



# Municipal Software

**FOR IMMEDIATE RELEASE**

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## **MUNICIPAL SOLUTIONS ANNOUNCES RESULTS FOR FIRST QUARTER 2006**

**Victoria, British Columbia, May 30th 2006**—Municipal Solutions Group, Inc. (“Municipal Solutions”) (TSX Venture: MSZ), a provider of business process automation solutions for government, today announced the financial results for the quarter ending March 31st, 2006.

Revenues during the first quarter were \$1,153,125 as compared to \$951,429 in the fourth quarter of 2005, an increase of 21%. When compared to the same period in 2005, revenues increased by 50% compared with revenue of \$770,188 in the first quarter of 2005.

Operating expenses in the first quarter increased by \$229,686 when compared to the same period in the first quarter of 2005. This was a result of the Company’s decision to expense development costs in the period, rather than defer and amortize them as had been done previously and also reflected new investment in product and service offerings to be introduced later in 2006. Other contributing factors to the increase in operating expenses was an increase in customer service staffing costs in the quarter necessary to support the increased customer service revenue for the period.

Iain McLean, Chief Executive Officer of Municipal Solutions, commented, “The first quarter was an excellent period for Municipal Software. We secured three new clients in Broward County Sheriff’s Office in Florida, The Village of Plainfield in Illinois and the City of Inver Grove Heights in Minnesota. Each of these clients purchased the CityView PreBuilt™ solution that we have been developing during 2005. In addition, several client projects were taken ‘live’ during the quarter including the Town of Darien, CT and the Village of Canton, MI. The quarter represents a significant step forward in the company’s progress. The Company has also taken steps to strengthen the management team of the organization promoting Kai Haasler to Vice President of Client Services and adding Clive Daniel as the new Vice President of Finance. Improved internal processes are having a marked effect on implementation times and the use of CityView PreBuilt solutions is meeting a market need. We will expand our product and service offering through the balance of the year.”

### **Subsequent Events**

On April 27th and May 12th 2006, Municipal Solutions announced the completion of an equity financing and reorganization of previously issued securities totaling \$2,101,541. The investment provides working capital and a significant cash injection into the Company to enable it to pursue an expansion of its local government product and service offering. As previously announced the



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investment also saw the reorganization of securities issued to Pender Growth Fund (VCC) and Iain McLean. Under the terms of the Reorganization, a total of:

(a) \$1,725,000 principal amount of convertible debentures previously issued to Pender; and

(b) \$25,000 principal amount of convertible debentures previously issued to McLean,

together with all interest accrued thereon, was converted into a total of 5,311,038 common shares at a deemed price of \$0.33 per share. Concurrently with that conversion, a total of 3,381,763 common share purchase warrants held by Pender and 62,500 common share purchase warrants held by McLean have been cancelled.

A summary of the Quarterly consolidated Municipal Solutions income statement follows, along with a comparison to the previous eight most recently completed quarters follows:

	Q1 2006	Q4 2005	Q3 2005	Q2 2005
Total Revenues *	\$1,153,125	\$951,429	\$1,024,687	\$1,097,812
Net Income (Loss) **	\$(259,736)	\$(1,768,271)	\$(379,078)	\$(84,961)
Net Income (Loss) per share *	\$(0.06)	\$(0.42)	\$ (0.09)	\$(0.02)

	Q1 2005	Q4 2004	Q3 2004	Q2 2004
Total Revenues *	\$770,188	\$436,779	\$995,200	\$881,888
Net Income (Loss)	\$(268,057)	\$(786,571)	\$(60,215)	\$(139,490)
Net Income (Loss) per share *	\$(0.07)	\$(0.21)	\$(0.02)	\$(0.04)

\*Certain of the figures presented for comparative purposes have been reclassified to conform to the presentation adopted in the current period. Consolidation of 8 old shares for 1 new share took place on April 6, 2005 \*\*Net Income (Loss) includes Write-off of Deferred Software Development Costs of \$1,020,518 in Q4 2005.

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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](mailto:Press@MunicipalSoftware.com) or fax to (250) 475-6080.

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