

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

May 5, 2010

ITEM 3 News Release

A press release setting out information relating to the material change described herein was issued by Preo on May 5, 2010 and was disseminated through the facilities of Marketwire.

ITEM 4 Summary of Material Change

Preo and Karel Capital Corporation ("Karel") have amended the terms of the proposed amalgamation (the "Amalgamation") announced on January 29, 2010. Karel has received approval from the TSX Venture Exchange to provide a bridge loan to Preo in the amount of \$225,000. Preo and Karel have entered into an Engagement Letter with Mackie Research Capital Corporation to raise a minimum of \$1,000,000 and a maximum of \$1,500,000 from the sale of common shares of Karel under a short form offering document in conjunction with the Amalgamation.

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

Gary McCone, President
Tel: (403) 265-0556/3258

ITEM 9 Date of Report

May 6, 2010

Schedule "A"

KAREL CAPITAL CORPORATION

PREO SOFTWARE INC.

JOINT NEWS RELEASE

For Immediate Release

May 5, 2010

KAREL CAPITAL CORPORATION AND PREO SOFTWARE INC. ANNOUNCE FINANCING BY SHORT FORM OFFERING DOCUMENT, CHANGES TO THE SHARE EXCHANGE RATIO UNDER THE AMALGAMATION AND AN EXTENSION OF DEMAND FOR PAYMENT PROVISIONS FOR THE BRIDGE LOAN

Karel Capital Corporation ("Karel" or the "Company") (TSX Venture: KRL.P), a capital pool company, and Preo Software Inc. ("Preo") (CNSX: PKM) announce pursuant to an engagement agreement dated April 30, 2010 (the "Engagement Agreement"), among Karel, Preo and Mackie Research Capital Corporation ("Mackie Research" or "Agent"), Karel has appointed Mackie Research as agent for and on behalf of the Company to raise on a commercially reasonable efforts basis a minimum of \$1,000,000 and a maximum of \$1,500,000 from the sale of common shares of the Company at a price of ten (10) cents per common share ("Karel Share") on a pre-consolidation basis to be offered pursuant to a short form offering document in the province of Alberta, British Columbia and Saskatchewan (the "Short Form Offering").

The remuneration to the Agent will consist of a selling commission of up to 10% cash and 10% Agent's Option, with an exercise price of \$0.10 per Karel Share (\$0.30 per share on a post-Amalgamation basis, as defined below), based on the terms set out in the Engagement Agreement. The Agent's Option is non-transferrable, expiring two (2) years from the date of closing. Additionally, a corporate finance fee of \$25,000 is payable to the Agent, along with legal expenses and applicable taxes.

The closing of the Short Form Offering is subject to the closing of the amalgamation between Karel and Preo (the "Amalgamation"), to be completed in conjunction with the Proposed Qualifying Transaction (as defined below) of the Company. The closing of the Amalgamation is subject to the concurrent closing of the Short Form Offering in the minimum amount of \$1,000,000 and a maximum amount of \$1,500,000.

The Company intends the net proceeds from the Short Form Offering to be allocated to the continuing business program of Preo, through the amalgamated corporation ("Amalco"), to general and administrative expenses of Amalco for twelve (12) months and to unallocated working capital of Amalco.

About Preo

Preo has developed proprietary software that enables print users to maximize their print assets by optimizing print jobs to the appropriate printer. Preo's proprietary flagship product is called Printelligence™ and is sold as a monthly subscription service. Printelligence™ is a web based print management system that adapts itself to an organization's printing behaviour. This patent pending adaptive rules engine modifies the messaging delivered to end-users at the desktop, based on individual behaviour. Printelligence™ helps organizations educate their employees as to the true costs of printing. The following selected financial data has been extracted from the annual audited financial statements of Preo, prepared in accordance with Canadian Generally Accepted Accounting Principles, for the fiscal periods indicated and should be read in conjunction with those financial statements which can be found in

the joint management information circular of Karel and Preo to be imminently filed on SEDAR at www.sedar.com.

	12 months ended Dec. 31, 2009 (audited)	12 months ended Dec. 31, 2008 (audited)
Cash and cash equivalents	\$ 337,098	\$ 589,665
Current assets	\$ 653,854	\$ 701,105
Total assets	\$ 708,252	\$ 791,915
Total liabilities	\$ 1,201,545	\$ 168,842
Working capital	\$ 139,901	\$ 532,263
Revenues	\$ 505,913	\$ 98,403
Gross profit	\$ 370,268	\$ 25,606
Operating expenses	\$ 1,849,171	\$ 2,392,879
Net loss and comprehensive loss	\$ 1,499,232	\$ 2,463,489
Basic and diluted loss per share	\$ (0.04)	\$ (0.09)

Proposed Amalgamation

Karel and Preo announce that further to their joint press release issued on January 29, 2010 announcing the Company's proposed Qualifying Transaction (the "Proposed Qualifying Transaction"), they have agreed to change certain fundamental terms of the Amalgamation which is the subject-matter of the Proposed Qualifying Transaction. The Proposed Qualifying Transaction has the result of consolidating the issued and outstanding shares of Karel and Preo on a three-for-two (3:2) basis (the "Consolidation") such that, based on the minimum Private Placement, the issued and outstanding common shares of Amalco (the "Amalco Shares") will be 27,586,930. Preo currently has 37,473,860 common shares issued and outstanding. For purposes of the Proposed Qualifying Transaction and taking into effect the Consolidation, the deemed value of Preo is \$5,621,079, being equal to 18,736,930 Amalco Shares at the price of \$0.30 per Amalco Share. Further details for the changes to the terms and conditions of the Amalgamation are as follows:

- (a) Karel shall complete the Short Form Offering for gross aggregate proceeds of a minimum of \$1,000,000 and a maximum of \$1,500,000 at an issuance price of \$0.10 per Karel Share;
- (b) Every three (3) issued and outstanding Karel Shares, including the Karel Shares subscribed for in the Short Form Offering, will be exchanged for one (1) Amalco Share, at a deemed price of \$0.30 per share;
- (c) Every three (3) Karel Options will be exchanged with an option to purchase one (1) Amalco Share, with the remaining terms to be identical to the terms of the Karel Options;
- (d) Every three (3) broker warrants of Karel ("Karel Broker Warrants"), including warrants issued to Karel's agent in conjunction with Karel's IPO and Agent's Options to be issued to the Agent pursuant to the Short Form Offering, will be exchanged with a warrant to purchase one (1) Amalco Share, with the remaining terms to be identical to the terms of the Karel Broker Warrants, subject to the applicable adjustment of the exercise price of the Karel Broker Warrants;

- (e) The \$375,000 non-interest bearing convertible debentures issued by Preo and maturing in conjunction with the closing of the amalgamation ("Second Convertible Debentures") will be converted into 2,500,000 Preo Shares at a conversion price of \$0.15 per share immediately prior to or in conjunction with completion of the Amalgamation;
- (f) The \$500,000 non-interest bearing convertible debentures issued by Preo ("First Convertible Debentures") will be exchanged for a Amalco convertible debentures with the remaining terms to be identical to the terms of the First Convertible Debentures, excepting that the First Convertible Debentures, at the option of the holder, can be converted into Amalco Shares at a conversion price of \$0.28 per \$1.00 of debenture price into one (1) Amalco Share;
- (g) Every two (2) issued and outstanding Preo Shares, including the Preo Shares to be issued under the conversion of the Second Convertible Debentures, will be exchanged for one (1) Amalco Share, at a deemed price of \$0.30 per share;
- (h) Every two (2) Preo Options will be exchanged with an option to purchase one (1) Amalco Share, with the remaining terms to be identical to the terms of the Preo Options, subject to the applicable adjustment of the exercise price of the Preo Options;
- (i) Every two (2) Preo Warrants will be exchanged with an option to purchase one (1) Amalco Share, with the remaining terms to be identical to the terms of the Preo Warrants, subject to the applicable adjustment of the exercise price of the Preo Warrants;
- (j) The parties contemplate calling and holding special shareholders meetings to approve the Amalgamation on or about May 28, 2010, or as mutually agreed, and completing the Amalgamation shortly thereafter.

Extension of Demand for Payment Provisions for the Bridge Loan

Karle and Preo announce that further to their joint press release issued on February 2, 2010, the Exchange has approved Karel providing a bridge loan of \$225,000 to Preo (the "Bridge Loan") to fund Preo's operations prior to the Amalgamation. The terms of the Bridge Loan have been amended as follows:

- (a) The Bridge Loan will bear interest at 4%;
- (b) All Preo debt, excepting the \$150,000 loan granted on April 9, 2010 to Preo from Foundation Equity Corporation, a holder of First Convertible Debentures and Second Convertible Debentures, will be subordinated to the Bridge Loan;
- (c) The Bridge Loan has been secured with a General Security Agreement on the current and after-acquired assets of Preo;
- (d) The Bridge Loan will be reimbursable at the latest date on May 31, 2010; and
- (e) If the Amalgamation is completed on or before May 31, 2010, the Bridge Loan will not have to be reimbursed by Preo.

Continuing Halt to Trading of Karel Shares

Trading of the Karel Shares continues to halted and will recommence at such time as the TSX-V may determine, having regard to the completion of certain requirements pursuant to TSX-V Policy 2.4 (the "Policy").

Completion of the transaction is subject to a number of conditions, including but not limited to, Exchange acceptance and if applicable pursuant to Exchange requirements, majority of the minority shareholder approval. Where applicable, the transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the management information circular or filing statement to be prepared in connection with the transaction, any information released or received with respect to the transaction may not be accurate or complete and should not be relied upon. Trading in the securities of a capital pool company should be considered highly speculative.

The TSX Venture Exchange Inc. has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press release.

Forward Looking Statement Disclosure

Certain statements in this joint news release are forward-looking statements, including those that discuss deemed values, strategies, goals, outlook or other non-historical matters. These forward-looking statements speak only as of the date on which they are made, and Karel and Preo undertakes no obligation to update or revise any forward-looking statements.

About Karel Capital Corporation

Karel Capital Corporation is a capital pool company as defined by the Policy. The principal business of the Company is to identify and evaluate opportunities for the acquisition of an interest in assets of businesses and, once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder approval and acceptance for filing by the Exchange.

For additional information please contact:

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Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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