

EQUITY TERM SHEET

Nuevo Rd. (Multi-Family) Parcel Perris, California October 3, 2007

Sponsor is seeking an Investor to make an equity investment (the "Investment") in connection with the acquisition, development and sale of the Property provided that the Investment is structured on the terms and conditions outlined below:

- Sponsor:** Modtech Construction Services, Inc., a wholly owned subsidiary of Modtech Holdings, Inc. (MODT on the NASDAQ). Headquartered in Perris, CA, merely a few miles from the subject property on Nuevo Rd.
- Investor:**
- Form of Investment:** Sponsor and Investor intend to form a Delaware limited liability company (or other investment vehicle selected by Investor) (the "Company") using Investor's standard form of operating agreement modified to reflect the terms of this transaction.
- Property:** Nuevo Rd. Multi-Family (29.81 acres) (the "Property").
- Initial Investment:** Sponsor will provide \$0 (0%) and Investor will provide up to \$65,000,000 (100%) of all equity required to execute the Approved Business Plan. \$7,500,000 of the Initial Investment will be funded at closing to acquire the property. The balance of the Initial Investment necessary to execute the Approved Business Plan will be funded when necessary with each funding not to be less than \$1,000,000, except for the final funding.
- Cost Guarantee and Sale of Commercial Parcel** **Modtech Construction Services, Inc. will guarantee the costs of the vertical construction of the buildings at the pro-forma costs of \$85.00 per square foot. In addition, related parties are willing to enter escrow to purchase the commercial property that is part of the subject property.**
- Timing:** Investor and Sponsor will seek to (i) agree to the terms of this term sheet not later than October 12, 2007, (ii) form the Company and execute a partnership agreement and (iii) close on the re-capitalization of the Property not later than November 15, 2007.
- Preferred Return:** All invested Initial Investment funds shall earn a preferred return at an annual rate of 12%, computed on a 360-day calendar year basis for the actual number of days for which the preferred return is being

determined, cumulative and compounded monthly, on the unreturned Initial Investment and accrued but unpaid Preferred Return (i.e. each period's beginning investment balance plus any unpaid Preferred Return times 12% times the actual days elapsed / 360).

Cash Flow Priority: All Company revenues after payment of amounts due under the Loan shall be distributed in the following order of priority:

1. 100% of Investor's Preferred Return;
2. 100% of Investor's Initial Investment;
3. 80% to the Investor and 20% to the Sponsor, pari passu, until Investor receives a preferred return of 18% (exclusive of any return earned on Gap Funds or Default Funds);
4. 50% to the Investor and 50% to the Sponsor, pari passu, until the Investor receives a preferred return of 20%;
5. 40% to the Investor and 60% to the Sponsor, pari passu, thereafter.

Accounts: The Company shall establish an operating expense account, tax and insurance escrow account and such other accounts as reasonably determined by the Investor or any applicable lenders. Sponsor on behalf of the Company shall manage each such account, however, Sponsor and Investor will have co-signing rights for expenses beyond an agreed to threshold amount. Funds shall be disbursed out of any lockbox account and other accounts only as set forth below, under the Cash Flow Priority section.

Governance: It is anticipated that prior to closing, Investor and Sponsor shall have agreed to a detailed business plan with the respect to the project (The "Approved Business Plan"). Investor shall be the Managing member of the Company and shall be entitled to make all material decisions; provided, however, that Sponsor shall be entitled to implement the day to day decisions required to execute the Approved Business Plan adopted by the Company, provided that all material decisions (as set forth in the operating agreement) shall require consent of Investor as may be amended by the parties from time to time. Sponsor will be appointed to review annual financial and tax matters for the Company.

Sales Brokerage: An affiliate of Sponsor shall have the right to broker the sales of the Property on terms and conditions satisfactory to the Company and in a form reasonably acceptable to Investor.

Loss of Promote: Sponsor will provide protection to Investor and to the Company's Investor(s), and Investor shall have the right to terminate Sponsor's voting rights and buy-sell rights, and to terminate Sponsor as administrative member, and Sponsor shall lose the right to receive any accrued but unpaid management fees and its right to receive any

promote (i.e., any share of income in excess of its pro rata contributions) in the event of: fraud or misrepresentation, gross negligence, willful misconduct, physical waste, removal or disposal of any portion of the Property, enforcement costs, failure to comply with legal requirements, failure to maintain the Property as required pursuant to the Investment documents, breach of indemnification obligations contained in the Investment documents, violation of ERISA or single purpose covenants, failure to maintain required insurance coverage or failure to pay insurance deductible amounts (to the extent funds are available therefore).

In addition, Investor's rights set forth above shall also apply in the event of the occurrence of (i) a voluntary bankruptcy filing by Sponsor or its principals, or an involuntary filing against Sponsor or any of its principals not dismissed within ninety (90) days (except if such involuntary action is brought by Investor), (ii) failure after notice and opportunity to cure to permit on-site inspections or deliver financial information as required under the Investment documents, (iii) any financial information concerning the Property or Sponsor is fraudulent in any respect, contains any fraudulent information or misrepresents in any material respect the financial condition of the Property or, (iv) Sponsor or Sponsor's principals contest or direct any third party to contest the validity or enforceability of the Investment documents and/or asserts defenses for the sole purpose of delaying, hindering or impairing Investor's rights or remedies, (v) Sponsor shall fail to obtain Investor's prior written consent to any additional financing (senior or subordinate), (vi) Sponsor shall fail to obtain Investor's prior written consent to any transfer of the Property or of any direct or indirect ownership interest in Sponsor where Investor consent is required under the Investment documents, (vii) misappropriation of funds (including distributions to partners/members) in violation of the Investment documents, (viii) failure to fund Sponsor's share of Gap Funds as defined above, or (ix) the amendment or modification of any Investment documents without the prior written consent of Investor.

Non-Compete:

Sponsor shall not pursue any additional transactions within a 5-mile radius of any of the Property that are reasonably determined to be competitive with the business plan of the Company without first providing Investor a first right to invest in any of those transactions on the same terms and structure as those in the Company. Those additional assets would become part of the Property and would be cross-collateralized with the other portions of the Property. This provision requires further negotiation by both parties.

Tax Cooperation:

Investor will cooperate with Sponsor to create a tax-efficient structure to this investment so long as (i) the creation of this structure creates no

additional cost to Investor or Company (unless reimbursed by Sponsor), (ii) the creation of this structure creates no additional risks or liabilities for Investor or Company and (iii) the creation of this structure is compliant with the IRS and any other regulatory agencies.

Investor Right To Sell Investment:

Investor may, pursuant to terms consistent with the terms and conditions of the Company regarding such matters, sell its interest in the Company. Sponsor agrees to cooperate in such sale process provided such cooperation does not alter the economics of the transaction and is at no cost to Sponsor. Sponsor and Sponsor Principal acknowledge that Investor may disclose the Sponsor's/Sponsor Principal's/Property's financial information in connection with such sale.

Additional Financing:

Except for as approved by Investor and Sponsor, no additional senior or subordinate financing is allowed during the term of the Investment, either on a secured or unsecured basis unless consented to by Investor and Sponsor.

Other Conditions:

1. Satisfactory completion (in Investor's sole and absolute discretion) of Investor's closing/underwriting requirements and Investor's real estate and legal due diligence review (including, without limitation, entitlement, title, survey, environmental report and soils report).
2. Execution of satisfactory Investment documents containing such terms and conditions as the parties deem appropriate for transactions of this type.
3. Investor's review and approval of predevelopment budget, any third party contracts, and sources and uses statement.
4. Investor's review and approval of a background check of Sponsor, including credit checks, financial statements, and litigation searches.
5. Investor's review and approval of finishing cost budget, construction contracts, business plan and sources and uses statement.
6. Investor's review of any third party contracts.
7. Investor's review of Area Flood control plans.
8. Investor's review of an area multi-family market study.

Insurance:

The Company shall carry casualty (full replacement value), business interruption, builder's risk (if applicable), environmental and liability insurance on the Property from an insurance company reasonably acceptable to and containing terms and coverage limits reasonably acceptable to Investor.

***** BINDING AGREEMENTS *****

Notwithstanding the non-binding nature of this Term Sheet with respect to the matters outlined above, the Sponsor covenants and agrees that as a material inducement to Investor to consider Sponsor's request for financing, the following provisions are intended to be binding on Sponsor:

Waiver of Right to Trial by Jury; Judicial Reference in the Event of Jury Trial Waiver Unenforceability. Sponsor, Sponsor Principals and Guarantors, if any, and by its acceptance hereof, Investor each hereby expressly waives any right to trial by jury of any claim, demand, action or cause of action (1) arising under this term sheet or any other instrument, document or agreement executed or delivered in connection therewith, or (2) in any way connected with or related or incidental to the dealings of the parties hereto or any of them with respect to this agreement or any other instrument, document or agreement executed or delivered in connection herewith, or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether sounding in contract or tort or otherwise; and each party hereby agrees and consents that any such claim, demand, action or cause of action shall be decided by court trial without a jury. Notwithstanding the foregoing to the contrary, in the event that the jury trial waiver contained herein shall be held or deemed to be unenforceable, each of Sponsor, Sponsor Principals, Guarantors (if any) and, by its acceptance hereof, Investor hereby expressly agrees to submit to judicial reference pursuant to California Code of Civil Procedure sections 638 through 645.1 any claim, demand, action or cause of action arising hereunder for which a jury trial would otherwise be applicable or available. Pursuant to such judicial reference, such parties agree to the appointment of a single referee and shall use their best efforts to agree on the selection of a referee. If the parties are unable to agree on a single a referee, a referee shall be appointed by the court under California Code of Civil Procedure sections 638 and 640 to hear any disputes hereunder in lieu of any such jury trial. Each of Sponsor, Sponsor Principals, Guarantors (if any) and, by its acceptance hereof, Investor, acknowledges and agrees that the appointed referee shall have the power to decide all issues in the applicable action or proceeding, whether of fact or law, and shall report a statement of decision thereon; provided, however, that any matters which would not otherwise be the subject of a jury trial will be unaffected by this waiver and the agreements contained herein. Each of Sponsor, Sponsor Principals, Guarantors (if any) and, by its acceptance hereof, Investor hereby agree that the provisions contained herein have been fairly negotiated on an arms-length basis, with both sides agreeing to the same knowingly and being afforded the opportunity to have their respective legal counsel consent to the matters contained herein. any party to this agreement may file an original counterpart or a copy of this section with any court as written evidence of the consent of the parties hereto to the waiver of their right to trial by jury and the agreements contained herein regarding the application of judicial reference in the event of the invalidity of such jury trial waiver.

**Closing Fees, Costs
And Expenses:**

At Closing (if it occurs) the Company shall pay or reimburse Investor and Sponsor for all documented and reasonable out-of-pocket fees and costs actually incurred by each such party and related to this transaction, including, without limitation, the fees and expenses of counsel, title insurance fees and premiums, recording fees, and costs incurred in review and preparation of due diligence materials, including, without limitation, satisfactory review of all third-party reports. Prior to the Closing (or in the event the Closing doesn't occur), each party shall bear and pay all costs incurred by such party in connection with the transaction contemplated herein. If Closing

does not occur, neither party shall have any obligation to the other to pay or reimburse such other party for any costs relating to the transaction. The Investor shall pay to the financial consultant a fee of 1% of the total investment upon closing.

**Term Sheet Not a
Commitment:**

Sponsor and Investor agree that this term sheet is solely for discussion purposes only and is not a commitment or agreement of any kind to provide an investment. As such, the terms set forth herein are not binding upon the Investor. Any obligation of Investor to provide capital shall arise only upon signing of formal Investment documents signed by an authorized signatory of Investor and not from statements (oral or written) made during the course of discussions among the parties. Sponsor and Sponsor's Principals each acknowledge and agree that unless and until such obligation arises from a signed document, Investor shall have no liability or obligation of any kind whatsoever to them or any third party with respect to the investment described in this term sheet or any related matters except the obligation to return the unused portion (if any) of the Deposit as required herein. Investor may terminate or withdraw from such discussions at any time and for any reason in Investor's sole and absolute discretion. Sponsor further understands and agrees that Investor is not obligated to enter into the transaction contemplated by this term sheet, on the terms set forth herein or on any other terms, unless and until Investor executes and delivers to Sponsor final documentation, the terms of which shall supersede in their entirety the terms set forth herein. Notwithstanding anything to the contrary set forth herein, the agreements set forth in the final section entitled Binding Agreements shall be binding upon Sponsor and Investor.

By: Modtech Construction Services, Inc.

Dennis Shogren, CEO and Authorized Signatory

AGREED AND ACCEPTED:

By:

Authorized Signatory