



Municipal Software

FOR IMMEDIATE RELEASE

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Contact: Iain McLean, CEO
Municipal Software Corporation
(250) 475-6600 ext. 243

MUNICIPAL SOLUTIONS ANNOUNCES RESULTS FOR SECOND QUARTER 2006

Victoria, B.C., August 30, 2006—Municipal Solutions Group, Inc. (“Municipal Solutions”) (TSX Venture: MSZ), a provider of business process automation solutions for local government, today announced its unaudited financial results for the quarter ending June 30th, 2006.

Revenue during the second quarter of 2006 was \$817,009 as compared to \$1,097,811 in the second quarter of 2005, a decrease of 26%, while year-to-date revenue was \$1,970,134, an increase of 6% over the corresponding six-month period in 2005.

Operating expenses in the second quarter increased by \$310,567 when compared to the second quarter of 2005. The increase in operating costs was largely the result of costs related to the acquiring of new staff and the exit of some legacy staff. These staff changes have been made by the Company to allow it to enhance its performance on current customer commitments, to invest and develop its product offering to capitalize on future growth opportunities and to strengthen its management team in key areas. Additional costs were incurred on an initiative to expand the Company’s product offering and these costs were expensed as incurred, instead of being deferred as had been the case in previous years.

Other expenses totaled \$214,274 in the quarter compared to \$170,373 for the second quarter in 2005. These expenses included Foreign Exchange Losses of \$47,342 and Accreted and Non-cash Interest Expense of \$91,790. The Accreted and Non-cash Interest was related to convertible debentures which were converted to equity as part of the Company’s financing in April 2006.

Iain McLean, Chief Executive Officer of Municipal Solutions, commented, “The second quarter saw continued progress and investment in the Company. The financing announced in April positioned the Company to move forward with a growth plan and the realignment of the business. The Company is actively pursuing opportunities within the Local Government market and continues to secure sales from its target client base as evidenced by the recently announced sale to the City of Reedley, CA.

The following is the Consolidated Statements of Operations and Deficit (unaudited) for the three and six months ended June 30, 2006 and June 30, 2005. A complete set of financial statements and analysis is available at www.MunicipalSoftware.com.



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	Three months ended		Six months ended	
	June 30 2006	June 30 2005	June 30 2006	June 30 2005
Revenue	\$817,009	\$1,097,811	\$1,970,134	\$1,868,000
Expenses:				
Customer service	303,185	274,435	599,478	483,198
Sales and marketing	188,265	270,342	413,156	495,295
Research and development	403,961	169,199	683,639	322,403
General and administrative	462,402	298,420	810,109	630,387
Income (loss) before the following	(540,804)	85,415	(536,248)	(63,283)
Amortization	52,967	53,614	103,491	108,725
Interest	22,175	51,091	54,241	93,828
Loss (gain) on foreign exchange	47,342	(38,248)	24,715	(28,294)
Non-cash interest	91,790	103,916	295,277	114,988
Loss before income taxes	(755,078)	(84,958)	(1,013,972)	(352,530)
Income taxes:				
Current	-	3	840	488
Loss for the period	(755,078)	(84,961)	(1,014,812)	(353,018)
Deficit, beginning of period	(4,284,149)	(1,789,155)	(4,024,415)	(1,521,098)
Early conversion premium = convertible debentures	(604,870)		(604,870)	
Deficit, end of period	\$(5,644,097)	\$(1,874,116)	\$(5,644,097)	(1,874,116)
Loss per share:				
Basic and fully diluted	\$(0.06)	\$(0.02)	\$(0.12)	\$(0.09)
Weighted average number of shares outstanding:				
Basic and fully diluted	12,594,932	4,309,399	8,503,995	4,116,476

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The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this press release.



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About Municipal Solutions Group Inc.

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

About Municipal Software Corporation

Municipal Software Corporation (TSX-V:MSZ) provides easily installed, packaged software solutions that manage the everyday business processes of local governments. The solutions are based on 24 years of experience with a product platform that easily adapts 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 Information, Permits and Inspections, Planning, Code Enforcement, 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 Software offers a complete range of services from training and customer support of its suite of products to custom development for unique applications.

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.

Contacts

If you would like to be included on our regular distribution please email us at Press@MunicipalSoftware.com.

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