VALUATION OF SHARES OF
DISTRIBUTIONS CAR-TEL INC.
AS AT JULY 29, 2011

PRIVATE & CONFIDENTIAL

ROBERT BOISJOLI & ASSOCIATES S.E.C.
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Chartered Business Valuators

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ROBERT BOISJOLI & ASSOCIATES, S.E.C.
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September 7, 2011

Independent Committee of the Board of Directors
Saratoga Electronic Solutions Inc.
2975 Hochelaga Street
Montreal, Québec
H1W 1G1

Dear Committee Members:

RE: Valuation of the Shares of Distributions Car-Tel Inc. as at July 29, 2011

1. ASSIGNMENT

You have requested our opinion ("Opinion"), as independent Chartered Accountants experienced in business and securities valuation, as to the Fair Market Value, on or about July 29, 2011 (the "Valuation Date"), of all of the issued and outstanding common shares (the "Shares") of Distributions Car-Tel Inc. ("Car-Tel" or the "Company"), a subsidiary of Saratoga Electronic Solutions Inc. ("Saratoga"), the shares of which are listed for trading on the TSX Venture Exchange ("SAR").

Our Report was prepared for the Independent Committee of the Board of Directors of Saratoga (the "Independent Committee") in connection with its evaluation of a proposed management buy-out of the Shares. The terms of this proposed transaction are described in an offer dated July 29, 2011 (the "Offer") and in Section 8.3.1.1.3 hereinbelow. Total consideration pursuant to the Offer is approximately $1.36 million (inclusive of approximately $700,000 of intercompany debts owed to related companies) to be paid through a combination of cash and the assumption of certain specified liabilities.

Our Opinion has been prepared in conformity with the requirements of Regulation 61-101 Respecting Protection of Minority Security Holders in Special Transactions, adopted by the Autorité des marchés financiers (Québec) and Multilateral Instrument 61-101 — *Protection of Minority Security Holders in Special Transactions* and *Companion Policy 61-101 CP* adopted by the Ontario Securities Commission, as well as the Practice Standards promulgated by The Canadian Institute of Chartered Business Valuators.

3105 Jean Girard, Montreal, Quebec, H3Y 3L1
Telephone: 514.821.9857 – Fax: 514.931.3287

1.1 Fair Market Value

Fair Market Value is defined as "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".[1]

All amounts in our Report are expressed in Canadian funds, unless otherwise noted.

1.2 Independence

Robert Boisjoli & Associates, S.E.C.'s ("RBA") has not been engaged to provide any financial advisory services or any other types of services involving Saratoga, Car-Tel or any of their associates or affiliates (collectively, the "Companies") at any time within the last two years, other than the preparation of this Report and of our fairness opinion dated September 7, 2011. RBA has no direct or indirect, present or prospective beneficial interest in the Companies or in the parties involved, and has received no instructions as to the development of this Opinion, and was not subject to limitations imposed by any party.

RBA's compensation is not contingent on any action or event resulting from the analysis, estimates or conclusions in, or the use of, this valuation report.

In addition, the undersigned is not an insider, associate or affiliate of the Companies, or any of their respective associates or affiliates. Neither the undersigned nor any of its associates has, or intends to have, any involvement with the Companies, or with any interested parties as investors, or in any other manner relative to the Companies. There are no understandings, agreements or commitments between us and the Companies or any of their respective associates or affiliates with respect to any future business dealings.

1.3 Credentials of the Author

As a Chartered Business Valuator and Fellow Chartered Accountant, Robert Boisjoli, FCA, CBV, has extensive experience in valuations, mergers, acquisitions, divestitures and related matters with respect to the public and private capital markets, where the undersigned has been actively involved for more than 20 years. Our firm has also been a valuation advisor to publicly-traded as well as privately-owned companies in Canada and the United States.

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(1) *International Glossary of Business Valuation Terms*, June 2001, developed jointly by the American Institute of Certified Public Accountants, American Society of Appraisers, The Canadian Institute of Chartered Business Valuators, National Association of Certified Valuation Analysts and the Institute of Business Appraisers.

2. CONCLUSION

In our Opinion, based upon our review and analysis of the information and documents provided to us, the explanations received, and subject to the restrictions, qualifications and assumptions noted herein (see Section 2.1, **Restriction and Disclaimer**) the Fair Market Value of the Shares, on or about the Valuation Date, was $500,000.

2.1 Restriction and Disclaimer

This Opinion is not intended for general circulation or publication, nor is it to be reproduced or used in whole or in part for any purpose other than that outlined in Section 1 hereof, nor may our Opinion be provided to any other person or entity, without our prior written permission in each specific instance, except that our Opinion may be filed with the applicable securities regulators in Canada or provided to Saratoga's security holders. We shall not assume any responsibility or liability for losses occasioned to Saratoga, Car-Tel, their directors and shareholders, or to any other parties as a result of the circulation, publication, reproduction or use of this report contrary to the foregoing restriction.

The financial and other operating and corporate information provided by Car-Tel and its representatives have been accepted by us — following our discussions and interviews and without further verification — as correctly reflecting, among other things, the business conditions, financial position and operating results of Car-Tel for the periods covered.

We reserve the right to make revisions and/or to further support our conclusions, if we consider it to be necessary for any reason, such as our being informed of facts existing at the Valuation Date that might become known to us after our Opinion has been issued.

2.2 Assumptions and Limitations

We have assumed that no material changes have taken place in the operations and asset position of Car-Tel that have not been brought to our attention since the date of the financial information utilized by us. Management have been requested to bring to our attention any matters that would be significant to our Opinion in addition to those matters discussed herein.

Our Opinion is provided as of the Valuation Date on the basis of securities markets and economic, business and financial conditions then prevailing, and the respective positions and prospects, financial and otherwise, of Car-Tel, as reflected in the information and documents reviewed by us and as represented to us in our discussions with management.

This Opinion was prepared based on the financial information as reflected in the financial statements and other documents provided to us, reviewed by us, and discussed with management. In preparing our Opinion, we have relied upon and assumed, without independent verification, the completeness, accuracy and fair presentation of this information. Our conclusion is conditional upon such completeness, accuracy and fairness.

Public, industry and statistical information are from sources that we consider as being reliable. We make no representations as to the accuracy or completeness of such information, and, with your consent, have accepted the information without further verification. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting our Opinion that may come to our attention after the date hereof.

We considered, among other things, the projections prepared by management for the two fiscal years ending March 31, 2013, which are based on management's best estimate of future events and circumstances. The assumptions on which these projections are based are those which management believes are significant to such projections or are key factors upon which the financial results of Car-Tel depend. Some assumptions may not materialize and unanticipated events and circumstances (both favourable and unfavourable) may occur during the two years ending March 31, 2013 and thereafter. Therefore, the actual results to be achieved during this period may vary from what was initially established, and such variations may be material.

We have assumed, in addition to other assumptions made in the course of preparing our Opinion, that, at the Valuation Date:

(a) The combined Federal and Quebec corporate tax rate for a Canadian-controlled private corporation ("CCPC") in 2012, 2013 and thereafter will be 26.9%;

(b) There were no material changes in Car-Tel or the state of, or outlook for, the industry or the economy, which would have a significant impact on our Opinion;

(c) There were no significant contingent assets or liabilities, unusual contractual obligations or substantial commitments, other than in the ordinary course of business, or litigation pending or threatened (other than as may be noted herein), which may have an impact on our Opinion; and

(d) There were no significant facts not disclosed herein with respect to Car-Tel, as of the Valuation Date, which could reasonably be expected to materially affect our Opinion.

3. SCOPE OF REVIEW

In arriving at our Opinion of Fair Market Value, we reviewed and relied upon information and data gleaned from documents and information provided to us by management and/or public sources with respect to Car-Tel, its business, competition and the markets in which it operates, as set out hereinbelow.

3.1 Financial and Corporate Documents

- The Offer;
- Analysis of Saratoga's letters of intention as at July 29, 2011, prepared by Saratoga's management;
- Consolidated audited financial statements of Saratoga for the years ended March 31, 2010 and 2011, as reported on by WSBG LLP ("WSBG") and MNP LLP, respectively;
- Management's Discussion and Analysis of Saratoga for the three months and year ended March 31, 2011;
- Unaudited financial statements of Car-Tel for the year ended March 31, 2011, as prepared by management;
- Unaudited financial statements of Car-Tel for the three-month periods ended June 30, 2010 and 2011, as prepared by management;
- Unaudited financial statements of Car-Tel for the year ended March 31, 2009, as compiled by WSBG;
- Unaudited financial statements of Car-Tel for the five-month period ended March 31, 2008, as compiled by WSBG;
- Audited financial statements of Car-Tel for the years ended October 31, 2006 and 2007, as reported on by WSBG;
- Unaudited financial statements of Car-Tel for the year ended October 31, 2005, as compiled by WSBG;
- Document entitled "Proposals (EOI/LOI) received as of December 3rd, 2010", prepared by KPMG LLP ("KPMG");
- Valuation report entitled "Identification and Measurement of the Fair Values as at March 31, 2008 of the Intangible Assets Acquired by Saratoga Electronic Solutions Inc. from Distributions Car-Tel Inc." dated August 20, 2008, as prepared by Wise, Blackman LLP ("WB");
- Valuation report entitled "Fair Value of Distributions Car-Tel Inc. as at March 31, 2009", dated June 30, 2009, as prepared by WB;
- Valuation report entitled "Fair Value of Distributions Car-Tel Inc. as at March 31, 2010", dated July 23, 2010, as prepared by WB;
- Various contracts between the Company and its customers including (but not limited to):

- Sub-Licence Agreement among the Company, Posatel Inc. and CGS Financial Technologies USA, Inc. as at January 1, 2008 (the "Licence Agreement");
- Sales and Distribution Agreement between Bell Distribution Inc. and Car-Tel Corporation Inc., dated March 30, 2006; and
- Sales and Distribution Agreement between Telus Communications Company and Car-Tel Corporation Inc., dated March 19, 2008,

- Saratoga's Website: www.sarasol.com; and
- Publicly-available information on the Company's competitors and industry.

3.2 Industry and Market Information

We have also reviewed publicly-available information sources relating to the state of, and outlook for, the Canadian economy, financial markets, and the prepaid card industry at the Valuation Date, including:

- Bank of Canada *Review*;
- *Stocks, Bonds, Bills, and Inflation, 2011 Yearbook — Valuation Edition*, Morningstar, Inc. (Chicago: 2010);
- *Risk Premium Report 2010*, Duff & Phelps, LLC (Chicago);
- *Econoscope*, RBC Financial Group, Vol. 35, No. 8, August 2011;
- http://www.selectcore.com;
- http://www.vendteksys.com/Investors/Investor%20factsheet.htm;
- http://www.google.com/finance; and
- www.sedar.com.

3.3 Interviews

To augment our understanding of the Company's operations, we held discussions with respect to the Company's financial and fiscal positions, past operating results and future prospects with Messrs. Richard Vallée, CA, Vice President and Chief Financial Officer, and Donald Seal, Ph.D., QC, Chairman of the Board of Directors.

3.4 Letter of Representation

In addition, we have obtained a letter from Car-Tel's management, representing and warranting to us that:

(a) they have reviewed our Opinion in draft and have discussed same fully with us;

(b) they believe, to the best of their knowledge, that the Projections prepared by them and the underlying assumptions with respect thereto are fair, reasonable and achievable during the Projection Period;

(c) they are satisfied with our explanations of the valuation concepts and approaches adopted by us and as set out herein;

(d) they are not aware of any significant contingent assets or liabilities, unusual contractual obligations or substantial commitments, other than in the ordinary course of business, or litigation pending or threatened that could affect our Opinion;

(e) to the best of their knowledge, since the date the information was provided to us, there has been no material change, financial or otherwise, in the Company not already disclosed; nor has there been any change regarding any material fact, which would be of such a nature as to render the information untrue or misleading in any material respect;

(f) since the date that the information was provided to us, no material transactions have been entered into by the Company, other than in the normal course of business;

(g) they have no information or knowledge of any facts not disclosed in this report with respect to the fair market value of the Shares at the Valuation Date that could reasonably be expected to affect our Opinion; and

(h) they are not aware of any significant factors that bear on the fair market value of the Shares at the Valuation Date that we have not considered in reaching our Opinion.

4. ECONOMIC OVERVIEW[2]

Canada's real GDP output fell by 0.3% in May 2011, following unchanged activity in April and a 0.3% rise in March. The weakness was concentrated in the mining, oil, and gas extraction sectors which plummeted 5.3% in May.

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(2) *Econoscope*, RBC Financial Group, August 2011.

Economists were expecting that third-quarter 2011 growth would rebound to a 3.4% annualized rate as various temporary factors reverse. This stronger momentum was expected to persist with fourth-quarter 2011 growth forecasted at 3.0%

Canadian housing starts rose 4.3% to 205,100 annualized units in July following a 1.7% increase to 196,600 annualized units in June. The increased pace of new home construction in July was almost solely due to strength in the urban-multiples component, which jumped 13.0% to an annualized 120,200 units. The generally stable urban single-unit starts fell 7.8% to 65,000 annualized units to offset some of June's 11.0% increase.

According to economists, the Canadian housing market was in transition to a more moderate and sustainable pace of activity following a period of exceptional growth during the better part of the last decade. The main policy shift will be one toward progressively higher interest rates, which would slow down demand. It was expected that resales in Canada would grow by 0.9% in 2011 and remain unchanged in 2012, and home prices would increase by 4.4% and 0.4%, respectively.

Canada's labour market generated 7,100 new jobs in July. The unemployment rate slid to 7.2% from 7.4% as the labour force contracted, and annual wage growth among permanent workers slipped to 1.2% from 2.0% in June. The increase was led by a 25,500 rise in full-time employment, with part-time employment falling by 18,400.

Canadian consumer prices rose by 0.7% in June. The annual inflation rate fell to 3.1% from 3.7% in May. Core inflation, which excludes the eight most volatile items and the effect of changes in indirect taxes, fell 0.6% to 1.3% in June, following the 1.7% average pace in the prior two months. The seasonally adjusted index also posted a 0.4% decrease in June.

Table 1

SELECTED ECONOMIC STATISTICS — CANADA

(Annual % change, unless otherwise noted)

	Actual	**Forecast**	
	2010	**2011**	**2012**
Real GDP	3.2	2.7	2.8
Consumer spending	3.3	2.1	2.4
Business investment	7.3	13.5	8.1
Government spending	2.4	0.9	0.4
Consumer Price Index	1.8	1.6	1.9
Unemployment rate (%)	8.0	7.5	7.2
Housing starts (thousands)	192	185	181
Corporate profit before tax	21.2	17.0	13.6

SOURCE: *Econoscope*, RBC Financial Group, August 2011.

5. THE INDUSTRY

The prepaid card industry had grown steadily since the early 1990's in North America. The pioneering product of the prepaid cards was the prepaid phone card, which could be used at just about any touchtone telephone, as well as at pay phones. Such cards enabled consumers to make calls when away from home or office. Several other prepaid products appeared gradually and the industry grew to several hundred billion dollars. The prepaid product offerings expanded to:

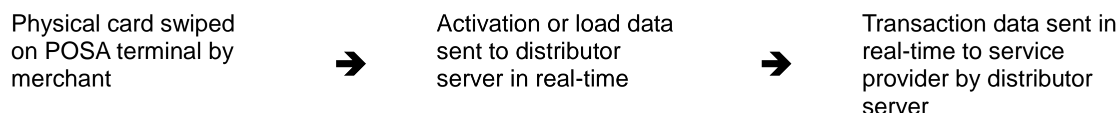
- long-distance calling;
- residential telephone;
- wireless airtime;
- hot Spot Wi-Fi;
- broadband residential internet;
- music downloads;
- payphone cards; and
- debit and credit cards.

It also includes gift cards.

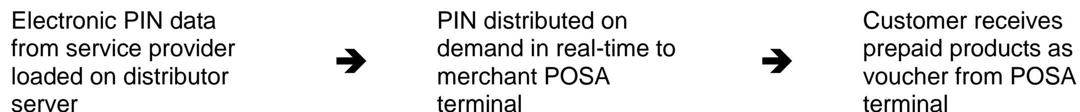
These products were first introduced as "live" cards, or pre-activated cards. Such physical cards had a value like cash, had to be carried as inventory, and were prone to theft and other inherent security issues. The necessary controls over the physical cards limited their potential merchandising.

The prepaid industry has moved away from live cards, as most of them were no longer offered by service providers or were expected to be discontinued in the near future. Innovative new software and point-of-sale ("POS") terminals were developed for/by prepaid products suppliers to allow card activation by merchants. The technology is called Point-of-Sale Activation ("POSA"). Consumers bring the card of their choice to the cashier, who swipes it through a POSA terminal to activate or recharge it. POSA terminals can also dispense a printed voucher containing a PIN for prepaid wireless time or other prepaid products. The following charts depict the two processes:

PREPAID CARDS ACTIVATED BY MERCHANTS



PIN PROVIDED TO CUSTOMER BY MERCHANTS



The shift away from live cards attracted an increasing number of merchants, as several advantages resulted from POSA technology:

- Little volume or financial commitments required from merchants;
- No shrinkage issue typically inherent in holding inventory of live cards;
- No inventory costs to merchant, as cards are activated only upon purchase;
- Better merchandising, as non-activated cards can be displayed anywhere without risk of theft; and
- Simplicity of operation requiring only limited training.

Prepaid services have evolved into mainstream use, as major telecommunication companies seek new growth opportunities.

The industry was making a rapid transition to technology-based services. The number of POS terminals in the market was enabling the introduction of new products and services. New card-based applications, such as prepaid credit cards and gift cards, were providing additional markets to the prepaid card industry and a source of new revenues for merchants and distributors of prepaid products.

6. CAR-TEL

6.1 Description of Car-Tel

Car-Tel operates in the distribution of prepaid products and in the management of POS terminals, with operations in eastern Canada. At the Valuation Date, its customer list included approximately over 2,500 merchants, over 80% of

which were in the province of Quebec, the remainder being in Ontario, Nova Scotia, Newfoundland, New Brunswick and Prince Edward Island.

Car-Tel had a workforce of 8 employees:

- 3 in sales and operations;
- 1 in IT and programming; and
- 4 in administration.

Founded in 2001, Car-Tel had grown steadily until 2006, at which time it had encountered financial difficulties, resulting in the restructuring and refinancing of its operations.

On March 31, 2008, Saratoga acquired 100% of the issued and outstanding shares of Car-Tel. The consideration at closing was 2,500,000 common shares of Saratoga having a quoted per-share market price of $0.40 at the Acquisition Date, yielding an implied total consideration (before the application of a 25% blockage discount) of $1,000,000.

Car-Tel offers a complete line of prepaid cards to its merchants. It acts in partnership with several leading cellular phone and long-distance service providers, including:

- Bell Canada;
- Bell Mobility;
- Fido;
- Rogers;
- Telus Canada;
- Telus Mobility; and
- Virgin Mobile,

and with several third-party gift card providers, some of the largest being:

- Blackhawk Network;
- Desjardins;
- Fanbox;
- FidéliSoft; and
- Puretracks.

Car-Tel's distribution efforts are primarily directed towards gas stations, convenience stores, groceries and pharmacies.

Car-Tel holds a virtual inventory of personal identification numbers ("PINs") that it purchases from different cellular phone and long-distance service providers. These PINs are drawn from the virtual inventory by Car-Tel's merchants when they sell recharge vouchers to their customers. Third-party gift cards are activated by Car-Tel's merchants through Car-Tel's network, which routes all terminal activity to the appropriate processor (Desjardins for La Cage aux Sports, Blackhawk for Home Depot, etc.). Car-Tel's merchants use a single POS terminal to issue recharge vouchers used in prepaid services (such as cellular phones) or to activate third-party gift cards. The proceeds of sales, net of merchant margin, are charged to Car-Tel's merchants on a weekly basis. Car-Tel receives a commission on sales of third-party gift cards and earns a margin on sales of prepaid cards (from the virtual PIN inventory it purchases) to merchants. Sales of physical live prepaid cards (cards that are pre-activated by the service provider) have been diminishing steadily and were discontinued by service providers in 2008. Additional revenues are generated through the leasing of terminals and from monthly fees charged to the lowest performing merchants of Car-Tel's network (i.e., should they not meet a specified monthly minimum level of sales after a six-month trial period).

Car-Tel maintains a group of field representatives who introduce new products it distributes to existing merchants and who create new business by working leads that are assigned to them. Master sales agreements with major franchisors are usually concluded by the Accounts Director or Mr. Luc Charlebois, President. Field representatives are then responsible for meeting with each of the banner stores to set up individual accounts. All sales representatives are paid a fixed salary.

6.2 Recent Developments

Total transaction volume has decreased by approximately 20.56% over the 12 months immediately preceding the Valuation Date. Approximately 220 of Car-Tel's non-performing merchants retired their POS terminals in the Company's 2011 fiscal year. Management believe that POS location offering in its traditional market has reached market maturity status. Consequently, during the fiscal year ended March 31, 2011, Car-Tel reduced its selling expenses (salaries and benefits) as well as its travel costs, saving approximately $156,600.

Notwithstanding management's effort to reduce expenses, in fiscal 2011 Saratoga incurred continued operating losses resulting in non-compliance with certain financial covenants required by its lender relating to the bank advances and term loans.

With the expiration of Car-Tel's exclusivity with Bell for the resale of long-distance cards on March 31, 2011, Car-Tel's margin on this product was reduced materially, from 5.75% to 2.75%. Furthermore, as of August 1, 2011,

Rogers and Fido also reduced the margins available on the sale of their cellular phone cards from approximately 4.50% to 2.50%, another material reduction. These decreases have negatively impacted Car-Tel's operating results.

Due to deteriorating sales, current and anticipated future losses as well as negative cash flows, Saratoga's management has determined during fiscal 2011 that the fair value of the Car-Tel prepaid business unit for financial reporting purposes pursuant to generally-accepted accounting principles did not exceed its carrying amount. Consequently, the balance of $888,636 of goodwill relating to Car-Tel appearing on Saratoga's financial statements which had previously been supported by valuations prepared by WB for each of the 2009 and 2010 fiscal years, was considered impaired and was charged against income in fiscal 2011, as the actual revenues did not meet the management forecasted revenues and EBITDA.

As Car-Tel's budgeted future taxable income did not meet the fiscal requirements for future application of its income tax losses, Saratoga's management determined that a write-off in fiscal 2011 of $400,294 in future income tax assets was appropriate.

6.3 Prior Valuation

According to the most recent prior valuation, which was the fair value[3] measurement for purposes of the annual goodwill impairment test for financial reporting purposes, the fair value of Car-Tel as at March 31, 2010, estimated by applying the Discounted Cash Flow Method of valuation, was in the range of $4,960,000 to $5,070,000 as determined by WB in their report dated July 23, 2010.

The Fair Market Value of the Shares at which we arrived, differs materially from the fair value as at March 31, 2010, due to the following factors:

- The Company's history of operating losses and projected cash flow/losses for the 2012 and 2013 fiscal years (the "Forecast Period");
- Total transaction volume has decreased by approximately 20.56% over the 12 months preceding the Valuation Date;

(3) "Fair value", for purposes of measuring the identifiable individual assets and liabilities of an enterprise pursuant to GAAP, is defined as "the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act", *Handbook* of the Canadian Institute of Chartered Accountants, Sections 1581.06(b) and 3064.08(F).

- POS terminals deployed across Car-Tel's network have decreased by 12.06% over the 12 months immediately preceding the Valuation Date;

- Approximately 220 of Car-Tel's non-performing merchants retired their POS terminals in fiscal 2011;

- The number of transactions per POS terminal has decreased by 9.66% over the 12 months preceding the Valuation Date;

- With the expiration of Car-Tel's exclusivity with Bell for the resale of long-distance cards on March 31, 2011, Car-Tel's margin on this product was reduced by 3.00% from 5.75% to 2.75%. Furthermore, as of August 1, 2011, Rogers and Fido also reduced the margins available on the sale of their cellular phone cards by 2.00% from approximately 4.50% to 2.50%. These decreases negatively impact Car-Tel's operating profits;

- Due to deteriorating sales, current and anticipated future losses as well as negative cash flows, management has determined during fiscal 2011 that the fair value of the Car-Tel prepaid business unit did not exceed its carrying amount. Consequently, the balance of $888,636 of goodwill relating to Car-Tel, appearing on Saratoga's financial statements at March 31, 2010, which had been supported by valuations prepared by WB for each of the 2009 and the 2010 fiscal years, was considered impaired and was charged against income in fiscal 2011, as the actual revenues did not meet the management forecasted revenues and EBITDA;

- Due mainly to the fact that Car-Tel's budgeted future taxable income did not meet fiscal requirements for future application against non-capital losses, Saratoga's management determined that a write-off of $400,294 in future income tax assets in fiscal 2011 was appropriate;

- In fiscal 2011, Saratoga incurred continued operating losses, resulting in non-compliance with certain financial covenants as required by its financial institution regarding the bank advances and term loans;

- Car-Tel has never paid dividends since being acquired by Saratoga, and a financial return to Saratoga on its investment in the Company was unlikely in the foreseeable future;

- There have been ongoing changes in technology, which cause an increase in competition and place downward pressure on pricing; and

- The economic uncertainty and financial crisis have reduced the amount of liquidity available in the capital markets.

7. VALUATION METHODOLOGY

7.1 General

There are three basic, generally-accepted approaches for valuing a business, business ownership interest or security:

(a) The Asset-Based Approach;

(b) The Income Approach; and

(c) The Market Approach.

In certain cases, a combination of two or more of the foregoing approaches may be appropriate.

7.2 Market Approach — General

The Market Approach is a general way of determining a value indication of a business, business ownership interest, security or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities or intangible assets that have been sold.[4]

The Market Approach requires observable prices and other information generated by actual transactions involving identical, similar or otherwise comparable assets or liabilities (including business enterprises). The estimate of fair market value is based on the value indicated by those transactions.

7.2.1 Guideline Public Company ("GPC") Method — General

The GPC Method is a method whereby market Multiples are derived from market prices of stocks of companies that are engaged in the same or similar lines of business and that are actively-traded on a free and open market. Under this method, guideline company data are gathered in order to develop value measures (Valuation Ratios) that can be applied to the subject company's fundamental financial and other data and correlated in order to reach an indication of value for the issued shares of the subject company. This is effected by analyzing the prices of stocks of reasonably comparable publicly-traded companies that operate in the same industry as the company being appraised, as their stock prices most adequately reflect investors' expectations of the return on an investment of similar risk *vis-à-vis* the subject company. To the extent that the riskiness of an investment in the subject company's common stock is different from that of the guideline companies, adjustments are made to the market-based Valuation Ratios to reflect such differences.

(4) *International Glossary of Business Valuation Terms*, June 2001.

7.2.2 Guideline Transactions Method — General

Under this method, Valuation Ratios are derived from open-market transactions of significant interests in companies engaged in the same or similar lines of business as the subject.

The factors considered in judging a reasonable basis for comparing the subject to similar businesses, business ownership interests, or securities that have been sold in the open market include:

- sufficient similarity of qualitative and quantitative investment characteristics;
- extent and verifiability of data known about the similar investment;
- whether or not the price of the similar investment was transacted in an arm's length transaction, as a result of a forced or distressed sale, or other fact situation that may not provide evidence of fair market value; and
- the relevance of market conditions existing at the transaction date and those at or proximate to the Valuation Date for purposes of the subject valuation.

7.2.3 Prior Transactions of Shares of the Subject Company — General

Another valuation method under the Market Approach includes the analysis of any prior transactions in the ownership of the subject company within a meaningful timeframe. In this regard, an analysis is made to determine whether, among other things, the transaction:

(a) was at arm's length;

(b) was the result of a forced or distressed sale (or purchase);

(c) represented a minority or control position;

(d) was pursuant to the terms of a buy/sell agreement or put option; and

(e) the market conditions at the time of the transaction were consistent with those at the valuation date with respect to the subject valuation.

7.3 Income Approach — General

The Income Approach is a general way of obtaining a value indication of a business (or its underlying assets), using one or more methods wherein a value is determined by converting anticipated benefits. This approach contemplates the continuation of business operations.

The Income Approach is adopted where the business being valued is earning a fair return on its capital employed and the notional purchaser wishes to acquire the future indicated earnings/cash flow stream generated by the enterprise. That is, the earnings value of a going concern is based upon the yield to an investor, at the desired Rate of Return on his or her investment, having regard to a number of "internal" and "external" factors relating to the future prospects of the business, the rates of return on alternative investments, the degree of risk involved, the liquidity of the investment, etc.

Anticipated economic benefits are converted to value using procedures that consider expected growth trends and timing, the risk profile of the benefits stream and the time value of money. The conversion of the benefits stream to value normally requires developing a Capitalization Rate or Discount Rate (Rate of Return). In developing the appropriate rate, such factors as interest rates, rates of return anticipated by investors on alternative investments, risk characteristics of the anticipated benefits of the subject entity, etc. are considered. Typically, the Rate of Return or Discount Rate used is consistent with the types of anticipated benefits used.[5]

The earning power of a viable going-concern is usually greater than the aggregate values of its individual tangible assets because of the value-in-use of both the intangibles[6] and the tangibles viewed together.

The more common methodologies, or techniques, applied under the Income Approach are:

(a) Capitalizing operating earnings or cash flow[7], applying either the Capitalized Earnings Method or the Cash Flow Method, respectively;

(b) Discounting the future stream of economic benefits, applying either the Discounted Cash Flow ("DCF") Method or the Discounted Future Earnings ("DFE") Method; and

(c) Capitalizing gross revenues, applying the Multiple-of-Revenues Method[8].

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(5) For example, pre-tax rates of return are used with pre-tax benefits; common equity rates of return are used with common equity benefits and Net Cash Flow rates of return are used with Net Cash Flow benefits.

(6) Intangibles include goodwill, patents, licenses, copyrights, franchises, leaseholds, etc.

(7) Among the commonly-used measures of cash flow are included Net Cash Flow and EBITDA.

(8) In certain businesses, the purchaser focuses on the target's book of business (however, the price would be corroborated by one of the other methodologies).

7.3.1 Capitalized Earnings Method — General

To determine the value of a business applying the Capitalized of Earnings Method, the reported earnings, usually for a representative period of preceding years (which may generally serve as a guide to future trends), are adjusted in respect of:

- extraordinary, non-recurring and unusual items that would otherwise distort the estimate of future profits;
- non-arm's length expenses which are of an uneconomic nature (discretionary expenses);
- consistency with the operating conditions that are expected to prevail; and
- additions to, or reductions in, capital employed.

Where there is a definite trend in the sales patterns and adjusted earnings, the normalized earnings are generally weighted (in order to place more emphasis on the most recent or indicative years) to arrive at a likely trend of annual, future earnings. These adjusted results are then multiplied (capitalized) by a price-to-earnings Multiple (capitalization factor) in order to arrive at the Capitalized Earnings Value[9], or Going-Concern Value, of the business. Added thereto are (a) the value of the Tax Shield on the depreciable fixed assets and (b) the value of any Redundant Assets.[10] The aggregate so arrived at represents the value of the entity as a whole, i.e., "corporate worth", as represented by all of its issued and outstanding shares (and other forms of capital, as appropriate), viewed *en bloc*.

7.3.2 Capitalized Cash Flow ("CCF") Method — General

A variation of the Capitalized Earnings Method of determining the Going-Concern Value of a business is the Capitalized Cash Flow Method. Operating Cash Flow, derived from the elimination of non-cash items such as depreciation, amortization and deferred taxes, is substituted for earnings from operations and then further refined into "discretionary", "Net", or "Free" Cash Flow, which is then capitalized. This approach also assumes a minimum level of recurring (annual) capital reinvestment or ongoing capital maintenance, to sustain operations at existing levels (referred to as "Sustaining Capital Reinvestment" or "SCR"). Since a notional purchaser in the marketplace would be concerned with the cash in-flows and out-flows of a business, the Capitalized Cash Flow Method can often

(9) Stated differently, the expected future earnings stream is converted into a capital sum at the commencement of the period based upon the rate of return desired by the hypothetical purchaser.

(10) The value of Redundant Assets, if any, is aggregated, as it is assumed that a prudent vendor would either extract Redundant Assets from the company prior to the sale, or require compensation from the purchaser for the value thereof. Thus, "corporate worth" reflects the value of all underlying assets, tangible and intangible, that would enure to the hypothetical purchaser of the shares.

be more reliable than the Capitalized Earnings Method in valuing a going concern under the Income Approach, particularly when there are substantial non-cash expenses such as depreciation, amortization and deferred income taxes.

Where there is a definite trend in the subject's sales patterns and adjusted cash flows, its normalized (maintainable) cash flows are generally weighted (in order to place more emphasis on the most recent or indicative years) to arrive at a likely trend of annual, future (indicated) cash flow.

These adjusted results are then capitalized by a Price-to-Cash Flow Multiple in order to arrive at the Going-Concern Value of the business. Redundant Assets, if any, are added to arrive at the fair market value of the entity as a whole, i.e., "corporate worth".

7.3.3 DCF Method — General

In situations where (a) future capital investments are required, (b) the specific timing of the revenues/cash in-flows and expenses/cash out-flows is particularly significant (for example, a new venture, expansion of capacity, significant change of management and/or financial structure, cessation or sale of a portion of a business) and/or (c) future expected results are either known or reasonably predictable, the DCF Method (or a variation thereof, such as the DFE Method, both being valuation techniques under the Income Approach) is generally appropriate.

Applying such method, projected future earnings or cash flows are discounted by the desired Rate of Return, which considers a number of internal and external factors relating to the business being valued, as well as the time-value of money. In effect, the Rate of Return considers the various risks attached to, and the opportunity costs of, acquiring the business.

Such method discounts all expected income or cash flows to the present, using a desired Rate of Return, or Discount Rate (cost of capital). Such rate would consider the various risks attached to, and the opportunity costs of, acquiring the assets.

In addition, the residual, or "terminal", value of the business/assets at the end of the projection period is included in the calculation, as there is an assumption that the assets purchased will ultimately be disposed of (converted to cash). To the extent that the sales proceeds of such assets form all or part of the return of the initial purchase price, such proceeds are considered in the same manner as other income/cash in-flows received during the period, and would be discounted accordingly.

7.3.4 Development of Discount Rate — Weighted Average Cost of Capital (“WACC”)

The WACC is the Discount Rate that is used to derive the present value of a business’ future cash flows. It is the average Required Rate of Return of all of the entity’s financing — equity, debt and preferred shares — weighted in proportion to the entity’s total invested capital.

The formula for calculating the WACC is:

$$WACC = (K_e * W_e) + (K_d * W_d)$$

Where:

K_e = Cost of equity
W_e = Equity weight (value of equity divided by invested capital)
K_d = After-tax cost of debt
W_d = Debt weight (value of interest-bearing debt divided by invested capital)

As described in the following subsection, we used the “Build-Up Method” to calculate the cost of equity. We considered the Capital Asset Pricing Model for calculating the cost of equity, but due to an unreliable *beta*[11], the Build-Up Method was utilized.

7.3.5 Build-Up Method for Equity Component of Cost of Capital

The primary technique for developing an equity Discount Rate[12] (Rate of Return) to apply to a stream of indicated maintainable cash flows or earnings is the Build-Up Method. The Build-Up Method is based on the principle that a company’s Discount Rate comprises a number of identifiable risk factors which, when added together, result in the total return required on the purchase of the business.

The Build-Up Method incorporates a multi-step process in “building up” the average market return for equity investments. The first step is to determine the Risk-Free Rate as at the Valuation Date. To this rate is added (a) the Equity Risk Premium that an equity investor would require in order to receive a market Rate of Return on equity, and (b) an investment-specific Risk Premium (or discount) relating to the risk perceived in the particular acquiree (including size).

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(11) *Beta* is a measure of systematic risk of a stock (risk that is common to all risky securities and cannot be eliminated through diversification); it is the tendency of a stock’s price to correlate with changes in a specific index. *Beta* is a function of the relationship between the return on an individual security and the return on the market as measured by a broad market index such as the S&P/TSX.

(12) A similar technique is adopted to develop a Capitalization Rate (and, consequently, its related Capitalization Multiple).

As Discount Rates consider the "risk-free" Rate of Return, such as that on long-term benchmark Government of Canada bonds (3.35% at July 29, 2011), adjustments are made thereto for valuation purposes in respect of the various internal and external factors impacting the future prospects of the business. Respective weights are applied to each factor for purposes of arriving at an appropriate Rate of Return (Capitalization Multiple) applicable to the free cash flow of the company. That is, as price/net cash flow is a risk/reward ratio, we estimated the Rate of Return a notional purchaser of the company would require, considering the various factors bearing on the future prospects of the company (as of the Valuation Date).

In this regard, we considered the following:

- ***Risk-Free Return (Rf)***. Yields on the Government of Canada long-term bond are used as the starting point for the Rate of Return on a risk-free security. Accordingly, we used the return on July 29, 2011 on the above-noted long-term benchmark Government of Canada bonds of 3.35%.

- ***Equity Risk Premium (RP_m)***. The risk premium for the market and the risk premium for small stocks are calculated based upon figures provided in *Stocks, Bonds, Bills, and Inflation,* 2011 Edition (Morningstar, Inc.). The risk premium for the market is calculated by subtracting the mean return for long-term government bonds from the mean return for shares of large public companies.

  We considered 3.69% for the 2011 Equity Risk Premium based on the *Stocks, Bonds, Bills, and Inflation 2011 Yearbook — Valuation Edition*, published by Morningstar, Inc., which reflects the Equity Risk Premium in Canada.

- ***Risk Premium for Small Size (RP_s).*** Various studies have provided strong evidence that the degree of risk and corresponding cost of equity capital increase with the decreasing size of the company. Studies show that this addition to the Equity Risk Premium is over and above the amount that would be warranted solely for the company's systematic risk (economic and other external factors). The Risk Premium is calculated by subtracting the mean return for large-company shares from the mean return for small company shares. We used a 7.07%[13] size premium with respect to the Company.

- ***Company-specific (Unsystematic) Risk (RP_u)*** is the Risk Premium attributable to the specific company and is designed to account for additional risk factors that are "internal" to the company and possibly not reflected in the typical risk characteristics of the large group of companies from which the Equity Risk Premium and size premium were derived. Based on our analysis of the Company, we applied a premium of 8.19% for company-specific risks. The Build-Up Model in valuation may be expressed by the following formula:

(13) We arrived at a 7.07% size premium using data gleaned from *Risk Premium Report 2010*, published by Duff & Phelps LLC.

$$E(R_i) = R_f + RP_m + RP_s + RP_u$$

Where:

$E(R_i)$	=	Expected (market required) Rate of Return on security *i*
R_f	=	Rate of Return available on a risk-free security as of the Valuation Date
RP_m	=	General Equity Risk Premium for the "market"
RP_s	=	Risk Premium for small size
RP_u	=	Risk Premium attributable to the specific company or to the industry (the *u* stands for unsystematic risk)

7.4 Asset-Based (Cost) Approach — General

The Asset-Based (Cost) Approach is adopted where either (a) liquidation is contemplated because the business is not viable as an ongoing operation, (b) the nature of the business is such that asset values constitute the prime determinant of corporate worth (e.g., vacant land, a portfolio of real estate or marketable securities, etc.), or (c) there are no indicated earnings/cash flows to be capitalized.

If consideration of all relevant facts establishes that the Asset-Based (Cost) Approach is applicable, the method to be employed will be under a going-concern scenario ("Adjusted Net Book Value Method") or liquidation scenario (on either a forced or orderly basis), depending on the facts.

In applying the Adjusted Net Book Value Method, each asset and liability on the balance sheet is written up or down, as the case may be, to its respective current or fair market value as of the Valuation Date, on a going-concern (as opposed to liquidation) basis. Corporate income taxes relating to the above adjustments are notionally deducted (or added) to arrive at adjusted shareholders' equity on a net basis.

The Asset-Based Approach is not adopted as the sole appraisal approach in appraising a company as a going-concern (unless it is customarily used by buyers and sellers).

7.5 Combination of Approaches — General

In some circumstances, a composite figure is determined (based upon the three valuation approaches outlined above) where the values calculated under each method are weighted and an average is taken. While there is no precise formula for determining the relative weights to be assigned to each of the three approaches, the results are usually weighted according to the reliability and significance of each, if and when this method is considered appropriate.

7.6 Valuation Methodology Considered and/or Adopted to Value Car-Tel

Having considered the generally accepted approaches to valuation, as well as industry trends and the documents and information noted in Section 3, **SCOPE OF REVIEW** and, based on our discussions and interviews with management, we considered the three following valuation approaches: the Asset Approach, applying Adjusted Net Book Value; the Market Approach, applying the Guideline Public Company Method and analyses of offers for the Shares; and the Income Approach, applying the DCF Method.

8. VALUATION OF THE SHARES

8.1 Asset Approach

In applying the Adjusted Net Book Value Method within the Asset Approach, each asset and liability on the balance sheet is written up or down, as the case may be, to its respective current or Fair Market Value as of the Valuation Date, under a going-concern (as opposed to liquidation) premise. Corporate income taxes relating to the above adjustments are notionally deducted (or added) to arrive at adjusted shareholders' equity on a net basis.

8.1.1 Application of Adjusted Net Book Value Method

Shareholders' Deficiency as at the Valuation Date was -$2,281,688 (Schedule 7). As the carrying values of assets and liabilities were approximately equal to their Fair Market Values, consequently no adjustments were made. Accordingly, we considered that the Fair Market Value of the Shares under this approach was Nil.

8.2 Income Approach

Our valuation involved the following steps:

(a) reviewing the Projections with management, including the underlying assumptions and calculations on which they were based;

(b) adjusting projected (accounting) EBITDA, per the Projections, for each of the years of the Projection Period by deducting estimated required annual capital expenditures to arrive at Invested Capital Net Cash Flow;

(c) developing an appropriate Discount Rate to apply to (i.e., present-value) the Invested Capital Net Cash Flow for each of the years in the Projection Period in (b) above, considering the internal and external factors impacting Car-Tel, including rates of return on alternative investments, the degree of risk attached in achieving the indicated level of Invested Capital Net Cash Flow, future prospects, etc.;

(d) determining the present value of the Invested Capital Net Cash Flow, as of the Valuation Date, for each of the years in the Projection Period arrived at in (b) by applying the Discount Rate developed in (c);

(e) estimating the residual (or terminal) value of Car-Tel at the end of the Projection Period (March 31, 2013) by capitalizing the 2013 Invested Capital Net Cash Flow by an appropriate Rate of Return. The Capitalization Rate considered the internal and external factors impacting Car-Tel, as referred to in (c) above. The capitalized terminal-year Invested Capital Net Cash Flow of the Company was then discounted back to the Valuation Date at the Discount Rate in (c);

(f) calculated the Tax Shield on the depreciable assets owned by the Company, being the value of income tax savings resulting from the amortization of fixed assets; and

(g) aggregating, with the present value of the Invested Capital Net Cash Flow in (d), the present value of the residual value of the Company in (e), the present value of non-capital loss carryforwards available beyond the Projection Period and the Tax Shield[14] on depreciable capital assets, which resulted in the value of the Company.[15]

8.2.1 Invested Capital Net Cash Flow

In determining Car-Tel's Invested Capital Net Cash Flow[16] for valuation purposes, we reviewed and analyzed Car-Tel's historical financial statements, the Projections, as well as the other documents referred to in Section 3 above, **SCOPE OF REVIEW**. We also obtained information and explanations from management with respect to past operations and future operations, viewed prospectively as of the Valuation Date.

As noted in Section 7.6, to determine the Invested Capital Net Cash Flow for valuation purposes during the Projection Period, we commenced with Car-Tel's EBITDA (Schedule 2), from which we deducted estimated annual capital expenditures, net of Tax Shield (Schedule 2.1).

This resulted in the calculation of Invested Capital Net Cash Flow for each of the years in the Projection Period (Schedule 2).

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(14) Defined in Appendix A, Section A.30.

(15) Given that the financial projections for Car-Tel show losses for the foreseeable future, no value was attributed to the non-capital loss carryforwards and the Tax Shield as the probability of their utilization was deemed to be low.

(16) Those cash flows available to pay out to equity holders (in the form of dividends) and debt investors (in the form of principal and interest) after funding operations of the business enterprise and making necessary capital investments.

8.2.1.1 Sustaining Capital Reinvestment

Based on its budget, Car-Tel is expected to make annual capital expenditures of $90,000 in 2012 and thereafter, which will be $79,600, net of Tax Shield (Schedule 2.1).

8.2.2 Discount Rate

In developing the Discount Rate, we applied the Build-Up Method (outlined in Section 7.3.5).

8.2.2.1 Internal and External Factors

An acceptable Rate of Return will change with time and situation. However, the factors to be considered in the determination thereof are generally constant and include a number of internal and external factors having a bearing on the subject business.

- *Internal Factors*

  These relate to the particular business being valued and included the following considerations, among others, with respect to Car-Tel:

  - Projection risk;
  - Dependence on key personnel;
  - Degraded liquidity and financial leverage;
  - History and projection of operating losses;
  - Reduction of margin on products sold;
  - Dependence on major customers and suppliers; and
  - Dependence on IT systems.

- *External Factors*

  These relate to the external (non-controllable) forces that impact the business and, in the case of the Car-Tel, included, among others:

- General business conditions and economic cycles expected to prevail during the Projection Period;
- Competition within the industry;
- Mature market segment with limited growth; and
- Risks related to possible privacy and security breaches.

8.2.2.2 Discount Rate (WACC) and Capitalization Rate

As explained in Section 7.3.4, the WACC represents a combined after-tax Rate of Return for the equity and debt components of invested capital.

Based on our analysis of (a) the risk factors in Section 8.2.2.1, and applying the Build-Up Method in Section 7.3.5, we concluded that a notional purchaser would require an after-tax equity Rate of Return of between 21.93% and 24.24% (midpoint: 23.08%). Combining this equity Rate of Return with the Company's estimated after-tax debt financing rate of 14.83%, and applying an industry debt/equity weighting of 5%/95%, resulted in a WACC in the range of 22.24% to 22.68%. After applying a perpetual growth factor of 3.00%, we arrived at a Capitalization Rate in the range of 18.70% to 19.08% (midpoint: 18.89%).

8.2.3 Present-Value Summary

Applying Discount Rates of 22.24% to 22.68% (comprising a return for the time-value of money and the risk-profile of the cash flow stream) to the Invested Capital Net Cash Flow for the 2012 and 2013 fiscal years, yielded the present value thereof, representing cash flow losses in the range of $309,000 to$311,000 (Schedule 2).

8.2.4 Residual (Terminal) Value

The DCF Method also considers the present value (as of the Valuation Date) of the residual (terminal) value of Car-Tel at the end of the Projection Period. To determine the residual value, we estimated the value of Car-Tel as at March 31, 2013. We used a projected after-tax cash flow loss of $135,652 for 2013 (Schedule 3), to which we added SCR of $79,600 net of Tax Shield, arriving at Invested Capital Net Cash Flow Loss of $215,000 for the terminal year (Schedule 3).

8.2.5 Tax Shield

We understand that the Company will be able to claim capital cost allowance on its undepreciated capital cost pools if and when it generates sufficient taxable income. Accordingly, we calculated the Tax Shield as a component to be included in the Company's Fair Market Value. We estimated the Tax Shield to be in the range of $69,000 to $70,000 (Schedule 4). Given that the Company's financial projections show losses for the foreseeable future, no value was attributed to the Tax Shield as the probability of its utilization was deemed to be low.

8.2.6 Non-Capital Loss Carryforwards

The Company had non-capital loss carryforwards of $2,125,096 and $1,927,777 based on the Federal and Quebec income tax returns, respectively, for the taxation year ended March 31, 2009 which could be used to reduce future income taxes.

Based on the fact that there was no projected taxable income during the Projection Period and thereafter and that Saratoga wrote down $400,294 of future income taxes relating to Car-Tel's non-capital losses, we estimated the value of non-capital loss carryforwards to be in the range of $150,000 to $212,000 based on a rules-of-thumb observed in the marketplace showing that tax losses can be valued at, say, from $0.08 to $0.10 per $1.00 of losses, considering the level of uncertainty relating to their utilization in the foreseeable future.

However, given that net assets were significantly negative, the value of the tax losses was not sufficient to bring the Fair Market Value of Car-Tel above nil under the Asset Approach.

Also, given that the financial projections showed that losses were forecasted for the foreseeable future, the tax losses could accordingly not be utilized to increase the Fair Market Value of Car-Tel above zero in the short-term.

8.2.7 Fair Market Value of Car-Tel

To the present value of the Invested Capital Net Cash Flow (Section 8.2.3), we aggregated (a) the present value of the terminal value of Car-Tel at the end of the Projection Period (Section 8.2.4), and (b) the Tax Shield (Section 8.2.5), which resulted in the estimated Fair Market Value of Car-Tel at the Valuation Date, being nil (Schedule 1).

8.2.8 Fair Market Value of the Shares

Accordingly, Fair Market Value of the Shares, at the Valuation Date, was Nil.

8.3 Market Approach

8.3.1 Guideline Transactions Method

In considering the adoption of the Market Approach, applying the Guideline Transactions Method, we searched for meaningful, empirical data for purposes of valuing Car-Tel. We reviewed a number of open-market transactions in the prepaid-card and payment-processing industries in this regard. We were able to identify five significant transactions, as presented on Schedule 10, with respect to which meaningful pricing data might have been available with regard to companies engaged in the same or similar lines of business as Car-Tel proximate to the Valuation Date.

However, based on our review and analysis, we concluded that the acquirees in those transactions were not directly comparable to Car-Tel, being for the most part involved in payment processing as opposed to distribution of third-party prepaid cards. The profitability margin is substantially higher in the payment processing industry with EBITDA-to-Revenues margins ranging from 2.29% to 20.00% for the two profitable acquirees, compared with negative margins for Car-Tel during the Projection Period. Accordingly, we did not apply the Guideline Transactions Method as a valuation methodology.

8.3.1.1 Current and Previous Offers

8.3.1.1.1 VendTek Systems Inc.

VendTek Systems Inc. ("Vendtek") (TSX: "VSI") made an offer on December 3, 2010 for between $5,000,000 and $8,000,000 for Car-Tel's Shares on a debt-free basis (Schedule 13). Vendtek's offer required that Car-Tel should:

- have approximately 3,000 POS;
- maintain revenue growth of 7.3% compared with the same period in the prior year;
- maintain 4.9% gross margin;
- have $500,000 normalized EBITDA; and
- ensure continuation of the Ultramar contract following change of control.

The net amount for Car-Tel Shares as indicated on Schedule 13 was in the range of $3,179,226 to $6,179,226.

Considering the following factors: (a) the date of the letter of intent, which is six months prior to the Valuation Date, (b) Car-Tel did not achieve revenue growth and EBITDA ratios required by the offer; (c) the offer was made prior to the recent events noted in Section 6.2, and (d) the offeror withdrew during the preliminary negotiation and due diligence stage, we concluded that this offer would not provide meaningful data for the purposes of our valuation.

8.3.1.1.2 Offer of Mr. Luc Charlebois — December 2010

In the offer dated December, 2011, Mr. Luc Charlebois offered a total consideration of $2,725,000. This offer included approximately $1,177,900 of the Company's debts, yielding a net price of approximately $1,547,100 for the Shares (Schedule 12). We concluded that this offer would not provide meaningful data for purposes of our valuation, as it was made six months prior to the Valuation Date and before the recent events noted in Sections 6.2 and 6.3. This offer expired and is superseded by Mr. Charlebois' Offer outlined below.

8.3.1.1.3 Offer of Mr. Luc Charlebois — July 2011

In his Offer dated July 29, 2011, Mr. Luc Charlebois is offering total consideration of $1,358,968 or a net cash price of $1,193,788 after considering the forgiveness of the debt of $165,180 owed by Saratoga plus the repayment of a debt due by the Company to Saratoga Leasing Inc. of $300,000. The $1,193,788 is inclusive of the repayment of approximately $693,848 of intercompany debt, yielding a net price of approximately $500,000 for the Shares (Schedule 13). We considered this Offer to be meaningful for purposes of estimating Fair Market Value at the Valuation Date.

8.3.2 GPC Method — General

Valuation Ratios can also be developed from comparable, publicly-held corporations ("guideline companies"), to the extent that sufficient data are available. Guideline companies provide a reasonable basis for comparison to the investment characteristics of the company being valued. Ideal guideline companies are in the same industry as the subject company and have an underlying similarity in terms of relevant investment characteristics such as markets, products, growth, cyclical variability, and other salient factors.

A thorough, objective search for guideline public companies is required to establish the credibility of the analysis, and must include criteria for screening and selecting guideline public companies.

In using guideline companies, adjustments to the respective financial data of the subject company and the guideline companies are considered, in order to minimize any significant differences in accounting treatment. Unusual and

non-recurring items are accordingly analyzed and adjusted as appropriate. A comparative analysis of the qualitative and quantitative similarities and differences between the guideline companies and the subject company is made to assess the investment attributes of the subject company relative to the guideline companies. If appropriate, adjustments for dissimilarities are also made with respect to:

- Degree of control;
- Degree of marketability and liquidity;
- Strategic- or investment-value considerations;
- Size; depth of management; diversification of markets, products and services; and
- Relative growth and risk.

8.3.2.1 Guideline Companies Identified

In determining the fair market value of Car-Tel, we examined relevant historical and current financial and operating results of selected publicly-listed companies distributing third-party prepaid cards ("Guideline Companies") that were considered reasonably "comparable" to the Company. These were chosen based on the research we conducted, discussions with management, and our review of relevant material describing the nature of the respective businesses of each of the firms included in the population of guideline company "candidates" we considered.

SelectCore Ltd. ("SelectCore") and Vendtek, both publicly-listed companies, were selected by us as potential Guideline Companies for purposes of our valuation.

8.3.2.1.1 SelectCore

SelectCore is a Canadian company, similar in size to Car-Tel. It is a prepaid telecommunications distributor and service provider, with headquarters in the Windsor, Ontario area. SelectCore's current product and service offerings across Canada include prepaid:

- residential telephone;
- long-distance;
- broadband residential Internet;
- wireless;

- gift cards; and
- reloadable credit cards.

It also includes bill payments.

SelectCore's offerings are marketed through private-label partnerships as well as a nation-wide distribution channel of thousands of retail locations throughout Canada, primarily in Quebec, Ontario, Alberta and British Columbia.

SelectCore also has long-term relationships with Canada's top telecom carriers in addition to an extensive distribution channel consisting of thousands of independent retailers across the country. It has proprietary technology for POSA applications and is a switch-based provider of prepaid PINs.

8.3.2.1.2 Vendtek

Vendtek) is a Canadian company that has been in operation since 1988. It provides automated transaction systems software to its customers, which are located in Canada, the U.S., Europe, Asia and the Middle East. It is also known for having the largest electronic prepaid services network in Canada. Vendtek services over 15,000 merchants. Its headquarters are located in British Columbia; there is also a sales office in China.

Vendtek's system is operated on a sophisticated software package, known as *eFresh*. The software is designed to allow retailers to more efficiently see products electronically by allowing cards to be activated and reloaded over a secure network.

8.3.2.2 Companies Considered, But Rejected, as Guideline Companies

Based on our review of documents and information available to us, we eliminated from the "population" of potential guideline-company candidates, those candidates having the following characteristics:

- Companies that are privately-owned and for which no financial information was publicly-available;
- Operations not primarily located in Canada; and/or
- Companies considered to operate in different lines of business.

8.3.2.3 Valuation Multiples

We were unable to develop meaningful Enterprise Value-to-EBITDA multiples, for the Guideline Companies in Section 8.3.2.1, as they (a) had nominal or negative EBITDA and (b) their securities were thinly-traded. Applying Valuation Ratios derived from limited or non-representative data to Car-Tel's parameters would not provide meaningful insight and serve a useful indicator for developing values *vis-à-vis* Car-Tel.

8.3.2.4 Conclusion — Market Approach

Based on the Market Approach and relying upon the Offer, we concluded that the Fair Market Value of the Shares was $500,000.

9. CONCLUSION

Based upon the information and documents reviewed, the explanations provided to us and subject to the restrictions, assumptions and qualifications noted herein, the estimated Fair Market Value of the Shares of Car-Tel on or about the Valuation Date was $500,000.

We trust that the foregoing will be of assistance to you.

Yours very truly,

ROBERT BOISJOLI & ASSOCIATES, S.E.C.

Per: Robert Boisjoli, FCA, CBV

DISTRIBUTIONS CAR-TEL INC.

VALUATION SUMMARY

AS AT JULY 29, 2011

	Range		
	High		**Low**
Present value of Invested Capital Net Cash Flow (loss) (Schedule 2)	$ (311,000)		$ (309,000)
Present value of Residual Value (Schedule 3)	-		-
Tax Shield on depreciable capital assets (Schedule 4)	-		-
Estimated Enterprise Value (rounded)	**$ -**		**$ -**
Midpoint		**$ -**	

NOTE: This schedule forms part of, and should be read in conjunction with, the accompanying report.

DISTRIBUTIONS CAR-TEL INC.

INVESTED CAPITAL NET CASH FLOW

FOR THE YEARS ENDING MARCH 31

		2012	**2013**
EBITDA (loss) (Schedule 5)		$ (87,648)	$ (135,652)
LESS: Estimated sustaining capital reinvestment (net of Tax Shield — Schedule 2.1)		(79,600)	(79,600)
Invested Capital Net Cash Flow (loss)		(167,248)	(215,252)
Discount rate	22.24%	0.9045	0.7400
Present value of Invested Capital Net Cash Flow (loss)		(151,274)	(159,277)
Total (rounded)		**$ (311,000)**	
Discount rate	22.68%	0.9028	0.7359
Present value of Invested Capital Net Cash Flow (loss)		(150,997)	(158,403)
Total (rounded)		**$ (309,000)**	

NOTE: This schedule forms part of, and should be read in conjunction with, the accompanying report.

DISTRIBUTIONS CAR-TEL INC.

SUSTAINING CAPITAL REINVESTMENT

FOR THE YEARS ENDING

	2012	**2013**	**2014 & After**
Estimated capital expenditure required per management estimate	$ 90,000	$ 90,000	$ 90,000
LESS: Tax Shield thereon *	(10,400)	(10,400)	(10,400)
Estimated sustaining capital reinvestment (net of Tax Shield)	**$ 79,600**	**$ 79,600**	**$ 79,600**

* Tax shield: $\frac{\text{SCR} \times \text{Tax Rate} \times \text{CCA Rate}}{\text{CCA Rate} + \text{Discount Rate}} \times \left[1 - \frac{\text{Discount Rate}}{2 \times (1 + \text{Discount Rate})}\right]$

NOTE: This schedule forms part of, and should be read in conjunction with, the accompanying report.

DISTRIBUTIONS CAR-TEL INC.
RESIDUAL VALUE
AS AT JULY 29, 2011

EBITDA (loss) — terminal year (Schedule 2)	$ (135,652)
LESS: Estimated income taxes @ 26.90%	-
Adjusted after-tax Invested Capital Operating Cash Flow (loss) before SCR	(135,652)
Estimated sustaining capital reinvestment (net of Tax Shield — Schedule 2.1)	(79,600)
Invested Capital Net Cash Flow (loss) (rounded)	**$ (215,000)**

	Range	
	High	**Low**
Capitalized at:		
• 18.70% (5.35 times)	$ -	$ -
• 19.08% (5.24 times)	-	$ -
Residual value as at end of March 31, 2013 (rounded)	-	-
Discounted at:		
• 22.24%	-	-
• 22.68%	-	-
Residual value as at July 29, 2011 (rounded)	**$ -**	**$ -**

NOTE: This schedule forms part of, and should be read in conjunction with, the accompanying report.

DISTRIBUTIONS CAR-TEL INC.

TAX SHIELD

AS AT JULY 29, 2011

Assets	CCA Class	UCC Pool*	CCA Rate	Tax Rate	Tax Shield** 22.24%	Tax Shield** 22.68%
Property and equipment	-	$ 427,967	30%	28.40%	$ 69,805	$ 69,210
			Value* **		**$ -**	**$ -**

* Based on Car-Tel's June 30, 2011 interim financial statements. Assumed an average CCA rate of 30%.

** Tax Shield on UCC Pool: $\frac{\text{UCC} \times \text{CCA Rate} \times \text{Tax Rate}}{\text{Rate of Return} + \text{CCA Rate}}$

*** Deemed to be nil due to uncertainty of realization, given projected losses for the foreseeable future.

NOTE: This schedule forms part of, and should be read in conjunction with, the accompanying report.

DISTRIBUTIONS CAR-TEL INC.

PROJECTED INCOME STATEMENT

AS AT MARCH 31

	2012	**2013**
Sales	$45,343,179	$45,294,394
Volume discounts	(264,372)	(264,083)
Net sales	45,078,807	45,030,311
Cost of sales	43,559,741	43,559,741
Cash discounts on purchases	(494,088)	(494,088)
Transaction costs	451,574	451,081
Technical support	96,200	96,200
Commissions	227,760	227,760
Repairs and maintenance	52,000	52,000
Net cost of sales	43,893,187	43,892,694
Gross margin	1,185,620	1,137,617
SG&A (Schedule 5.1)	1,273,268	1,273,268
EBITDA (loss)	(87,648)	(135,652)
Depreciation & amortization	134,160	134,160
Management fees	40,000	-
Financial expenses (Schedule 5.1)	143,001	143,001
	317,161	277,161
Loss before income taxes	**$ (404,809)**	**$ (412,813)**

SOURCE: The Projections.

Schedule 5.1

DISTRIBUTIONS CAR-TEL INC.

PROJECTED INCOME STATEMENT

AS AT MARCH 31

	2012	2013
SG&A		
Salaries	$ 572,059	$ 572,059
Temporary salaries	26,000	26,000
Fringe benefits	71,767	71,767
Training	5,721	5,721
Sub-total employee related expenses	675,547	675,547
Telecommunication expense	42,900	42,900
Switch fees	9,342	9,342
Office expenses	134,160	134,160
Rent expense	57,980	57,980
Insurance expense (D & O)	2,340	2,340
Insurance expense (Business)	10,920	10,920
Audit fees	80,080	80,080
Marketing expenses	260,000	260,000
	597,722	597,722
	$ 1,273,268	**$ 1,273,268**
Financial expenses		
Interest expense on short-term loan	$ 130,001	$ 130,001
Bank fees	13,000	13,000
	$ 143,001	**$ 143,001**

SOURCE: The Projections.

Schedule 6

DISTRIBUTIONS CAR-TEL INC.

COMPARATIVE INCOME STATEMENTS

	3 Months Ended June 30		Year Ended March 31			5 Months Ended March 31,	Year Ended October 31,
	2011	**2010**	**2011**	**2010**	**2009**	**2008**	**2007**
	Unaudited						Audited
SALES	$ 11,353,848	$ 13,989,309	$ 50,788,899	$ 52,545,642	$ 50,067,925	$ 18,415,743	$ 37,672,072
Direct costs	10,981,839	13,383,142	48,717,664	50,381,566	47,541,687	17,265,828	34,923,263
GROSS MARGIN	372,009	606,167	2,071,235	2,164,076	2,526,238	1,149,915	2,748,809
EXPENSES							
Selling and administrative	272,000	264,297	1,158,448	1,341,205	1,886,196	1,147,109	2,309,739
Financial	3,465	2,492	13,378	11,581	13,554	4,136	13,102
	275,465	266,789	1,171,826	1,352,786	1,899,750	1,151,245	2,322,841
Operating profit before undernoted items and income taxes	96,544	339,378	899,409	811,290	626,488	(1,330)	425,968
Amortization of property and equipment	33,515	46,247	187,063	261,867	192,295	32,880	103,906
Amortization of intangible assets	-	6,250	14,583	25,000	25,000	10,417	25,000
Interest on loans payable, obligation under capital lease and long-term debt	43,011	64,788	228,633	299,126	299,884	97,161	263,758
Write-down of property and equipment	-	-	-	-	-	-	14,771
Management fees	40,000	60,000	240,000	-	-	-	-
Non-recurring item	-	-	-	-	(250,398)	-	-
	116,526	177,285	670,279	585,993	266,781	140,458	407,435
Income/(loss) before income taxes	(19,982)	162,093	229,130	225,297	359,707	(141,788)	18,533
Provision for (recovery of) income taxes	-	-	490,970	74,546	(438,252)	(35,980)	-
Net (loss)/income	**$ (19,982)**	**$ 162,093**	**$ (261,840)**	**$ 150,751**	**$ 797,959**	**$ (105,808)**	**$ 18,533**

SOURCE: The Company's financial statements.

Schedule 7

DISTRIBUTIONS CAR-TEL INC.

COMPARATIVE BALANCE SHEETS AS AT

	June 30,	March 31				October 31
	2011	**2011**	**2010**	**2009**	**2008**	**2007**
			Unaudited			**Audited**
ASSETS						
Current Assets						
Cash	$ -	$ -	$ 273,430	$ 56,821	$ 29,217	$ 618,507
Accounts receivable	2,260,389	1,550,155	1,910,134	2,393,748	2,570,801	2,352,641
Inventories	1,020,706	1,009,823	889,199	359,304	578,321	500,874
Future income tax asset	-	-	309,465	76,435	146,231	-
Sales taxes receivable	396,959	193,319	227,969	129,956	-	-
Loan to parent company	165,180	143,067	54,275			
Prepaid expenses and sundry assets	42,875	31,827	30,045	8,830	42,615	21,689
	3,886,109	2,928,191	3,694,517	3,025,094	3,367,185	3,493,711
Sales taxes receivable	-	-	-	-	59,953	119,905
Future income tax asset	-	-	185,865	502,722	-	-
Property and equipment	427,967	454,646	633,855	895,072	248,888	270,510
Intangible asset	-	-	14,583	39,583	64,583	75,000
	$ 4,314,076	**$ 3,382,837**	**$ 4,528,820**	**$ 4,462,471**	**$ 3,740,609**	**$ 3,959,126**
LIABILITIES						
Current liabilities						
Bank indebtedness	1,327,545	$ 596,924	$ -	$ -	$ -	$ -
Accounts payable and accrued liabilities	4,099,498	3,637,948	4,502,882	4,027,722	3,785,955	4,205,739
Loans payable	100,000	626,692	676,453	790,354	1,948,935	1,475,000
Future income tax liability	-	-	4,360	7,725	7,725	-
Current portion of long-term debt	259,876	248,524	110,313	196,415	436,600	423,960
Current portion of other payable	465,377	-	-	-	498,728	336,000
	6,252,296	5,110,088	5,294,008	5,022,216	6,677,943	6,440,699
Future income tax liability	-	-	-	5,916	11,242	-
Long-term debt	78,304	147,688	396,212	506,525	-	189,290
Loan payable to parent company	265,164	386,767	838,466	1,078,431	-	-
Loan payable to public company	-	-	-	-	-	263,189
	6,595,764	5,644,543	6,528,686	6,613,088	6,689,185	6,893,178
SHAREHOLDERS' DEFICIENCY						
Capital stock	200	200	200	200	200	200
Deficit	(2,281,888)	(2,261,906)	(2,000,066)	(2,150,817)	(2,948,776)	(2,934,252)
	(2,281,688)	(2,261,706)	(1,999,866)	(2,150,617)	(2,948,576)	(2,934,052)
	$ 4,314,076	**$ 3,382,837**	**$ 4,528,820**	**$ 4,462,471**	**$ 3,740,609**	**$ 3,959,126**

SOURCE: The Company's financial statements.

SARATOGA ELECTRONIC SOLUTIONS INC.

COMPARATIVE AUDITED INCOME STATEMENTS

	Years Ended March 31	
	2011	**2010**
REVENUES	$ 54,893,864	$ 54,915,149
Direct costs	52,127,076	52,284,178
GROSS MARGIN	2,766,788	2,630,971
EXPENSES		
Selling and administrative	1,689,476	2,067,511
Financial	25,107	25,501
Stock-based compensation	-	30,862
Research and development, net	-	8,771
	1,714,583	2,132,645
Operating loss before undernoted items and income taxes	1,052,205	498,326
Money remittance development costs (recovery), net	11,063	(22,859)
Interest on loans payable, obligation under capital lease and long-term debt	323,264	337,244
Interest on bank loans	65,846	52,763
Loss (gain) on disposition of property and equipment	(1,551)	14,746
Strategic revision process costs	102,468	-
Impairment of goodwill	888,636	-
Amortization of property and equipment	417,230	397,473
Amortization of intangible assets	574,583	721,667
	2,381,539	1,501,034
Loss before non-controlling interest and income taxes	(1,329,334)	(1,002,708)
Non-controlling interest	-	113,600
Loss before income taxes	(1,329,334)	(1,116,308)
Provision for income taxes	503,753	95,542
Net loss	**$ (1,833,087)**	**$ (1,211,850)**

SOURCE: The Company's financial statements.

Schedule 9

SARATOGA ELECTRONIC SOLUTIONS INC.
COMPARATIVE AUDITED BALANCE SHEETS
AS AT

	March 31 2011	March 31 2010
ASSETS		
Current Assets		
Cash	$ -	$ 283,075
Cash in circulation in ATMs	1,007,260	$ 1,062,440
Accounts receivable	1,583,849	1,928,734
Inventories	1,009,823	889,199
Future income tax asset	51,976	335,684
Sales taxes receivable	226,788	293,331
Loan to private co.	3,168	3,400
Prepaid expenses	46,858	70,105
	3,929,722	4,865,968
Loan to private company	-	3,190
Property and equipment	2,536,414	2,815,314
Goodwill	-	888,636
Intangible asset	-	574,583
Future income tax asset	137,391	365,253
	$ 6,603,527	**$ 9,512,944**
LIABILITIES		
Current liabilities		
Bank indebtedness	$ 606,394	$ -
Bank loans	1,618,160	1,813,580
Accounts payable and accrued liabilities	4,138,163	4,909,025
Loans payable	175,000	400,000
Income taxes payable	25,384	18,265
Current portion of long-term debt	1,036,209	631,374
Future income tax liability	52,210	22,301
	7,651,520	7,794,545
Future income tax liability	131,412	187,578
Long-term debt	981,661	1,636,550
	8,764,593	9,618,673
Non-controlling interest	1,270,000	1,467,700
SHAREHOLDERS' DEFICIENCY		
Capital stock	1,787,423	1,811,973
Contributed surplus	182,650	182,650
Deficit	(5,401,139)	(3,568,052)
	(3,431,066)	(1,573,429)
	$ 6,603,527	**$ 9,512,944**

SOURCE: The Company's financial statements.

Schedule 10

DISTRIBUTIONS CAR-TEL INC.

GUIDELINE TRANSACTIONS

AS AT JULY 29, 2011

ACQUISITION DATA

Target	Cynergy Data	United Card Service	EasyCash	Gold Leaf Fin. Sol.	Tangarine
Acquirer	ComVest Group	GPN	Ingenico	Jack Henry & Ass.	Pivotal
Announced	N/A	September 9, 2008	September 27, 2009	August 17, 2009	February 2009
Completed date of purchase	October 28, 2009	April 30, 2009	N/A	June 27, 2008	March 24, 2009
	U.S.	U.S.	EUR	U.S.	CAD
Total purchase price	$81,000,000	$120,000,000	$290,000,000	$60,500,000	$16,610,756

STATISTICS

Revenues	$12,900,000	$34,200,000	€ 85,700,000	$81,573,000	$6,775,051
EBITDA (loss)	N/A	$6,840,000	N/A	($30,763,000)	$155,419
EBIT (loss)	N/A	N/A	N/A	($35,571,000)	($2,767,833)
Employees	229	400	350	493	32

MULTIPLES

EV/revenue	6.28	3.51	3.38	0.74	2.45
EV/EBITDA	N/A	17.54	N/A	-1.97	106.88
EV/EBIT	N/A	N/A	N/A	N/A	N/A
Purchase price/employee	$353,712	$300,000	€ 828,571	$122,718	$519,086

NOTE: This schedule forms part of, and should be read in conjunction with, the accompanying report.

Schedule 11

DISTRIBUTIONS CAR-TEL INC.

POTENTIAL GUIDELINE PUBLIC COMPANY CANDIDATES

AS AT JULY 29, 2011

Company	Symbol	Exchange	Currency	20-Trading-Day Share Price Ended July 29, 2011	Common Shares & Equivalents	Market Value of Equity	Redundant Assets	Market Price
SelectCore Ltd.	SCG	TSXV	CAD	$0.28	110,052,985	$ 31,034,942	$ 2,750,166	$ 28,284,776
Vendtek Systems Inc.	VSI	TSXV	CAD	$0.59	49,140,890	$ 29,079,844	$ 3,244,049	$ 25,835,795
Saratoga Electronic Solutions Inc.	SAR	TSXV	CAD	$0.06	18,461,300	$ 1,149,436	$ -	$ 1,149,436
Average						$ 30,057,393	$ 2,997,108	$ 27,060,286
Median						30,057,393	N/A	27,060,286
Harmonic Mean						30,025,600	N/A	27,004,877

NOTE: This schedule forms part of, and should be read in conjunction with, the accompanying report.

Schedule 11.1

DISTRIBUTIONS CAR-TEL INC.

POTENTIAL GUIDELINE PUBLIC COMPANY CANDIDATES

AS AT JULY 29, 2011

Company	Symbol	Interest-Bearing Debt	Enterprise Value	IB Debt / EV	Revenues	EV/ Revenues	EBIT	EV/EBIT	EBITDA * (Loss)	EV/EBITDA
SelectCore Ltd.	SCG	$ 3,843,011	$ 32,127,787	11.96%	$ 103,484,421	0.31	$ 1,236,062	26.0	$ 1,575,253	20
Vendtek Systems Inc.	VSI	$ 1,645,388	$ 27,481,183	5.99%	$ 114,379,748	0.24	$ (1,929,845)	-14.2	$ (1,612,632)	-17
Saratoga Electronic Solutions Inc.	SAR	$ 4,417,424	$ 5,566,860	79.35%	$ 54,893,864	0.10	$ 60,392	92.2	$ 1,052,205	5
Average		$ 3,301,941	$ 21,725,277	32.43%	$ 90,919,344	0.22	N/M	N/M	N/M	N/M
Median		3,843,011	27,481,183	11.96%	103,484,421	0.24	N/M	N/M	N/M	N/M
Harmonic Mean		2,741,358	12,138,440	11.40%	81,915,582	0.17	N/M	N/M	N/M	N/M

* Saratoga's EBITDA after strategic process revision costs and impairment of goodwill is $61,101.

NOTE: This schedule forms part of, and should be read in conjunction with, the accompanying report.

DISTRIBUTIONS CAR-TEL INC.

ANALYSIS OF LETTERS OF INTENT

			Vendtek	Luc Charlebois*	Luc Charlebois
Date of letter of intent			03-Dec-10	**n/a**	**29-Jul-11**
Proposed closing date			31-Jan-11	60 days from acceptance	n/a
Expiration date			06-Dec-10	06-Dec-10	n/a
	(A)	Max	$ 8,000,000		
Total offering	**(B)**	Min	5,000,000	$ 2,725,000	$ 1,358,968
Advance — ATM Inc.			-	-	(165,180)
Cash				2,725,000	1,193,788
Reimbursement of debts — Car-Tel Inc.					
Demand loan			(150,000)	-	-
Saratoga Multi-Media Inc.			(446,097)	(432,500)	(390,833)
Link Productions Inc.			(519,895)	(370,400)	(303,015)
Saratoga Leasing Inc.			(504,782)	(375,000)	-
Total Car-Tel	**(C)**		(1,620,774)	(1,177,900)	(693,848)
	(D)=(A)-(C)	Max	**$ 6,379,226**		
Residual	**(D)=(B)-(C)**	Min	**$ 3,379,226**	**$ 1,547,100**	**$ 499,940**
Offer variables					
Revenue growth required			7.30%		
Revenue growth same period			2.00%		
Revenue growth deficit			5.30%		
Gross margin required			4.90%		
Gross margin same period			4.37%		
Gross margin deficit			0.53%		

NOTE: This schedule forms part of, and should be read in conjunction with, the accompanying report.

Appendix A

GLOSSARY OF TECHNICAL FINANCIAL AND VALUATION TERMS

APPENDIX A— GLOSSARY OF TECHNICAL FINANCIAL AND VALUATION TERMS

For purposes of our Opinion, we have defined the undernoted valuation and financial terms as follows:

A.1 Capital Asset Pricing Model (CAPM)

A model in which the cost of capital for any stock or portfolio of stocks equals a Risk-Free Rate plus a Risk Premium that is proportionate to the systematic risk of the stock or portfolio.

A.2 Capitalization

A conversion of a single period of economic benefits into value.

A.3 Capitalized Earnings Method

A method within the Income Approach whereby economic benefits for a representative single period are converted to value through division by a capitalization rate.

A.4 Capitalization Rate

Any divisor (usually expressed as a percentage) used to convert anticipated economic benefits of a single period into value.

A.5 Cash Flow

Net after-tax earnings, plus non-cash charges (e.g., depreciation and amortization).

A.6 Cost Approach

A general way of determining a value indication of an individual asset by quantifying the amount of money required to replace the future service capability of that asset.

A.7 Discount Rate

A Rate of Return used to convert a series of future anticipated earnings or cash flows to a present value.

A.8 Discounted Cash Flow Method

A method within the Income Approach whereby the present value of future expected net cash flows is calculated using a discount rate.

A.9 Discounted Future Earnings Method

A method within the Income Approach whereby the present value of future expected economic benefits is calculated using a discount rate.

A.10 EBITDA

Earnings before interest, taxes, depreciation and amortization. This is a debt-free cash flow measure of the funds generated by a business which are available to fund a company's capital investment program and to make payments (interest, dividends and principal repayments) to its providers of capital.

A.11 Economic Benefits

Inflows such as revenues, net income, net cash flows, etc.

A.12 Enterprise Value

Market Value of Equity plus the market value of all interest-bearing debt (short- and long-term) and the market value of any outstanding preferred shares.

A.13 Equity

The owner's interest in property after deduction of all liabilities.

A.14 Equity Risk Premium

A Rate of Return added to a Risk-Free Rate to reflect the additional risk of equity instruments over risk-free instruments (a component of the cost of equity capital or equity discount rate).

A.15 Fair Market Value

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 when both have reasonable knowledge of the relevant facts.

A.16 Going-Concern Value

The value of a business enterprise that is expected to continue to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained work force, an operational plant, and the necessary licenses, systems, and procedures in place.

A.17 Goodwill

That intangible asset arising as a result of name, reputation, customer loyalty, location, products, and similar factors not separately identified.

A.18 Income (Income-Based) Approach

A general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more methods that convert anticipated economic benefits into a present single amount.

A.19 Intangible Assets

Non-physical assets such as franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities and contracts (as distinguished from physical assets) that grant rights and privileges, and have value for the owner.

A.20 Invested Capital

The sum of equity and debt in a business enterprise. Debt is typically a) all interest bearing debt or b) long-term interest-bearing debt.

A.21 Invested Capital Net Cash Flow

Those cash flows available to be paid to equity holders (in the form of dividends) and debt investors (in the form of principal and interest) after funding operations of the business enterprise and making necessary capital investments.

A.22 Market (Market-Based) Approach

A general way of determining a value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

A.23 Multiple

The inverse of the capitalization rate.

A.24 Net Book Value

With respect to a business enterprise, the difference between total assets (net of accumulated depreciation, depletion, and amortization) and total liabilities as they appear on the balance sheet (synonymous with Shareholder's Equity). With respect to a specific asset, the capitalized cost less accumulated amortization or depreciation as it appears on the books of account of the business enterprise.

A.25 Rate of Return

An amount of income (loss) and/or change in the value realized or anticipated on an investment, expressed as a percentage of that investment.

A.26 Required Rate of Return

The minimum Rate of Return acceptable by investors before they will commit money to an investment at a given level of risk.

A.27 Residual Market Capitalization ("RMC")

Market Capitalization less Cash and Cash Equivalents. RMC measures a company's overall capitalization on a basis which is prior to consideration of its cash retention policy.

A.28 Risk-Free Rate

The Rate of Return available in the market on an investment free of default risk.

A.29 Risk Premium

A Rate of Return added to a Risk-Free Rate to reflect risk.

A.30 Tax Shield

The present value of the future reduction in the taxes that would be payable as a result of capital cost allowance claims available to be offset against income/cash flow otherwise subject to income taxes.

A.31 Unsystematic Risk

The risk specific to an individual security that can be avoided through diversification.

A.32 Valuation Ratio

A fraction in which a value or price serves as the numerator and financial, operating, or physical data serves as the denominator.

A.33 Weighted Average Cost of Capital (WACC)

The cost of capital (discount rate) determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise's capital structure.

A.34 Working Capital

The amount by which Current Assets exceed Current Liabilities.