
PETERSON PARTNERS

January 25, 2013

The Special Committee of the Board of Directors
ANGOSS Software Corporation
111 George Street, Suite 200
Toronto, Ontario M5A 2N4
Canada

Attention: Sheila Murray, Chair of the Special Committee

Dear Sheila:

Re: Proposed Acquisition

Subject to the terms and conditions set forth below, it is proposed that an affiliate (“AcquireCo”) of Peterson Partners, Inc. (“Peterson Partners”) will acquire all of the issued and outstanding securities of ANGOSS Software Corporation (“Angoss”) by way of a shareholder approved amalgamation or plan of arrangement (the “Transaction”) on the basis set out herein; however, the final structure will be determined mutually by Angoss and Peterson Partners based on tax, securities and corporate laws and other considerations. Upon execution by the parties hereto, this letter agreement (the “Letter Agreement”) will constitute a legally binding agreement between us, enforceable in accordance with its terms, subject to satisfaction (or waiver, if applicable) of the conditions set forth in Sections 9 and 10 below. The acceptance of this Letter Agreement will be followed by the parties entering into the Definitive Agreement (as hereafter defined). All documentation will be in a form and content satisfactory to each of the parties, acting reasonably and in good faith.

1. Structure of the Transaction

Pursuant to the Transaction, it is anticipated that:

- (a) except as provided for in Section 2 hereof, all of the issued and outstanding common shares in the capital of Angoss (the “Angoss Common Shares”) will be acquired by AcquireCo at a price of C\$0.525 per share;
- (b) all of the issued and outstanding Class A preferred shares, Series 2 in the capital of Angoss (the “Angoss Preferred Shares”) shall be redeemed in accordance with their terms (or in a manner as otherwise may be provided for in the Transaction) for a cash amount per Angoss Preferred Share equal to the subscription price per Angoss Preferred Share plus all cumulative unpaid dividends accruing to the date of redemption;
- (c) all outstanding options (the “Angoss Options”) to acquire Angoss Common Shares will be acquired by AcquireCo in consideration for options (the “Newco Options”) of the continuing corporation resulting from the Transaction (“Newco”) or, alternatively, all outstanding Angoss Options will be assumed as effective Newco Options. The Newco Options will be issued, or Angoss Options assumed, on substantially the same terms and conditions as the Angoss Options previously held; and

- (d) the warrants to acquire Angoss Common Shares (the "Angoss Warrants") may be acquired by AcquireCo (i) at a price equal to C\$0.525 per warrant less the exercise price therefor or (ii) in consideration for warrants to acquire redeemable preferred shares of NewCo, and in any event the Transaction shall be structured so that no warrants shall be exercisable for common shares of NewCo (the "NewCo Common Shares") upon completion of the Transaction.

2. Board of Directors and Management

On the Effective Date (as defined below), Martin Galligan will be offered appointment to the Board of Directors of Newco, and will also be offered employment to act as President and Chief Executive Officer of Newco on terms and conditions to be mutually agreed as between Martin Galligan and Peterson Partners. In consideration for his continued employment with Newco, in connection with or as part of the Transaction, the parties will use commercially reasonable efforts to provide Mr. Galligan with an opportunity to acquire up to that number of Newco common shares equal in economic value to those held by him immediately prior to the completion of the Transaction on a tax efficient basis.

3. Definitive Agreement

Angoss, AcquireCo, Peterson Partners and/or NewCo, if applicable, will enter into a definitive transaction agreement incorporating the terms of this Letter Agreement (the "Definitive Agreement") on or before February 21, 2013 (unless such date is extended by mutual agreement of the parties) to implement the Transaction to provide for the acquisition of Angoss directly or indirectly by AcquireCo, such Definitive Agreement to supersede this Letter Agreement in its entirety.

It is intended that the Definitive Agreement will contain representations, warranties, conditions and other terms specified herein, as well as customary representations and warranties by each of the parties in favour of the other parties, and such other terms, covenants and conditions as would be customary for a transaction of this nature. Peterson Partners and its counsel will have primary responsibility for preparing the Definitive Agreement.

4. Authorization of Letter Agreement

- (a) Peterson Partners' internal investment committee has approved this Letter Agreement and the completion of the Transaction on the terms and conditions set forth in this Letter Agreement; and
- (b) The Board of Directors of Angoss has approved this Letter Agreement and the completion of the Transaction on the terms and conditions set forth in this Letter Agreement.

5. Shareholder Approvals

Angoss will prepare a management proxy circular (the "Proxy Circular"), in form and substance satisfactory to Peterson Partners, acting reasonably, to be mailed to the shareholders of Angoss for the purpose of the meeting of the shareholders of Angoss called to consider the Transaction (the "Meeting"). Peterson Partners will provide Angoss with all information with respect to Peterson Partners, AcquireCo and/or Newco as may be required for inclusion in the Proxy Circular, and the Definitive Agreement will provide that Peterson Partners will indemnify Angoss for any misrepresentation contained in such information.

The Transaction is not required under applicable laws to be approved by Peterson Partners securityholders.

6. Cooperation

Each of the parties intends to do all acts and things and take all steps required to complete the Transaction. Without limiting the generality of the foregoing, each of the parties covenants and agrees to use its reasonable commercial efforts within its power to cause to be fulfilled the conditions precedent to the other party's obligation to complete the Transaction and to not take any action that would cause such conditions not to be fulfilled. Further, and without restricting the generality of the foregoing, each party intends to cooperate with the other parties and their legal and tax advisors in structuring the Transaction in the most economically efficient manner, and assist the other parties and their legal and tax advisors in making such investigations and inquiries with respect to such party in that regard, as the other parties and their legal and tax advisors will consider necessary, acting reasonably.

7. Effective Date of Transaction

The parties intend to use their reasonable commercial efforts to cause the effective date (the "Effective Date") of the completion of the Transaction to occur on or before April 12, 2013 and to cause the mailing of the Proxy Circular to the shareholders of Angoss to occur as soon as reasonably practicable following the execution of the Definitive Agreement and in any event by March 15, 2013 (or such later date as the parties may agree).

8. Support Agreements

- (a) **Angoss Support Agreements – Management:** Angoss shall use its commercially reasonable efforts to cause all directors and officers of Angoss to be party to a support agreement (the "Angoss Support Agreements") as of the date of the Meeting under which they agree to vote, or cause to be voted, in favour of the Transaction all of the Angoss Common Shares currently owned or controlled by them, or any Angoss Common Shares acquired by them thereafter which they are entitled to vote or cause to be voted in respect of a resolution on the Transaction. Support agreements with respect to directors and officers holdings of Angoss Preferred Shares may be required.

The Angoss Support Agreements will include the typical covenants, including, but not limited to, covenants that the subject shareholders will:

- (i) immediately cease and terminate existing discussions, if any, with any person with respect to any potential direct or indirect acquisition of, or any other business combination involving, Angoss or any material part of its assets (an "Angoss Proposal") and will not, directly or indirectly, make, solicit, assist, initiate, encourage or otherwise facilitate any inquires, proposals or offers from any person, other than Peterson Partners or its affiliates, relating to any Angoss Proposal, or participate in any discussions or negotiations regarding any information with respect to any Angoss Proposal, provided, however, that nothing herein shall prevent a subject shareholder from responding to a Superior Proposal (as defined below);
- (ii) not sell, transfer or encumber in any way any of the subject shareholder's Angoss Common Shares or securities convertible into such Angoss Common Shares or restrict such shareholder's right to vote any of its Angoss Common Shares, other than pursuant to the Transaction;

- (iii) take such steps as are required to ensure that the subject shareholder has beneficial ownership, with good and marketable title, to such shareholder's Angoss Common Shares;
- (iv) not do indirectly that which it may not do directly in respect of the restrictions on its rights with respect to the subject shareholder's Angoss Common Shares pursuant to the applicable Angoss Support Agreement by the sale of any direct or indirect holding company or the granting of a proxy on the shares of any direct or indirect holding company and which would have, indirectly, any effect prohibited by the Angoss Support Agreement; and
- (v) vote all the subject shareholder's Angoss Common Shares against any proposed action, other than in connection with the Transaction:
 - A. except in the case of a Superior Proposal, in respect of any amalgamation, merger, sale of assets, take-over bid, plan of arrangement, reorganization, recapitalization, shareholder rights plan, liquidation or winding-up of, reverse take-over or other business combination or similar transaction involving Angoss or any of the Angoss Subsidiaries (as hereinafter defined);
 - B. except in the case of a Superior Proposal, which would reasonably be regarded as being directed towards or likely to prevent or delay the successful completion of the Transaction; or
 - C. which would reasonably be expected to result in a Material Adverse Effect on Angoss.

"Material Adverse Effect" when used in connection with an entity means any effect of a Material Adverse Change on such entity.

"Material Adverse Change" when used in connection with an entity means any change (including a decision to implement such a change made by the board of directors or by senior management who believe that confirmation of the decision by the board of directors is probable), event, circumstance or effect that, individually or in the aggregate, is material (or would reasonably be expected to be material) and adverse to the business, assets (including intangible assets), liabilities (whether absolute, accrued, conditional, contingent or otherwise), capitalization, ownership, condition (financial or otherwise) or operations or results of operations of such entity and its parent (if applicable) or subsidiaries, taken as a whole, other than any change, event, circumstance or effect:

- (i) relating to conditions affecting the industry generally in jurisdictions in which the party carries on business, including changes in laws or taxes;
- (ii) relating to general, political, economic, financial, currency exchange, securities or commodities market conditions;
- (iii) arising directly as a result of generally applicable changes in law;

- (iv) which was or which has been expressly communicated in writing to the other party prior to the date of this Letter Agreement; or
- (v) attributable to the announcement or pendency of the Transaction, or otherwise contemplated by or resulting from the terms of this Letter Agreement or the Definitive Agreement;

provided that such effect referred to in clauses (i), (ii) and (iii) above does not primarily relate only to (or have the effect of primarily relating only to) that party and its subsidiaries, taken as a whole, or disproportionately adversely affect that party and its subsidiaries and material joint ventures taken as a whole, compared to other companies of similar size operating in the industry in which that party and its subsidiaries operate.

- (b) **Angoss Support Agreements – Significant Shareholders:** Angoss agrees to use its reasonable best efforts to identify and cause shareholders of Angoss holding more than 1% of a class of issued and outstanding securities of Angoss on a fully diluted basis to each enter into an Angoss Support Agreement.

9. Peterson Partners' Conditions

Peterson Partners' and AcquireCo's obligation to proceed with the Transaction is subject to fulfillment of the following conditions (each of which may be waived at the sole discretion of Peterson Partners and AcquireCo) on or before the Effective Date, or such other time as specified below:

- (a) **Approvals:** Peterson Partners and Angoss will obtain, on terms and conditions satisfactory to Peterson Partners, acting reasonably, the following:
 - (i) the approval of the shareholders of Angoss required for the Transaction pursuant to applicable corporate law, stock exchange rules, the constating documents (including applicable shareholders agreements) of Angoss and, if applicable, as required by the Supreme Court of Ontario (the "Court");
 - (ii) receipt of all applicable regulatory approvals, orders, notices and consents in relation to the Transaction and the Definitive Agreement, including without limitation, under the *Competition Act* (Canada), and those of the TSX Venture Exchange ("TSXV") or other securities regulatory authorities, and all applicable statutory or regulatory waiting periods will have expired or been terminated;
 - (iii) if applicable, receipt of the interim and final order of the Court approving the Transaction in form and substance satisfactory to Angoss and Peterson Partners, acting reasonably; and
 - (iv) all consents, waivers, permissions and approvals necessary to complete the Transaction by or from relevant third parties (including, for greater certainty, under the terms Angoss Credit Facility (as defined herein) which shall be required on or before the date of the Definitive Agreement), on terms and conditions satisfactory to Peterson Partners, acting reasonably, including without limitation, the approval or consent of Angoss' bankers and creditors, as required, except where the failure to obtain such approval or consent would not have a Material Adverse Effect on the business or operations of Angoss and the Angoss Subsidiaries (taken as a whole), as applicable;

- (b) **Representations and Warranties:** The representations and warranties made by Angoss in this Letter Agreement (until superseded by the Definitive Agreement) and in the Definitive Agreement will be true and correct as of the Effective Date as if made on and as of such date (except to the extent such representation and warranties speak as of an earlier date or except as affected by transactions contemplated or permitted by this Letter Agreement or the Definitive Agreement), except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not result or would not reasonably be expected to result in a Material Adverse Effect on Angoss or would not, or would not reasonably be expected to, materially impede completion of the Transaction; and Angoss will have provided to Peterson Partners a certificate of two senior officers certifying such accuracy on the Effective Date;
- (c) **Outstanding Warrants:** No warrants exercisable for NewCo Common Shares shall be issued and outstanding upon completion of the Transaction except as contemplated thereby;
- (d) **Covenants:** Angoss will have complied in all material respects with the covenants made by Angoss in this Letter Agreement and in the Definitive Agreement;
- (e) **No Material Adverse Change:** No Material Adverse Change will have occurred in Angoss and the Angoss Subsidiaries (taken as a whole) from and after the date hereof and prior to the Effective Date;
- (f) **No Actions:** No act, action, suit, proceeding, objection or opposition will have been threatened or taken before or by any domestic or foreign court, tribunal or governmental agency or other regulatory or administrative agency or commission (a "Governmental Authority") by any elected or appointed public official or private person in Canada, the United States, or elsewhere, whether or not having the force of law and no law, regulation, policy, judgments, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, in either case has had, or if the Transaction was consummated, would result in a Material Adverse Change, in the affairs, operations or business of Angoss and the Angoss Subsidiaries (taken as a whole) or would have a Material Adverse Effect on the ability of the parties to complete the Transaction;
- (g) **No Material Breach:** Angoss will not be in material breach of its obligations under this Letter Agreement or the Definitive Agreement and the Angoss Support Agreements shall not have been breached in any material respect nor shall any of such agreements be terminated; and
- (h) **Dissent:** If dissent rights are granted to shareholders by the Court or pursuant to corporate law in connection with the Transaction, holders of not more than 5% of the issued and outstanding Angoss Common Shares and Angoss Preferred Shares, if applicable, will have exercised rights of dissent in relation to the Transaction.

10. Angoss Conditions

Angoss' obligation to proceed with the Transaction is subject to the fulfillment of the following conditions (each of which may be waived at the sole discretion of Angoss), on or before the Effective Date, or such other time as specified below:

- (a) **Approvals:** Angoss and Peterson Partners will obtain, on terms and conditions satisfactory to Angoss, acting reasonably, the following:
 - (i) the approval of the shareholders of Angoss required for the Transaction pursuant to applicable corporate law, stock exchange rules, the constating documents (including applicable shareholder agreements) of Angoss, and, if applicable, as required by the Court and other matters relating to the Transaction;
 - (ii) receipt of all applicable regulatory approvals, orders, notices and consents in connection with the Transaction and the Definitive Agreement, including, without limitation, under the *Competition Act* (Canada), those of the TSXV or other securities regulatory authorities and all applicable statutory or regulatory waiting periods will have expired or been terminated;
 - (iii) if applicable, receipt of the interim and final order of the Court approving the Transaction in form and substance satisfactory to Angoss and Peterson Partners, acting reasonably; and
 - (iv) all consents, waivers, permissions and approvals necessary to complete the Transaction by or from relevant third parties, on terms and conditions satisfactory to Angoss, acting reasonably, including, without limitation, the approval or consent of Peterson Partner's bankers and creditors, as required, except where the failure to obtain such approval or consent would not have a Material Adverse Effect on Angoss and the Angoss Subsidiaries (taken as a whole) or Peterson Partners, as applicable;
- (b) **Representations and Warranties:** The representations and warranties made by Peterson Partners in this Letter Agreement and by Peterson Partners in the Definitive Agreement will be true and correct as of the Effective Date as if made on and as of such date (except to the extent such representation and warranties speak as of an earlier date or except as affected by transactions contemplated or permitted by this Letter Agreement or the Definitive Agreement), except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not result or would not reasonably be expected to result in a Material Adverse Effect on Peterson Partners or would not, or would not reasonably be expected to, materially impede completion of the Transaction; and Peterson Partners will have provided to Angoss a certificate of two senior officers certifying such accuracy on the Effective Date;
- (c) **Covenants:** Peterson Partners and AcquireCo will have complied in all material respects with the covenants made by Peterson Partners and AcquireCo in this Letter Agreement and Peterson Partners and AcquireCo will have complied in all material respects with the covenants made by Peterson Partners and AcquireCo in the Definitive Agreement;

- (d) **No Material Breach:** Peterson Partners will not be in material breach of its obligations under this Letter Agreement and Peterson Partners will not be in material breach of its obligations under the Definitive Agreement nor shall any such agreements be terminated; and
- (e) **Fairness Opinion:** Angoss will have received an opinion from its independent financial advisor that the Transaction is fair, from a financial point of view, to the Angoss shareholders.

11. Covenants Regarding Non-Solicitation

- (a) Angoss will not, directly or indirectly, authorize or permit any of its officers, directors or employees or any financial advisor, expert or other representative retained by it to do, any of the following:

- (i) solicit, facilitate, initiate or encourage any Acquisition Proposal (as defined below);
- (ii) enter into or participate in any discussions or negotiations regarding an Acquisition Proposal, or furnish to any other person any information with respect to its businesses, properties, operations, prospects or conditions (financial or otherwise) in connection with an Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage any effort or attempt of any other person to do or seek to do any of the foregoing;
- (iii) waive, or otherwise forbear in the enforcement of, or enter into or participate in any discussions, negotiations or agreement to waive or otherwise forbear in respect of, any rights or other benefits under confidential information agreements, including, without limitation, any "standstill provisions" thereunder; or
- (iv) accept, recommend, approve or enter into an agreement to implement an Acquisition Proposal;

provided, however, that notwithstanding any other provision hereof, Angoss and its officers, directors and advisers may:

- (v) enter into or participate in any discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, after the date of this Letter Agreement, by such party or any of its officers, directors or employees or any financial advisor, expert or other representative retained by it) seeks to initiate such discussions or negotiations and, subject to execution of a confidentiality and standstill agreement (provided that such confidentiality agreement will provide for disclosure thereof (along with all information provided thereunder) to the other parties hereto as set out below) may furnish to such third party information concerning Angoss and its business, properties and assets, in each case if, and only to the extent that:
 - A. the third party has first made a written *bona fide* Acquisition Proposal that did not result as a breach of this Letter Agreement, which the board of directors of Angoss determines in good faith: (1)

is fully financed or in respect of which Angoss has concluded, in good faith, there is a reasonable likelihood that any required financing will be obtained; (2) (after consultation with its financial advisor) would, if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction financially superior for shareholders of Angoss than the transaction contemplated by this Letter Agreement; (3) after receiving the advice of outside legal counsel reflected in minutes of the board of directors of Angoss, that the taking of such action is necessary for the board of directors in discharge of its fiduciary duties under applicable laws; (4) that is reasonably capable of being completed without undue delay, taking into account all legal, financial, regulatory and other aspects of such proposal and the party making such proposal; (5) which is not subject to a due diligence and/or access condition which would allow access to the books, records, personnel or properties of Angoss or its respective officers and employees beyond 5:00 p.m. (Toronto time) on the fifth day of trading on TSXV after which access is afforded to the third party making the Acquisition Proposal (provided, however, that the foregoing shall not restrict the ability of such person to continue to review information provided to it by such party during such period); (6) that the board of directors has determined to recommend to the shareholders of Angoss; and (7) that was not solicited in contravention of this Letter Agreement (a "Superior Proposal"); and

- B. prior to furnishing such information to or entering into or participating in any such discussion or negotiations with such third party, Angoss provides prompt notice to Peterson Partners to the effect that it is furnishing information to or entering into or participating in discussions or negotiations with such person or entity together with a copy of the confidentiality agreement referenced above and if not previously provided to Peterson Partners, copies of all information provided to such third party concurrently with the provision of such information to such third party, and provided further that Angoss will notify Peterson Partners orally and in writing of any inquiries, offers or proposals with respect to a Superior Proposal from such third party (which written notice will include, without limitation, a copy of any such proposal (and any amendments or supplements thereto), the identity of the person making it, if not previously provided to Peterson Partners, copies of all information provided to such third party and all other information reasonably requested by Peterson Partners), within 24 hours of the receipt thereof, will keep Peterson Partners informed of the status and details of any such inquiry offer or proposal and answer Peterson Partners' questions with respect thereto; and
- (vi) accept, recommend, approve or enter into an agreement to implement a Superior Proposal from a third party, but only if (1) prior to such acceptance, recommendation, approval or implementation, the board of directors of Angoss will have concluded in good faith, after considering all proposals to adjust the terms and conditions of this Letter Agreement in accordance with subsection 11(c) and after receiving the advice of outside legal counsel as reflected in minutes of the board of directors of Angoss,

that the taking of such action is necessary for the board of directors of Angoss in discharge of its fiduciary duties under applicable laws; (2) Angoss has complied with its obligations set forth in subsection 11(c); and (3) Angoss terminates this Letter Agreement in accordance with Section 18.

- (b) Angoss must notify Peterson Partners within 24 hours of receipt of an Acquisition Proposal, request for a confidentiality agreement or access to any of its books, records or properties.
- (c) Angoss will give Peterson Partners at least five business days advance written notice of any decision by its board of directors to accept, recommend, approve or enter into an agreement to implement such Superior Proposal, which notice will confirm that the board of directors of Angoss has determined that such Acquisition Proposal constitutes a Superior Proposal, will identify the third party making the Superior Proposal and will provide a true and complete copy thereof and any amendments thereto. During such five business days period, Angoss agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and not to release the party making the Superior Proposal from any confidentiality or standstill provisions and will not withdraw, redefine, modify or change its recommendation in respect of the Transaction. In addition, during such five business days period Angoss will, and will cause its financial and legal advisors to, negotiate in good faith with Peterson Partners and its financial and legal advisors to make such adjustments in the terms and conditions of this Letter Agreement and the Transaction prior to the expiry of such five business days period as would cause such Acquisition Proposal to no longer constitute a Superior Proposal hereunder. In the event Peterson Partners offers in writing to amend this Letter Agreement and the Transaction prior to the expiry of such five business days period, the board of directors of Angoss will review such offer and determine in good faith if the Acquisition Proposal would no longer constitute a Superior Proposal, in which event (i) the parties hereto will enter into an amendment to this Letter Agreement to reflect such offer, and (ii) the board of directors of Angoss will not accept, recommend, approve or enter into any agreement to implement such Superior Proposal and will not release the party making the Superior Proposal from any confidentiality or standstill provisions and will not withdraw, redefine, modify or change its recommendation in respect of the Transaction.
- (d) Peterson Partners agrees that all information that may be provided to it by Angoss with respect to any Superior Proposal pursuant to this Section 11 will be treated as if it were "Confidential Information" as that term is defined in the confidentiality agreement dated November 5, 2012, between Peterson Partners and Angoss.
- (e) Angoss represents and warrants to Peterson Partners that, as of the date hereof, it is not in active discussions or negotiations with any person (other than Peterson Partners) with respect to any actual or potential Acquisition Proposal. Except to the extent otherwise permitted pursuant to subsection 11(a), Angoss will deny access to non-public information under any confidentiality agreement, and will not consent in favour of, or release from or fail to enforce against, any person under any confidentiality agreement or standstill agreement or similar obligation in favour of Angoss.
- (f) Angoss will ensure that its officers, directors and those employees who are or may become involved in the Transaction and any investment bankers or other advisers or representatives retained by it are aware of the provision of this Section 11. Angoss

will be responsible for any breach of this Section 11 by its officers, directors, such employees, investment bankers, advisers or representatives.

- (g) "Acquisition Proposal" means, with respect to Angoss, any inquiry or the making of any proposal to Angoss or its shareholders, from any person which constitutes, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions): (i) a direct or indirect acquisition from shareholders of Angoss of 20% or more of the voting securities of Angoss or its subsidiaries; (ii) a direct or indirect acquisition of a substantial amount of assets of Angoss or its subsidiaries; (iii) an amalgamation, arrangement, merger, or consolidation involving Angoss or its subsidiaries; or (iv) any take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization into a royalty trust or income fund or similar transaction involving Angoss or its subsidiaries or any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by this Letter Agreement or the Transaction or which would or could reasonably be expected to materially reduce the benefits to Peterson Partners under this Letter Agreement or the Transaction, except for the purpose of the definition of "Superior Proposal" above, reference in the definition of Acquisition Proposal to "20% or more of the voting securities" shall be deemed to be "50% or more of the voting securities" and references to "any acquisition of a substantial amount of assets" shall be deemed to be "substantially all of the assets".

12. Break Fee and Expenses

Effective upon the date hereof:

- (a) If (i) Angoss terminates this Letter Agreement and abandons the Transaction prior to the Effective Date pursuant to subsection 18(b) hereof; or (ii) if either party terminates this Letter Agreement and abandons the Transaction prior to the closing pursuant to subsection 18(c)(iii) hereof, then Angoss will pay to Peterson Partners within the time periods specified below, as applicable, an amount equal to 5% of the aggregate purchase price payable by Peterson Partners and/or AcquireCo for all of the issued and outstanding securities of Angoss pursuant to the Transaction (the "Angoss Break Fee"); provided that,
- (i) in the case of a termination by Angoss pursuant to subsection 18(b), Peterson Partners has not exercised its rights under subsection 11(c) hereof whereupon Angoss shall pay the Angoss Break Fee within five business days of such termination; and
 - (ii) in the case of a termination by either party pursuant to subsection 18(c)(iii), (A) prior to the meeting of shareholders to approve the Transaction, a *bona fide* Acquisition Proposal shall have been publicly announced, proposed or disclosed by any person other than AcquireCo or Peterson Partners or any affiliate thereof; and (B) an Acquisition Proposal is consummated within 12 months following the termination of this Letter Agreement, or a definitive agreement with respect to an Acquisition Proposal is entered into within such 12 month period and such Acquisition Proposal is subsequently consummated, whereupon Angoss shall pay the Angoss Break Fee within five business days of consummation of the Acquisition Proposal (and for greater certainty, there shall be no obligation to pay the Angoss Break Fee if such Acquisition Proposal is not consummated), provided that for the

purposes of Section 12, all references to “20%” in the definition of Acquisition Proposal shall be changed to “50%”.

- (b) If Peterson Partners terminates this Letter Agreement pursuant to subsection 18(d) and the Angoss Break Fee is not otherwise payable pursuant to subsection 12(a), Angoss shall reimburse Peterson Partners for all expenses incurred by Peterson Partners related to the Transaction (including legal fees in connection therewith) in an amount not to exceed \$300,000 (the “Angoss Expense Fee”). The Definitive Agreement shall contain an expense fee reimbursement provision on the same terms contained in this subsection 12(b).

13. Angoss’ Representations and Warranties

Angoss represents and warrants to and in favour of Peterson Partners and acknowledges that Peterson Partners is relying upon such representations and warranties in connection with the matters contemplated by this Letter Agreement:

- (a) **Incorporation:** Angoss and each of the Angoss Subsidiaries (as defined below) is a corporation duly incorporated, continued or amalgamated and validly existing under the laws of the jurisdiction in which it was incorporated, continued or amalgamated, as the case may be, has all requisite corporate power and authority and is duly qualified and holds all necessary material permits, licences and authorizations necessary or required to carry on its business as now conducted and to own, lease or operate its properties and assets and no steps or proceeding have been taken by any person, voluntary or otherwise, requiring or authorizing its dissolution or winding up, and Angoss has all requisite power and authority to enter into this Letter Agreement and to carry out its obligations hereunder and thereunder;
- (b) **Subsidiaries:** Angoss has no subsidiaries other than the following (the “Angoss Subsidiaries” and each an “Angoss Subsidiary”):

Angoss Subsidiaries	Corporate Jurisdiction	Percentage Ownership
Angoss Software Limited	UK	100%
Angoss Software International (USA) Inc.	USA	100%
Sapien Information Services Corporation	Ontario	100%

- (c) **Ownership of Subsidiaries:** Angoss owns or has the right to acquire, directly or indirectly, the percentage of issued and outstanding shares of each of the Angoss Subsidiaries set out above, all of the issued and outstanding shares of the Angoss Subsidiaries are issued as fully paid and non-assessable shares, in each case, other than as disclosed in the Angoss Disclosure Documents (as hereinafter defined), free and clear of all mortgages, liens, charges, pledges, security interests, encumbrances, claims or demands whatsoever and no person, firm or corporation has any agreement, option, right or privilege (whether pre-emptive or contractual) capable of becoming an agreement, for the purchase from Angoss or any of the Angoss Subsidiaries of any interest in any of the shares in the capital of any of the Angoss Subsidiaries. For the purpose of this Letter Agreement, “Angoss Disclosure Documents” will mean all publicly available press releases, material change reports,

information circulars, financial statements and other documents that have been disclosed by Angoss to the public and filed pursuant to applicable securities laws or otherwise posted on SEDAR;

- (d) **Licenses and Permits:** Other than as disclosed in the Angoss Disclosure Documents, Angoss and each of the Angoss Subsidiaries holds all requisite licenses, registrations, qualifications, permits and consents necessary or appropriate for carrying on its business as currently carried on and all such licences, registrations, qualifications, permits and consents are valid and subsisting and in good standing in all material respects except where failure to hold such licences, registrations, qualification, permits and consents would not have a Material Adverse Effect on Angoss or any Angoss Subsidiary (taken as a whole);
- (e) **Rights and Ownership:** Except as disclosed in the Angoss Disclosure Documents, or disclosed in writing to Peterson Partners by Angoss prior to the date of this Letter Agreement, (A) Angoss and the Angoss Subsidiaries are the absolute legal and beneficial owners of, and have good and marketable title to, all of the material property or assets thereof as described in the Angoss Disclosure Documents, (B) none of Angoss or any Angoss Subsidiary knows of any claim or the basis for any claim that might or could materially and adversely affect the right thereof to use or transfer such material property or assets, and (C) none of Angoss or any Angoss Subsidiary has any responsibility or obligation to pay any material commission, royalty, license fee or similar payment to any person with respect to the material property or assets thereof;
- (f) **No Conflict:** The execution and delivery of this Letter Agreement, the performance by Angoss of its obligations hereunder and the consummation of the transactions contemplated in this Letter Agreement, do not and will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, (whether after notice or lapse of time or both), (A) any statute, rule or regulation applicable to Angoss including, without limitation, applicable securities laws and the policies, rules and regulations of the TSXV; (B) the constating documents, by-laws or resolutions of Angoss which are in effect at the date hereof; (C) any material contract, agreement, option agreement, joint venture, partnership, instrument or other document to which Angoss is bound other than the Angoss Credit Facility; or (D) any judgment, decree or order binding Angoss, any Angoss Subsidiary or the property or assets thereof;
- (g) **Compliance with Disclosure Obligations:** Angoss is a “reporting issuer” and not on the list of reporting issuers in default under applicable Canadian securities laws and in compliance in all material respects with its timely and continuous disclosure obligations under applicable securities laws and the rules and regulations of the TSXV;
- (h) **Authorized and Issued Share Capital:** Except as disclosed in writing to Peterson Partners by Angoss prior to the date of this Letter Agreement, the authorized capital of Angoss consists of an unlimited number of Angoss Common Shares, of which, as at the close of business on January 25, 2013, a total of 10,280,836 Angoss Common Shares were issued and outstanding as fully paid and non-assessable shares of Angoss, and an unlimited number of Angoss Preferred Shares, of which, as at the close of business on January 25, 2013, a total of 1,345,000 Angoss Preferred Shares were issued and outstanding as fully paid and non-assessable shares of Angoss;

- (i) **No Options on Securities:** Except as disclosed in writing to Peterson Partners by Angoss prior to the date of this Letter Agreement, other than: (i) as at January 25, 2013, 1,654,750 Angoss Common Shares issuable pursuant to outstanding Angoss Options; and (ii) as at January 25, 2013, 1,681,250 Angoss Common Shares issuable pursuant to outstanding Angoss Warrants; no person, firm or corporation has or will have at the Effective Date any agreement or option, or right or privilege (whether pre-emptive or contractual) capable of becoming an agreement or option, for the purchase of any unissued shares or securities of Angoss or of any of the Angoss Subsidiaries;
- (j) **Intellectual Property:** Except as disclosed in writing to Peterson Partners by Angoss prior to the date of this Letter Agreement, Angoss and each of the Angoss Subsidiaries owns or is licensed or otherwise has the right to use all of the intellectual property used in or necessary to carry on its business, has taken adequate steps to protect its intellectual property, is not conducting its business in a manner that infringes the intellectual property of others, and has taken adequate steps to ensure that no one is infringing Angoss' or any of the Angoss Subsidiaries' intellectual property rights. The consummation of the transactions contemplated in this Letter Agreement shall not result in any consequence that has an adverse effect on any right, title or interest of Angoss or any Angoss Subsidiary in or to any intellectual property used in or necessary to carry on its business, including the payment of any fee to a third party licensor or co-owner of intellectual property, the termination or diminution of any right or license to use any intellectual property or the loss of any exclusive rights in and to any intellectual property;
- (k) **No Orders, Rulings etc.:** Except as disclosed in writing to Peterson Partners by Angoss prior to the date of this Letter Agreement, Angoss and each of the Angoss Subsidiaries do not have any knowledge of, and have not received any notice of, any material claim, judicial or administrative proceeding, pending or threatened against, or which may affect, either Angoss or any Angoss Subsidiary or any of the property, assets or operations thereof, relating to, or alleging any violation of any applicable laws. Angoss is not aware of any facts which could give rise to any such claim or judicial or administrative proceeding and neither Angoss or any Angoss Subsidiary, nor any of the property, assets or operations thereof is the subject of any investigation, evaluation, audit or review by any governmental authority to determine whether any violation of any applicable law has occurred or is occurring, except for compliance investigations conducted in the normal course by any governmental authority, in each case which could reasonably be expected to have a Material Adverse Effect on Angoss or any of the Angoss Subsidiaries (taken as a whole);
- (l) **No Proceedings:** There are no orders, rulings or directives issued, pending or, to the best of Angoss' knowledge reasonably held, being based on due direction and enquiry of its personnel and advisors, threatened against Angoss or any the Angoss Subsidiaries under or pursuant to any applicable laws which would have a Material Adverse Effect on Angoss or any of the Angoss Subsidiaries (taken as a whole);
- (m) **Disclosure of all Information:** All information which has been prepared by Angoss and the Angoss Subsidiaries relating to Angoss and the Angoss Subsidiaries and the business, property and liabilities thereof and either publicly disclosed, provided or made available to Peterson Partners, including all financial, marketing, sales and operational information provided to Peterson Partners is, as of the date of such information, true and correct in all material respects, taken as a whole, and no fact or

facts have been omitted therefrom which would make such information materially misleading;

- (n) **Angoss Financial Statements.** Angoss' audited financial statements as at and for the fiscal years ended November 30, 2011, 2010 and 2009 (including the notes thereto) and related management's discussion and analysis (the "Annual Financial Statements"), Angoss' unaudited financial statements (as amended) as at and for the three and nine months ended August 31, 2012 (the "Interim Financial Statements") and the draft unaudited financial statements for the fiscal year ended November 30, 2012 and dated January 24, 2013 excluding notes and subject to (i) disclosure changes with respect to International Financial Reporting Standards, and (ii) unadjusted audit differences, all of which have been delivered to Peterson Partners (the "2012 Draft Financial Statements", and together with the Annual Financial Statements and the Interim Financial Statements, the "Angoss Financial Statements") were prepared in accordance with Canadian GAAP consistently applied (except (A) as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of Angoss' independent auditors, or (B) in the case of unaudited interim statements and the 2012 Draft Financial Statements, are subject to normal period-end adjustments and may omit notes which are not required by applicable laws in the unaudited statements) and fairly present in all material respects the consolidated financial position, results of operations and cash flows of Angoss and its subsidiaries as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal period-end adjustments) and reflect reserves required by Canadian GAAP in respect of all material contingent liabilities, if any, of Angoss and its subsidiaries on a consolidated basis. There has been no material change in Angoss' accounting policies, except as described in the notes to the Angoss Financial Statements, since August 31, 2012;
- (o) **No Undisclosed Liabilities.** Except as disclosed in writing to Peterson Partners by Angoss prior to the date of this Letter Agreement, Angoss and the Angoss Subsidiaries have no outstanding indebtedness or liabilities and are not party to or bound by any suretyship, guarantee, indemnification or assumption agreement, or endorsement of, or any other similar commitment with respect to the obligations, liabilities or indebtedness of any person, other than those specifically identified in the Angoss Financial Statements, or incurred in the ordinary course of business since the date of the most recent financial statements of Angoss filed on SEDAR;
- (p) **No Material Change.** Since August 31, 2012, except as disclosed in the Angoss Disclosure Documents, or as disclosed in writing to Peterson Partners by Angoss prior to the date of this Letter Agreement, there has been no material change in respect of Angoss and the Angoss Subsidiaries taken as a whole, and the debt, business and material property of Angoss and its subsidiaries conform in all respects to the description thereof contained in the Angoss Disclosure Documents; and there has been no dividend or distribution of any kind declared, paid or made by Angoss on any Angoss Common Shares; and
- (q) **Credit Facility.** Angoss has advised Peterson Partners of the status of the Loan and Security Agreement dated as of December 23, 2011 between Angoss Software Corporation and Silicon Valley Bank (the "Angoss Credit Facility"), including all negotiations, discussions, commitments, agreements and understandings related to the extension or renewal of the Angoss Credit Facility.

14. Peterson Partners' Representations, Warranties and Acknowledgements

Peterson Partners represents, warrants and acknowledges to and in favour of Angoss and acknowledges that Angoss is relying upon such representations, warranties and acknowledgements in connection with the matters contemplated by this Letter Agreement

- (a) **Incorporation.** Peterson Partners is a corporation duly incorporated, continued or amalgamated and validly existing under the laws of the jurisdiction in which it was incorporated, continued or amalgamated, as the case may be, has all requisite corporate power and authority and is duly qualified and holds all necessary material permits, licences and authorizations necessary or required to carry on its business as now conducted and to own, lease or operate its properties and assets and no steps or proceeding have been taken by any person, voluntary or otherwise, requiring or authorizing its dissolution or winding up, and Peterson Partners has all requisite power and authority to enter into this Letter Agreement and to carry out its obligations hereunder and thereunder; and
- (b) **Credit Facility.** Peterson Partners has been fully advised of the status of the Angoss Credit Facility, including all negotiations, discussions, commitments, agreements and understandings related to the extension or renewal of the Angoss Credit Facility.

15. Material Changes

From and after the date of execution of this Letter Agreement and ending on the earlier of the Effective Date or the termination of this Letter Agreement, Angoss will promptly notify Peterson Partners in writing of:

- (a) any significant developments or material change relating to its business, operations, assets or prospects promptly after becoming aware of any such development or change; or
- (b) any event or state of facts the occurrence or failure of which would, or would reasonably be likely to:
 - (i) cause any of the representations or warranties of Angoss contained herein to be untrue or inaccurate in any material respect on the date hereof or at the Effective Date (provided that this paragraph b(i) will not apply in the case of an event or state of facts resulting from actions or omissions of Angoss which are permitted or required by this Letter Agreement); or
 - (ii) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by Angoss hereunder prior to the Effective Date.

16. Business Activities

Angoss agrees that during the period from the date of execution of this Letter Agreement and ending on the earlier of the Effective Date or the termination of this Letter Agreement, except as required by law or as otherwise expressly permitted or specifically contemplated by this Letter Agreement, it:

- (a) will conduct its business only in the usual and ordinary course of business and consistent with past practice, and it will use all reasonable commercial efforts to maintain and preserve its business, assets and advantageous business

relationships, provided that it will be entitled and authorized to (i) comply with all preemptive rights, first purchase rights or rights of first refusal that are applicable to its assets and become operative by virtue of this Letter Agreement, (ii) suspend dividends on the Angoss Preferred Shares in accordance with their terms with the consent of Peterson Partners, such consent not to be unreasonably withheld, or (iii) comply with and perform any of the transactions contemplated by this Letter Agreement (and for greater certainty shall not negotiate, renegotiate or otherwise permit, consent or agree to the amendment of any employment arrangements with any senior executives of Angoss without the prior written consent of Peterson Partners);

- (b) will not, except in connection with an internal reorganization implemented in conjunction with the Transaction: (i) amend its constating documents; (ii) declare, set aside or pay any dividend or make any other distribution or payment (whether in cash, shares or property) in respect of its outstanding securities other than the prescribed dividend pursuant to the Angoss Preferred Shares; (iii) issue or agree to issue any shares or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, shares, other than the issuance of shares pursuant to the exercise of currently outstanding rights to acquire shares or to employees hired after the date hereof; (iv) redeem, purchase or otherwise acquire any of its outstanding shares or other securities (other than redemptions required pursuant to its constating documents); (v) split, combine or reclassify any of its securities; (vi) adopt a plan of liquidation or resolutions providing for its liquidation, dissolution, merger, consolidation or reorganization; or (vii) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing; provided, however, that nothing contained in this subsection 16(b) shall restrict Angoss from making (A) payments as required under existing agreements or applicable law, including with respect to existing indebtedness, (B) arranging for the extension or renewal of the Angoss Credit Facility, or (C) arranging for bridge financing in an aggregate principal amount not to exceed \$200,000 with the consent of Peterson Partners, such consent not to be unreasonably withheld;
- (c) will not take any action, refrain from taking any action, permit any action to be taken or not taken, inconsistent with this Letter Agreement, which might directly or indirectly interfere or affect the consummation of the Transaction;
- (d) will not take any action, refrain from taking any action, permit any action to be taken or not taken by any person to amend or otherwise change the rights, restrictions, obligations, terms or conditions attached to or forming part of any of the outstanding securities of Angoss; and
- (e) agrees to keep Peterson Partners fully apprised in a timely manner of every circumstance, action, occurrence or event occurring or arising after the date hereof that could reasonably result in a breach by Angoss of the representations and warranties contained in the Definitive Agreement. Angoss will confer with and obtain Peterson Partners' approval (not to be unreasonably withheld or delayed), prior to taking action (other than in emergency situations) with respect to any operational matters involved in its business which may constitute a material change for Angoss.

17. Access to Information

Peterson Partners and its accountants, auditors, legal counsel, technical and financial advisers and other representatives thereof will be entitled to, subject to obtaining any necessary consents, have

full access during normal business hours to all properties, information and records relating to Angoss, including, but not limited to, all related facilities, building, equipment, assets, books, contracts, financial statements, forecasts, financial projections, studies, records, operating permits, licenses and any other documentation (whether in writing or stored in computerized, electronic, disc, tape or any other form) or materials of any nature whatsoever.

Any investigation made by Peterson Partners and its advisors will not mitigate, diminish or affect the representations and warranties made to Peterson Partners by Angoss.

18. Termination

This Letter Agreement may be terminated:

- (a) by mutual written consent of both parties;
- (b) by Angoss if it accepts, recommends, approves or enters into an agreement to implement a Superior Proposal in accordance with Section 11; provided that concurrently with any such termination, Angoss will have paid the Angoss Break Fee in accordance with subsection 12(a)(i), if applicable, following which Angoss will have no further liabilities arising hereunder other than for a breach of any section of this Letter Agreement; and
- (c) by either party upon written notice if:
 - (i) the Effective Date has not occurred on or before June 30, 2013, unless such date is extended by mutual agreement of the parties;
 - (ii) any of the conditions set forth in Section 9 and 10 (other than those conditions set forth in subsections 9(a)(i) and 10(a)(i)), as applicable to the terminating party, are not satisfied or waived; or
 - (iii) any of the conditions set forth in subsections 9(a)(i) or 10(a)(i), as applicable to the terminating party, are not satisfied or waived;
- (d) by Peterson Partners upon written notice to Angoss if Angoss has breached or is in material default of any material term of this Letter Agreement and fails to cure or remedy such breach or default within 10 days after receiving notice thereof from Peterson Partners; or
- (e) by Angoss upon written notice to Peterson Partners if Peterson Partners has breached or is in material default of any material term of this Letter Agreement and fails to cure or remedy such breach or default within 10 days after receiving notice thereof from Angoss;

provided that (i) in the case of a termination by Angoss in accordance with subsection (b) above, Angoss will have paid the Angoss Break Fee, if applicable, (ii) in the case of a termination by either party in accordance with subsection (c)(iii) above, Angoss will have paid the Angoss Break Fee, if applicable, and (iii) in the case of a termination by Peterson Partners in accordance with subsection (d) above, Angoss will have paid the Angoss Expense Fee, following which Angoss will have no further liabilities arising hereunder other than for a breach of any section of this Letter Agreement.

Any notice delivered, emailed or faxed shall be deemed to have been given and received on the business day next following the date of delivery or faxing, as the case may be. Any notice mailed as aforesaid shall be deemed to have been given or received on the third business day following the date it is posted, provided that if between the time of mailing and the actual receipt of the notice there shall be a mail strike, slow-down or other labour dispute which might affect delivery or the notice by mail, then the notice shall be effective only if actually delivered.

25. Injunctive Relief

Subject to Sections 12, 18 and 22 hereof, the parties agree that irreparable harm would occur for which money damages would not be an adequate remedy at law in the event that any of the provisions of this Letter Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions and other equitable relief to prevent breaches of this Letter Agreement, any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief hereby being waived.

26. Time of Essence

Time shall be of the essence in this Letter Agreement.

27. Severability

If any term or other provision of this Letter Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Letter Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties shall negotiate in good faith to modify this Letter Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

28. Counterparts, Execution

This Letter Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. The parties shall be entitled to rely upon delivery of an executed facsimile or similar executed electronic copy of this Letter Agreement, and such facsimile or similar executed electronic copy shall be legally effective to create a valid and binding agreement between the parties.

29. Obligations

The parties acknowledge that the provisions of this Letter Agreement will be binding on the parties hereto.

30. Entire Agreement

With the exception of the confidentiality agreement between Peterson Partners and Angoss dated November 8, 2012, which confidentiality agreement shall remain in full force and effect, this Letter Agreement constitutes the entire agreement between the parties, and for greater certainty, the non-binding letter of intent between the Peterson Partners and Angoss dated November 5, 2012 as supplemented by the non-binding letter between Peterson Partners and Angoss dated January 9, 2013, are no longer of any force or effect. There shall be no verbal statements, representations, warranties, undertakings or agreements between the parties.

Yours truly,

PETERSON PARTNERS, INC.

Sgd. "Brandon K. Cope"

By: _____

Name: Brandon K. Cope
Title: Vice-President

AGREED to this 25th day of January, 2013 by:

ANGOSS SOFTWARE CORPORATION

Sgd. "Martin P. Galligan"

By: _____

Name: Martin P. Galligan
Title: President & CEO