Form 51-102F3
MATERIAL CHANGE REPORT

ITEM 1 Reporting Issuer

Preo Software Inc. ("Preo")
202, 3553 – 31 Street N.W.
Calgary, Alberta T2L 2K7

ITEM 2 Date of Material Change

December 23, 2008

ITEM 3 News Release

A press release setting out information relating to the material change described herein was issued by Preo on December 23, 2008, and was disseminated through the facilities of Marketwire.

ITEM 4 Summary of Material Change

On December 23, 2008 Preo announced that it received $1.3 million in funding from AVAC Ltd.

ITEM 5 Full Description of Material Change

See the press release attached hereto as Schedule "A".

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

Karim Teja, CFO
Tel: (403) 265-0556

ITEM 9 Date of Report

December 30, 2008

SCHEDULE "A"

PRESS RELEASE
PREO SOFTWARE INC.
Preo Receives $1.3 Million in Funding Commitment from AVAC

For Immediate Release

Calgary, Alberta – December 23, 2008 – Preo Software Inc. (CNSX trading symbol "PKM"), a leader in Print Knowledge Management Software (PKMS), today announced that AVAC Ltd., through its Capacity Builder program, has committed a $1.3 million investment to further the commercialization of the Printelligence™ product. Subject to achieving certain performance objectives and milestones, the funding is anticipated to be advanced in instalments over an 18-month period, beginning in the fourth quarter of 2008.

As part of the terms of the AVAC investment, Preo has agreed to provide AVAC a quarterly 3% royalty on all gross revenues derived by Preo, beginning in June 2011 until an aggregate return of up to a maximum of two times the gross amount invested by AVAC has been remitted. Preo has executed a General Security Agreement to be held by AVAC until the obligation is retired.

"This investment will allow us to build on the significant momentum and customer traction we have been able to generate in a very short period of time," said Gary McCone, Preo's President and CEO. "Our Printelligence product is being well received in the current economic climate as it has the capability to significantly reduce print costs – one of the last uncontrolled expenses in large corporate enterprises."

"Preo Software offers a unique print management product that helps organizations understand and manage their print assets and ultimately their print costs," said AVAC President and CEO, Ross Bricker, "we are very pleased to assist Preo in the commercialization of their product which can offer enterprises both a significant economic benefit as well as positive environmental impact."

The Company recently attended the Gartner Print and Imaging Summit in Florida where it was nominated for two awards – Best Software and Best in Show. "we are very pleased with the interest and recognition we received at the show," said Randy Coates, Preo's Vice President of Operations. "Having senior executives vote with their wallets is the ultimate compliment."

FirstHealth of the Carolinas Inc., a private, non-governmental, not-for-profit health care network serving 15 counties in the mid-Carolinas, recently purchased Printelligence. "During these challenging economic times, we have to manage all of our costs more effectively. The value we are able to derive from Preo's Printelligence product is that it provides us with information that we have historically been unable to obtain, thereby enabling us to truly manage our cost of printing. Like most organizations, these expenses have increased significantly with the rising cost of paper and toner and the proliferation of print devices," said David Dillehunt, CIO at FirstHealth of the Carolinas, "We were able to deploy Printelligence in a matter of minutes and within a matter of days we had a very clear understanding of our print resources and specific cost reduction opportunities. The low hanging fruit was right there for us to pick. The decision to purchase licenses for our organization was an easy one because it more than pays for itself."

About Preo (www.preosoftware.com)

Preo Software Inc. is the market leader in providing Print Knowledge Management Systems (PKMS) to enterprises around the world. Printelligence™, the company's award winning SaaS (Software as a Service) offering, uses a proprietary 4-step cost savings model that ensures an ongoing effective and efficient deployment of an enterprise's print resources and activities. Through the use of our patented PKMS Rules Engine and an ROI Program customers have achieved significant cost reductions through the deployment of Printelligence.

Preo – Saving Money and Trees one page at a time.

About AVAC Ltd. (www.avacltd.com)

AVAC Ltd. is a private not-for-profit company that invests strategically in promising early-stage commercial business focusing on the expansion of Alberta's value-added agribusiness, ICT, life sciences, and other industrial technology sectors. AVAC also participates in commercially-relevant agriculture research and is a strategic fund-of-fund investor in early stage venture capital. Created in 1997, AVAC has invested in over 100 early-stage companies, 47 agriculture research programs and projects, and 3 venture capital funds to date.

The Canadian National Stock Exchange (CNSX) has not reviewed and does not accept responsibility for the adequacy or accuracy of this press release.

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