticipated, however, 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. 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

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

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:

- 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

- 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.

On August 5, 2002, Sandata received another letter on behalf of Sandata Acquisition Corp. offering to purchase the shares of Sandata common stock for a cash price of \$1.50 per share. 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. 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.

On August 20, 2002, the special committee met with a representative of Brean Murray 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). 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 20% illiquidity discount on the value of Sandata. 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 based on 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 over-stated 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

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

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. Based upon the information Brean Murray provided 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 despite the fact that 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. Mr. Woodworth agreed to revise Brean Murray's presentation so that the members of the special committee could support a negotiation with the buy-out group 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.

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 Sandata that it had performed. The first, the comparable-companies analysis, included the review of publicly available information about eight companies. All of the companies that were compared 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 arrived at by Brean Murray. After an additional 20% discount due to the fact that 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

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

Acquisition Corp. had increased its offer to \$1.91 per share. 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 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). Sandata and the individual director defendants deny all liability and intend to vigorously defend themselves.

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 should review the agreement and proceed with negotiations. On October 16, Sandata Acquisition Corp.'s legal counsel requested that the merger agreement be revised in the following respects:

- to reflect that Sandata Acquisition Corp. is a corporation formed under the laws of the State of Delaware;

- 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;

- 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;

- 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

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

- 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 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 that the special committee was requesting additional information regarding the organizational and capital structure of Sandata Acquisition Corp. The merger agreement was ultimately revised to provide additional protections to Sandata regarding the following:

- the treatment of options to purchase Sandata common stock held by Messrs. Brodsky, Freund and Stoller and members of their immediate families;

- 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;

- the contribution of Sandata common stock to Sandata Acquisition Corp. by Messrs. Brodsky, Freund and Stoller and members of their immediate families;

- 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

- 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.

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 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 public holders of Sandata common stock, other than Sandata Acquisition Corp. and its affiliates, that the merger is advisable and in the best interests of Sandata and the holders of Sandata's common stock, other than Sandata Acquisition Corp. and its affiliates, and to recommend that the Board of Directors and stockholders of Sandata vote to approve the merger agreement.

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

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

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 holders of Sandata's common stock, other than Sandata Acquisition Corp. and its affiliates, and that the merger is advisable and in the best interests of Sandata and the holders of Sandata's common stock, other than Sandata Acquisition Corp. and its affiliates. At this meeting, a representative of Brean Murray presented 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 resolved, among other things:

- that, based on the recommendation and approval of the special committee, the merger consideration is fair to the holders of the Company's common stock, other than Sandata Acquisition Corp. and its affiliates;

- that the merger and the merger agreement are advisable and in the best interests of Sandata and its stockholders, other than Sandata Acquisition Corp. and its affiliates; and

- 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.

On November 4, 2002, Sandata issued a press release announcing the execution of the merger agreement with Sandata Acquisition Corp. and Messrs. Brodsky, Freund and Stoller.

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. Brean Murray is an investment banking firm that, as part of its investment banking business, regularly is engaged in the evaluation of businesses and their securities in connection with mergers, acquisitions, and private placements.

Neither we nor the special committee imposed any limitations on the scope of Brean Murray's investigation or the procedures to be followed by Brean Murray in rendering its opinion. The Brean Murray opinion was for the use and benefit of the special committee in connection with its consideration of the merger and was not intended to be and does not constitute a recommendation to any of our stockholders as to how such stockholder should vote with respect to the merger. Brean Murray was not requested to opine as to, and its opinion does not address, our underlying business decision to effect the merger. Further, Brean Murray was not asked to consider, and its opinion does not address, the relative merits of the merger as compared to any alternative business strategy that might exist for us.

The full text of the written opinion of Brean Murray, dated October 28, 2002, which sets forth assumptions made, matters considered and limitations on the review undertaken in connection with that opinion, is attached to this proxy statement as Appendix B and is incorporated herein by reference. Sandata stockholders are urged to, and should, read the Brean Murray opinion carefully. The Brean Murray opinion was provided for the information of the special committee in its evaluation of the merger, and the Brean Murray opinion is not

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

intended to be, nor does it constitute, a recommendation as to how any holder of shares should vote with respect to the merger.

The following paragraphs summarize the financial and comparative analyses performed by Brean Murray in connection with its opinion. The summary does not represent a complete description of the analyses performed by Brean Murray and is qualified in its entirety by reference to the full text of such opinion.

In arriving at its opinion, Brean Murray (a) reviewed publicly available historical financial and operating data concerning Sandata, including the Annual Reports on Form 10-KSB for the fiscal years ended May 31, 2000, May 31, 2001, and May 31, 2002; the Quarterly Report on Form 10-QSB for the period ended August 31, 2002; (b) reviewed projected financial information prepared by Sandata management; (c) reviewed publicly available information concerning the company; (d) conducted discussions with Sandata senior management concerning the company's business prospects and historical financial results and projected financial information; (e) reviewed the merger agreement dated October 28, 2002; and (f) performed various financial analyses of the company, as Brean Murray deemed appropriate.

In arriving at its opinion, Brean Murray assumed and relied on the accuracy and completeness of the financial information the company provided and other information used by Brean Murray without assuming any responsibility for independent verification of such information. Brean Murray further relied on the assurances of management that they were not aware of any facts that would make the information provided inaccurate or misleading. With respect to the financial projections, Brean Murray assumed that the projections were prepared in good faith in accordance with industry practice on a basis reflecting the best currently available estimates and judgments of Sandata's management as to Sandata's future financial performance. In arriving at its opinion, Brean Murray did not conduct any physical inspection of the properties or facilities of the company, did not make any evaluations or appraisals of the assets or liabilities, and was not presented with any appraisals. The Brean Murray opinion was necessarily based on financial, economic, market and other conditions as they existed on, and could be evaluated as of, its date.

The preparation of an opinion as to the fairness of the merger consideration, from a financial point of view, involves various determinations as to the most appropriate and relevant methods of financial and comparative analysis and the application of those methods to the particular circumstances; therefore, the opinion is not easily summarized. Furthermore, in arriving at its opinion, Brean Murray did not attribute any particular weight to the analyses or factors considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Brean Murray believes that its analyses must be considered as a whole and that considering any portions of its analyses or any of the factors considered by it, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying the Brean Murray opinion. In its analyses, Brean Murray made many assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond our control. Any estimates contained in these analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those estimates. Additionally, analyses relating to the value of businesses do not purport to be appraisals or to reflect the prices at which businesses actually may be sold. Accordingly, the analyses and estimates are inherently subject to substantial uncertainty.

The following is a summary of the material financial analyses performed and presented by Brean Murray to the special committee on October 28, 2002.

In connection with its opinion, Brean Murray performed certain financial

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

and comparative analyses. Brean Murray considered several methods to evaluate the fairness of the merger consideration. These methods included (a) a public company trading analysis; (b) an analysis of premiums paid in this transaction compared to average premiums paid; and (c) a discounted cash flow valuation analysis. Brean Murray utilized a two-year financial forecast provided by management and extrapolated a third projected year with Sandata's approval (the "Projections"). These analyses were considered relevant to a financial review of the terms of the merger agreement and the strategic alternatives available to Sandata. The material analyses and their findings are summarized below.

PUBLIC COMPARABLE COMPANY ANALYSIS. Brean Murray reviewed publicly available financial and stock market information relating to seven selected companies in lines of business believed to be relatively similar to Sandata. The companies selected were in the healthcare software solutions business and related industries, however, it was noted that there were no public companies with precisely the same mix of business or financial composition as Sandata. The following table summarizes selected data reviewed as part of Brean Murray's analysis. Projections for 2002 are based on estimates of First Call Corporation, a data service that monitors and publishes compilations of earnings estimates produced by selected research analysts regarding companies of interest to investors, for the selected companies and management estimates for Sandata.

	High	Low	Median	Sandata
Price / LTM Earnings	27.4 x	7.3 x	21.6 x	16.0 x
Price / 2003 Earnings	23.8 x	8.3 x	18.0 x	11.7 x
Equity Value / Book Value	2.9 x	0.9 x	1.3 x	0.9 x
Enterprise Value / LTM Revenue	2.0 x	0.3 x	0.8 x	0.5 x
Enterprise Value / LTM EBITDA	9.3 x	2.7 x	7.2 x	2.6 x
Enterprise Value / LTM EBIT	10.5 x	4.4 x	8.8 x	9.7 x

Notes:

Enterprise Value = market value of equity plus net debt.

LTM = Last twelve months.

EBITDA = earnings before interest, taxes, depreciation and amortization.

EBIT = earnings before interest and taxes.

2003 Sandata earnings multiple based on the 12 months ended 5/31/03.

Outliers are excluded.

Applying the median multiples and a Majority Owner Discount of 20% (appropriate due to the CEO's controlling stake in Sandata) to Sandata's financial results, Brean Murray derived an equity value range of \$2.06 to \$2.92 per diluted share and a median value of \$2.10. Brean Murray noted that the merger consideration of \$1.91 was substantially similar to the median value. In particular, Brean Murray noted that, due to Sandata's sub-micro capitalization status, Sandata should not be compared solely against a Public Comparable Company Analysis as these companies were in general much larger and traded more efficiently than the company, and instead should be compared as a whole against all three analyses undertaken herein.

GOING PRIVATE TRANSACTION ANALYSIS. Brean Murray analyzed the premiums offered in other going private transactions announced between January 1, 2001 and September 4, 2002. Brean Murray's analysis incorporated 11 announced transactions, 2 of which are still pending. Brean Murray compared the share premiums offered in those transactions with the closing prices for each of the target company's stock prices one day and 4 weeks prior to the deal announcement date, respectively. The following table summarizes selected data reviewed as part of Brean Murray's analysis, including the premium offered to Sandata stockholders.

Premium offered over:	High	Low	Median	Sa
-----------------------	------	-----	--------	----

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

- closing price 1 day prior to deal announcement	150.0%	1.2%	26.1%	28
- closing price 4 weeks prior to deal announcement	150.0%	11.3%	33.3%	37

Brean Murray noted that the premium paid to the stockholders of Sandata is substantially higher than those paid to the other companies analyzed and should be taken as a direct indicator of the state of Sandata as a public entity and that it was not and had not been receiving fair value in the public financial markets.

DISCOUNTED CASH FLOW ANALYSIS. Brean Murray calculated the diluted per share company value based upon a discounted cash flow analysis of the Projections. Brean Murray calculated the net present value of the future cash flows of Sandata and added the net present value of Sandata's terminal value based on a range of multiples of projected 2005 EBITDA. In conducting this analysis, Brean Murray applied various discount rates and terminal values and determined that a discount rate range of 17.5% to 22.5% and terminal value multiples ranging from 3x to 4x EBITDA were the most appropriate indicators of value. Additionally, Brean Murray applied a 20% Majority Owner Discount to this value. This analysis indicated a discounted cash flow valuation range of \$1.54 per share to \$2.35 per share, with a median value of \$1.91. Brean Murray noted that the merger consideration of \$1.91 was within the indicated range and equal to the median value.

Brean Murray was engaged to render the opinion referred to above because Brean Murray regularly engages in the valuation of businesses and their securities. Brean Murray is an investment bank whose corporate finance activities are focused on small- to middle-market companies. Brean Murray provides a full range of investment banking services to its clients including merger and acquisition advice and services, equity underwritings, private placements of debt and equity and other financial advisory services and valuations.

In connection with advisory services related to the merger and the issuance of its opinion, Brean Murray has received a fee of \$50,000. We agreed to indemnify Brean Murray in connection with any actions arising from the merger, except in the event of Brean Murray's intentional misconduct or negligence in the performance of its duties.

A copy of the written opinion of Brean Murray is attached as Appendix B to this proxy statement. The opinion is also available for inspection and copying during regular business hours at our principal executive offices by any stockholder of ours or the representative of any stockholder who has been so designated in writing.

Reasons for the Recommendations of the Special Committee and our Board of Directors

In reaching its determinations, the special committee and the Board of Directors relied on its knowledge of our business, information provided by our officers, and the advice of its financial advisor and legal counsel and a number of factors both for and against recommending the proposal. Except as disclosed in this proxy statement, neither the special committee nor the Board of Directors considered each factor separately, assigned relative weights to such factors or made a determination as to why any factor should be assigned any weight. Although a majority of these factors were generally believed by the special committee and the Board of Directors to support their decision, certain of such factors were generally believed not to support such decision. With respect to certain of the factors specified, the special committee relied on the presentations of Brean Murray described in this section under "Opinion of Brean Murray."

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

The following factors supported the special committee's and board of director's recommendation:

- during the 12 month trading period ended August 30, 2002, the shares closed at a high of \$1.61 per share (on January 14, 2002), and at a low of \$0.31 per share (on July 29, 2002), which makes it unlikely that stockholders could receive a higher price in the market for their shares;

- the merger consideration represents a 150% premium over the average price of our common stock on the Nasdaq SmallCap Market for the 12-month period ended August 2, 2002 (the last trading day before our August 5, 2002 announcement that we had received an offer from Sandata Acquisition Corp.); a 282% premium over the reported closing price of Sandata shares on August 2, 2002; and a 377.5% premium over the reported closing price four weeks prior to our announcement;

- the historical trading activity of our common stock, including the fact that the average daily trading volume of our common stock for the 12-month period ended August 31, 2002 was only 1,340 shares per day, which makes it unlikely that we can issue new equity;

- the public float for our common stock was approximately \$332,604 as of August 2, 2002, and we have limited prospects for creating institutional interest in our stock or coverage by analysts, thereby making it difficult to attract new investor interest;

- the special committee was delegated powers from the Board of Directors in order to conduct an independent evaluation of Sandata Acquisition Corp.'s offer, including the retention of independent financial advisors and independent legal advisors;

- the special committee was granted broad authority to consider the proposed transaction, including the right to consider competitive proposals from unaffiliated third parties;

- the special committee never received an alternate proposal from an unaffiliated third-party either prior to, or after, the August 5, 2002 public announcement of Sandata Acquisition Corp.'s offer to take Sandata private for \$1.91 per share;

- the oral presentations of Brean Murray delivered to the special committee on October 28, 2002 and its written opinion delivered to the special committee on October 28, 2002, stating that, as of such date, and based on and subject to the assumptions, limitations and qualifications contained in that opinion, the merger consideration the public stockholders will have the right to receive in the proposed merger is fair, from a financial point of view, to such stockholders;

- the special committee engaged in negotiations with representatives of Sandata Acquisition Corp. and, as a result of these negotiations, the special committee believed that it received the highest price per share that Sandata Acquisition Corp. is willing to pay;

- the merger consideration to be paid under the merger agreement is not subject to any financing conditions; the special committee and the Board believe that Sandata Acquisition Corp. will have sufficient financial resources available to finance the merger;

- the significant costs of remaining a public company, including the legal, accounting and transfer agent fees and expenses and printing costs necessary to satisfy the reporting obligations of the Securities Exchange Act of 1934, as amended, (which were approximately \$90,000 in fiscal year ended May 31, 2002), will be largely eliminated if we are a private company;

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

- becoming a private company would allow us to focus on long-term strategic initiatives rather than quarter-to-quarter results;

- the judgment of the special committee that the merger consideration is fair to our public stockholders for the reasons detailed above; and

- the right of any of our public stockholders to exercise his or her appraisal rights under Delaware law if he or she does not believe the merger consideration to be fair.

In reaching its decision to take Sandata private at this time, the special committee and the Board considered the above factors, each of which in the view of the special committee and the Board supported such decision. Neither the special committee nor the Board of Directors considered alternative transactions to the one described in this proxy statement, and they were aware of no alternatives to the proposal from Sandata Acquisition Corp. In light of the negotiations between the special committee and representatives of Sandata Acquisition Corp. which resulted in an increase in the price per share offered to the public stockholders, along with additional covenants in the merger agreement, the special committee did not pursue any alternatives. In addition, in view of the fact that Messrs. Brodsky, Freund and Stoller and members of their immediate families had no interest in selling their shares to a third party in the foreseeable future, the special committee did not consider soliciting alternative transactions with third parties.

The special committee and the Board of Directors considered the following negative factors in its determination to recommend the proposal:

- since Messrs. Brodsky, Freund and Stoller and members of their immediate families do not have an interest in selling their shares of Sandata, it is unlikely that an offer from an unaffiliated third party could be approved;

- the fact that since the August 5, 2002 announcement of the proposed transaction, Sandata has not received a competing proposal from any unaffiliated parties;

- the fact that, while the merger consideration represents a premium over our historical trading price, the stock market has not performed well over the past year, which may contribute to the depressed trading price of our common stock;

- our public stockholders will not have the right to participate in our future growth, if any; and

- the special committee considered the uncertainties associated with any financial analysis, particularly those involving projections of future performance. The special committee recognized that these analyses are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than those suggested by the analyses and therefore did not consider them to be material factors.

The special committee and our Board of Directors did not view the following factors to be material in their consideration of the fairness of the merger:

- the net book value of our assets because they did not believe that Sandata or related publicly traded companies trade on the basis of book value;

- the liquidation value of Sandata's assets, because they believed that the value that could be obtained in liquidation would be less than the value that could be achieved by selling Sandata as a going concern;

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

- the ability of Sandata Acquisition Corp. and Messrs. Brodsky, Freund and Stoller and members of their immediate families to complete the merger without the approval of the unaffiliated stockholders;

- the fact that the merger may be a taxable event to our public stockholders; and

- the fact that Brean Murray was not asked to opine to or to consider (i) the underlying business decision to effect the merger, or (ii) the relative merits of the merger as proposed to any alternative business strategy that might exist for the company.

The special committee is comprised of non-management directors of the Board of Directors not affiliated with Sandata Acquisition Corp. or Messrs. Brodsky, Freund, and Stoller, and it was authorized to retain its own legal counsel and an independent financial advisor to assist it in assessing the fairness of the transaction. In addition, the special committee was granted broad authority to consider the proposal, including the right to consider competing offers from unaffiliated third parties. Because of the foregoing, neither the special committee nor the Board considered it necessary to retain an outside party to negotiate on behalf of the unaffiliated stockholders, or to engage counsel or an appraiser to represent unaffiliated stockholders.

Sandata's Position as to the Fairness of the Merger

We believe the merger to be fair to our public stockholders, other than Sandata Acquisition Corp. and Messrs. Brodsky, Freund and Stoller and members of their immediate families, based upon numerous factors, including the following material factors:

- the merger consideration represents a 282% premium over the closing price of our common stock on the last full trading day prior to our August 5, 2002 announcement of Sandata Acquisition Corp.'s preliminary proposal, a 377.5% premium over the closing price four weeks prior to such announcement and exceeds recent historical market prices of our common stock (see "Special Meeting - Trading Market and Price; Dividends; Stock Repurchases");

- the approval of the merger by all of the members of the special committee and the fact that the members of the special committee determined that the merger consideration is fair to our stockholders and that the merger agreement is advisable and in the best interests of Sandata and our public stockholders, other than Sandata Acquisition Corp. and Messrs. Brodsky, Freund and Stoller and members of their immediate families;

- the special committee was granted broad authority to consider the proposal, including the right to consider competing proposals from unaffiliated third parties;

- the special committee never received an alternate proposal from an unaffiliated third party either prior to, or after, the August 5, 2002 public announcement of Sandata Acquisition Corp.'s offer to take Sandata private for \$1.91 per share;

- the determination by the special committee that the merger agreement should be ratified and approved by the stockholders;

- the fact that the special committee engaged Brean Murray, a leading investment bank, and that Brean Murray rendered an opinion as to the fairness of the merger consideration, from a financial point of view, to our public stockholders;

- the fact that the merger agreement was negotiated between the

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

representatives of the special committee and representatives of Sandata Acquisition Corp.; and

- the factors considered by the special committee and our Board of Directors, and the analysis of the special committee and our Board of Directors referred to under "Special Factors - Reasons for the Recommendations of the Special Committee and our Board of Directors."

Sandata believes that the transaction was procedurally fair to Sandata's public stockholders (other than Sandata Acquisition Corp. and Messrs. Brodsky, Freund and Stoller and members of their immediate families) because:

- the powers delegated to the special committee included the right to consider competitive proposals from unaffiliated third parties;

- the special committee never received an alternate proposal from an unaffiliated third-party either prior to, or after, the public announcement of Sandata Acquisition Corp.'s offer to take Sandata private for \$1.91 per share of common stock;

- the merger must be approved by holders of a majority of the outstanding shares of Sandata common stock;

- the transaction was negotiated on behalf of the public stockholders of Sandata by a special committee consisting of non-management directors who are not employees of Sandata, who are not affiliated with Sandata Acquisition Corp. and who are not, therefore, materially interested in the merger;

- the special committee retained Brean Murray, which is not affiliated with Sandata or Sandata Acquisition Corp., to serve as independent financial advisor to the special committee and to render a fairness opinion with respect to the merger;

- the special committee engaged Certilman to serve as independent legal advisor to the special committee; and

- the merger was recommended to the Board of Directors by the special committee and subsequently was unanimously approved by the Board of Directors of Sandata.

After considering the foregoing, we believe the merger consideration to be fair to our public stockholders, other than Messrs. Brodsky, Freund and Stoller and members of their immediate families, and that the merger agreement is advisable and in the best interests of Sandata and the public stockholders, other than Sandata Acquisition Corp. and Messrs. Brodsky, Freund and Stoller and members of their immediate families. In reaching this determination we have not assigned specific weights to particular factors, and considered all factors as a whole. None of the factors that we considered led us to believe that the merger was unfair to the public stockholders, other than Sandata Acquisition Corp. and Messrs. Brodsky, Freund and Stoller and members of their immediate families.

None of the members of our Board of Directors received any reports, opinions or appraisals from any outside party relating to the merger or the fairness of the consideration to be received by the public stockholders, other than those received by the special committee from Brean Murray. See "Special Factors - Interests of Executive Officers and Directors in the Merger."

Sandata Acquisition Corp.'s Position as to the Fairness of the Merger;
Sandata Acquisition Corp.'s Reasons for the Merger

Sandata Acquisition Corp. believes that the consideration to be received in the merger by the Sandata public stockholders (other than Sandata Acquisition

Edgar Filing: SANDATA TECHNOLOGIES INC - Form PREM14A

Corp. and Messrs. Brodsky, Freund and Stoller and members of their immediate families) is fair to such holders. This belief is based on the following factors:

- the consideration to be paid in the merger represents a 282% premium over the reported closing price of Sandata shares on the last full trading day prior to Sandata Acquisition Corp.'s August 5, 2002 announcement of the preliminary proposal and a 377.5% premium over the reported closing price four weeks prior to such announcement;

- the historical financial performance of Sandata and the risks associated with Sandata achieving strong financial performance, including economic conditions, industry pressures such as pricing volatility, and interest rate fluctuations;

- the special committee was granted broad authority to consider alternate proposals, but since August 5, 2002, Sandata Acquisition Corp.'s preliminary proposal and Sandata's availability as an acquisition candidate have been known in the investment and business communities, and neither Sandata nor its advisors have received any proposals to date for the acquisition of Sandata;

- the special committee and its advisors successfully negotiated an increase in the consideration to be paid to Sandata's public stockholders in the merger from \$1.50 to \$1.91 per share;

- the merger will provide consideration to Sandata's public stockholders entirely in cash and is not subject to any financing conditions; and

- the forecasts for Sandata provided to Sandata Acquisition Corp. by Sandata's management which, when a range of price-to-earnings multiples were applied to the estimated earnings in such forecasts, indicate possible future values of Sandata as a going concern, and the risks associated with meeting those projections.

Sandata Acquisition Corp. believes that the merger is procedurally fair to the public stockholders of Sandata (other than Sandata Acquisition Corp. and Messrs. Brodsky, Freund and Stoller and members of their immediate families). This belief is based on the following factors:

- the special committee was granted broad authority to consider the proposal, including the right to consider competing proposals from unaffiliated third-parties;

- the merger consideration and the other terms and conditions of the merger agreement were the result of good faith negotiations between Sandata Acquisition Corp. and the special commi