

## EQUIPMENT PURCHASE AGREEMENT

This Equipment Purchase Agreement ("Agreement") is made and entered into this 30 day of September, 2008 by and between International Automated Systems, Inc., a Utah corporation with offices at 326 North Highway 6, Salem, UT 84653, hereinafter referred to as "Seller", and KKK, whose address is 4579 So. Wallace Lane, Salt Lake City, UT 84117, hereinafter referred to as "Purchaser".

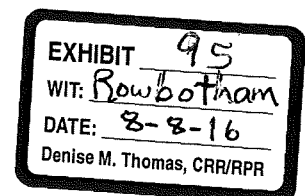
### BACKGROUND

1. Seller is the owner of certain proprietary alternative energy technology, hereinafter "IAS Technology", which technology relates to solar energy collection and which technology is utilized for the design and fabrication of certain components which are identified below and which are hereinafter collectively referred to as the "Alternative Energy System".
2. Seller and Purchaser now desire to enter into an agreement whereby Seller will sell Purchaser the Alternative Energy System specifically described below.

### AGREEMENT

NOW, THEREFORE, the parties hereto agree as follows:

1. Seller hereby sells to Purchaser and Purchaser hereby purchases from Seller the Alternative Energy System consisting of the system components identified on the attached Exhibit "A". The number of Alternative Energy Systems purchased by Purchaser from Seller under this Agreement shall be ONE. Seller shall furnish, deliver, install and startup the Alternative Energy System, at a site provided by Seller at Delta, Utah, hereinafter referred to as the "Installation Site".
2. Seller agrees to complete the following for the Alternative Energy System in accordance with the schedule stated:
  - a. Seller shall furnish, deliver, install and startup the Alternative Energy System at the Installation Site, by Dec. 31, 2008, hereinafter referred to as the "Installation Date".
  - b. Seller shall provide to Purchaser all required documentation relating to the Alternative Energy System and its components as requested by Purchaser for federal, state and local review of the Alternative Energy System for potential tax benefits.
3. Purchaser shall pay to Seller the sum of \$30,000 for each Alternative Energy System purchased, hereinafter referred to as the "Purchase Amount" for the purchase of the Alternative Energy System. This includes the cost of delivery, installation and startup, as well as



the cost of warranty work performed during the warranty period described below. The Total Purchase Amount shall be paid in accordance with the following schedule:

- a. Initial Down Payment in the amount of \$9,000 (nine-thousand dollars) for each Alternative Energy System purchased, which shall be paid at the time that this Agreement is entered into.
- b. Thirty Annual Installments in the amount of \$700.00 (seven-hundred dollars) for each Alternative Energy System purchased, hereinafter referred to as "Annual Installments," shall be paid to Seller, the first Installment being due on or before five years following the Installation Date and the last Installment being due Twenty Nine years thereafter, the Thirty Five year period from the Installation Date to a date one year following the due date of the last Installment, shall be referred to hereinafter as the "Installment Period" and the schedule of Installment payments shall be referred to hereafter as the "Installment Schedule."

4. The Alternative Energy System shall be placed in operation only at and operated only at the Installation Site, and shall be operated and managed for the Installment Period by an independent Operations and Management Company, namely LTB LLC, with principal offices at Las Vegas, NV, hereinafter referred to as "Operations and Management Company". In the event that Operations and Management Company shall cease to operate and manage the Alternative Energy System for any reason during the Installment Period, a Substitute Operations and Management Company approved by Seller shall be employed to operate and manage the Alternative Energy System. The Substitute Operations and Management Company must be expressly approved by Seller.

5. In the event that Purchaser fails to pay any of the Annual Installments or any portion thereof, when due, interest shall accrue on the overdue amount at the rate of one and one-half percent (1-1/2 %) per month until paid. If Purchaser fails to pay any Annual Installment or any portion thereof when due or within a thirty (30) day grace period thereafter, Seller may immediately, upon written notice to Purchaser, enter the Installation Site and repossess the Alternative Energy System and any and all of the components thereof. In such event, Seller shall be entitled to recover its attorney fees, court costs, arbitration costs, collection costs, repossession fees and expenses incurred in repossessing the Alternative Energy System and any components thereof. In the event that Purchaser voluntarily relinquishes the Alternative Energy System to Seller, and thereby minimizes the expense to Seller in repossessing the Alternative Energy System, Seller agrees not to report Purchaser to any credit agencies for Purchaser's default, and Purchaser shall receive a credit against the balance owed under the Installment Schedule in an amount equal to the value of the Alternative Energy System as established by an independent, qualified appraiser approved by Purchaser and Seller. The credit for the value of the Alternative Energy System shall be given if Purchaser voluntarily relinquishes the Alternative Energy System, whether the Alternative Energy System is re-sold by Seller or not.

6. If Purchaser fails to pay any Annual Installment or any portion thereof when due or within the thirty (30) days grace period thereafter, or if Purchaser becomes subject to any state or federal insolvency, bankruptcy, receivership, trusteeship or similar proceeding, or if Purchaser shall default in any other term of this Agreement, Seller may immediately terminate this Agreement by notice in writing to Purchaser and repossess the Alternative Energy System and all of the components thereof as stated above. In such event, Purchaser shall remain liable for all sums then due and unpaid, less the credit for the value of the repossessed Alternative Energy System as described above, plus a reasonable amount for attorneys' fees and such expenses as may be expended in the repossession of the Alternative Energy System.

7. If Seller shall fail, for any reason, to furnish, deliver, install and startup the Alternative Energy System at the Installation Site, by December 31, 2008, hereinafter referred to as the "Refund Date", Seller shall refund to Purchaser, within ninety (90) days following the Refund Date, the Initial Down Payment amount.

8. Seller hereby warrants, for the thirty five (35) year period from the Installation Date to the end of the Installment Period, hereinafter referred to as the "Warranty Period", that the Alternative Energy System shall remain in good operating condition. Seller shall initiate, within five (5) business days following the receipt of written notice that the Alternative Energy System is not operating properly or is not in good operating condition, either directly or through the use of one or more independent maintenance or repair entities, maintenance or repair of the malfunctioning or non-operating components of the Alternative Energy System. Seller shall complete such maintenance or repair work within a reasonable time thereafter. Seller shall be responsible for all material, equipment and labor costs incurred to complete such maintenance and repair work.

9. Seller hereby warrants, for the thirty five (35) year Warranty Period, the Alternative Energy System and each of the components thereof, from defects in materials and workmanship. Within five (5) business days following the receipt of written notice from Purchaser, Seller shall initiate reasonable efforts to ascertain repair or replacement requirements, to order replacement parts and equipment needed for repair, and to deploy qualified maintenance personnel. The cost of warranty parts, replacement equipment and labor shall be borne by Seller.

10. Seller and Purchaser acknowledge that the Target Production Rate from the Alternative Energy System is 250,000,000 (Two-Hundred and Fifty Million) British Thermal Units ("BTU's") per year and the Warranty Production Rate is ninety-five percent (95%) of the Target Production Rate per year. Seller hereby warrants that for the initial five year period from the Installation Date to a date five years following the Installation Date, the energy production for the Alternative Energy system, shall be no less than five times the Warranty Production Rate. However, if the average cloud cover for the initial five year period exceeds by more than ten percent (10%) the ten year average cloud cover for the Installation Site as measured at the nearest weather station maintaining cloud cover records for the ten calendar year period immediately preceding the year of the Installation Date, the Warranty Production rate, for the initial five year period, shall be reduced to the ratio of the ten year average cloud cover to the

actual average cloud cover for the initial five year period, multiplied times the Warranty Production Rate. This reduced production rate shall be referred to hereafter as the Adjusted Warranty Production Rate.

In the event that the actual energy production rate from the Alternative Energy System during the initial five year period is less than the Warranty Production Rate, or the Adjusted Warranty Production Rate if an adjustment is made as described above, Purchaser shall have the option to terminate this Agreement and relinquish the Alternative Energy System to Seller. Purchaser shall thereafter have no further obligation under this Agreement to make any further payment or to perform any other obligation to Seller arising under this Agreement, except to cooperate with and assist Seller in obtaining possession of the Alternative Energy System. If Purchaser elects to terminate this Agreement as provided above, Purchaser shall not be entitled to a reimbursement of any portion of the Initial Down Payment. The foregoing option to terminate must be exercised within sixty (60) calendar days following the expiration of the initial five year period and must be exercised by Purchaser providing written notice to Seller.

11. Purchaser hereby waives any and all claims against Seller for delays, including but not limited to claims for damages due to delays in preparing plans; delays in applying for or obtaining approvals or permits; delays in the delivery, installation, or start-up; or delays in performing warranty work. This waiver includes any and all direct, indirect or consequential damages.

12. Neither of the parties shall have liability for consequential damages to the other arising out of this agreement or the transactions, events or occurrences related thereto and each hereby waives any and all such claims for consequential damages against the other. Seller's liability for any breach under this agreement shall be limited to any amounts actually paid by Purchaser and received by Seller under this Agreement.

13. Purchaser agrees to require Operations and Management Company to maintain property damage insurance on the Alternative Energy System.

14. Purchaser agrees to require Operations and Management Company to maintain liability insurance to insure against bodily injury, property damage, product liability or other claims related to the design, manufacture, delivery, installation, start-up, operation or maintenance of the Alternative Energy System.

15. This Agreement shall not be assigned by Purchaser without the express written consent of Seller. Seller may assign its rights and obligations under this Agreement but Seller shall remain liable to Purchaser for the failure of its assignee to perform the obligations of Seller under this Agreement.

16. This Agreement shall be binding upon the successors and assigns of each of the parties.

17. Seller makes no representations or warranties, expressed or implied, including the implied warranty of merchantability and fitness, except as expressly stated in this Agreement.

18. Purchaser shall not repair, modify or adjust the Alternative Energy System or any component thereof and Purchaser agrees to prohibit anyone other than Seller's authorized personnel to repair, modify or adjust the Alternative Energy System or any component thereof.

19. Purchaser shall notify Seller immediately of accidents, disabilities, failures or like information concerning the Alternative Energy System.

20. In the event the Alternative Energy System becomes inoperable for any reason, except as otherwise provided under the warranty during the Warranty Period, Seller shall not be obligated to furnish a substitute Alternative Energy System or any component thereof. In any event, Seller shall not be liable for any special or consequential damages of any nature resulting from such inoperability.

21. Purchaser agrees that the Alternative Energy System shall be used and operated only at the Installation Site and in accordance with the "Safety and Operating Guidelines" which shall be written and set forth by Seller. Purchaser agrees that the Alternative Energy System shall not be relocated by Purchaser without the written consent of Seller.

22. Any notice under this Agreement shall be deemed sufficient if it is in writing and it is delivered to Purchaser, personally or sent by mail addressed to Purchaser at the address set forth above.

23. Nothing herein conveys to Purchaser any right, title or interest in or to the Alternative Energy System or any component thereof, except as a Purchaser. Seller reserves the right to file or record such documents and instruments as it may deem necessary from time to time to protect its rights, liens, title and interest in the Alternative Energy System. Purchaser agrees to cooperate with Seller and to execute such documents as may be required or requested by Purchaser to assist Seller in protecting its rights, liens, title and interest in the Alternative Energy System.

24. In the event of the breach of this Agreement by either party, the injured party shall be entitled to recover its costs, attorney fees, arbitration costs and arbitration fees incurred in enforcing the agreement and in pursuing appropriate remedies.

25. Seller and Purchaser acknowledge that they each understand that the Alternative Energy System may qualify for certain tax incentives and benefits under the 2005 Energy Policy Act and other statutes. Purchaser agrees to obtain the evaluation and opinion of its own tax attorney or accountant as to any tax matters relating to this Agreement and to the Alternative Energy System. Seller does not guarantee any tax incentive or benefit to Purchaser. Seller hereby transfers to Purchaser any and all energy tax credits, if any, related to the Alternative Energy System. Seller shall not claim any such energy tax credits. Seller and Purchaser agree



that the respective initial values of the components of the Alternative Energy System are listed on the attached Exhibit "A".


26. In the event of a dispute arising out of this Agreement or the transactions, events or occurrences related thereto, Seller shall have the sole option of electing to have such disputes resolved by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association with all hearings and other proceedings in that arbitration being conducted in Salt Lake City, State of Utah. Seller shall have the right to elect arbitration at any time up to and including the time that either party files an Answer in pending litigation between the parties relating to such disputes.

27. This Agreement shall be construed in accordance with the laws of the State of Utah.

28. This is the entire agreement between the parties. This agreement shall not be modified except by written amendment signed by Purchaser and Seller.

**PURCHASER**

By:



(Signature)

Title: member

**INTERNATIONAL AUTOMATED SYSTEMS, INC.**

**SELLER**

By: Neldon P. Johnson



(Signature)

Title: President

EXHIBIT A

ALTERNATIVE ENERGY SYSTEM COMPONENT LIST

<u>Quantity</u>	<u>Description of Component</u>	<u>Model No.</u>	<u>Serial No.'s</u>	<u>Value</u>
	Solar Lens Concentrators to Produce 250 Million BTUs per Year.			