



Municipal Software

MUNICIPAL SOLUTIONS ANNOUNCES FINANCINGS TOTALING \$1,406,000

Victoria, British Columbia, February 28, 2005. Municipal Solutions Group Inc. (“**Municipal**” or the “**Company**”) (TSX-V: MSM), a provider of business process automation solutions for government, announced today the completion of a bridge financing totaling \$250,000 (the “**Bridge Financing**”), revised terms for the \$900,000 second tranche of the financing previously announced on December 22, 2004 (the “**Second Tranche**”), and the terms of a \$256,000 equity private placement (the “**Private Placement**”). The investors participating in these transactions are Pender Growth Fund (VCC) Inc. (“**Pender Growth Fund**”), Iain McLean, who is the Chief Executive Officer of Municipal, and Pender Financial Group Corp. (“**PDF**”) (TSX-V: PDF).

“We are very pleased to have the opportunity to support the restructuring and growth of Municipal Solutions,” said David Roberts, President of PenderFund Capital Management. “Municipal is an established supplier of software solutions to government customers across North America and we believe the company now has the products, people and financial resources to significantly expand its business.”

“This financing marks a significant transition for Municipal Software. We are investing in new product offerings and repositioning the company to emphasize the solutions we can provide our clients,” added Iain McLean, Chief Executive Officer of Municipal. “Pender is a financial partner with a long term view that can help us reach our potential.”

Terms of Bridge Financing

Under the Bridge Financing, the Company issued \$250,000 principal amount of 12% convertible secured debentures (the “**Series B Debentures**”) and 2,500,000 common share purchase warrants (the “**Series B Warrants**”). Pender Growth Fund acquired \$225,000 principal amount of Series B Debentures and Iain McLean acquired the remaining \$25,000 principal amount.

All interest on the Series B Debentures is payable in common shares of the Company on the earlier of the maturity of the debentures or the date on which the holder thereof converts the Series B Debentures into Series C Debentures and Series C Warrants (as described below). The value of the common shares issued in payment of interest will be determined using the average closing price of the Company’s shares on the 21 trading days prior to any such payment (the “**Market Price**”).

The Series B Debentures mature on the earlier of: (a) November 28, 2005; and (b) six months after the date on which the Company completes an 8-for-1 consolidation (the “**Consolidation**”) of its outstanding common shares.

Subject to adjustment, each Series B Warrant entitles the holder thereof to acquire one pre-Consolidation common share of the Company at a price of \$0.10 at any time on or before February 28, 2007.

At any time after completion of the Consolidation but prior to maturity, the holders of the Series B Debentures may convert all or any portion of such debentures into: (a) the same principal amount of 6% convertible secured debentures (the “**Series C Debentures**”); and (b) the proportionate amount of the 312,500 post-Consolidation common share purchase warrants (the “**Series C Warrants**”) issuable upon conversion of the Series B Warrants.



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Terms of the Series C Debentures and Series C Warrants

The Series C Debentures bear interest at the rate of 6% per annum. All such interest is payable in common shares of the Company at the Market Price on the earlier of the maturity of the debentures or the date on which the holder thereof converts the Series C Debentures into common shares of the Company. Any conversion of Series C Debentures will be at price per post-Consolidation share equal to the lesser of: (a) \$0.64; and (b) the weighted average closing price of the Company's common shares on the 21 days prior to the date of conversion, provided that such price cannot be less than \$0.56 per share. The Series C Debentures mature on the date that is 18 months after the date on which they are issued.

Subject to adjustment, each Series C Warrant entitles the holder thereof to acquire one post-Consolidation common share of the Company at a price of \$1.00 for the first 12 months after issuance and \$1.20 for the next 12 months after issuance. The Series C Warrants expire on the date that is 2 years after issuance.

Revised Terms for the Second Tranche

Municipal and Pender Growth Fund have agreed to replace the \$900,000 second tranche of their previously announced equity financing with the issuance by the Company of: (a) \$900,000 principal amount of 6% convertible secured debentures (the "**Series A Debentures**"); and (b) 1,125,000 post-Consolidation common share purchase warrants (the "**Series A Warrants**").

The Series A Debentures bear interest at the rate of 6% per annum. All such interest is payable in common shares of the Company at the Market Price on the earlier of the maturity of the debentures or the date on which the holder thereof converts the Series A Debentures into common shares of the Company. Any conversion of Series A Debentures will be at a price per post-Consolidation share equal to the lesser of: (a) \$0.80; and (b) the weighted average closing price of the Company's common shares on the 21 days prior to the date of conversion, provided that such price cannot be less than \$0.56 per share. The Series A Debentures mature on the date that is 18 months after the date on which they are issued.

At the option of the Company, the Series A Debentures may be prepaid at any time during the first 17 months after they are issued, provided the Company gives the holder thereof at least 30 days notice of its intention to do so. During such 30 days period, the holder may elect to convert the Series A Debentures into common shares of the Company as described above.

Subject to adjustment, each Series A Warrant entitles the holder thereof to acquire one post-Consolidation common share of the Company at a price of \$1.00 for the first 12 months after issuance and \$1.20 for the next 12 months after issuance. The Series A Warrants expire on the date that is 2 years after issuance.

Additional Private Placement

The Company and PDF have also agreed on the terms of a Private Placement pursuant to which PDF will invest a total of \$256,000 in return for units (the "**Units**") of the Company concurrently with the issuance of the Series A Debentures to Pender Growth Fund. Each Unit will consist of one post-Consolidation common share and one post-Consolidation common share purchase warrant (the "**Series D Warrants**") and the price per Unit will be equal to the lesser of: (a) \$0.64; and (b) the weighted average closing price of the Company's common shares on the 21 days prior to the date on which the Units are issued, provided that such price cannot be less than \$0.42 per Unit.

Subject to adjustment, each Series D Warrant entitles the holder to purchase one common share of the Company at a price equal to the current market price (as determined in accordance with TSX Venture Exchange policies) at the time of issuance. The Series D Warrants expire on the date that is 2 years after issuance.



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The proceeds of Private Placement will be used to retire loans to the Company made by Robert Bennett and Troy Kusy. In addition, effective as of the date of issuance of the Series B Debentures, Mr. Bennett and Mr. Kusy have entered into a Financing Support Agreement with PDF and Pender Growth Fund (collectively, “Pender”) pursuant to which PDF will have the right, among other things, to vote all shares held directly or indirectly by Mr. Bennett and Mr. Kusy until such time as the Series A, B, and C Debentures have all been repaid or converted. Mr. Bennett and Mr. Kusy collectively hold 8,387,042 common shares of the Company.

The Series A, B and C Debentures will rank pari passu and will be secured by general security agreements from both the Company and its wholly-owned subsidiary, Municipal Software Corporation.

Completion of both the Second Tranche and the Private Placement, as well as the ability of a holder of Series B Debentures to convert such debentures to Series C Debentures and Series C Warrants is subject to a number of conditions, including: (a) receipt of necessary regulatory approvals; (b) receipt of required shareholder approvals at an extraordinary general meeting which the Company expects will be held on or about April 1, 2005; and (c) completion of the Consolidation. The Company expects that information circular relating to that meeting, which will contain a full description of all the transactions described herein, will be mailed to shareholders shortly.

The Company intends to use the proceeds from the Bridge Financing and Second Tranche for general working capital and execution of the 2005 business plan of the Company.

Pender Growth Fund presently holds 1,000,000 common shares of the Company and warrants to purchase 1,000,000 common shares of the Company. PDF presently holds 160,000 common shares of the Company. If all of the financings described above are closed, Pender Growth Fund and PDF will hold common shares and debentures and warrants convertible into common shares, as follows:

	Pender Growth Fund	PDF
Present Holdings	2,000,000 (assuming exercise of 1,000,000 warrants)	160,000
Shares Issuable under Series B Warrants	2,250,000	-
Shares Issuable under Series C Debentures (Min-Max)	2,812,500 - 3,214,286	-
Shares Issuable under Series C Warrants	2,250,000	-
Shares Issuable under Series A Debentures (Min-Max)	9,000,000 – 12,857,143	-
Shares Issuable under Series A Warrants	9,000,000	-
Private Placement Shares	-	4,876,190
Shares Issuable under Series D Warrants	-	4,876,190
Total – PRE-CONSOLIDATION	27,312,500 - 31,571,429	9,912,380
Total – POST-CONSOLIDATION	3,414,062 - 3,946,428	1,239,047

Pender is also entitled to receive common shares in respect of the interest payable on the Series A, B and C Debentures as described above. In addition to holding this number of shares, under the Financing Support Agreement described above PDF has the right to direct how a further 8,387,042 pre-Consolidation common shares of the Company are voted.



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About Municipal Software Corporation

Municipal Software Corporation provides easily installed, packaged software solutions that manage the everyday business processes of local governments. The solutions are based on 23 years of experience with a product platform that is easy to adapt to the changing practices of clients. Branded under the CityView name the company provides a number of out of the box solutions automating practices in Property Management, Permits and Inspections, Planning, Code Enforcement, Business Licensing and Cashiering. CityView Application Builder is a set of application development tools that allows the client to develop unique applications to match specific needs. Municipal offers a complete range of services from training and customer support of its suite of products to custom development for unique applications.

About Municipal Solutions Group Inc

Municipal Solutions Group Inc was formed in January 2002 as the public financing arm for Municipal Software Corporation.

About Pender Growth Fund (VCC) Inc.

Pender Growth Fund (VCC) Inc. is an established, diversified venture capital fund that invests in technology companies within the province of British Columbia with the objective of long-term capital appreciation. Pender Growth Fund is now the first fund of its kind in British Columbia to focus specifically on expansion and restructuring opportunities within the technology sector that offer investors the potential for liquidity through either existing public listings or near term liquidity events. Pender Growth Fund is an investment vehicle with significant tax incentives for retail investors to participate in the recovery and growth of the British Columbia technology sector. The Fund has approximately \$16 million of assets under management.

About Pender Financial Group Corporation

Pender Financial Group Corporation (TSX-V: PDF) is a publicly traded merchant bank that owns or manages approximately \$30 million of assets focused on technology, life sciences and healthcare companies based in British Columbia. Pender's strategy is to build long-term value by investing its capital into a relatively few undervalued companies and to actively participate in their development so as to enhance their value and the liquidity of Pender's investments. Through its subsidiary PenderFund Capital Management, Pender is the manager of Pender Growth Fund and Pender NDI Life Sciences Fund.

Contacts

For further information regarding Pender Growth Fund or PDF please contact David Roberts at (604) 688-1511 or droberts@penderfund.com.

If you would like to be included on our regular distribution please email us at press@municipalsoftware.com or fax to (250) 475-6080.

For further information please visit www.municipalsoftware.com or contact Iain McLean at 1-800 665 5647 or imclean@municipalsoftware.com

Forward-Looking Statements

Certain statements in this news release are not historical and may constitute forward-looking statements reflecting Municipal Solutions Group Inc's current expectation in the local government sector. These statements are subject to important risks, uncertainties and assumptions concerning future conditions that may ultimately prove to be inaccurate and may differ materially from actual events or results.