FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

Saratoga Electronic Solutions Inc. (the “Company”)
2975 Hochelaga
Montreal, Quebec
H1W 1G1

Item 2 Date of Material Change

August 23, 2011.

Item 3 News Release

A news release in respect of the material change was issued on August 23, 2011. A copy of the Company’s August 23, 2011 news release is attached as Schedule “A”.

Item 4 Summary of Material Change

The Company provided additional details regarding the transaction pursuant to which it has agreed to sell its subsidiary Distributions Car-Tel Inc. (“Car-Tel”) to a member of the management of Car-Tel for a purchase price of approximately $1.36 million as well as information regarding its financial position and strategic alternatives.

Item 5 Full Description of Material Change

The press release attached as Schedule “A”, issued on August 23, 2011 contains a full description of the material change.

Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

Further information can be obtained from Georges Durst, President and Chief Executive Officer of the Company, at (514) 529-0663.

Item 9 Date of Report

September 2, 2011.

SCHEDULE "A"

SARATOGA ELECTRONIC SOLUTIONS INC.

Update

Montreal, Québec – August 23, 2011.

SALE OF DISTRIBUTIONS CAR-TEL Inc. ("Car-Tel")

On July 29, 2011, Saratoga Electronic Solutions Inc. (the "Corporation") (TSX-V: SAR) announced that it had entered into an agreement to sell its wholly-owned subsidiary, Distributions Car-Tel Inc. ("Car-Tel"), to Luc Charlebois, a member of management of Car-Tel, for a purchase price of approximately $1.36 million, to be paid through a combination of cash and the assumption of certain specified liabilities. Car-Tel is in the business of distributing to consumers point-of-sale activated prepaid cellular telephone PINs and long distance calling cards, and offering to retailers a variety of electronic gift card solutions. This transaction is a result of the previously announced strategic review undertaken by the Corporation.

Closing of this transaction is subject to the negotiation and execution of definitive transaction documents, as well as the receipt of all requisite regulatory approvals, and is expected to occur in the Corporation's second quarter.

Description of the transaction

On the closing of the transaction, Mr. Charlebois will pay to the Corporation an amount of approximately $1.2 million in cash. In addition, as part of the transaction, Car-Tel will forgive debt owed to it by the Corporation's other wholly-owned subsidiary, Saratoga ATM Corporation Inc. ("Saratoga ATM''), in an amount of approximately $0.16 million, and Car-Tel will pay in full the amounts owing by it to Saratoga Leasing Inc., being approximately $0.3 million.

As the pre-paid cellular, long distance and gift card business is currently in a state of evolution and certain changes to the revenue model may likely occur, the parties have negotiated for potential adjustments to the transaction purchase price. In particular, the parties have agreed that in the event that an end-user charge is implemented in respect of the distribution of any prepaid cellular, long distance or gift cards within the next two years, the Corporation shall be entitled to a fee equal to 9% of such charge for each prepaid cellular, long distance or gift card transaction occurring during the thirty-six month period following the implementation of such charge.

Reasons for the transaction

The Corporation believes that the prepaid cellular and long distance card market reached maturity in 2010, with sales having declined on a quarterly basis since such time. The decline in the number of POS machines in Car-Tel's network, as well as in the overall number of transactions, is indicative of end users using other methods of communications. Furthermore, in the last four-month period, three prepaid cellular or long distance service providers have reduced the margins on their products by 3%, which is expected to directly impact future cash-flows generated by Car-Tel. The Corporation has therefore concluded that that it is in the best interest of shareholders for the Corporation to exit the prepaid cellular, long distance and gift card business segment.

Effect on the Corporation

The Corporation will use the approximately $1.2 million in cash which it expects to receive as a result of this transaction to reduce long-term debt by approximately $0.7 million and to provide working capital of approximately $0.5 million. The Corporation's consolidated long-term debt will be reduced by a further approximately $0.3 million as a result of the repayment by Car-Tel of the debt due to Saratoga Leasing Inc.

Related Party

The sale of Car-Tel to Luc Charlebois, the president of Car-Tel and a member of the Corporation's board of directors, is considered to be a related party transaction within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*. Mr. Charlebois is one of the original founders of Car-Tel and believes that the business could be viable if operated through a privately-held vehicle.

As a result of the related party nature of this transaction, in the absence of any available exemptions from such requirements, the transaction will be subject to the approval of a majority of the unrelated shareholders of the Corporation. In addition, the Corporation will be required to obtain, and provide the shareholders with, an independent valuation of Car-Tel.

Approvals

The closing of the sale of Car-Tel is subject to the receipt of all requisite approvals, including the approval of the TSX Venture Exchange and of the shareholders of the Corporation. Further information in this regard will be communicated to the shareholders in future press releases.

TREASURY

As reported in the Corporation's March 31, 2011 financial statements and MD&A available on www.sedar.com, the Corporation's strategy for capital risk management was driven by external requirements from one of its lenders. The cash flow of the Corporation is supported by revolving operating lines of credit in the aggregate amount of $2,000,000 bearing interest at the Corporation's bank's prime rate plus 1% per annum, of which $1,618,000 was used as at March 31, 2011. The line of credit is secured by a hypothec on the universality of all property and receivables of the Corporation in the amount of $1,000,000 and a personal guarantee for $1,000,000 from the majority shareholder of the Corporation.

Under this line of credit, the Corporation must meet certain commitments and financial ratios. The ratios and requirements are monitored on an ongoing basis by management and require the Corporation's subsidiary Saratoga ATM (on a stand-alone basis) to meet the following requirements:

- a minimum debt coverage ratio of 1.25 to 1
- a maximum debt to equity ratio of 1.5 to 1
- refrain from redeeming any preferred shares without obtaining the consent of the lender

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As at March 31, 2011, the Corporation has not met all of these requirements. However, as of March 31, 2011, in order to satisfy the requirements of its lender, the Corporation had verbally agreed to cease to redeem the non-controlling interest preferred shares in Saratoga ATM. In addition, the Corporation's principal shareholder injected $100,000 in Saratoga ATM for the purpose of reimbursing the line of credit owed to the lender, thereby reducing the line of credit available to the Corporation on a corresponding basis. The Corporation's lender, in a leniency letter dated August 15, 2011, accepted that the Corporation derogate from the conditions attached to its financing until September 30, 2011, at which time the Corporation intends to renegotiate financial terms as part of the annual review of its credit facility. However, there is no guarantee that the amount available under the line of credit will be sufficient to support the future working capital needs of the Corporation, or that the Corporation will be able, if required, to gain access to additional working capital.

STRATEGIC ALTERNATIVES

On October 8, 2010, the Corporation announced that the board of directors had initiated a process to explore and consider possible strategic alternatives for enhancing shareholder value, including a possible sale of the Corporation. A Special Committee of the board of directors was formed in order to oversee this process and KPMG Corporate Finance Inc. was retained as the Corporation's financial advisor to assists and advise in this process.

The proposed sale of Car-Tel as described above is one of the results of such strategic review. The Corporation has also received expressions of interest for the purchase of its wholly-owned subsidiary Saratoga ATM, which places and operates a network of automatic teller machines in Eastern Canada. The Corporation has not set a definitive timetable for completion of its evaluation of these expressions of interest and there can be no assurance that this process will lead to the approval or completion of any definitive agreement or other transaction. The Corporation does not intend to disclose developments regarding this process unless and until the board of directors approves a specific transaction or otherwise concludes the review of strategic alternatives.

Forward-Looking Statements

This news release contains certain forward-looking statements concerning our future operations, economic performance and financial condition and our proposed sale of Car-Tel. These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the *circumstances. However, whether actual results and developments will conform to our expectations and predictions, and whether we are ultimately successful in consummating the sale of Car-Tel, is subject to a number of risks, uncertainties and assumptions, including our ability to successful conclude definitive documentation and obtain the requisite approvals in connection with such sale, as well as those discussed in our Annual Information Form and Management's Discussion and Analysis. Consequently, all of the forward-looking statements in this news release are qualified by these cautionary statements, and there can be no assurance as to the Corporation's ability to consummate the sale of Car-Tel or as to the Corporation's ability to enhance shareholder value through this process. Moreover, there can be no assurance that the results or developments anticipated by us, including as regards our financial resources and our ability to renegotiate the terms of our financing, will be realized or, even if substantially realized, that they will have the expected consequences to or effects on us and our subsidiaries and their business or operations. We undertake no obligation and do not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable law.*

For more information, please contact Mr. Georges Durst, President and Chief Executive Officer of Saratoga Electronic Solutions Inc., at 514-529-0663.