

*The TSX Venture Exchange has not in any way passed upon the merits of the transactions described herein and any representation to the contrary is an offence.*



**NOTICE AND MANAGEMENT INFORMATION CIRCULAR RELATING TO AN  
ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS  
OF SARATOGA ELECTRONIC SOLUTIONS INC.  
TO BE HELD ON DECEMBER 15, 2011**

**November 17, 2011**

Unless otherwise stated, the information herein is given as of November 15, 2011.

**These materials are important and require your immediate attention. The shareholders of Saratoga Electronic Solutions Inc. are required to make important decisions. If you have questions as to how to deal with these documents or the matters to which they refer, please contact your financial, legal or other professional advisor. If you have any questions or require further information with regard to voting your shares or completing your transmitted documentation, please contact Computershare Investor Services Inc., our transfer agent, toll free within North America at 1-800-564-6253 or by e-mail at [service@computershare.com](mailto:service@computershare.com).**





## **SARATOGA ELECTRONIC SOLUTIONS INC.**

### **Notice of Annual and Special Meeting of Shareholders**

Notice is hereby given that the annual and special meeting (the “**Meeting**”) of the holders (the “**Shareholders**”) of common shares (the “**Common Shares**”) of Saratoga Electronic Solutions Inc. (“**Saratoga**”) will be held at Saratoga’s head office, located at 2975 Hochelaga, Montreal, Québec H1W 1G1, on December 15, 2011 at 2:00 p.m. (Eastern time) for the following purposes:

- (a) to receive the consolidated financial statements of Saratoga for the financial year ended March 31, 2011, and the report of the auditors thereon;
- (b) to elect directors of Saratoga for the ensuing year;
- (c) to appoint auditors of Saratoga and to authorize the Board of Directors to fix their remuneration;
- (d) to consider and, if thought advisable, to adopt a resolution to authorize Saratoga to present to Shareholders at the Meeting, financial statements in respect of a period ended earlier than the period provided by applicable laws and regulations;
- (e) to consider, and if thought advisable, to approve the sale of all of the shares of Saratoga’s wholly-owned subsidiary, Car-Tel Distributions Inc.; and
- (f) to transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

The specific details of the foregoing matters to be put before the Meeting are set forth in the management information circular accompanying this Notice of Meeting.

The record date for determining the Shareholders entitled to receive notice of and vote at the Meeting is the close of business on November 10, 2011 (the “**Record Date**”). Only Shareholders whose names have been entered in the applicable register of Shareholders as of 5:00 p.m. (Eastern time) on the Record Date are entitled to receive notice of and vote at the Meeting. Those Shareholders of record will be included in the list of Shareholders prepared as at the Record Date and will be entitled to vote the Common Shares recorded therein at the Meeting.

**A Shareholder may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting or any adjournment or postponement thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournment or postponement thereof. To be effective, such proxy must be received by Saratoga’s transfer agent, Computershare Investor Services Inc., by 5:00 p.m. (Eastern**

time) on December 13, 2011, or two Business Days prior to the time of the reconvening of any adjournment or postponement of the Meeting.

If you are an unregistered holder of Common Shares and have received these materials through your broker, investment dealer, bank, trust company, trustee or other intermediary, please complete and return the form of proxy provided to you by your intermediary in accordance with the instructions provided therein.

If you require any assistance in completing your form of proxy, please contact Computershare Investor Services Inc. by calling toll free within North America at 1-800-564-6253 or by e-mail at [service@computershare.com](mailto:service@computershare.com)

DATED at Montreal, Québec this 17<sup>th</sup> day of November 2011.

**BY ORDER OF THE BOARD OF DIRECTORS  
OF SARATOGA ELECTRONIC SOLUTIONS  
INC.**

(signed) "*Georges A. Durst*"

Georges A. Durst  
Chief Executive Officer

## **CAUTIONARY STATEMENTS REGARDING FORWARD LOOKING INFORMATION**

Except for statements of historical fact contained herein, the information presented in this Circular contains certain “forward-looking information” within the meaning of applicable Canadian securities Laws concerning the business, operations and financial performance and condition of Saratoga, including its two wholly-owned subsidiaries, Saratoga ATM and Car-Tel. Often, but not always, forward-looking statements and forward-looking information can be identified by words such as “plans”, “potential”, “expects”, “may”, “should”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, “believes”, or variations, including negative and grammatical variations thereof, that refer to certain actions, events or results that may, could, would, might or will occur or be taken or achieved. Forward-looking statements and forward-looking information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Saratoga to differ materially from any future results, performance or achievements expressed or implied by the forward-looking statements or forward-looking information. Whether actual results and developments will conform to Saratoga’s expectations and predictions, and whether Saratoga is ultimately successful in consummating the sale of Car-Tel as described in this Circular, is subject to a number of risks, uncertainties and assumptions, including Saratoga’s ability to obtain the requisite approvals in connection with such sale or satisfy the other conditions precedent thereto, as well as those discussed in Saratoga’s Management’s Discussion and Analysis. Consequently, all of the forward-looking statements in this Circular are qualified by these cautionary statements, and there can be no assurance as to Saratoga’s ability to consummate the sale of Car-Tel or as to Saratoga’s ability to enhance shareholder value through this process.

Shareholders are cautioned not to place undue reliance on forward-looking statements and forward-looking information in this Circular. Saratoga undertakes no obligation to update any of the forward-looking statements or forward-looking information in this Circular, except as otherwise required by Law. All of the forward-looking statements made and forward-looking information contained in this Circular, are qualified by this cautionary statement.

## **REPORTING CURRENCIES**

All references to “\$” in this Circular refer to Canadian dollars.

## GLOSSARY

In this Circular, the following capitalized words and terms have the following meanings:

“**Acquisition Proposal**” means, other than the transactions contemplated by the Purchase Agreement, any offer, proposal, expression of interest or inquiry from any person (other than the Purchaser or Luc Charlebois or their respective Affiliates) made after the date hereof relating to:

- (i) any acquisition or sale, direct or indirect, whether in a single transaction or a series of related transactions, of: a. the assets of Saratoga and its subsidiaries that, individually or in the aggregate, constitute 20% or more of the fair market value of the consolidated assets of Saratoga and its subsidiaries taken as a whole; or b. 20% or more of any voting or equity securities of Saratoga or any of its subsidiaries whose assets, individually or in the aggregate, constitute 20% or more of the fair market value of the consolidated assets of Saratoga and its subsidiaries;
- (ii) any take-over bid, tender offer or exchange offer for any class of voting or equity securities of Saratoga;
- (iii) any plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving Saratoga or any of its subsidiaries whose assets, individually or in the aggregate, constitute 20% or more of the fair market value of the consolidated assets of Saratoga and its subsidiaries;
- (iv) any transaction, the consummation of which could reasonably be expected to impede, interfere with, prevent or materially delay the consummation of the transactions contemplated by the Purchase Agreement; or
- (v) any public announcement of an intention to do any of the foregoing;

but specifically excludes any offer, proposal, expression of interest or inquiry from any person relating to any acquisition or sale, plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction exclusively involving the ATM Business.

“**Affiliate**” means, with respect to any person, any other person who directly or indirectly controls, is controlled by, or is under direct or indirect common control with, such person, and includes any person in like relation to an Affiliate. A person shall be deemed to control a person if such person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities, by contract or otherwise; and the term “**controlled**” has a similar meaning.

“**ATM Business**” means the business currently carried on by Saratoga ATM, comprising of the purchase, placement, funding and maintenance of a network of white-label automated bank machines.

“**Audit Committee**” has the meaning ascribed thereto in this Circular under “Audit Committee Information”.

“**Beneficial Shareholders**” means a person who has rights in Common Shares that are registered in Saratoga’s share register in the name of another person, being the Registered Shareholder.

“**Board of Directors**” means the board of directors of Saratoga.

“**Broadridge**” means Broadridge Financial Solutions, Inc.

“**Business Day**” means any day except Saturday, Sunday or any day on which banks are generally not open for business in the City of Montreal, Province of Québec.

“**Car-Tel**” means Car-Tel Distributions Inc., a wholly-owned subsidiary of Saratoga existing under the *Business Corporations Act* (Québec).

“**Car-Tel Business**” means the business carried on by Car-Tel consisting of the sale, distribution and marketing of gift cards, prepaid telephone products and related services.

“**Card**” means any stored value product available for purchase by consumers for application in the consumer retail sector in general, including in particular, but without limitation, in the local, long distance or cellular communication sector, as well as gift cards, but does not include a card affiliated with a financial institution or credit card company.

“**Circular**” means this notice of annual and special meeting of Shareholders and management information circular, including all schedules, appendices and exhibits hereto, sent to Shareholders in connection with the Meeting, as amended, supplemented or otherwise modified from time to time.

“**Closing Date**” means, subject to the fulfillment or waiver of all of the conditions precedent to the closing of the Transaction, December 15, 2011, or such other date and/or time as may be agreed between the Parties.

“**Common Shares**” means common shares in the share capital of Saratoga.

“**Compensation Committee**” has the meaning ascribed thereto in this Circular under “Statement of Executive Compensation – Compensation Discussion and Analysis – Composition of the Compensation Committee”.

“**Computershare**” means Computershare Investor Services Inc.

“**Consent**” means any consent, approval, permit, waiver, ruling, exemption or acknowledgement from any person (other than the Purchaser or Luc Charlebois) which is provided for or required: (i) in respect of or pursuant to the terms of any contract or (ii) under any applicable Laws, in either case in connection with the completion of the transactions contemplated by the Purchase Agreement, or which is otherwise necessary to permit the Parties to perform their obligations under the Purchase Agreement, but does not include a Regulatory Approval.

“**DCF Method**” has the meaning ascribed thereto in this Circular under “Matters to be Acted Upon at the Meeting – The Transaction – Valuation – Summary of Valuation – Income Approach”.

“**Discount Rate**” has the meaning ascribed thereto in this Circular under “Matters to be Acted Upon at the Meeting – The Transaction – Valuation – Summary of Valuation – Income Approach”.

“**Disinterested Shareholders**” means the Shareholders, other than Mr. Georges A. Durst, a shareholder and Chief Executive Officer of Saratoga, and Mr. Luc Charlebois, a shareholder and director of Saratoga and an officer of Car-Tel, and their respective related parties or joint actors.

“**EBITDA**” means earnings before income tax, depreciation and amortization.

“**Financial Advisor**” means KPMG Corporate Finance Inc.

“**Governmental Entity**” means (a) any multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign, (b) any subdivision, agent, commission, board or authority of any of the foregoing, (c) any quasi-governmental or private body, including any tribunal, commission, regulatory agency or self-regulatory organization, exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing, or (d) any stock exchange, including the TSXV.

“**Guideline Companies**” has the meaning ascribed thereto in this Circular under “Matters to be Acted Upon at the Meeting – The Transaction – Valuation – Summary of Valuation – Market Approach”.

“**Informed Persons**” has the meaning ascribed thereto in this Circular under “Interests of Informed Persons in Material Transactions”.

“**Insider**” has the meaning given to such term under applicable Canadian securities Laws.

“**Interco Indebtedness**” means the indebtedness owed by Saratoga ATM to Car-Tel in the aggregate principal amount of \$165,180.

“**Intermediary**” means a broker, investment dealer, bank, trust company, trustee or any other similar intermediary entity through which beneficial holders of securities hold their securities.

“**Laws**” means all laws, by-laws, statutes, rules, regulations, principles of law and equity, orders, writs, awards, decrees, rulings, ordinances, judgements, injunctions, determinations or other requirements, whether domestic or foreign, and the terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity, and the term “applicable” with respect to such Laws and in a context that refers to one or more persons, means such Laws as are applicable to such person or its business, undertaking, property or securities and emanate from a person having jurisdiction over the person or persons or its or their business, undertaking, property or securities.

“**Meeting**” means the annual and special meeting of Shareholders, including any adjournment or postponement thereof, to consider the matters described in the accompanying notice of annual and special meeting.

“**MI 61-101**” means *Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions*, adopted by the *Autorité des marchés financiers*.

“**Migration Support**” has the meaning ascribed thereto in this Circular under “Matters to be Acted Upon at the Meeting – The Transaction – The Purchase Agreement – Covenants – Migration Support”.

“**MNP**” means MNP S.E.N.C.R.L.-LLP, Chartered Accountants.

“**Named Executive Officers**” has the meaning ascribed thereto in this Circular under “Statement of Executive Compensation – Summary Compensation Table”.

“**Outside Date**” means January 31, 2012, provided, however, that if any of the conditions precedent to the closing of the Transaction are not satisfied by such date by reason of a Regulatory Approval or Consent not having been obtained or delivered, then, provided that such Regulatory Approval or Consent is actively being sought and has not been denied by a non-appealable decision of a Governmental Entity, the Outside Date shall be extended for up to an additional 30 days by notice given by the Party seeking such extension to the other Party to such effect no later than 5:00 p.m. (Eastern time) on the date that is not less than five days prior to the original Outside Date.

“**Parties**” means Saratoga, Car-Tel and Luc Charlebois, and “**Party**” means any one of them.

“**Policy 5.3**” means Policy 5.3 – *Acquisitions and Dispositions Non-Cash Assets* of the Corporate Finance Manual of the TSXV.

“**Prior Valuation**” has the meaning ascribed thereto in this Circular under “Matters to be Acted Upon at the Meeting – The Transaction – Valuation – Prior Valuations”.



“**Projection Period**” has the meaning ascribed thereto in this Circular under “Matters to be Acted Upon at the Meeting – The Transaction – Valuation – Summary of Valuation – Income Approach”.

“**Proposed Agreement**” has the meaning ascribed thereto in this Circular under “Matters to be Acted Upon at the Meeting – The Transaction – The Purchase Agreement – Covenants – Responding to Acquisition Proposals and Superior Proposals”.

“**Purchase Agreement**” means the share purchase and sale agreement entered into among Saratoga, the Purchaser and Luc Charlebois on November 15, 2011 for the purchase by the Purchaser from Saratoga of the Purchased Shares.

“**Purchase Price**” has the meaning ascribed thereto in this Circular under “Matters to be Acted Upon at the Meeting – The Transaction – The Purchase Agreement – Purchase Price and Surcharge Fee”.

“**Purchased Shares**” means all the issued and outstanding shares in the share capital of Car-Tel.

“**Purchaser**” means 7999291 Canada Inc., a corporation incorporated under the *Canada Business Corporations Act*.

“**Ratification Resolution**” means the ordinary resolution authorizing Saratoga to present to Shareholders at the Meeting financial statements in respect of a period ended earlier than the period provided by applicable Laws, to be voted upon by the Shareholders at the Meeting, the full text of which is set forth in Appendix “A” to this Circular.

“**Record Date**” means November 10, 2011, the record date for determining the Shareholders entitled to receive notice of and vote at the Meeting.

“**Registered Shareholder**” means a registered holder of Common Shares as recorded in the shareholder register of Saratoga maintained by Computershare.

“**Regulatory Approval**” means any approval, consent, ruling, authorization, notice, permit or acknowledgement that may be required from any person pursuant to applicable Laws in connection with the completion of the Transaction or which is otherwise necessary to permit the Parties to perform their obligations under the Purchase Agreement.

“**Related Party**” has the meaning ascribed thereto in MI 61-101.

“**Related Party Indebtedness**” means the indebtedness of Saratoga in the aggregate principal amounts of \$303,013.63 and \$390,833.25 owing to Link Productions Ltd. and Saratoga Multi-Média Inc., respectively, bearing interest at the rate of 12% per annum, and secured by a conventional hypothec without delivery charging the universality of claims of Car-Tel.

“**Representatives**” means, collectively, in respect of a person (a) its directors, officers, employees, agents, representatives and any financial advisor, law firm, accounting firm or other professional firm retained to assist such person in connection with the Transactions; and (b) such person’s Affiliates and subsidiaries and the directors, officers, employees, agents and representatives and advisors thereof.

“**Response Period**” has the meaning ascribed thereto in this Circular under “Matters to be Acted Upon at the Meeting – The Transaction – The Purchase Agreement – Covenants – Responding to Acquisition Proposals and Superior Proposals”.

“**Reviewable Disposition**” has the meaning ascribed thereto in Policy 5.3.

“**Saratoga**” means Saratoga Electronic Solutions Inc., a corporation existing under the *Canada Business Corporations Act*.

“**Saratoga ATM**” means Saratoga ATM Corporation Inc., a wholly-owned subsidiary of Saratoga existing under the *Business Corporations Act* (Québec).

“**Saratoga Leasing Indebtedness**” means the indebtedness of Car-Tel owed to Saratoga Leasing Inc. in the aggregate principal amount of \$318,252.41, bearing interest at the rate of 18% per annum, and secured by a conventional hypothec without delivery charging specific equipment of Car-Tel.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators.

“**Share Option Plan**” has the meaning ascribed thereto in this Circular under “Statement of Executive Compensation – Compensation Discussion and Analysis – Long Term Incentive Plan”.

“**Shareholders**” means all the holders of Common Shares.

“**Special Committee**” has the meaning ascribed thereto in this Circular under “Matters to be Acted upon at the Meeting – The Transaction – Background to the Transaction”.

“**Superior Proposal**” means a *bona fide* unsolicited written Acquisition Proposal made after the date of the Purchase Agreement but prior to the Closing Date that:

- (i) did not result from a breach by Saratoga or its Representatives of their non-solicitation obligations under the Purchase Agreement;
- (ii) is reasonably capable of being completed without undue delay taking into account, to the extent considered relevant by the Board of Directors, all financial, legal, regulatory and other aspects of such Acquisition Proposal and the person making such Acquisition Proposal;
- (iii) is not subject to any financing condition and in respect of which the Board of Directors has concluded, in good faith and after receiving the advice of its outside legal and financial advisors, there is a reasonable likelihood that any required financing has been obtained or will be obtained without undue delays; and
- (iv) in respect of which Board of Directors determines, in its good faith judgment, after receiving the advice of its outside legal and financial advisors that: (1) failure to recommend such Acquisition Proposal to the shareholders of Saratoga would be inconsistent with its fiduciary duties under applicable Law; and (2) having regard to all of its terms and conditions, such Acquisition Proposal would, if consummated in accordance with its terms (but not assuming away any risk of non-completion), would likely result in a transaction more favourable to the shareholders of Saratoga from a financial point of view than the transaction contemplated by the Purchase Agreement.

“**Surcharge**” means any service, user, transaction, convenience or similar surcharge or fee charged to the purchaser of a Card at the time of its purchase or activation which is in excess of the value stored on such Card.

“**Surcharge Fee**” has the meaning ascribed thereto in this Circular under “Matters to be Acted Upon at the Meeting – The Transaction – The Purchase Agreement – Purchase Price and Surcharge Fee”.

“**Surcharge Fee Term**” has the meaning ascribed thereto in this Circular under “Matters to be Acted Upon at the Meeting – The Transaction – The Purchase Agreement – Purchase Price and Surcharge Fee”.

“**Termination Fee**” has the meaning ascribed thereto in this Circular under “Matters to be Acted Upon at the Meeting – The Transaction – The Purchase Agreement – Covenants – Termination Fee”.

“**Transaction**” means the transactions contemplated by the Purchase Agreement, including the sale of the Purchased Shares to the Purchaser.

“**Transaction Resolution**” means the ordinary resolution approving the Transaction upon the terms and conditions set forth in the Purchase Agreement to be voted upon by the Shareholders at the Meeting in accordance with applicable Law, the full text of which is set forth in Appendix “B” to this Circular.

“**TSXV**” means the TSX Venture Exchange Inc.

“**Valuation**” means the report of the Valuator dated September 7, 2011 as to the fair market value of the Purchased Shares as at July 29, 2011.

“**Valuation Date**” has the meaning ascribed thereto in this Circular under “Matters to be Acted Upon at the Meeting – The Transaction – The Valuation – Background to the Valuation”.

“**Valuator**” means Robert Boisjoli & Associates, S.E.C.



**SARATOGA ELECTRONIC SOLUTIONS INC.**  
**2975 Hochelaga**  
**Montreal, Québec**  
**H1W 1G1**

### **GENERAL PROXY INFORMATION**

#### ***Date, Time and Place of Meeting***

The Meeting will be held on December 15, 2011, at 2:00 p.m. (Eastern time), at Saratoga's head office located at 2975 Hochelaga, Montreal, Québec H1W 1G1.

#### ***Record Date***

Only Registered Shareholders of Saratoga as of 5:00 p.m. (Eastern time) on the Record Date of November 10, 2011 are entitled to receive notice of and to vote at the Meeting or the reconvening of any adjournment or postponement thereof. The Record Date will remain the same even if the Meeting is adjourned or postponed.

#### ***Voting of Common Shares***

As of the close of business on November 15, 2011, Saratoga had 18,461,300 Common Shares outstanding, each carrying the right to one vote per share. A simple majority of the votes cast at the Meeting, whether in person, by proxy or otherwise, will constitute approval of any matter submitted to a vote at the Meeting, other than the Transaction Resolution. In order to be effective, the Transaction Resolution must be passed by a simple majority of the votes cast by the Disinterested Shareholders at the Meeting, whether in person, by proxy or otherwise. See "Matters to be Acted Upon at the Meeting – The Transaction – Disinterested Shareholder Approval of the Transaction".

#### ***Solicitation of Proxies***

The management of Saratoga is using this Circular to solicit proxies from Shareholders for use at the Meeting.

All solicitation costs will be borne by Saratoga. Proxies will be solicited primarily by mail, but proxies may also be solicited personally, by telephone or through electronic means (including via the internet, e-mail or facsimile) by directors, officers and employees of Saratoga.

#### ***Appointment and Revocation of Proxies***

**The persons named in the enclosed form of proxy are directors or officers of Saratoga. A Shareholder has the right to appoint a person (who need not be a Shareholder) to represent such Shareholder at the Meeting other than the persons designated in the form of proxy provided by Saratoga. To exercise this right, the Shareholder should strike out the name of the management designees in the enclosed form of proxy and insert the name of the desired representative in the blank space provided in the form of proxy**

**or submit another appropriate form of proxy.** In order to be effective, a proxy must be received by Saratoga's registrar and transfer agent, Computershare Investor Services Inc., 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, no later than 5:00 p.m. (Eastern time) on December 13, 2011, or two Business Days prior to the time of the reconvening of any adjournment or postponement of the Meeting. The proxy must be in writing and executed by the Shareholder, or such Shareholder's attorney authorized in writing, or if such Shareholder is a corporation, under its corporate seal or by a duly authorized officer or attorney.

A Shareholder who has given a proxy may revoke it by an instrument in writing executed by the Shareholder or by the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer or attorney of the corporation, and delivered either to Saratoga c/o Computershare Investor Services Inc., 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, at any time up to and including 5:00 p.m. (Eastern time) on the last Business Day preceding the day of the Meeting or the reconvening of any adjournment or postponement of the Meeting or to the chair of the Meeting on the day of the Meeting or the reconvening of any adjournment or postponement of the Meeting. **Only Registered Shareholders have the right to revoke a proxy. Beneficial Shareholders who wish to change their vote must arrange for their respective Intermediaries to revoke the proxy on their behalf in accordance with any requirements of the Intermediaries.**

### *Proxy Voting*

All Common Shares represented at the Meeting by properly completed and executed proxies will be voted on any ballot that may be called for and, where a choice with respect to any matter to be acted upon has been specified in the proxy, Common Shares represented by the proxy will be voted in accordance with such instructions. Registered Shareholders will also be able to vote by calling a toll-free number or by using the internet, as provided for in the form of proxy. **In the absence of any such instructions, the persons whose names appear on the printed form of proxy will vote in favour of all the matters set out thereon. If any other business or amendments or variations to matters identified in the Notice of Annual and Special Meeting of Shareholders properly come before the Meeting, then discretionary authority is conferred upon the persons appointed in the proxy to vote in the manner they see fit.**

### *Advice to Beneficial Shareholders*

The information set forth in this section is of significant importance to many Shareholders, as a number of Shareholders do not hold Common Shares in their own names. Beneficial Shareholders who do not hold Common Shares in their own names should note that only proxies deposited by Registered Shareholders whose names appear on the records of Saratoga as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by an Intermediary, then in almost all cases those Common Shares will not be registered in the Shareholder's name on the records of Saratoga. Such Common Shares will more likely be registered under the name of the Shareholder's Intermediary or an agent of the Intermediary. In Canada, the majority of such Common Shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms and other such Intermediaries). Common Shares held by Intermediaries or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, Intermediaries and their agents and nominees are prohibited from voting Common Shares for their clients. The directors and officers of Saratoga do not know for whose benefit the Common Shares registered in the name of CDS & Co., or of other Intermediaries, are held. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.**

Applicable regulatory policy requires Intermediaries to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every Intermediary has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure

that their Common Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its Intermediary (or the agent of its Intermediary) is similar to the form of proxy provided to Registered Shareholders. However, its purpose is limited to instructing the Registered Shareholder (the Intermediary or the agent of the Intermediary) how to vote on behalf of the Beneficial Shareholder. The majority of Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge. Broadridge typically mails a scannable voting instruction form instead of the form of proxy. The Beneficial Shareholder is asked to complete the voting instruction form and return it to Broadridge by mail or facsimile. Alternatively, the Beneficial Shareholder may call a toll-free number or use the internet to vote the Common Shares held by the Beneficial Shareholder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the applicable meeting. **A Beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Common Shares directly at the Meeting. The voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Common Shares voted.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of its Intermediary (or the agent of its Intermediary), a Beneficial Shareholder may attend the Meeting as proxyholder for the Registered Shareholder and vote the Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholders for Registered Shareholders should enter their own names in the blank spaces on the instruments of proxy provided to them and return the same to their Intermediary (or the agent of their Intermediary) in accordance with the instructions provided by such Intermediary (or agent), well in advance of the Meeting.

### ***Principal Shareholders***

As at November 15, 2011, to the knowledge of the directors and executive officers of Saratoga, the following are the only persons who beneficially own or exercise control or direction over, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to any class of outstanding securities of Saratoga entitled to vote at the Meeting:

<u>Name of Shareholder</u>	<u>Number of Common Shares held</u>	<u>Percentage of outstanding Common Shares</u>
<b>GEORGES A. DURST</b> Montreal, Québec	11,132,075 <sup>(1)</sup>	60.26%
<b>LUC CHARLEBOIS</b> Longueuil, Québec	2,475,000	13.40%

(1) 1,000,000 of these Common Shares are subject to an option to purchase granted on March 31, 2008 by Mr. Durst to a third party. Such option may be exercised at any time prior to March 31, 2013, at a price of \$1.00 per Common Share.

As at November 15, 2011, the directors and officers of Saratoga, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 13,607,075 (73.71%) Common Shares.

## **MATTERS TO BE ACTED UPON AT THE MEETING**

### **ELECTION OF DIRECTORS**

The Board of Directors is currently composed of five directors, four of whom are standing for re-election at the Meeting to hold office until the next annual meeting of shareholders of Saratoga, unless his office is vacated earlier due to death, removal, resignation or ceasing to be duly qualified.

**In the absence of a contrary instruction, the person(s) designated by management of Saratoga in the enclosed form of proxy intend to vote at the Meeting FOR the election as directors of the proposed nominees whose names are set forth below, each of whom has been a director since the date indicated below opposite the proposed nominee's name.** Management does not contemplate that any of the proposed nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the Common Shares represented by properly executed proxies given in favour of such nominee(s) may be voted by the person(s) designated by management of Saratoga in the enclosed form of proxy, in their discretion, in favour of another nominee.

In the event that, prior to the Meeting, any vacancies occur in the slate of nominees submitted herein, it is intended that the discretionary power granted by the enclosed form of proxy shall be used by the persons named therein to vote at their discretion for any other person or persons as directors.

The following table and notes thereto set forth the names of all the persons proposed to be nominated for election as directors, their positions with Saratoga, their principal occupations or employments, the periods during which they have served as directors of Saratoga and the approximate number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, by each of them. The information as to shares beneficially owned or over which control or direction is exercised, not being within the knowledge of Saratoga, has been furnished by the respective proposed nominees individually.

<b>Name and municipality of residence</b>	<b>Position with Saratoga</b>	<b>Principal occupation</b>	<b>Director since</b>	<b>Number of Common Shares owned, controlled or directed</b>
<b>GEORGES A. DURST</b> Montreal, Québec	President and Chief Executive Officer and Director	President and Chief Executive Officer of Saratoga	October 2000	11,132,075 <sup>(1)</sup>
<b>DONALD W. SEAL, QC</b> <sup>(2)</sup> Hampstead, Québec	Chairman of the Board and Director	Attorney and Partner at the law firm Seal Seidman S.E.N.C.	December 2004	Nil
<b>ALFREDO PÉREZ</b> <sup>(3)</sup> Brossard, Québec	Independent Director	Financial consultant	October 2007	Nil
<b>MARTIN FONTAINE</b> <sup>(4)</sup> St. Hubert, Québec	Independent Director	Notary and Consultant in cinema productions and in information technologies	October 2007	Nil

(1) 1,000,000 of these Common Shares are subject to an option to purchase granted on March 31, 2008 by Mr. Durst to a third party. Such option may be exercised at any time prior to March 31, 2013, at a price of \$1.00 per Common Share.

(2) Member of the Audit Committee and member of the Compensation Committee.

(3) Chairman of the Audit Committee and member of the Compensation Committee.

(4) Chairman of the Compensation Committee and member of the Audit Committee.

During the last five years, all of the directors have been engaged in their present principal occupations or in other executive capacities with the companies indicated opposite their names or with related or affiliated companies.

To the knowledge of Saratoga, except as described below, no director of Saratoga is, or has been within the past 10 years, a director or officer of any corporation that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied such corporation access to any exemptions under Canadian securities legislation for a period of more than 30 consecutive days, or, while such person was acting in that capacity or within one year thereafter, was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Georges A. Durst, Donald W. Seal, Q.C., Alfredo Pérez, and Martin Fontaine were subject to a management cease trade order imposed by the *Autorité des marchés financiers* between July 30, 2008 and January 8, 2009 due to Saratoga's failure to file its March 31, 2008 annual financial statements within the requisite delay and Saratoga's failure to file its March 31, 2008 year-end financial statements within the requisite delay. In addition, Georges A. Durst, Donald W. Seal, Alfredo Pérez and Martin Fontaine held office as directors of Saratoga when the *Autorité des marchés financiers* issued a cease trade order in respect of the Common Shares: (i) from August 1, 2011 to August 16, 2011, due to Saratoga's failure to file its annual financial statements and related management's discussion and analysis for the year ended March 31, 2011 within the requisite delay, and (ii) from September 30, 2011 to November 7, 2011, due to Saratoga's failure to file its interim financial statements and related management's discussion and analysis for the three-month period ended June 30, 2011 within the requisite delay.

To the knowledge of Saratoga, no director of Saratoga has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, or has entered into a settlement agreement with a Canadian securities regulatory authority, nor has any director of Saratoga been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in deciding whether to vote for a proposed director.

To the knowledge of Saratoga, no director of Saratoga, nor any personal holding corporation of any such person, has, within the past 10 years, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

## APPOINTMENT OF AUDITORS

MNP are the current auditors of Saratoga. At the Meeting, the holders of Common Shares will be requested to re-appoint MNP as auditors of Saratoga, to hold office until the next annual meeting of shareholders or until a successor is appointed, and to authorize the directors to fix their compensation. **The persons whose names are printed on the enclosed form of proxy intend to vote at the Meeting FOR such resolution, unless the Shareholder signatory of the proxy has indicated its intention to abstain from voting with respect to the appointment of auditors.**

The fees paid to MNP during the financial years ended March 31, 2011 and March 31, 2010 were as follows:

<u>Fees (in thousands dollars)</u> <sup>(1)</sup>	<u>2011</u>	<u>2010</u>
Audit fees	\$115,000	\$85,000
Tax fees	Nil	Nil
All other fees	Nil	Nil
<b>Total</b>	<b>\$115,000</b>	<b>\$85,000</b>

(1) The classification of fees is based on applicable Canadian securities Laws.



## **APPROVAL AND RATIFICATION BY SHAREHOLDERS OF PRESENTATION OF FINANCIAL STATEMENTS**

At the Meeting, Shareholders will be asked to approve the Ratification Resolution in the form annexed hereto as Appendix “A”, authorizing Saratoga to present to Shareholders at the Meeting the financial statements in respect of a period ended earlier than the period provided by applicable Laws.

The Laws applicable to Saratoga require that the financial statements presented to the Shareholders at the Meeting be in respect of a period ending no more than six months prior to the date of the Meeting. However, given the date scheduled for the Meeting, the most recent annual financial statements to be presented to the Shareholders at the Meeting will cover a period that will have ended more than six months prior to the date of the Meeting. This is due to a decision made by management of Saratoga to delay the holding of Saratoga’s annual meeting in order to be able to complete the negotiation of the Transaction and present the Transaction for approval by the Shareholders at Saratoga’s annual meeting, thereby avoiding the additional expense of convening a separate special meeting for such purpose..

**The persons whose names are printed on the enclosed form of proxy intend to vote at the Meeting FOR the Ratification Resolution, unless the Shareholder signatory of the proxy has indicated its intention to vote against the Ratification Resolution.**

## **THE TRANSACTION**

At the Meeting, Shareholders will be asked to consider, and if thought advisable, to approve the Transaction Resolution approving the sale of all of the shares of Saratoga’s wholly-owned subsidiary, Car-Tel, to the Purchaser, a corporation controlled by Luc Charlebois, a shareholder and director of Saratoga and an officer of Car-Tel.

### ***Background to the Transaction***

The following is a summary of the background to the Transaction.

- On July 3, 2010, as part of its strategic planning process, the Board of Directors engaged the Financial Advisor to provide it advice in connection with potential strategic alternatives for Saratoga with a view to enhancing Shareholder value.
- On October 7, 2010, a special committee of the Board of Directors (the “**Special Committee**”) comprised of independent directors Messrs. Alfredo Pérez and Martin Fontaine and non-independent director, Mr. Donald Seal, was formed to review and consider strategic alternatives. At such time, the Financial Advisor presented the Special Committee with a Confidential Information Memorandum regarding Saratoga and provided the Board of Directors with an indication of the value of Saratoga and its wholly-owned subsidiaries, Saratoga ATM and Car-Tel. In the context of its presentation, the Financial Advisor identified a number of strategic counterparties and financial counterparties that could potentially be interested in acquiring either Saratoga, one or more of its Subsidiaries or their respective assets.
- The Special Committee charged Richard Vallée, Saratoga’s Chief Financial Officer, with coordinating the activities of the Special Committee, the Financial Advisor and Saratoga’s legal counsel. On October 8, 2010, Saratoga issued a news release concerning its strategic review process and the creation of the Special Committee.
- Between October 14, 2010 and November 24, 2010, the Financial Advisor met with potential counterparties and presented them with the Confidential Information Memorandum. During such

period, a total of 14 non-disclosure agreements were concluded between Saratoga and potential counterparties.

- On December 3, 2010, the Financial Advisor met with the Special Committee and presented four expressions of interests, one of which dealt with the purchase of the Common Shares, two of which, including one prepared by Luc Charlebois, dealt with the acquisition of the Purchased Shares, and the last of which contemplated the acquisition of the assets of Saratoga ATM and Car-Tel.
- On December 7, 2010, Mr. Vallée, together with the Financial Advisor, reviewed the terms and conditions of each of the expressions of interest received.
- On December 23, 2010, the Financial Advisor and Mr. Vallée presented the Special Committee with the results of their analysis of the four expressions of interest received. In addition, the Financial Advisor presented a fifth expression of interest which contemplated the purchase of the assets of Saratoga ATM. At such meeting, the Special Committee resolved to create a virtual data room to enable four out of the five counterparties to conduct a preliminary due diligence review of Saratoga and its subsidiaries with a view to preparing formal letters of intent.
- Prior to a meeting of the Special Committee held on February 4, 2011, Mr. Alfredo Pérez resigned from the Special Committee. The vacancy left by the resignation of Mr. Pérez was not filled. At the meeting of the Special Committee held following such resignation, the Special Committee reviewed and considered two letters of intent the Financial Advisor had received further to the data room review conducted by various counterparties. The first such letter of intent, prepared by Luc Charlebois, contemplated the acquisition of the Purchased Shares, while the other letter of intent contemplated the acquisition of network assets of the ATM Business from Saratoga ATM. The other two counterparties who were granted data room access elected not to pursue the process any further. The letter of intent prepared by Luc Charlebois was rejected by the Special Committee on the basis that it did not contain sufficient details as to the proposed transaction. The offer pertaining to Saratoga ATM was also rejected on the basis that the proposed consideration was insufficient; however, the Special Committee resolved to provide the relevant counterparty with additional information regarding the ATM Business with a view to increasing the consideration offered.
- On March 28, 2011 the Financial Advisor presented the Special Committee with two revised letters of intent that it had received on March 25, 2011. The Special Committee was prepared to accept the revised letter of intent proposed by Luc Charlebois, subject to negotiating certain other terms and conditions thereof. The revised letter of intent with respect to the ATM Business was rejected as the Special Committee deemed that it contained terms and conditions which were too onerous for Saratoga.
- On April 20, 2011, the Special Committee retained the services of Mtre Jean-Luc Couture to act as legal counsel to the Special Committee.
- While the Special Committee continued to negotiate with the potential purchaser of the ATM Business between April and May, 2011, such negotiations were terminated in May 2011 as the parties were unable to come to terms on an agreement with respect to a potential transaction.
- Between April and July, 2011, the Special Committee continued to negotiate the terms and conditions of the letter of intent proposed by Luc Charlebois. Throughout this period, the Financial Advisor continued to assist Saratoga in the review of such terms and conditions.
- On July 5, 2011, the Special Committee, Mr. Vallée and the Financial Advisor met informally in an effort to finalize the terms of the letter of intent with Mr. Charlebois.

- On July 18, 2011, the Special Committee, together with its legal counsel, met to consider the most recent terms of Mr. Charlebois' letter of intent.
- On July 26, 2011, the Special Committee presented to the Board of Directors its analysis of the most recent letter of intent prepared by Mr. Charlebois in respect of the Purchased Shares as well as its recommendation. Both Mr. Georges A. Durst and Mr. Charlebois declared their interests in the transactions contemplated by the letter of intent and left the meeting of the Board of Directors while the letter of intent was being discussed. The Board of Directors resolved that it was prepared to accept the letter of intent if the Surcharge Fee would be added as part of the terms and conditions. Mr. Charlebois was informed of the Board of Directors' decision on the same day.
- On July 29, 2011, after having reviewed the terms and conditions of the Mr. Charlebois' revised letter of intent, which included the Surcharge Fee, the Special Committee recommended that the Board of Directors accept such letter of intent. Both Mr. Georges A. Durst and Mr. Charlebois declared their interests in the transactions and left the meeting of the Board of Directors. After careful consideration, the Board of Directors unanimously resolved to accept the letter of intent proposed by Luc Charlebois. Such letter of intent was executed the same day and a press release was disseminated announcing the Transaction.
- On August 22, 2011, Saratoga retained the services of the Valuator to determine the fair value of Car-Tel in the context of the proposed related party transaction with Mr. Charlebois.
- On September 7, 2011, the Valuator delivered the Valuation to the Special Committee.
- Between July 29 and November 15, 2011, the Parties negotiated the terms and conditions of the definitive Purchase Agreement. On November 15, 2011, the Parties executed the Purchase Agreement.

### ***Reasons for the Transaction***

In the course of their evaluation of the Transaction, the Board of Directors consulted with Saratoga's senior management, legal counsel and the Financial Advisor, reviewed a significant amount of information and considered a number of factors which show compelling business reasons for the Transaction, including, among others, the following:

- *Review of Strategic Alternatives.* The Transaction was arrived at following an extensive review of strategic alternatives which was conducted with the assistance of the Financial Advisor, including considering a range of potential transactions with a number of possible counterparties identified by the Financial Advisor and agreed to by Saratoga.
- *Maturity of Card Business.* Saratoga believes that the prepaid telecommunication card market reached maturity in 2010, with sales declining on a quarterly basis since such time. The decline in the number of point-of-sale machines in Car-Tel's network, as well as in the overall number of transactions, is believed to be indicative of end users using other means of communications. Furthermore, in the last two quarters, three prepaid cellular or long distance service providers have reduced the margins on their pre-paid products by 3%, which is expected to directly impact future cash-flows generated by Car-Tel. Saratoga has therefore concluded that it is in the best interest of Shareholders to exit the pre-paid card business segment.
- *The Valuation.* The Board of Directors considered the Valuation delivered by the Valuator to the Board of Directors on September 7, 2011.

- *Surcharge Fee.* If a Surcharge is implemented in respect of the Cards within the two-year period following the closing of the Transaction, Saratoga shall be entitled to the Surcharge Fee.
- *Alternatives to the Transactions.* The Board of Directors will remain able to respond, in accordance with its fiduciary duties, to *bona fide* unsolicited written Acquisition Proposals that are more favourable to Shareholders than the Transaction and constitute Superior Proposals under the Purchase Agreement. Under such circumstances, subject to payment of the Termination Fee in the amount of \$75,000, Saratoga may, in accordance with the Purchase Agreement, terminate the Purchase Agreement and approve and recommend any such Superior Proposal if the Purchaser does not exercise its right to match such Superior Proposal in accordance with the Purchase Agreement.
- *Termination Fee Reasonable.* The Board of Directors believes that the Termination Fee payable to the Purchaser in certain circumstances under the Purchase Agreement is reasonable and not preclusive of other proposals.
- *Reasonable Terms of the Purchase Agreement.* The terms and conditions of the Purchase Agreement, including Saratoga's and the Purchaser's representations, warranties and covenants, and the conditions to their respective obligations are, in the judgment of Saratoga, after consultation with its legal counsel, reasonable.
- *Approval of Disinterested Shareholders.* The Transaction Resolution must be approved at the Meeting by a simple majority of the votes cast by Disinterested Shareholders.
- *Likelihood of Completion.* It is likely that the conditions to complete the Transaction will be satisfied, taking into account the nature of the approvals required by both Saratoga and the Purchaser to be obtained as a condition to completing the Arrangement.
- *No Material Regulatory Issues.* There are no material competition or other regulatory issues that are expected to arise in connection with the Transaction so as to prevent its completion, and all required regulatory clearances and approvals are expected to be obtained.
- *Free to Support Superior Proposal.* If a Superior Proposal is made to Shareholders, Shareholders are free to support such Superior Proposal and vote against the Transaction Resolution.
- *Independent Advice.* Saratoga retained independent financial and legal advisors who advised Saratoga throughout the process as noted above.

### ***Risk Factors of the Transaction***

In the course of its deliberations, the Board of Directors also identified and considered a variety of risks and potentially negative factors in connection with the Transaction, including, but not limited to, the following:

- The completion of the Transaction is subject to several conditions that must be satisfied or waived.
- The Purchase Agreement may be terminated by Saratoga or the Purchaser in certain circumstances, in which case the market price for Common Shares may be adversely affected.
- Saratoga will incur significant transaction costs in connection with the Transaction, estimated to be approximately \$205,000.
- Saratoga may no longer be able benefit from the synergies of a shared workforce and infrastructure.

- The Termination Fee provided for under the Purchase Agreement may discourage other parties from attempting to acquire Car-Tel or Saratoga. If Saratoga is required to pay the Termination Fee and an alternative transaction is not completed, Saratoga's financial condition will be materially adversely affected.
- It is possible that Surcharges in respect of which Saratoga would be entitled to a Surcharge Fee may not be implemented by the Purchaser or Car-Tel within the two years following the closing of the Transaction.

The Board of Directors' reasons for recommending the Transaction include certain assumptions relating to forward-looking information, and such information and assumptions are subject to various risks. See "Cautionary Statement Regarding Forward-Looking Statements" in this Circular.

### ***Recommendation of the Board of Directors***

During the course of its deliberations and in arriving at its recommendation, the Board of Directors reviewed, considered and discussed numerous factors including those set forth in this Circular under "Matters to be Acted Upon at the Meeting – The Transaction – Reasons for the Transaction" and "Matters to be Acted Upon at the Meeting – The Transaction – Risk Factors of the Transaction".

In view of the variety of factors and the amount of information considered in connection with its evaluation of the Transaction, the Board of Directors did not find it practical to, and did not, quantify or otherwise attempt to assign any relative weight to each specific factor considered in reaching its conclusion and recommendation. The Board of Directors' recommendation was made after considering all of the above-noted factors and in light of the Board of Directors' knowledge of the business, financial condition and prospects of Saratoga and Car-Tel, and was also based on the advice of financial advisors and legal advisors to the Board of Directors. In addition, individual members of the Board of Directors may have assigned different weights to different factors.

**Accordingly, the Board of Directors unanimously recommends that Shareholders vote FOR the Transaction Resolution. The persons whose names are printed on the enclosed form of proxy intend to vote at the Meeting FOR the Transaction Resolution, unless the Shareholder signatory of the proxy has indicated its intention to vote against the Transaction Resolution.**

### ***Material Changes to the Affairs of Saratoga***

Following the completion of the Transaction, Saratoga will continue to operate the ATM Business through Saratoga ATM and to pursue its review of strategic alternatives in order to maximize shareholder value.

### ***Securities Laws Considerations***

Saratoga is a reporting issuer under securities legislation in the provinces of British Columbia, Alberta and Québec and is, among other things, subject to MI 61-101. MI 61-101 is intended to regulate insider bids, issuer bids, business combinations and related party transactions to ensure that all securityholders are treated in a manner that is fair and perceived to be fair by requiring, among other things, enhanced disclosure, review and approval processes. It is expected that Mr. Georges A. Durst, a principal shareholder and the Chief Executive Officer of Saratoga, will receive a "collateral benefit" under MI 61-101 by virtue of the repayment by Car-Tel of the Saratoga Leasing Indebtedness to Saratoga Leasing Corporation Inc., a corporation controlled by Mr. Durst, as part of the Transaction. In addition, Mr. Charlebois, a principal shareholder and director of Saratoga and an officer of Car-Tel, is the sole shareholder of the Purchaser. Accordingly, the Transaction constitutes a "related party transaction" for the purposes of MI 61-101, thereby requiring Saratoga to obtain "minority approval" of the Transaction from Shareholders.

Pursuant to MI 61-101, in determining whether minority approval for the Transaction has been obtained, Saratoga is required to exclude the votes attaching to the Common Shares beneficially owned or controlled by “interested parties” (being Mr. Durst and Mr. Charlebois) and their “related parties” and “joint actors”, all as defined in MI 61-101. Accordingly, the Transaction Resolution must be passed by a simple majority of the votes cast thereon by Shareholders, excluding the votes cast in respect of Common Shares beneficially owned or over which control or direction is exercised by Mr. Georges A. Durst and Mr. Luc Charlebois and their respective related parties or joint actors.

Mr. Durst, together with his associated entities, holds, directly or indirectly, or exercises control or direction over, 11,132,075 Common Shares, representing 60.26% of the issued and outstanding Common Shares, and Mr. Charlebois, together with his associated entities, holds, directly or indirectly, or exercises control or direction over, 2,475,000 Common Shares, representing 13.40% of the issued and outstanding Common Shares.

While a “related party transaction” for the purposes of MI 61-101, the Transaction is exempt from the formal valuation requirement set forth in MI 61-101 as the securities of Saratoga are not listed or quoted on any of the markets specified in section 5.5(b) of MI 61-101. However, the Transaction also constitutes a “reviewable disposition” within the meaning of Policy 5.3 and, as a result, Saratoga is required to provide the TSXV with evidence of value for such “reviewable disposition”. Accordingly, Saratoga retained the Valuator to prepare the Valuation of the Purchased Shares to serve as evidence of value in accordance with the rules of the TSXV. While the Transaction is exempt from the formal valuation requirement under MI 61-101, Saratoga requested that the Valuation nonetheless be compliant with the requirements thereof.

### ***Valuation***

*The following is a summary of the principal terms of the Valuation. This summary does not purport to be complete and is qualified in its entirety by reference to the full text of the Valuation, a copy of which has been filed by Saratoga on SEDAR at [www.sedar.com](http://www.sedar.com) under Saratoga’s profile and is also available for review by Shareholders at the head office of Saratoga, at 2975 Hochelaga, Montreal, Québec H1W 1G1, during normal business hours prior to the Meeting. A copy of the Valuation will be sent to any Shareholder upon request for a nominal charge sufficient to cover printing and postage costs. The Valuation represents the opinion of the Valuator.*

### **The Valuator**

On August 22, 2011, Saratoga retained the Valuator to prepare a valuation of the Purchased Shares in accordance with the Practice Standards promulgated by the Canadian Institute of Chartered Business Valuators in order to serve as evidence of value for the purposes of Policy 5.3. While the Transaction is exempt from the formal valuation requirement under MI 61-101, Saratoga requested that the Valuation nonetheless be compliant with the requirements thereof. The Valuator is an independent consulting firm with extensive experience in valuations of publicly-traded and privately-owned companies. The Valuator has not been engaged to provide any financial advisory services or any types of services involving Saratoga, Car-Tel or any of their associates or affiliates at any time within the last two years, other than the preparation of the Valuation, and has no beneficial interest in Saratoga, Car-Tel or any of their associates or affiliates or any interest in the outcome of the Transaction. The Valuator does not have, or intend to have, any involvement with Saratoga or Car-Tel or any interested parties as investors or in any other manner relative to Saratoga or Car-Tel. The Valuator is not an insider, associate or affiliate of Saratoga or Car-Tel. There are no understandings, agreements or commitments between the Valuator and Saratoga or Car-Tel or their respective associates or affiliates with respect to any future business dealings.

Saratoga has agreed to pay the Valuator \$29,000 for providing the Valuation and to reimburse the Valuator for its reasonable out-of-pocket expenses. The Valuator’s compensation is not contingent on the conclusions reached in the Valuation. The Valuator has not received any instructions in relation to the Valuation and was not subject to limitations imposed by any party.

In connection with the preparation of the Valuation, the Valuator relied upon and assumed, subject to the Valuator's professional judgment, without independent verification, the completeness, accuracy and fair presentation of all financial and other information, data, advice and representations provided to it by management of Saratoga or obtained from public sources with respect to Car-Tel, its business, its competition and the markets in which it operates. The conclusions of the Valuation are conditional upon such completeness, accuracy and fairness.

The Valuator prepared the Valuation based on assumptions with respect to industry performance, general business and economic conditions, Canadian income tax and other matters, many of which are beyond the control of the Valuator or any party involved in the Transaction. The Valuation was rendered on the basis of economic, industry, financial, fiscal, market, political and other conditions prevailing as at the Valuation Date and documents supplied by management which the Valuator reviewed.

The Valuation concluded, subject to the restrictions, qualifications and assumptions noted therein, that the fair market value of the Purchased Shares as at July 29, 2011 (the "**Valuation Date**") was \$500,000.

### **Summary of Valuation**

For the purposes of the Valuation, fair market value is defined at the highest price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and both have reasonable knowledge of the relevant facts.

In valuing the Purchased Shares, the Valuator considered the asset-based, income and market valuation approaches. The fair market value of the Purchased Shares was ultimately determined by relying on the market approach, the fair market value being nil under both the asset-based and income approaches.

#### *Asset-Based Approach*

The Valuator applied the adjusted net book value method in the context of the asset-based approach, which consists in writing up or down each asset and liability on the balance sheet of Car-Tel to its respective fair market value on a going-concern basis as of the Valuation Date. The book value of Car-Tel's assets and liabilities was considered to be equal to their fair market value; therefore, no adjustments were required. As shareholders' deficiency was -\$2,281,688 at the Valuation Date, the fair market value of the Purchased Shares using the asset-based approach was considered to be nil.

#### *Income Approach*

The Valuator valued the Purchased Shares by applying the discounted cash flow method (the "**DCF Method**") under the income approach to valuation, which discounts the projected net future cash flows over a period of time and the residual value of the business to their present value by applying a discount rate which accounts for the time-value of money and the risk inherent in achieving the cash flows over the period of time. In applying the DCF method, the Valuator performed the following steps:

- reviewed the detailed financial projections prepared by management for the two fiscal years ending March 31, 2013 (the "**Projection Period**"), including the underlying assumptions and the calculations on which they were based, to arrive at the cash flow from operations for each year in the Projection Period;
- deducted estimated sustaining capital reinvestment, net of the tax shield (being the value of income tax savings resulting from the amortization of fixed assets);

- developed an appropriate discount rate (rate of return), taking into account the time-value of money and the risk inherent in achieving the cash flows over a period of time, to apply to the discretionary cash flows for each of the years in the Projection Period (the “**Discount Rate**”), such discount rate being in the range of 22.24% to 22.68%;
- determined the present value of the discretionary cash flow at the Valuation Date for each of the years in the Projection Period;
- determined the terminal value of the business at the end of the Projection Period by capitalizing the discretionary cash flow for terminal year 2013 by an appropriate rate of return and then discounting the result back to the Valuation Date;
- calculated the tax shield on the depreciable assets owned by Car-Tel; and
- aggregated the results of the last three items above to arrive at the enterprise value.

The present value of the discretionary cash flows for each of the years in the Projection Period equalled cash losses, which were in the range of \$309,000 to \$311,000, the terminal value was determined to be nil and the present value of the tax shield was estimated to be in the range of \$69,000 to \$70,000, thus yielding a fair market value of the Purchased Shares at the Valuation Date using the income approach which was nil.

#### *Market Approach*

The market approach seeks to determine the value of a company based on the value of similar companies or business ownership interests in the market. In the context of the market approach to valuation, the Valuator: (i) applied the guideline public company method, and (ii) analysed the offers received by Saratoga for the Purchased Shares.

In applying the guideline public company method, the Valuator sought to develop valuation ratios from the market price of shares of comparable, publicly-held companies operating in the same industry as Car-Tel (“**Guideline Companies**”). The Valuator identified Guideline Companies operating in the same industry as Car-Tel and that possess similar underlying investment characteristics such as markets, products, growth or cyclical variability. The Valuator considered a sample of Guideline Companies and selected two Canadian publicly-listed companies distributing third-party cards that were considered reasonably comparable to Car-Tel. However, in examining the relevant historical and current financial and operating results of the companies so selected, the Valuator was unable to develop meaningful enterprise value-to-EBITDA multiples for such companies, as they had nominal or negative EBITDA and their securities were thinly-traded. The Valuator therefore concluded that applying ratios derived from limited or non-representative data would not be a useful indicator of Car-Tel’s value.

The Valuator considered that the offer made by Luc Charlebois, comprising of \$1.19 million in cash, of which approximately \$500,000 will be retained by Saratoga after it repays the Related Party Indebtedness, compared favourably with Saratoga’s market capitalization of \$0.93 million as of the Valuation Date. While other offers for the Purchased Shares were received in December 2010, the terms and conditions of such offers were deemed inadequate by the Board of Directors and such offers have since expired or been withdrawn. In addition, many changes have occurred within the industry and Car-Tel since December 2010 which have had a negative impact on Car-Tel’s financial position and future prospects. Considering these and other relevant factors, the Valuator concluded that the fair market value of the Purchased Shares at the Valuation Date using the market approach was \$500,000.



## *Conclusion*

Based upon the information and documents reviewed, the explanations provided to the Valuator by Saratoga's management, and subject to the restrictions, assumptions and qualifications set forth in the Valuation, the Valuator estimated the fair market value of the Purchased Shares on or about the Valuation Date to be \$500,000.

## **Prior Valuations**

*The following is a summary of the principal conclusions of the prior valuations (other than the Valuation) completed in respect of Car-Tel in the last 24 months. This summary does not purport to be complete and is qualified in its entirety by reference to the full text of such prior valuations, copies of which have been filed by Saratoga on SEDAR at [www.sedar.com](http://www.sedar.com) under Saratoga's profile and are also available for review by Shareholders at the head office of Saratoga, at 2975 Hochelaga, Montreal, Québec H1W 1G1, during normal business hours prior to the Meeting. A copy of such prior valuations will be sent to any Shareholder upon request for a nominal charge sufficient to cover printing and postage costs.*

A prior independent valuation of Car-Tel (the "**Prior Valuation**") was prepared by Wise, Blackman LLP, dated July 23, 2010, in connection with Saratoga's annual goodwill impairment test for financial reporting purposes. This valuation was conducted by applying the DCF Method and estimated the fair value of Car-Tel as at March 31, 2010 to be in the range of \$4,960,000 to \$5,070,000. The Valuator determined that the fair market value of the Purchased Shares arrived at in the Valuation differed materially from the fair market value as at March 31, 2010 set forth in the Prior Valuation for a number of reasons, including: Car-Tel's history of operating losses and projected losses for the 2012 and 2013 fiscal years, a decrease of approximately 20.56% in transaction volume over the 12 months preceding the Valuation Date, a decrease in the number of point-of-sale terminals in Car-Tel's network, a decrease of 9.66% in the number of transactions per point-of-sale terminal, a decrease in the margins on some of Car-Tel's products following the expiry of exclusivity agreements, impairment of goodwill, changes in technology and increases in competition.

In 2009, the valuation of Car-Tel prepared by Wise, Blackman LLP in connection with Saratoga's annual goodwill impairment test for financial reporting purposes concluded, using the DCF Method, that the fair value of Car-Tel as at March 31, 2009 was in the range of \$4,006,000 to \$4,078,000.

## ***The Purchase Agreement***

*The following is a summary of the principal terms of the Purchase Agreement. This summary does not purport to be complete and is qualified in its entirety by reference to the Purchase Agreement, a copy of which has been filed by Saratoga on SEDAR at [www.sedar.com](http://www.sedar.com) under Saratoga's profile.*

## **Purchase Price and Surcharge Fee**

Subject to the terms and conditions of the Purchase Agreement, the purchase price payable by the Purchaser to Saratoga in consideration of the Purchased Shares is \$1,193,788 (the "**Purchase Price**"). The Purchase Price shall be payable by the Purchaser in full at the closing of the Transaction.

As the implementation of a Surcharge was already being contemplated by the Car-Tel prior to the execution of the Purchase Agreement, the Purchaser has agreed to pay to Saratoga, in addition to the Purchase Price payable by the Purchaser to Saratoga at Closing, the Surcharge Fee (as hereinafter defined). More specifically, the event that a Surcharge is first charged, directly or indirectly, to purchasers of any Cards marketed, distributed or otherwise sold by Car-Tel or any of its Affiliates or any successors to the Business at any time within the two-year period following the closing of the Transaction, then the Purchaser shall pay to Saratoga, in respect of all such Surcharges charged at any time during the three (3)-year period beginning on the date that such first Surcharge is charged (the "**Surcharge Fee Term**"), an amount in cash equal to nine percent (9%) of the aggregate amount of all such Surcharges charged during the Surcharge Fee Term (the "**Surcharge Fee**").

The Surcharge Fee shall be payable by the Purchaser monthly in arrear, on the fifteenth (15<sup>th</sup>) day following the end of each month during the Surcharge Fee Term, in respect of all Surcharges charged during such month, regardless of the portion of the Surcharge, if any, collected or retained by or accrued to the Purchaser, Car-Tel or any of their respective Affiliates or any successors to the Business.

The Purchase Agreement provides for monthly reporting obligations by the Purchaser to Saratoga in respect of the Surcharges as well as audit rights in respect thereof in favour of Saratoga.

### **Conditions Precedent to the Transaction**

#### *Mutual Conditions*

The obligations of the Parties to complete the Transaction are subject to the fulfillment, on or before the Closing Date, of each of the following conditions precedent, each of which may only be waived with the mutual consent of the Parties:

- (a) the Transaction Resolution shall have been approved and adopted with the requisite majorities under applicable Law by the Shareholders at the Meeting;
- (b) no action, suit or proceeding shall have been taken under any applicable Law or by any Governmental Entity, and no Law, policy, decision or directive (having the force of Law) shall have been enacted, promulgated, amended or applied, in each case (i) that makes consummation of the Transactions illegal, (ii) to enjoin or prohibit the Transaction, (iii) which would render the Purchase Agreement unenforceable in any way or frustrate the purpose and intent thereof or (iv) resulting in any judgment or assessment of damages, direct or indirect, which in the aggregate has had or could be reasonably expected to have a material adverse effect on Saratoga or the Purchaser,
- (c) all necessary Regulatory Approvals shall have been obtained;
- (d) all necessary Consents shall have been obtained; and
- (e) the Purchase Agreement shall not have been terminated in accordance with its terms.

#### *Additional Conditions in Favour of the Purchaser*

The obligation of the Purchaser to complete the Transaction is subject to the fulfillment, on or before the Closing Date, of each of the following additional conditions precedent (each of which may only be waived by the Purchaser):

- (a) the representations and warranties of Saratoga contained in the Purchase Agreement or in any certificate or other document delivered or given pursuant to the Purchase Agreement shall be true and correct in all material respects as of the Closing Date as though made on such date, and the Purchaser shall have received a certificate of Saratoga addressed to the Purchaser and Luc Charlebois and dated the Closing Date, signed on behalf of Saratoga by a senior executive officer (on behalf of Saratoga and without personal liability), confirming the same as of the Closing Date; and
- (b) all of the covenants, obligations and agreements of Saratoga to be performed or complied with pursuant to the Purchase Agreement on or before the Closing Date, including, without limitation, the delivery of the documents contemplated by the Purchase Agreement, shall have been duly performed by Saratoga in all material respects and the Purchaser shall have received a certificate of Saratoga addressed to the Purchaser and Luc Charlebois and dated the Closing

Date, signed on behalf of Saratoga by a senior executive officer (on behalf of Saratoga and without personal liability), confirming the same as of the Closing Date.

#### *Additional Conditions in Favour of Saratoga*

The obligations of Saratoga to complete the transactions contemplated by the Purchase Agreement are subject to the fulfillment, on or before the Closing Date, of each of the following additional conditions precedent (each of which may only be waived by Saratoga):

- (a) the representations and warranties of the Purchaser and Luc Charlebois contained in the Purchase Agreement or in any certificate or other document delivered or given pursuant to the Purchase Agreement shall be true and correct in all material respects as of the Closing Date, as though made on such date, and Saratoga shall have received a certificate of each of the Purchaser and Luc Charlebois addressed to Saratoga and dated the Closing Date, signed on behalf of the Purchaser by a senior executive officer (on behalf of the Purchaser and without personal liability) and by Luc Charlebois, confirming the same as of the Closing Date;
- (b) all of the covenants, obligations and agreements of the Purchaser and Luc Charlebois to be performed or complied with pursuant to the Purchase Agreement on or before the Closing Date, including, without limitation, the delivery of the documents contemplated by the Purchase Agreement, shall have been duly performed by the Purchaser and Luc Charlebois in all material respects and Saratoga shall have received a certificate of the Purchaser and Luc Charlebois addressed to Saratoga and dated the Closing Date, signed on behalf of the Purchaser by a senior executive officer (on behalf of the Purchaser and without personal liability) and by Luc Charlebois, confirming the same as of the Closing Date;
- (c) the migration all of the data, files, software, records and other information stored on the computer systems of Car-Tel which relate to Saratoga or its business, shall have been completed;
- (d) Car-Tel shall have forgiven the Interco Indebtedness; and
- (e) the Purchaser shall have provided Car-Tel with sufficient funding in order to permit the Saratoga Leasing Indebtedness to be repaid in full by Car-Tel at Closing.

#### **Representations and Warranties**

The Purchase Agreement contains limited representations and warranties made by the Parties, which is customary for a management buy-out transaction. These representations and warranties cover, among other matters, due incorporation and authorization of the Parties, enforceability of the Purchase Agreement, residency of the Parties and title and ownership of the Purchased Shares by Saratoga. These representations and warranties were made by and to the Parties for the purposes of the Purchase Agreement and are subject to the limitations and qualifications agreed to by the Parties in connection with negotiating and entering into the Purchase Agreement.

#### **Covenants**

##### *Mutual Covenants*

The Purchase Agreement provides for the usual and customary mutual covenants for an agreement in the nature of the Purchase Agreement concluded in the context of a management buy-out, including mutual covenants of the Parties to conduct the Business in the usual and ordinary course, to use their respective commercially reasonable efforts to satisfy or cause the satisfaction of the conditions precedent to their respective obligations

under the Purchase Agreement to the extent they are within such Party's control and to take, or cause to be taken, all other actions and to do, or cause to be done, all other things necessary, proper or advisable under applicable Laws to complete the Transaction.

#### *Migration Support*

To the extent that the data, files, records, software and other similar information or property stored on the computer systems of Car-Tel which relate to Saratoga or its business (other than the Car-Tel Business) have not been fully migrated prior to the closing of the Transaction as contemplated by the Purchase Agreement, Saratoga may require that the Purchaser provide support to Saratoga for such migration, and pending the completion of such migration, administer, support and provide Saratoga with unfettered access to such information and computer systems in a manner consistent with current practices (the "**Migration Support**"). The Purchaser shall provide, or cause to be provided, the Migration Support, at its sole cost and expense, for a period of up to three (3) months following the closing of the Transaction, as required by Saratoga.

#### *Non-Solicitation*

Pursuant to the provisions of the Purchase Agreement, Saratoga has agreed that it shall not, and it shall cause Car-Tel not to, directly or indirectly, through any Representative (excluding Luc Charlebois) or otherwise, solicit or entertain offers from, provide information to, negotiate with or in any manner encourage, discuss, accept or consider any proposal of any person other than the Purchaser and Luc Charlebois relating to an Acquisition Proposal.

#### *Fiduciary Out*

Under the Purchase Agreement, Saratoga has the ability to respond to unsolicited alternative transactions in certain circumstances. If at any time following the date of the Purchase Agreement, Saratoga receives a written Acquisition Proposal, provided that Saratoga is in compliance with the non-solicitation provisions of the Purchase Agreement, the Board of Directors may (directly or through its advisors or Representatives):

- (a) if it believes, acting in good faith, that the Acquisition Proposal could reasonably be expected to result in a Superior Proposal, contact the person(s) making such Acquisition Proposal and its or their Representatives for the purpose of clarifying such Acquisition Proposal and the likelihood of its consummation so as to determine whether such proposal is, or could reasonably be expected to result in, a Superior Proposal; and
- (b) if, in the opinion of the Board of Directors, acting in good faith and after receiving advice from its outside legal counsel and financial advisors, the Acquisition Proposal constitutes or, if consummated in accordance with its terms, is or could reasonably be expected to result in a Superior Proposal, then, and only in such case:

(A) furnish information with respect to Car-Tel and/or Saratoga to the person making such Acquisition Proposal and its Representatives for a period of not more than twenty (20) days, provided that no competitively sensitive information, the disclosure of which would reasonably be considered to be materially prejudicial to Car-Tel, shall be furnished to such person or any of its Affiliates prior to the 5<sup>th</sup> last day of the diligence period provided to such person (in any event not to exceed 20 days) if such person or any of its Affiliates is a competitor or a potential competitor of Car-Tel and, prior to the disclosure of such competitively sensitive information, the Board of Directors has satisfied itself in the exercise of its fiduciary duties that any such Acquisition Proposal continues to be or, if consummated in accordance with its terms, would reasonably be expected to result in a Superior Proposal, and/or

(B) participate in discussions or negotiations with the person making such Acquisition Proposal and its Representatives, provided that Saratoga shall not, and shall not allow Car-Tel or their respective

Representatives to, disclose any non-public information with respect to Car-Tel to such person: (1) if such non-public information has not been previously provided to or made available to or is not concurrently provided or made available to the Purchaser or its Representatives; (2) without entering into a confidentiality agreement (if one has not already been entered into) that is customary in such situations; and (3) without providing a copy of such confidentiality agreement to the Purchaser.

#### *Notification of Acquisition Proposals*

Saratoga shall promptly notify the Purchaser, at first orally, and then, in writing, within twenty-four (24) hours of receipt of any proposal, inquiry, offer or request received by Saratoga or its Representatives after the date hereof: (i) relating to an Acquisition Proposal or potential Acquisition Proposal or inquiry that could reasonably lead to or be expected to lead to an Acquisition Proposal; (ii) for discussions or negotiations in respect of an Acquisition Proposal or potential Acquisition Proposal; or (iii) for non-public information relating to Saratoga or Car-Tel or access to properties, books and records of Saratoga or Car-Tel or a list of the shareholders of Saratoga. Such notice shall indicate the identity of the person making such proposal, inquiry, offer or request, include a copy of the Acquisition Proposal from such person and include a copy of any other documentation received by Saratoga or its Representatives and such other details of the Acquisition Proposal known to Saratoga as the Purchaser may reasonably request. Saratoga shall keep the Purchaser promptly and fully informed of the status, including any change to the material terms, of such proposal, inquiry, offer or request and shall respond promptly to all reasonable inquiries by the Purchaser with respect thereto and shall provide copies of any written documents or correspondence provided to Saratoga relating to such Acquisition Proposal.

#### *Responding to Acquisition Proposals and Superior Proposals*

If Saratoga is in compliance with its non-solicitation obligations as provided above and the termination provisions in the Purchase Agreement, Saratoga may terminate the Purchase Agreement and enter into a definitive agreement (a “**Proposed Agreement**”) with any third party providing for an Acquisition Proposal, if:

- (a) the Board of Directors determines such Acquisition Proposal is a Superior Proposal,
- (b) Saratoga has provided the Purchaser with written notice that the Board of Directors has determined that it has received a Superior Proposal, which identifies the party making the Superior Proposal and provides the Purchaser with a copy of any Proposed Agreement, in each case not less than five (5) Business Days (the “**Response Period**”) prior to the proposed execution of such Proposed Agreement by Saratoga;
- (c) the Response Period has elapsed;
- (d) the Purchaser has proposed to amend the Purchase Agreement during the Response Period, the Board of Directors determines acting in good faith and in the proper discharge of its fiduciary duties (after consultation with its financial advisor and after receiving advice from its outside legal counsel) that the Acquisition Proposal would nonetheless remain a Superior Proposal; and
- (e) Saratoga has paid to the Purchaser the Termination Fee.

During the Response Period, the Purchaser shall have the right, but not the obligation, to offer to amend the terms of the Purchase Agreement in order to provide for terms at least equivalent to those provided for in the Superior Proposal. If the Purchaser does so, then the Board of Directors shall review any such proposal by the Purchaser to determine (acting in good faith and in accordance with its fiduciary duties) whether the Acquisition Proposal to which the Purchaser is responding would continue to be a Superior Proposal when assessed against the amended Purchase Agreement as proposed by the Purchaser. If the Board of Directors determines that the Acquisition Proposal would thereby cease to be a Superior Proposal, it will cause Saratoga to enter into an

amendment to the Purchase Agreement reflecting the offer by the Purchaser to amend the terms of the Purchase Agreement and will further agree not to enter into the applicable Proposed Agreement.

Nothing in the Purchase Agreement shall prevent the Board of Directors from taking any action or from making any disclosure to the Shareholders with respect to an Acquisition Proposal that it determines is not, and could not reasonably be expected to result in, a Superior Proposal, if the Board of Directors, acting in good faith and upon the advice of its legal advisors, shall have determined that the failure to take such action or make such disclosure would be inconsistent with its fiduciary duties or such action or disclosure is otherwise required under applicable Laws (including, without limitation, by responding to any Acquisition Proposal under a directors' circular, or otherwise, as required under applicable securities Laws).

#### *Termination Fee*

The Purchase Agreement provides for the right of the Purchaser to receive a cash termination payment (the "**Termination Fee**") in an amount equal to \$75,000 in the event that the Purchase Agreement is terminated as a result of the acceptance by Saratoga of a Superior Proposal.

#### **Termination of the Purchase Agreement**

The Purchase Agreement may be terminated at any time prior to the Closing Date:

- (a) by mutual written agreement of the Parties;
- (b) by either Saratoga or the Purchaser, if the closing of the Transaction shall not have occurred on or prior to the Outside Date, except that the such right shall not be available to any Party whose failure to fulfill any of its obligations or whose breach of any of its representations or warranties has been the cause of, or resulted in, the failure of the closing of the Transaction to occur by the Outside Date;
- (c) by the Purchaser, if any of the mutual conditions precedent or conditions precedent in favour the Purchaser is not, or becomes reasonably incapable of being, satisfied prior to the Outside Date; or
- (d) by Saratoga, if:
  - (i) pursuant to its fiduciary out under the Purchase Agreement, subject to the payment of the Termination Fee, Saratoga enters into a written agreement concerning a Superior Proposal; or
  - (ii) any of the mutual conditions precedent or conditions precedent in favour Saratoga is not, or become reasonably incapable of being, satisfied prior to the Outside Date;.

#### *Guarantee of Luc Charlebois*

Under the terms of the Purchase Agreement, Luc Charlebois agreed to be solidarily bound by and guarantee, without the benefit of discussion or division, the timely performance by the Purchaser of all of the terms, conditions, representations, warranties, covenants and indemnities of the Purchaser pursuant to the Purchase Agreement and all other agreements to be executed by the Purchaser in connection therewith.

#### **Mutual Indemnities**

The Purchase Agreement contains reciprocal indemnities among the Parties in connection with any violation, contravention or breach of any covenant, agreement or obligation under or pursuant to the Purchase Agreement or any incorrectness in, or breach of, any representation or warranty made by a Party in the Purchase Agreement, or in any certificate or other document delivered or given pursuant thereto.

The indemnification obligations of the Parties under the Purchase Agreement are subject to a minimum threshold of \$10,000 and are capped at a maximum threshold of \$250,000. The indemnification obligations of the Parties shall terminate 18 months following the Closing Date.

### ***Fees, Costs and Expenses of the Transaction***

Pursuant to the Purchase Agreement, all fees, costs and expenses incurred in connection with the Purchase Agreement and the Transaction shall be paid by the Party incurring the expenses.

Saratoga estimates that it will incur fees and related expenses in the aggregate amount of approximately \$205,000 if the Transaction is completed including, without limitation, Valuator fees, Financial Advisor fees, legal and accounting fees, filing fees and the costs of preparing, printing and mailing this Circular.

## **STATEMENT OF EXECUTIVE COMPENSATION**

The following disclosure has been prepared in compliance with the rules under *Form 51-102F6 Statement of Executive Compensation* adopted by the Canadian Securities Administrators.

### **COMPENSATION DISCUSSION AND ANALYSIS**

#### ***Objectives***

Saratoga's Executive Compensation Program is comprised of base salaries, short-term incentives in the form of cash bonus opportunities, and long-term incentives in the form of participation in the share option plan of Saratoga. The various components of Saratoga's Executive Compensation Program are designed to play a role in the following objectives, notably:

- (a) providing a fair and competitive level of compensation based on the market for comparable positions;
- (b) retaining and motivating its executives who are critical to Saratoga's short- and long-term success;
- (c) rewarding performance and contribution, both on an individual basis and with respect to the business in general; and
- (d) reinforcing the relationships between the Shareholders' interests and the compensation and responsibility of Saratoga's executives.

#### ***Composition of the Compensation Committee***

The compensation committee of Saratoga (the "**Compensation Committee**") is currently composed of the following three members: Martin Fontaine (Chairman), Alfredo Pérez and Donald W. Seal.

The Board of Directors has determined that Alfredo Pérez and Martin Fontaine are independent members of the Compensation and that Donald W. Seal is not an independent member of the Compensation Committee. See "Report on Corporate Governance – Board of Directors".

#### ***Role of the Compensation Committee***

The role of the Compensation Committee is one of oversight of all the various components of Saratoga's Executive Compensation Program, which is designed to follow Saratoga's objectives as set out above.

### ***Base Salary***

Individual executive salaries are normally set taking into account salaries paid in similar companies of comparable size and with the intent of attracting and retaining individuals with the appropriate skill sets and experience.

### ***Short-Term Incentive Plan***

Pay for performance is an important underlying principle of Saratoga's executive compensation philosophy. Following an outstanding performance of Saratoga for a given period, members of the management team receive a bonus or another form of specific compensation. These short-term incentives are paid shortly following the year in which they are earned.

In setting the salary and bonuses of the President of Car-Tel, the Compensation Committee reviews the impact of Car-Tel on the achievement of Saratoga's strategic objectives for the previous and current financial year.

Pursuant to his employment agreement commencing on October 1, 2009 and terminating on March 31, 2012, Luc Charlebois, the President of Car-Tel, is entitled to the following bonuses:

- (a) an amount of \$30,000 upon the filing of a declaration of out of court settlement in the lawsuit currently pending against Car-Tel;
- (b) an amount of \$25,000 in the event an agreement is entered into by Car-Tel with a specific service provider;
- (c) an amount of \$50,000 if a \$1.00 transactional surcharge is implemented by Car-Tel in connection with the sale of its prepaid telecommunications cards; and
- (d) an annual bonus of \$25,000 if the earnings of Car-Tel and Saratoga ATM exceed \$1,000,000, with an additional \$25,000 bonus being payable for each additional \$500,000 tranche of earnings between \$1,000,000 and \$2,500,000.

As at March 31, 2011, no bonuses have been paid by Saratoga pursuant to such employment agreement. As part of the Transaction, Luc Charlebois has agreed to forgo any future entitlement to the bonuses described above.

### ***Long-Term Incentive Plan***

Saratoga has adopted a share option plan (the "**Share Option Plan**") in order to encourage the achievement of Saratoga's growth objectives. Pursuant to the Share Option Plan, the directors of Saratoga may, from time to time, in their discretion, and in accordance with the requirements of the TSXV, grant non-transferable share options to the directors, executive officers, employees and consultants of Saratoga, provided that the aggregate number of Common Shares reserved for issue shall not exceed 855,000 Common Shares. Options granted pursuant to the Share Option Plan are exercisable for a period of up to five years from the date the option is granted. The number of Common Shares reserved for issue to any individual beneficiary under the Share Option Plan shall not exceed 5% of the aggregate number of issued and outstanding Common Shares, provided that the number of Common Shares reserved for issue to all consultants under the Share Option Plan shall not exceed 2% of the aggregate number of issued and outstanding Common Shares. Options granted pursuant to the Share Option Plan terminate on the date of termination of employment or of office, except that, subject to the prior expiry of the options, the options may be exercised within 30 days following such termination provided that it is not a termination for cause. Moreover, should the termination of employment or office occur by reason of death, the options may be exercised within one year following such death, subject to the prior expiry of the options.



The Share Option Plan stipulates that, in general, the number of options granted shall vest over an eighteen month period, in which 1/3 shall vest after six months, 1/3 shall vest after twelve months and 1/3 shall vest after eighteen months.

Options granted pursuant to the Share Option Plan shall have an exercise price no less than the market price of the Common Shares at the close of business on the day prior to the date of grant, less the maximum discount allowed under the policies of the TSXV.

No options have been granted by Saratoga pursuant to the Share Option Plan since December 12, 2007.

### ***Compensation of the Chief Executive Officer and the Chief Financial Officer***

In setting the Chief Executive Officer's salary and bonus, the Compensation Committee reviews salaries paid to the executive officers of Saratoga, salaries and bonuses paid to other chief executive officers in the industry and the Chief Executive Officer's impact on the achievement of Saratoga's objectives for the previous and current financial year.

In setting the Chief Financial Officer's salary, the Compensation Committee reviews salaries paid to the executive officers of Saratoga, salaries and bonuses paid to other chief financial officers in the industry and the Chief Financial Officer's impact on the achievement of Saratoga's objectives for the previous and current financial year.

### **SUMMARY COMPENSATION TABLE**

The following table set out information concerning the compensation earned from Saratoga and any of Saratoga's subsidiaries during the financial years ended March 31, 2011, 2010 and 2009 by Saratoga's Chief Executive Officer, Chief Financial Officer and the other most-highly compensated executive officer of Saratoga other than the Chief Executive Officer and the Chief Financial Officer whose total salary, bonus and other annual compensation exceeded \$150,000 on March 31, 2011 (the "**Named Executive Officers**").

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)			All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans	Pension value (\$)		
<b>GEORGES A. DURST</b> Chief Executive Officer	2011	Nil	Nil	Nil	Nil	Nil	Nil	4,200 <sup>(1)</sup>	4,200
	2010	124,053	Nil	Nil	Nil	Nil	Nil	11,300 <sup>(2)</sup>	135,353
	2009	Nil	Nil	Nil	Nil	Nil	Nil	500 <sup>(3)</sup>	500
<b>RICHARD VALLÉE</b> Chief Financial Officer	2011	Nil	Nil	Nil	Nil	Nil	Nil	133,600 <sup>(4)</sup>	133,600
	2010	Nil	Nil	Nil	Nil	Nil	Nil	111,160 <sup>(4)</sup>	111,160
	2009	Nil	Nil	Nil	Nil	Nil	Nil	171,000 <sup>(4)</sup>	171,000
<b>LUC CHARLEBOIS</b> President, Car-Tel Distributions Inc.	2011	162,000	Nil	Nil	Nil	Nil	Nil	17,625 <sup>(5)</sup>	179,625
	2010	113,292	Nil	Nil	7,000	Nil	Nil	19,850 <sup>(6)</sup>	150,142
	2009	110,000	Nil	Nil	31,740	Nil	Nil	11,200 <sup>(7)</sup>	152,940

(1) Of this amount, \$1,500 represents fees received in Mr. Durst's capacity as a director of Saratoga and \$2,704 represents a car allowance.

(2) Of this amount, \$1,500 represents fees received in Mr. Durst's capacity as a director of Saratoga and \$9,800 represents a car allowance.

(3) This amount represents fees received in Mr. Durst's capacity as a director of Saratoga.

(4) Mr. Vallée received compensation in the form of professional fees for consulting services provided to Saratoga.

- (5) Of this amount, \$1,500 represents fees received in Mr. Charlebois' capacity as a director of Saratoga and \$16,625 represents a car allowance.
- (6) Of this amount, \$4,500 represents fees received in Mr. Charlebois' capacity as a director of Saratoga and \$15,350 represents a car allowance.
- (7) Of this amount, \$1,000 represents fees received in Mr. Charlebois' capacity as a director of Saratoga and \$10,200 represents a car allowance.

## INCENTIVE PLAN AWARDS

### *Outstanding Option-Based and Share-Based Awards*

The following table sets forth the option-based incentive awards outstanding at March 31, 2011 for the Named Executive Officers. Saratoga had no share-based awards outstanding at March 31, 2011.

Name	Option-based awards			Value of unexercised in-the-money options (\$)
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	
<b>GEORGES A. DURST</b> Chief Executive Officer	100,000	0.26	September 22, 2011	Nil <sup>(1)</sup>
<b>RICHARD VALLÉE</b> Chief Financial Officer	Nil	Nil	Nil	Nil
<b>LUC CHARLEBOIS</b> President, Car-Tel Distributions Inc.	Nil	Nil	Nil	Nil

(1) Based on the closing price of the Common Shares on the TSXV on March 31, 2011 of \$0.13.

### *Value Vested or Earned During the Year*

During the financial year ended March 31, 2011, the value of all incentive plan awards that vested or were earned by each Named Executive Officer was nil.

## PENSION PLAN BENEFITS

Saratoga does not have any pension plans or deferred compensation plans.

## TERMINATION AND CHANGE OF CONTROL BENEFITS

Saratoga does not have any compensatory plan or arrangement in respect of compensation received or that may be received by any of the Named Executive Officers to compensate them in the event of the termination of their employment by way of resignation, retirement or change of control or in the event of a change in their responsibilities following a change of control of Saratoga, except in respect of Luc Charlebois, the President of Saratoga's subsidiary Car-Tel, who, in the event his employment is terminated for any reason except for cause, is entitled to receive the equivalent of his salary and car allowance for a period of twelve months thereafter. Pursuant to the Purchase Agreement, Mr. Charlebois has accepted to waive the foregoing termination entitlements.

## DIRECTOR COMPENSATION

### *Overview*

The Board of Directors is responsible for developing and implementing the directors' compensation plan. The main objectives of the directors' compensation plan are (i) to attract and retain the services of the most qualified

individuals, (ii) to compensate the directors in a manner that is commensurate with the risks and responsibilities assumed in board and board committee membership, and is competitive with other comparable public issuers, and (iii) to align the interests of the directors with those of the long-term Shareholders.

The Board of Directors has adopted a policy of remunerating its members through the payment of a fee of \$500 for each meeting of the Board of Directors attended and a fee of \$500 for each meeting of a committee of the Board of Directors attended.

### ***Director Compensation Table***

The following table summarizes the compensation paid, payable, awarded or granted for the financial year ended March 31, 2011 to each of the directors of Saratoga, other than Georges A. Durst and Luc Charlebois (who is not standing for re-election at the Meeting), each of whom is a Named Executive Officer and whose compensation is disclosed earlier in this Circular under the heading “Statement of Executive Compensation – Summary Compensation Table”. The directors of Saratoga did not receive any grants of shares, grants of options, non-equity incentive plan compensation or pension benefits.

<u>Name</u>	<u>Fees earned (\$)</u>	<u>All other compensation (\$)</u>	<u>Total compensation (\$)</u>
DONALD W. SEAL, Q.C.	3,500	45,600 <sup>(1)</sup>	49,100
ALFREDO PÉREZ	3,500	Nil	3,500
MARTIN FONTAINE	3,500	27,000 <sup>(1)</sup>	30,500

(1) This amount represents professional fees paid for legal services provided to Saratoga by Seal Seidman S.E.N.C., of which Mr. Seal is a partner.

(2) This amount represents professional fees paid for strategic planning services provided to Saratoga by 9104-0097 Québec Inc., a company controlled by Mr. Fontaine.

### ***Incentive Plan Awards***

#### **Outstanding Option-Based Awards**

The following table sets forth the option-based incentive awards outstanding at March 31, 2011 for each of the directors of Saratoga, other than Georges A. Durst and Luc Charlebois (who is not standing for re-election at the Meeting), each of whom is a Named Executive Officer and whose option-based incentive awards are disclosed earlier in this Circular under the heading “Statement of Executive Compensation – Incentive Plan Awards”. Saratoga had no share-based awards outstanding at March 31, 2011.

<u>Name</u>	<u>Option-based awards</u>			<u>Value of unexercised in-the-money options<sup>(1)</sup> (\$)</u>
	<u>Number of securities underlying unexercised options (#)</u>	<u>Option exercise price (\$)</u>	<u>Option expiration date</u>	
DONALD W. SEAL, Q.C.	60,000	0.26	September 22, 2011	Nil
ALFREDO PÉREZ	30,000	0.27	December 12, 2012	Nil
MARTIN FONTAINE	30,000	0.27	December 12, 2012	Nil

(1) Based on the closing price of the Common Shares on the TSXV on March 31, 2011 of \$0.13.

### Value Vested or Earned During the Year

During the financial year ended March 31, 2011, the value of all incentive plan awards that vested or were earned by each director was nil.

### **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table sets out certain details as at March 31, 2011, with respect to the Share Option Plan, being the sole compensation plan pursuant to which equity securities of Saratoga are authorized for issuance. A description of the Share Option Plan may be found earlier in this Circular under the heading “Statement of Executive Compensation – Compensation Discussion and Analysis”.

<u>Plan</u>	<u>Number of securities to be issued upon exercise of outstanding options</u>	<u>Weighted average exercise price of outstanding options</u>	<u>Number of Common Shares remaining available for future issuance under the Share Option Plan</u>
Share Option Plan	280,000	\$0.26	575,000

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

As at November 15, 2011, none of the executive officers, directors, employees or former executive officers, directors or employees of Saratoga or any of its subsidiaries was indebted to Saratoga or any of its subsidiaries and, as at the same date, the indebtedness, if any, of such persons to other entities was not the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by Saratoga or any of its subsidiaries.

### **MANAGEMENT CONTRACTS**

Management services for Saratoga are not, to any substantial degree, performed by persons other than the executive officers of Saratoga. Saratoga was not subject to any management agreement for the financial year ended March 31, 2011.

### **INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

For the purpose of this Circular, an “**Informed Person**” of Saratoga means: (a) a director or executive officer of Saratoga; (b) a director or executive officer of a person or corporation that is itself an Informed Person or subsidiary of Saratoga; (c) any person or corporation who beneficially owns, directly or indirectly, voting securities of Saratoga or who exercises control or direction over voting securities of Saratoga or a combination of both, carrying more than 10% of the voting rights attached to all outstanding voting securities of Saratoga, other than voting securities held by the person or corporation as underwriter in the course of a distribution; and (d) Saratoga, if it has purchased, redeemed or otherwise acquired any of its own securities, for so long as it holds any of its securities.

To the knowledge of Saratoga, no Informed Person of Saratoga, and no associate or affiliate of any such person, at any time since April 1, 2010, has or had any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction that has materially affected Saratoga, in any proposed transaction that could materially affect Saratoga, or in any matter to be acted upon at the Meeting, except as disclosed below.

From time to time, Saratoga receives advances from Georges A. Durst, the President, Chief Executive Officer and principal shareholder of Saratoga, as well as loans from various companies controlled by Mr. Durst. These advances are both non-interest bearing loans and loans bearing interest of no more than 18% annually. The outstanding balance of these advances fluctuates from time to time. As at November 15, 2011, the net balance of these advances was nil. In addition, Saratoga leases the premises in which it operates to companies controlled

by Mr. Durst. The total annual rent payable in respect of these premises is \$19,451, which management of Saratoga believes to be at market rate.

As part of the Transaction, Car-Tel shall repay the Saratoga Leasing Indebtedness to Saratoga Leasing Corporation Inc., a company controlled by Mr. Durst. In addition, Saratoga shall repay the Related Party Indebtedness. Such amounts were advanced by Saratoga Multi-Média Inc., a company controlled by Mr. Durst, and Link Productions Inc. to Car-Tel to fund its day-to-day operations. Finally, pursuant to the Transaction, Car-Tel shall forgive the Saratoga ATM Indebtedness.

Luc Charlebois is a shareholder and director of Saratoga and an officer of Car-Tel and is the sole shareholder of the Purchaser.

In connection with the approval of the Transaction, applicable Canadian securities Laws impose certain procedural safeguards as a result of the involvement of Informed Persons in the Transaction, as described earlier in this Circular under “Matters to be Acted Upon at the Meeting – The Transaction – Securities Laws Considerations”.

## **REPORT ON CORPORATE GOVERNANCE**

*National Policy 58-201 - Corporate Governance Guidelines* and *National Instrument 58-101 - Disclosure of Corporate Governance Practices* of the Canadian Securities Administrators set out a series of guidelines for effective corporate governance. The guidelines address such matters as the composition and independence of corporate boards, the functions to be performed by boards and their committees, and the effectiveness and education of board members. Each reporting issuer, such as Saratoga, must disclose on an annual basis and in prescribed form, the corporate practices that it has adopted. The following is Saratoga’s required disclosure of its corporate governance practices.

### ***Board of Directors***

For the next financial year, Saratoga proposes that its Board of Directors be composed of four directors, two of whom shall be independent directors within the meaning of *National Instrument 58-101 - Disclosure of Corporate Governance Practices* of the Canadian Securities Administrators.

The Board of Directors considers Alfredo Pérez and Martin Fontaine to be independent. The Board of Directors considers that Georges A. Durst is not independent in that he is an executive officer of Saratoga and its majority Shareholder and Donald Seal is not independent in that he renders legal services to Saratoga.

If necessary, the independent members of the Board of Directors are able to meet without the non-independent directors being present.

### ***Directorships***

None of the directors of Saratoga currently serves as a director of any other reporting issuer.

### ***Orientation and Continuing Education***

Saratoga does not currently have a formal orientation program for new directors, but the Board of Directors strongly recommends that its members attend the TSXV’s formal training sessions or other relevant training sessions provided by outside parties.

### ***Ethical Business Conduct***

In light of Saratoga's stage of development and its limited number of employees, the Board of Directors has not taken formal steps, other than through discussions among its members, to encourage and promote a culture of ethical business conduct. Saratoga does take measures to ensure that the directors do not trade in Saratoga's shares at a time when disclosure of material information is pending.

### ***Nomination of Directors***

The Compensation Committee is responsible for recommending potential new directors.

### ***Compensation***

Saratoga has adopted a policy of paying to the directors fees for participating in meetings of the Board of Directors and in meetings of its various committees. The details of the remuneration are set out earlier in this Circular under the heading "Statement of Executive Compensation – Director Compensation".

Saratoga's Executive Compensation Program is administered by the Compensation Committee. The Compensation Committee has, as part of its mandate, primary responsibility for making recommendations for approval by the Board of Directors with respect to the appointment and remuneration of executive officers of Saratoga. The details of such remuneration are set out earlier in this Circular under the heading "Statement of Executive Compensation".

### ***Other Board Committees***

Saratoga does not have any standing committees other than the Audit Committee and the Compensation Committee.

### ***Assessments***

The Compensation Committee is responsible for assessing the effectiveness of the Board of Directors, its committees and individual directors.

## **AUDIT COMMITTEE INFORMATION**

### ***Composition of the Audit Committee***

The audit committee (the "**Audit Committee**") of Saratoga is currently composed of the following three members: Alfredo Pérez (Chairman), Martin Fontaine and Donald W. Seal, each of whom, other than Donald W. Seal, has been determined by the Board of Directors to be independent. Based on the education and breadth and depth of experience of each member of the Audit Committee, the Board of Directors has determined each such member to be financially literate.

### ***Relevant Education and Experience***

The following is a description of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee:

**Alfredo Pérez** (Independent Member) - Mr. Pérez has a BA from *Université du Québec à Montréal* ("**UQAM**") in Business Administration and an MBA from UQUAM. Mr. Pérez has been involved in corporate finance for over 20 years. During such time, Mr. Pérez has been closely involved in all aspects of such companies' financial reporting processes.

**Martin Fontaine** (Independent Member) - Mr. Fontaine has a BA from Ottawa University and a law degree from *Université de Montréal*. He practiced as a notary for twelve years and then specialized in commercial cinema business development for over ten years. In such capacity, Mr. Fontaine has had extensive exposure to the preparation and interpretation of financial statements.

**Donald W. Seal, Q.C.** (Non-Independent Member) – Mr. Seal is an attorney and a senior partner at the law firm Seal Seidman S.E.N.C. He has a BA and BCL from McGill University and has been in practice for fifty-six years. Mr. Seal has extensive business experience and is knowledgeable about the interpretation of financial statements.

### ***Audit Committee Charter***

The responsibilities and duties of the Audit Committee are set out in the Audit Committee’s Charter, the text of which is attached as Appendix “C” to this Circular. The Charter was adopted on August 20, 2007.

### ***Reliance on Certain Exemptions***

Saratoga is relying upon the exemption contained in Section 6.1 of *National Instrument 52-110 - Audit Committees* of the Canadian Securities Administrators which exempts issuers whose shares are listed on the TSXV from certain requirements pertaining to the composition of its audit committee and from certain related reporting requirements.

### ***Pre-Approval Policies and Procedures***

The Audit Committee has not adopted any specific policies or procedures for the engagement of non-audit services.

## **AVAILABLE INFORMATION**

Additional information relating to Saratoga is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information about Saratoga is provided in Saratoga’s comparative annual financial statements and management’s discussion and analysis for its most recently completed financial year.

Shareholders may request copies of Saratoga’s financial statements and management’s discussion and analysis by contacting the Secretary of Saratoga at 514-529-0663 or in person at 2975 Hochelaga, Montreal, Québec H1W 1G1.

## **SHAREHOLDER PROPOSALS**

Persons entitled to vote at the next annual meeting of Saratoga who wish to submit a proposal for consideration at the meeting, must submit their proposal to Saratoga by August 20, 2012.

## **OTHER MATTERS**

Management of Saratoga is not aware of any other matter to come before the Meeting other than as set forth in the Notice of Annual and Special Meeting of Shareholders. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the Common Shares represented thereby in accordance with their best judgment on such matter.

**DIRECTORS' APPROVAL**

The contents and the sending of this Circular have been approved by the Board of Directors of Saratoga.

DATED: November 17, 2011

**BY ORDER OF THE BOARD OF DIRECTORS  
OF SARATOGA ELECTRONIC SOLUTIONS  
INC.**

(signed) "*Georges A. Durst*"

Georges A. Durst  
Chief Executive Officer



## CONSENT OF THE VALUATOR

We hereby consent to the references under the headings “Matters to be Acted Upon at the Meeting – The Transaction – The Valuation” in the management information circular of Saratoga Electronic Solutions Inc. (“**Saratoga**”) dated November 17, 2011 relating to the annual and special meeting of the shareholders of Saratoga to, among other matters, approve the sale of Car-Tel Distributions Inc. (“**Car-Tel**”) to 7999291 Canada Inc., to the valuation dated September 7, 2011 prepared by our firm for the Board of Directors of Saratoga in connection with the sale of Car-Tel.

Montreal, Québec  
November 17, 2011

**ROBERT BOISJOLI & ASSOCIATES, S.E.C.**

(signed) “*Robert Boisjoli & Associates, s.e.c.*”

**CERTIFICATE OF SARATOGA ELECTRONIC SOLUTIONS INC.**

November 17, 2011

The foregoing Circular contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

(signed) "*Georges A. Durst*"  
Chief Executive Officer

(signed) "*Richard Vallée*"  
Chief Financial Officer

**On behalf of the Board of Directors**

(signed) "*Alfredo Pérez*"  
Director

(signed) "*Martin Fontaine*"  
Director

## APPENDIX "A"

### RATIFICATION RESOLUTION

#### BE IT RESOLVED THAT:

1. Saratoga Electronic Solutions Inc. be authorized to present to its shareholders at the its annual and special meeting in respect of which a notice of meeting dated November 17, 2011 was delivered to shareholders, financial statements in respect of a period ended earlier than the period provided by applicable laws and regulations, and that any past irregularities that may have occurred in this regard be and are hereby ratified.
2. Any officer or director of Saratoga is hereby authorized and directed for and on behalf of Saratoga to execute or cause to be executed and to deliver or cause to be delivered, all such other documents, agreements and instruments and to perform or cause to be performed all such other acts and things as in such person's opinion may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

## APPENDIX “B”

### TRANSACTION RESOLUTION

#### BE IT RESOLVED THAT:

1. The sale by Saratoga Electronic Solutions Inc. (“**Saratoga**”) of all of the shares of Car-Tel Distributions Inc. to 7999291 Canada Inc. pursuant to a share purchase and sale agreement dated November 15, 2011, all as more particularly described and set forth in the management information circular of Saratoga dated November 17, 2011, is hereby authorized and approved.

2 Any officer or director of Saratoga is hereby authorized and directed for and on behalf of Saratoga to execute or cause to be executed and to deliver or cause to be delivered, all such other documents, agreements and instruments and to perform or cause to be performed all such other acts and things as in such person’s opinion may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

## APPENDIX “C”

### CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The mandate, the functions and the responsibilities of the Audit Committee, are the following:

#### **I. PURPOSE**

1. The Audit Committee provides recommendations to the Board of Directors of the Company. Its primary function is to assist the Board in fulfilling its responsibilities towards the shareholders of the Company and the financial community with respect to financial disclosure and controls.
2. The external auditors report to the Audit Committee.

#### **II. DUTIES AND RESPONSIBILITIES**

1. The Audit Committee oversee’s the integrity of the financial statements and review the financial reports and other financial disclosure of the Company which the Company may provide to any government, regulatory authority, or the public.
2. The Audit Committee recommend’s the appointment of the external auditors, review and assess their performance, ascertain their qualifications and independence, and maintain open communication lines between the external auditors, financial management, the executive officers and the directors of the Company.
3. The Audit Committee oversee’s the methods used for preparation of financial information, the application of internal controls and the rules for management of the business and financial risk, as well as compliance with the requirements of the TSX Venture Exchange (Regulations).

#### **III. STRUCTURE AND ORGANIZATION**

1. The Audit Committee shall be composed of at least three directors of the Company, the majority of whom shall not be employees, “control persons”, officers of the Company or a person that is connected with any of the foregoing.

The Committee members and the president of the Committee are appointed by the Board of Directors. The Board of Directors may at any time, in its discretion, remove a member from the Audit Committee by resolution.

All the members of the Audit Committee must be “financially literate”, that is, must have knowledge in financial matters to the satisfaction of the Board of Directors. The president of the Audit Committee must be an independent director.

2. The Committee shall meet at least four times a year and may convene additional meetings if circumstances require. All Audit Committee members are expected to attend each meeting, in person or via telephone or video-conference. The Committee may invite members of management, auditors or others to attend the meetings and provide pertinent information, if necessary. The quorum is a majority of the Committee.
3. The Committee must maintain open means of communication with the external auditors, financial management, the executive officers and the directors of the Company.

4. The Committee is empowered to investigate all questions that are brought to its attention and to consult advisors if, in its opinion, it is necessary.

5. The Committee shall be responsible for reviewing and recommending the following for approval by the Board:

- (a) The financial statements (annual and quarterly), the management's discussion and analysis and all other documents relating to the financial results of the Company to be filed with regulatory authorities such as securities commissions, prior to their filing or disclosure;
- (b) All documents containing or incorporating by reference the annual audited financial statements or the unaudited interim results (such as prospectuses or press releases announcing financial results) prior to their disclosure.

#### **IV. GENERAL**

1. Meet regularly with the external auditor, management and internal accountants in separate meetings to discuss questions raised by the Committee or others.

2. Keep minutes of all meetings. Report these proceedings and all recommendations to the Board of Directors at its next meeting.

3. Review this Charter annually and recommend such amendments to the Board of Directors as it may deem advisable.

4. Be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from financial statements and periodically assess the adequacy of these procedures.

#### **V. RECRUITMENT OF EXTERNAL AUDITOR**

1. Recommend the selection of the external auditors to the Board of Directors, assess their independence and performance, and approve the audit fees and any other remuneration to be paid to them.

2. Study the independence of the external auditor. To this end, the Committee must look into the nature of the services furnished by the external auditor and the remuneration charged and all other questions that the Committee deems appropriate.

3. The external auditor is to be at the disposal of the Board of Directors at least once a year.

4. Pre-approve all permitted non-audit services provided to the Company or its affiliates by the external auditor.

#### **VI. SUPERVISION OF THE QUALITY AND INTEGRITY OF THE PRACTICES REGARDING ACCOUNTING, AUDIT AND PUBLICATION OF FINANCIAL INFORMATION OF THE COMPANY**

1. Review the hiring policies regarding partners, associates and employees, past and present, of the present or former external auditors.

2. Oversee the work of the external auditor in the preparation and issuing of the auditor's report and other audit services. The Audit Committee will be responsible for the resolution of disagreements between management and the external auditors on financial reporting.
3. Review the financial statements, the management reports and the annual and interim earnings press releases concerning the results of the Company in cooperation with the management and the external auditor before the Company publicly discloses this information. The Committee should consider the quality of financial information and all other questions that it deems valid.
4. Review, in cooperation with the external auditors and management, the auditing objective, scope and limitations of the external auditors for the present and following year.
5. Review the annual report of the external auditor on the quality and effectiveness of the accounting controls, internal controls and controls of the computerized systems of the Company.
6. Establish procedures for the receipt, retention and treatment of complaints by employees, or other internal or external sources, concerning questionable accounting, internal accounting controls or auditing. These complaints must be treated in a confidential and anonymous way.
7. Review and approve all related party transactions entered into.

## **VII. PUNCTUALITY**

1. Punctually review, in cooperation with management, all legal and statutory questions that could have an important effect on the financial statements and conformity policies or programs.
2. Review, in cooperation with management, and approve the operations by which members of management or the Board of Directors make disclosure in accordance with the requirements of the Regulation.
3. Supervise the compliance program and analyze periodically the relevance of making improvements to it and make suggestions in this respect to management.
4. Ensure that all other functions prescribed by law, statutes or internal regulations of the Company or by the Board of Directors are followed.
5. Review the fees for services rendered and related expenses and for any newly approved services since the preceding meeting and analyze updated account projections.
6. Review the insurance coverage of the Company annually to ensure that assets are properly covered, including, and without limitation, the liability insurance of senior executives and directors.

## **VIII. EMPOWERMENT**

The Committee is empowered to:

1. Communicate directly with the external auditors.
2. Engage independent attorneys or other counselors that it deems necessary to the exercise of its functions and notify the Board on the range of the financing required for the remuneration of these counselors.

## **IX. DEFINITIONS**

In accordance with National Instrument 52-110-*Audit Committees*:

### **Financially literate:**

Refers to an individual who has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can be expected to be raised by the Company's financial statements.

### **Control Person:**

Means any person that holds or is one of combination of persons that hold a sufficient number of any of the securities of the Company so as to affect materially the control of the Company or more than 20% of the outstanding voting securities of the Company, except where there is evidence showing that the holding of those securities does not affect materially the control of the Company.