THE SECURITIES ACT)	Order No. 5367
)	
Section 148)	May 22, 2007

MODATECH SYSTEMS INC.

- (A) WHEREAS under section 148 of the *Securities Act*, R.S.M. 1988, C. S50, as amended, (the "Act")an order was made on July 10, 1997 (the "Cease Trade Order") prohibiting all trading in the securities of Modatech Systems Inc. (the "Applicant");
- **(B) AND WHEREAS** the Cease Trade Order was issued against the Applicant for failure to file financial statements;
- **(C) AND WHEREAS** the Applicant has applied to The Manitoba Securities Commission for an order under section 148 of the Act partially revoking the Cease Trade Order to allow the Applicant to redeem all of the issued and outstanding Class A Preferred shares of the Applicant (the "Class A Preferred Shares") from the holders thereof;
- **(D) AND WHEREAS** the Applicant has represented to The Manitoba Securities Commission that:
 - 1. Modatech was incorporated under the *Company Act* (British Columbia), the predecessor to the *Business Corporations Act* (British Columbia), on February 28, 1983 under the name 260827 B.C. Ltd. and changed its name on May 28, 1984 to Modatech Systems Inc.
 - 2. Modatech is a reporting issuer or the equivalent thereof in British Columbia, Manitoba, Ontario and Quebec (the Jurisdictions) and is currently subject to cease trade orders in each of the Jurisdictions.
 - 3. Modatech remains in default of certain continuous disclosure requirements under the Act and its regulations.
 - 4. The authorized capital of Modatech consists of 40,000,000 shares divided into 25,000,000 Common shares (the Common Shares), 12,500,000 Class A Preferred Shares, and 2,500,000 Class B Preferred shares (the Class B Preferred Shares), of which 6,772,001 Common Shares are issued and outstanding, 12,093,522 Class A Preferred Shares are issued and outstanding, and 2,000,000 Class B Preferred Shares are issued and outstanding.
 - 5. None of Modatech's securities are listed or posted for trading on any stock exchange or market, however, they were formerly listed and posted for trading on the Toronto Stock Exchange and NASDAQ.

- 6. On November 14,2005, Modatech provided notice to the holders of Class A Preferred Shares of its intention to redeem all of the issued and outstanding 12,093,522 Class A Preferred Shares pursuant to section 77 of the *Business Corporations Act* (British Columbia) and clause 27.2(n) of the Articles of the Company effective November 30, 2005, or as soon as practicable thereafter, (the Share Redemption) by payment of the sum of \$0.025 per Class A Preferred Share plus all declared and unpaid dividends thereon owing in the amount of \$0.0078945 per share.
- 7. The total amount to be paid for the redemption of the 12,093,522 Class A Preferred Shares will be \$397,810.36, which is the maximum amount that would have to be paid by Modatech if each individual shareholder were to exercise its redemption rights after December 31, 2005.
- 8. The Share Redemption was approved by special resolutions of the holders at the annual and special general meeting held on November 7, 2005.
- 9. To permit the Share Redemption, Modatech is currently seeking a partial revocation order under section 171 of the Act from the Executive Director. Modatech will be concurrently seeking a partial revocation order from each of the other Jurisdictions.
- 10. Upon the completion of the Share Redemption, the Class A Preferred Shares will be cancelled and restored to the status of authorized but unissued shares in the capital of Modatech. The effect of the Share Redemption will be that the issued and outstanding capital of Modatech will consist of 6,772,001 Common Shares and 2,000,000 Class B Preferred Shares. All of the Common Shares are held by a single shareholder and all of the Class B Common Shares are held by a single shareholder.
- 11. Prior to completion of the above noted transactions , Modatech will provide to all the holders of Class A preferred shares, Class B Preferred Shares and Common Shares:
 - (a) a copy of the Order; and
 - (b) a copy of this partial revocation order.
- 12. Following the completion of the Share Redemption, the securities of Modatech will remain subject to the Cease Trade Order, unless revoked by a further order or revocation.
- **(E) AND WHEREAS** The Manitoba Securities Commission is satisfied that to do so would not be prejudicial to the public interest.
- **(F) IT IS ORDERED THAT** pursuant to section 148 of the Act the Cease Trade Order is partially revoked to permit the Share Redemption.

Deputy Director - Legal and Enforcement