

April 20, 2015

(1) Saratoga Electronics Solutions Inc.

and

(2) 2457513 Ontario Ltd.

and

(3) Blow Canada Inc.

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**Memorandum of Understanding**

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## MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (the "**Agreement**") is made effective as of April 20, 2015. (the "**Effective Date**")

### AMONG:

**Saratoga Electronics Solutions Inc.**, a company incorporated under the laws of the Province of Ontario, Canada

(the "**Purchaser**")

### AND:

**2457513 Ontario Ltd.**, a company incorporated under the laws of the Province of Ontario

(the "**Target**")

### AND:

**Blow Canada Inc.**, a company incorporated under the laws of the Province of Ontario

(the "**Vendor**")

The Purchaser, the Target and the Vendor are, hereinafter, collectively, referred to as the "**Parties**" or "**parties**" and separately as the "**Party**" or "**party**".

### WHEREAS:

- A. The Purchaser (to be renamed on or about May 4, 2015 to Abba Medix Group Inc.) is an Ontario corporation established in 2013 to capitalize on the dramatically changing rules governing medical marijuana production in Canada, and has applied to Health Canada to become a licensed producer of medical marijuana under the federal *Marihuana for Medical Purposes Regulations* ("**MMPR**");
- B. The Target is an Ontario corporation and at the time of Closing of the Acquisition (each as defined herein) shall have completed a corporate reorganization with its affiliate entities (the "**Reorganization**") and shall own all of the assets currently owned by Blow Canada Inc. and all of the issued and outstanding shares of Blow Vapor Inc., the Vendor's U.S. subsidiary.
- C. The Purchaser proposes to acquire 100% of the issued and outstanding share capital of the Target from the Vendor (the "**Acquisition**") on and pursuant to the terms of this Agreement;
- D. Notwithstanding any other provision of this Agreement, the Purchaser and the Vendor, acting reasonably and in good faith, shall use commercially reasonable efforts to negotiate and enter into a definitive share purchase agreement, together with such other ancillary agreements referred to therein or contemplated thereby (collectively, the "**Definitive Agreements**") to the satisfaction of each Party, and their respective counsel, incorporating all of the terms and provisions of this Agreement and subject to this Agreement and the Definitive Agreements

receiving the required regulatory approvals, including but not limited to, the approval of the Canadian Securities Exchange; and

- E. This Agreement is intended to be binding on the parties, provided that it shall be exhausted, superseded and replaced in its entirety and of no further force or effect upon the entering into of the Definitive Agreement, or termination in accordance with the terms set out in the following.

**NOW THEREFORE** in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties herein agree as follows:

## 1. ACQUISITION

- (a) The Acquisition shall be structured as a purchase and sale of all the issued and outstanding shares of the Target (the "**Purchased Shares**"), to be transferred from the Vendor to the Purchaser. Upon closing of the Acquisition ("**Closing**") the Target will be a wholly-owned subsidiary of the Purchaser. It is the intention of the Vendor and the Purchaser that the sale of the Purchased Shares hereunder be completed on a tax-deferred basis to the fullest extent possible. Accordingly, if so requested by the Vendor, the Purchaser covenants and agrees (i) to file a joint election under section 85 of the *Income Tax Act* (Canada) (and any equivalent election under applicable provincial legislation) and (ii) that the agreed amount in respect of any such elections shall be such amount as is determined by the Vendor acting in its sole discretion.
- (b) As consideration for the Purchased Shares, the Purchaser shall pay to the Vendor five million five hundred thousand dollars (\$5,500,000), (the "**Purchase Consideration**").

## 2. PAYMENT AND CLOSING

- (a) Closing of the Acquisition shall take place on or prior to the date that is 60 days from the Effective Date (the "**Closing Date**"), unless otherwise agreed by the Parties, at the offices of the Vendor's solicitors.
- (b) The Purchase Consideration shall be payable to the Vendor as follows:
- (i) On the Closing Date, the difference, if any, obtained by subtracting amounts loaned and advanced as Operating Capital (as defined in section 11(d) herein) from \$500,000, by wire transfer, certified cheque or bank draft;
- (ii) On the Closing Date, the Purchaser shall issue or cause to be issued to (or to the direction of the Vendor, an aggregate of ten million (10,000,000) common shares in the capital of the Purchaser (the "**Consideration Shares**") at a deemed value of \$0.50 per Consideration Share for an aggregate deemed value of \$5,000,000 as at the Closing Date. Six million (6,000,000) of the Consideration Shares shall be placed in escrow upon Closing, to be released in accordance with the escrow release conditions set out in section 2(c) below;
- (c) Escrow. On Closing, six million (6,000,000) of the Consideration Shares (the "**Escrowed Consideration Shares**") shall be placed in escrow pursuant to the terms of an escrow

agreement (the "**Escrow Agreement**") to be entered into among the Purchaser, the Vendor, and an escrow agent to be mutually agreed to by the parties. The Escrow Agreement shall provide that the Escrowed Consideration Shares shall be released from escrow as follows:

- (i) Two million (2,000,000) Escrowed Consideration Shares shall be released from escrow once the Target and Blow Vapor Inc. have, on a consolidated basis, reached \$3,000,000 in gross revenue;
- (ii) Two million (2,000,000) Escrowed Consideration Shares shall be released from escrow once the Target and Blow Vapor Inc. have, on a consolidated basis, reached an aggregate of \$6,000,000 in gross revenue; and
- (iii) Two million (2,000,000) Escrowed Consideration Shares shall be released from escrow once the Target and Blow Vapor Inc. have, on a consolidated basis, reached an aggregate of \$7,500,000 in gross revenue,

provided that should some or all of the foregoing release thresholds not be achieved within four (4) years from the Closing Date, any Escrowed Consideration Shares which remain in escrow shall be returned to the treasury of the Purchaser for cancellation and the Vendor shall not be entitled to any further consideration.

### 3. **CONDITIONS OF CLOSING**

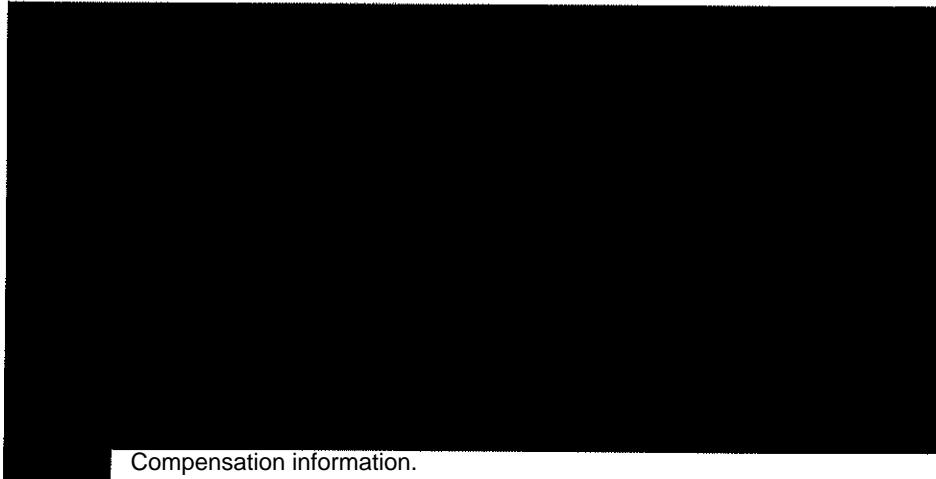
The Acquisition of the Purchased Shares shall be subject to the satisfaction of the following conditions:

- (a) The completion by the Purchaser of satisfactory due diligence investigations of the Target and the Vendor on or before May 13<sup>th</sup>, 2015 (the "**Due Diligence Expiry Date**"), in the Purchaser's sole discretion acting reasonably, and in accordance with Section 9 herein.
- (b) The receipt of all required regulatory approvals, including, without limitation, the approval and consent of the Canadian Securities Exchange.
- (c) A mutually agreed upon lease allocation and premises allocation, on commercial terms typical for this form of industrial building, to handle inventory, packaging, processing of orders office space and access to meeting rooms signage access to receptionist etc.
- (d) Confirmation that no adverse material change in the business, affairs, financial condition or operations of the Target shall have occurred between the date of this Agreement and the Closing Date.
- (e) Confirmation that all existing material agreements of the Target remain in good standing as at the Closing Date, and that all required consents required pursuant to such agreements in relation to a change of control of the Target have been obtained on or prior to the Closing Date.
- (f) The availability of information from the Target to enable completion of financial

statements (and related management's discussion and analysis) of the Target, as determined by the Purchaser's auditors and at the Purchaser's sole cost and expense, in compliance with applicable securities laws and the policies of the Canadian Securities Exchange.

#### 4. MANAGEMENT AND GOVERNANCE

- (a) Upon completion of the Acquisition the Target shall be a wholly-owned subsidiary of the Purchaser. Following Closing, the board of directors of the Target shall be comprised of five (5) individuals, two (2) of whom shall be nominated by the Vendor, and three (3) of whom shall be nominated by the Purchaser (including the chairman of the board of directors).
- (b) The Definitive Agreements shall include definitive employment agreements (the "**Employment Agreements**") with the Chief Operating Officer, Sales Manager, Product/Procurement Manager and Marketing Manager (collectively, the "**Management Team**"), the terms of which shall be mutually agreed to by the parties prior to Closing.



Compensation information.

#### 5. DEFINITIVE AGREEMENTS

- (a) Upon confirmation by the Purchaser, on or before the Due Diligence Expiry Date, of completion of satisfactory due diligence investigations, the Parties shall immediately begin the negotiation in good faith of the Definitive Agreements (including the Employment Agreements) in commercially reasonable form and substance and on the terms otherwise agreed by the parties hereto.
- (b) The Definitive Agreements will contain the usual terms and conditions relating to a share purchase agreement, including without limitation, such representations, warranties, covenants and indemnities of the Vendor as are customary and reasonable for transactions of this size and nature, including regarding title to shares, assets, financial condition, absence of liabilities and encumbrances, absence of pending and threatened litigation, payment of taxes, and for greater certainty the Definitive Agreement shall also provide that:

- (i) Upon Closing of the Acquisition, the Purchaser will own all intellectual property and goodwill (including all patents and trademarks) in connection with the business of the Target, together with the exclusive right to hold itself out as carrying on the business of the Target in succession to the Vendor and to own and have exclusive right to use the name "Blow Canada" and "Blow Vapor" in Canada and the United States; and
- (ii) In the event that the Purchaser does not obtain a licence to produce and distribute medical marijuana under the MMPR within twelve (12) months following the Effective Date, the Purchased Shares shall be transferred back to the Vendor by the Purchaser and any remaining Consideration Shares held by the Vendor and/or any remaining Escrowed Consideration Shares shall be transferred to the Purchaser by the Vendor, all for no additional consideration.

**6. EXCLUSIVITY / NON-SOLICITATION OF ALTERNATE TRANSACTION**

- (a) Commencing on the Effective Date and until the earlier of the execution of Definitive Agreements or the termination of this Agreement in accordance with Section 8, the Vendor shall not:

- (i) continue, solicit, initiate, authorize or encourage:
  - (A) any inquiries, offers or proposals from, or negotiations with, any person other than the Purchaser hereto relating to the acquisition or disposition of an equity interest in the Target, directly or indirectly; or
  - (B) any amalgamation, merger, or other form of business combination involving the Target, the Vendor and any affiliate of such parties, other than the Reorganization, with any person other than the Parties hereto or any other action not in the ordinary course, which would have a material impact on such party; or
  - (C) any take-over bid, reorganization, recapitalization, liquidation or winding-up of, or other business combination or similar transaction involving the Target, the Vendor and any affiliate of such parties, other than the Reorganization.

(Collectively, an "Alternate Transaction");

- (ii) enter into any agreement, discussions or negotiations with any third party other than the other parties with respect to an Alternate Transaction or potential Alternate Transaction; or
- (iii) furnish, or cause to be furnished, any non-public information concerning such party's condition (financial or other), business, properties, assets or prospects to any person, entity or group other than the other parties, relating to an Alternate Transaction;

- (b) It is understood and agreed that none of the Target, the Vendor and any affiliate of such parties shall solicit, enter into or conduct any discussions with other prospective third parties from the date of signing of this Agreement to the earlier of the termination of this Agreement or the execution of Definitive Agreements, to transfer or sell in any way any assets of the Target, the Vendor and any affiliate of such parties, other than in the ordinary course of business, or an equity interest either of the Parties under an Alternate Transaction.

## 7. CONFIDENTIAL INFORMATION

- (a) The Parties agree to keep confidential such information as they may from time to time disclose regarding the other Party's business affairs, technology, know-how, finances, marketing plans and customers, including without limiting the foregoing, information on the products, services, clients, customers, potential customers, and sales and marketing results and business plans, irrespective of how such information is disclosed to or received by such Party and whether or not such information is identified as confidential (the "Confidential Information"). The parties agree that they will not, in whole or in part, now or at any time, disclose such information unless authorized in writing by the applicable party.
- (b) Upon request by a party (a "disclosing party"), all Confidential Information provided to the other parties or a party, as the case may be, and any copies thereof, or any documents which have been prepared by such party which contain excerpts, data, information and/or conclusions generated from Confidential Information of the disclosing party will be, at that party's option, either returned promptly to the disclosing party or destroyed.

## 8. TERMINATION

Subject to the provisions of this Agreement, the term of this Agreement shall commence on the Effective Date and shall terminate on the earliest to occur of the following (i) confirmation by the Purchaser, on or before the Due Diligence Expiry Date, that it is not satisfied with the results of its due diligence investigations, (ii) the execution of Definitive Agreements or (iii) July 31<sup>st</sup>, 2015. Notwithstanding the foregoing, this Agreement may also be terminated upon the mutual agreement in writing of the Parties to so terminate it at any time.

## 9. DUE DILIGENCE

- (a) Promptly following the execution of this Agreement, the Target and the Vendor will allow the Purchaser and its employees, affiliates, agents and advisors, to have access to due diligence materials with respect to the Target. Any information obtained by the Purchaser (or its employees, affiliates, agents and advisors) as a result thereof shall be considered Confidential Information and subject to Section 7 herein.
- (b) The Purchaser shall use the utmost care and good faith in obtaining and maintaining any information in confidence in connection with this Agreement, and during all the stages of the negotiation, including inter alia the due diligence review, until the Closing of the Acquisition and/or the termination of this Agreement any time before the Closing. The Parties will cooperate to complete due diligence no later than the Due Diligence Expiry Date (or such other date as mutually agreed by the Parties).

- (c) The Vendor fully and unconditionally agrees that it will fully and without any limitation cooperate with the Purchaser on the due diligence contemplated herein. The Vendor shall, upon request, provide to the Purchaser all information including but not limited to details of operations, intellectual property, assets, liabilities, financials, redacted material contracts (redacted as to the identity of customers, etc.), contingent liabilities (in the balance sheet), lien of assets, etc. on the Target and the Vendor, as the case may be.

#### 10. EXPENSES

The Purchaser, the Target and the Vendor will pay their respective costs, fees and expenses related to the Acquisition, the negotiation of the Definitive Agreements and the transactions contemplated hereby and thereby.

#### 11. CONDUCT IN ORDINARY COURSE

- (a) From the date hereof to the Closing, other than the Reorganization, the Vendor shall cause the operations of the Target (including the working capital and capital expenditures) to be conducted in all material respects in the ordinary course in substantially the same manner as currently conducted and use best efforts to preserve in all material respects intact the present business operations and organizations and shall use reasonable best efforts to preserve in all material respects its relationships with customers, suppliers and others having business dealings with the Target, and shall not engage in any practices or transactions during the period of negotiating and consummating the transaction contemplated herein that would adversely affect the value of the Target's business or assets.
- (b) Subject to subparagraph (a) above, from the Effective Date until the earlier of the termination of this Agreement or the Closing Date, the Vendor and the Purchaser agree not to renew, extend or otherwise bind the Target in any contracts, agreements or commitments outside of the ordinary course of business without the prior written consent of the Purchaser.
- (c) The Purchaser shall, at its own expense and on a good faith, commercially reasonable efforts basis, procure the equipment and commence bottling of e-liquids as soon as feasibly possible and subject to applicable regulatory approvals.
- (d) In lieu of a non-refundable deposit, as soon as is practicable following execution of this Agreement, the Purchaser shall provide the Vendor with reasonable operating capital up to a maximum of \$500,000 ("**Operating Capital**") if, as and when requested by the Vendor, as an unsecured non-interest bearing loan which will be repayable in the event the Vendor elects not to proceed with the Acquisition. If, however, the Acquisition is completed, then such operating capital advance(s) shall be deemed to be fully repaid in accordance with subsection 2(b)(i) of this Agreement. The Purchaser agrees that up to \$100,000 of the Operating Capital will be available to the Vendor on the Effective Date, a further up to \$100,000 of Operating Capital will be available to the Vendor upon completion of the due diligence on or before the Due Diligence Expiry Date, and any subsequent draw downs of the Operating Capital will be occur by mutual agreement of the Purchaser and the Vendor.



## 12. PUBLIC ANNOUNCEMENT

The Purchaser, the Target and the Vendor agree that, except to the extent required by law, no party shall make any public announcement of the transaction contemplated herein without the prior written consent and approval of all Parties. It is understood that the Purchaser may be obligated by law or regulation to make a public announcement of the transaction and, to the extent possible, notification to the other parties will precede any such public announcement in which case the Purchaser shall consult with the Vendor in terms of the content of such announcement.

## 13. REPRESENTATIONS AND WARRANTIES

- (a) Consents, Approvals and Conflicts: None of the execution and delivery of this Agreement by each Party, the performance by each Party of any obligations hereunder and the compliance by each Party with the provisions of this Agreement do, or will, conflict with, or result in any breach or violation of, any of the provisions of, or constitute a default under, any other agreement or instrument to which the Parties are a party or any other obligations of the Parties and are and will be valid and, where applicable, legally binding obligations of the Party enforceable against it in accordance with the terms hereto. Notwithstanding the foregoing, the approval of the Board of directors of the Purchaser is required for the Acquisition to be completed.
- (b) Compliance with all Laws: In performance of their obligations under this Agreement, the Parties agree to comply in all respects with the applicable laws of the Province of Ontario and the laws of Canada applicable therein.

## 14. GENERAL

- (a) Governing Law: This Agreement and any disputes or claims arising out of or in connection with its subject matter shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, and the parties hereto irrevocably attorn to the jurisdiction of the courts of the Province of Ontario.
- (b) Binding Agreement and Survival: This Agreement is intended to be binding on the parties, provided that it shall be exhausted and of no further force or effect upon the entering into of the Definitive Agreements or termination in accordance with the terms set out in herein (except for Sections 6 through 8 and Sections 10 through 12 of this Agreement which, the parties hereto agree shall survive the termination hereof in accordance with their terms).
- (c) Indemnity: Each Party shall hold the other Party and any of affiliates and subsidiaries of such Party harmless from any and all claims, suits, expenses (including legal fees), losses and liability arising out of or related to (i) that Party's breach of this Agreement, and (ii) any negligent act or omission of that Party in the performance of this Agreement.
- (d) Entire Agreement: This Agreement constitutes the entire agreement and

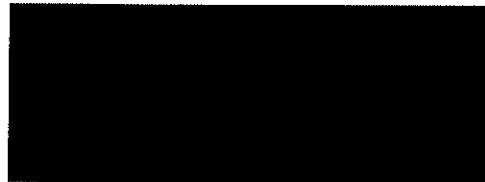
understanding between the Parties and supersedes all prior agreements and understandings, both written and oral, between the Parties hereto with respect to the subject matter hereof.

- (e) Assignment: The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the Parties and their respective, heirs, executors, administrators, successors and permitted assigns. No Party may assign their rights or delegate their obligations under this Agreement without the prior written consent of the other Parties.
- (f) Waiver: None of the terms or conditions of this Agreement may be waived except in writing by the Party or Parties, which are entitled to the benefits thereof. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the Purchaser, the Target and the Vendor.
- (g) Notice: All notices under this Agreement shall be in writing and shall be given to the Parties at their respective addresses set forth above, or by fax or email.

(i) in the case of the Purchaser:



(ii) In the case of the Target:



(iii) In the case of the Vendor:



- (h) Changes in Writing: Any changes or modifications to this Agreement shall be executed in writing and be secured by mutual endorsements by of all the Parties.
- (i) Illegality: If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws by any court of competent jurisdiction, such illegality, invalidity or unenforceability shall not affect the legality, enforceability or validity of any other provisions or of the same provision as applied to any other fact or circumstance and such illegal, unenforceable or

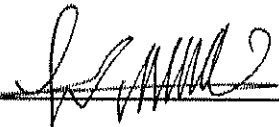
invalid provision shall be modified to the minimum extent necessary to make such provision legal, valid or enforceable, as the case may be.

- (j) Severability: If any covenant or provision in this Agreement is determined to be void or unenforceable in whole or in part, it shall be deemed to be severable from this Agreement and to not affect or impair the enforceability or validity of any other covenant or provision of this Agreement or any part of such covenant or provision.
- (k) Counterparts: This Agreement may be executed in counterpart, by facsimile, emailed scanned copy, each of which so executed shall be deemed to be original and together shall be deemed to constitute one and the same instrument.
- (l) Waiver and Cumulative Remedies: No failure or delay by any party in exercising any right under this Agreement shall constitute a waiver of that right or any other right. Other than as expressly stated herein, the remedies provided herein are in addition to, and not exclusive of, any other legal remedies of the Parties.

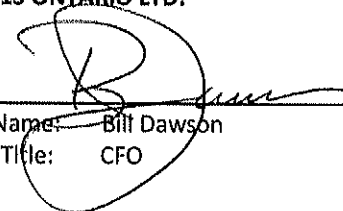
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IN WITNESS WHEREOF the parties have executed this Agreement effective as of the Effective Date on the 20th day of April, 2015.

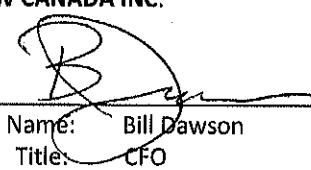
) **SARATOGA ELECTRONICS SOLUTIONS INC.**

)  
) By:   
) Name:  
) Title:

) **2457513 ONTARIO LTD.**

)  
) By:   
) Name: Bill Dawson  
) Title: CFO

) **BLOW CANADA INC.**

)  
) By:   
) Name: Bill Dawson  
) Title: CFO