

IAUS Solar Unit Purchase Overview

About International Automated Systems, Inc.

International Automated Systems, Inc. [IAUS: OTCBB] is a research and development company that went public in 1988. IAUS was the pioneer of self-service check-out lanes, and sold its patents to the company that has installed systems in stores today such as Wall-mart, Home Depot, Kroger's, etc. IAUS was also the first company to patent and develop automated fingerprint identification (biometrics) small enough to fit onto the magnetic stripe of a credit card. IAUS is a pioneer in self-service order and pay systems for restaurants- a technology that will likely be immersing in the industry in the near future. Most recently IAUS has completed a unique patented and patent pending solar power system that is the first solar power technology having the potential to compete head-to-head with gas, coal and gasoline.

IAUS Technology: Thin-Film Solar Lenses

IAUS's solar technology is less expensive than any other solar power technology. IAUS's unique thin-film solar lenses are made of a durable grade of inexpensive acrylic plastic with thousands of small ridges that focus the radiant heat of the sun to a single point (like a magnifying glass) to produce super-high temperatures. Heat produces steam that turns a unique patented bladeless turbine developed by IAUS. This turbine drives an electric generator.

The lenses operate at a constant 90 degree angle to the sun (dual axis) which increases efficiency by more than 30% over non dual-axis solar power systems such as solar reflector troughs and most photovoltaic systems. Once the lenses are installed, no more adjustments are necessary, which significantly lowers operation and management costs. Other solar thermal technologies such as solar reflector troughs and dishes require regular adjustments.

The life-span of IAUS's lenses is 35+ years. The total replacement cost of the lenses is approximately 10%-15% of the cost of the unit. This is very different from photovoltaic (PV) solar. The cost to replace PV solar after its 20 year lifespan is virtually 100% of the cost of the system- basically re-purchasing the system all over again.

IAUS Technology: Bladeless Turbine

In an expensive, multi-stage blade turbine, each blade must be hand-set using a meticulous costly process. IAUS turbine has no blades, therefore, production and operation is much less expensive. In a traditional turbine blades must be within 3 mil distance from the wall of the inside chamber so that steam will not escape over the top outside edges of the blades. This is not a concern with the IAUS turbine.

Today's multi-stage, blade turbines require high-quality, dry steam, or excessive damage and/or a sharp drop in efficiency will occur. Water must first flash to steam and then is super-heated. Energy in this phase change from water to steam is wasted. The IAUS turbine can use any quality of steam (low, medium, high), including a bi-phase flow (water + steam) without any damage or wear to the turbine.

High-pressure, super-heated water is flashed at the rocket nozzle of the IAUS turbine - losing none of the energy in the phase change from water to steam. This also allows IAUS to recycle the water in a closed-loop system without damaging the turbine. This feature is very important in desert areas.

The steam condenser design of IAUS's turbine is more effective and efficient. The actual chamber of the turbine can be used as a condenser, whereas a typical multi-stage turbine cannot have steam condensing within its chambers as this would cause a loss in efficiency and damage to the turbine blades.



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IAUS Solar Technology: Energy Mediums Produced

IAUS's technology can convert the sun's energy into electricity or gasoline replacements such as hydrogen and methanol. Most major car manufacturers have already produced cars that can operate on hydrogen- fuel cell cars and hybrid combustion engines that can burn either gasoline or hydrogen. Methanol can be used as a gasoline replacement or can be used to power fuel cell cars. Methanol is liquid at ambient room temperature and therefore it is easier and more cost effective than hydrogen to store and transport.

Power generation for commercial, industrial and residential, however, is IAUS's first targeted market. IAUS's technology can produce electricity competitive with electricity generated using fossil fuels. The lower cost of IAUS's solar technology makes it a promising replacement for the dirty fossil fuels.

Solar Equipment: Purchase

The new IAUS solar lenses are shaped like a slice of a pie. Seventeen of these lenses together create a circular shape that is 22 feet across in diameter. Included with the lens is the receiver/heat exchanger that converts the solar energy into super-heated water/steam. The lens and receiver has a 35+ year life. IAUS is selling a lens and receiver, which comprises one solar unit capable of producing approximately 250,000,000 British Thermal Units (BTUs) per year, for a price of \$30,000.

Solar Equipment: IAUS Financing

IAUS's solar unit can be purchased with a down payment of \$9,000. The balance of \$21,000 is financed by IAUS interest free over a term of 30 years. The first five years of the loan are deferred to the end. Once the first five years are over, the buyer pays 30 annual loan payments of \$700.

IAUS believes that paying the five deferred installments at the end of the thirty years is much more profitable for the purchaser than in the first five years. Since, the wholesale price per kilowatt-hour (kWh) will follow the average U.S. GDP inflation rate of 2.9%, the wholesale price of electricity will be at 13 cents per kWh after thirty years and over 15 cents per kWh by thirty-five years.

Purchased solar units will be nested with other solar units in an array, selling net energy or net BTUs to a commercial power plant that will be owned and operated by LTB LLC. The power company LTB LLC will use the BTUs to generate electricity and in turn, sell it to customers such as residents, businesses, or other power companies.

LTB LLC will maintain and operate the plant and market the power generated by the solar units. LTB LLC will pay the solar unit owner a quarterly payment for the purchase of the net BTUs produced by each solar unit, at a rate of 5.5 cents per kWh. The selling price for electricity generated by an energy provider in the U.S., averaged 5.5 cents per kWh in 2005. The projected net energy production for each solar unit is an estimated 14,600 kWh per year.

IAUS Guarantees and Warrantees

IAUS warrantees that the solar unit will operate by itself for the entire term of the loan. If the system stops functioning for any reason during the duration of the loan, IAUS will fix it without charge.

IAUS also guarantees that the solar unit will operate at 95% of its projected annual capacity of 250,000,000 BTUs. If after the first five years of operation, the solar has not operated to this standard, the owner is given the option to relinquish the solar unit back to IAUS with no further obligation to pay the loan payment. In this case, however, IAUS will not refund the initial \$9,000 down payment.

Solar Tax Credit to Participants

The person buying a solar unit receives a \$9,000 tax credit from the IRS for each solar unit purchased. For a solar unit purchased during the year 2006 or 2007, the Federal Government Energy policy gives a 30% tax credit. The retail value of IAUS's solar unit is \$30,000. The federal tax credit at 30% of \$30,000 equals \$9,000. The tax credit is a dollar for dollar credit. It is not a deduction. The maximum credit that can be taken is \$25,000 plus 25% of the remaining balance of taxes owed. However, this credit can be used one year back and 20 years foreword.

Solar Tax Illustration:

Let's say a person pays an average of \$50,000 Federal Income Tax each year. This person purchases five lenses for a total down payment of \$45,000 dollars in 2006. When this person files his 2007 taxes, he can use/deduct \$25,000 plus 25% of the remaining balance (of \$25,000) which comes to \$6,250 (0.25 x \$25,000). The total tax credit for 2007 is \$31,250 (\$25,000 + \$6,250). Therefore \$31,250 of the \$45,000 invested is returned in a tax credit for 2007 leaving only \$13,750 un-credited of the \$45,000 invested. However, in the same 2007 filing, this person can also take up to another \$25,000 in tax credits plus 25% of the remaining balance of taxes owed for the year 2006. This option credits and returns the remaining \$13,750. When necessary, any excess credit can be taken when filing for successive years, for up to 20 years foreword.

Depreciation

Half of the tax credit (\$4,500) must be subtracted from the \$30,000 dollar purchase amount when using it to calculate depreciation of the equipment. Therefore, only \$25,500 of the \$30,000 value can be depreciated. This can be taken over a period of six years. How does depreciation work? It is based upon what income tax bracket the buyer falls into. For example, if the buyer is in a 30% income tax bracket, 30% of \$25,500 (which amounts to \$7,650) can be taken off from the buyer's personal taxes over a period of six years. The percentage of the \$7,650 that can be taken in each year is broken down by the IRS in the following sequence:

Year 1	20%	\$1,530
Year 2	32%	\$2,448
Year 3	19.2%	\$1,468.80
Year 4	11.52%	\$881.28
Year 5	11.52%	\$881.28
Year 6	5.76%	\$440.64

Estimated Net Income to Participants

As previously discussed, the power company LTB LLC pays the solar unit owner a quarterly payment for the purchase of the steam at a rate of 5.5 cents per kWh. At this rate, if the buyer is in a 30% income tax bracket, he would have a potential net income of \$11,585.02 in the first five years. This same buyer would have an estimated net income of \$36,745.35 over a total of 35 years.

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This is not a solicitation to buy or sell securities. This material is for information purposes only. The figures contained herein are based upon reasonable estimations. Therefore, the numbers are subject to change and will obviously differ depending upon various circumstances. Statements contained in this material that are not strictly historical are forward-looking within the meaning of the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995. Such statements are made based upon information available to the company at the time, and the company assumes no obligation to update or revise such forward-looking statements. Editors and investors are cautioned that such forward-looking statements invoke risk and uncertainties that may cause the company's actual results to differ materially from such forward-looking statements. These risks and uncertainties include, but are not limited to, demand for the company's product both domestically and abroad, the company's ability to continue to develop its market, general economic conditions, and other factors that may be more fully described in the company's literature and periodic filings with the Securities and Exchange Commission. This material is not for the purpose of giving tax advice to individuals or any other entity. International Automated Systems, Inc. is not a tax professional and encourages every taxpayer to seek advice based on the taxpayer's particular circumstances from an independent tax advisor before relying on any information given in this presentation.

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Example 1
Tax Bracket of 25%

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Expenses					
Down Payment	<\$9,000>	\$0	\$0	\$0	\$0
Loan Payment	\$0	\$0	\$0	\$0	\$0
Operations	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Expenses	<\$9,000>	\$0	\$0	\$0	\$0
Income					
Tax Credit	\$9,000	\$0	\$0	\$0	\$0
Depreciation	\$1,275	\$2,040	\$1,224	\$734.40	\$734.40
kWh Revenue (5.5 cents/kWh)	<u>\$825</u>	<u>\$849</u>	<u>\$874.39</u>	<u>\$900.19</u>	<u>\$926.74</u>
Total Income	\$11,100	\$2,889	\$2,098.39	\$1,634.59	\$1,661.14
Income Less Expenses	\$2,100	\$2,889	\$2,098.39	\$1,634.59	\$1,661.14

Total Net Income Years 1-5 **\$10,383.12**

Total Net Income Years 1-35 **\$35,396.91**

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Example 2
Tax Bracket of 30%

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Expenses					
Down Payment	<\$9,000>	\$0	\$0	\$0	\$0
Loan Payment	\$0	\$0	\$0	\$0	\$0
Operations	\$0	\$0	\$0	\$0	\$0
Total Expenses	<\$9,000>	\$0	\$0	\$0	\$0
Income					
Tax Credit	\$9,000	\$0	\$0	\$0	\$0
Depreciation	\$1,530	\$2,448	\$1,468.80	\$881.28	\$881.28
kWh Revenue (5.5 cents/kWh)	<u>\$825</u>	<u>\$849.34</u>	<u>\$874.39</u>	<u>\$900.19</u>	<u>\$926.74</u>
Total Income	\$11,355	\$3,297.34	\$2,343.19	\$1,781.47	\$1,808.02
Income Less Expenses	\$2,355	\$3,297.34	\$2,343.19	\$1,781.47	\$1,808.02

Total Net Income Years 1-5 \$11,585.02

Total Net Income Years 1-35 \$36,745.35

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Example 3
Tax Bracket of 35%

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Expenses					
Down Payment	<\$9,000>	\$0	\$0	\$0	\$0
Loan Payment	\$0	\$0	\$0	\$0	\$0
Operations	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Expenses	<\$9,000>	\$0	\$0	\$0	\$0
Income					
Tax Credit	\$9,000	\$0	\$0	\$0	\$0
Depreciation	\$1,785	\$2,856	\$1,713.60	\$1,028.16	\$1,028.16
kWh Revenue (5.5 cents/kWh)	<u>\$825</u>	<u>\$849.34</u>	<u>\$874.39</u>	<u>\$900.19</u>	<u>\$926.74</u>
Total Income	\$11,610	\$3,705	\$2,587.99	\$1,928.35	\$1,954.90
Income Less Expenses	\$2,610	\$3,705	\$2,587.99	\$1,928.35	\$1,954.90

Total Net Income Years 1-5 **\$12,786.58**

Total Net Income Years 1-35 **\$38,093.79**

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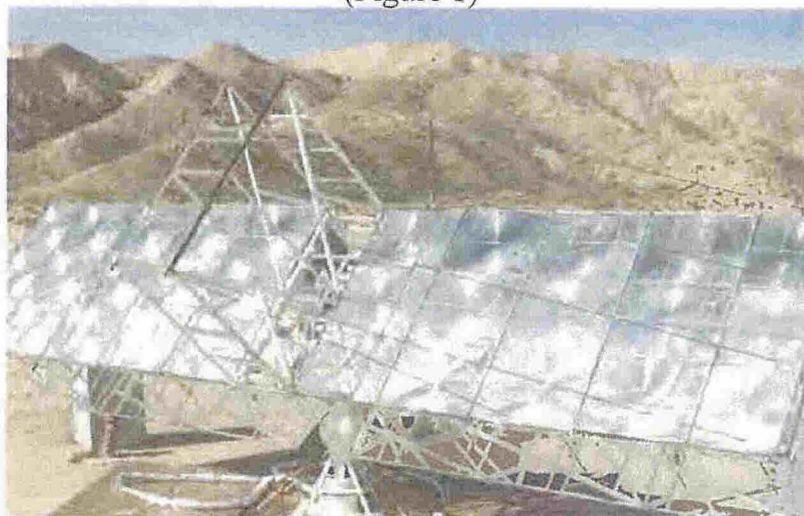
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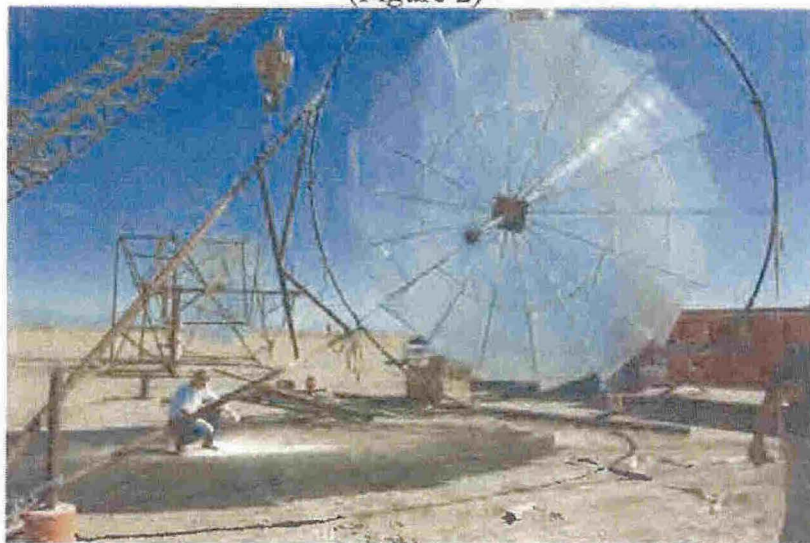
Photos of IAUS's Solar Unit

(Figure 1)



The photo in Figure 1 shows one of IAUS's solar units in its rectangular shape assembled with 24 sub-lenses.

(Figure 2)



The photo in Figure 2 shows the new design of one of IAUS's solar units which is now in a more efficient circular shape. It is assembled with 17 sub-lenses.

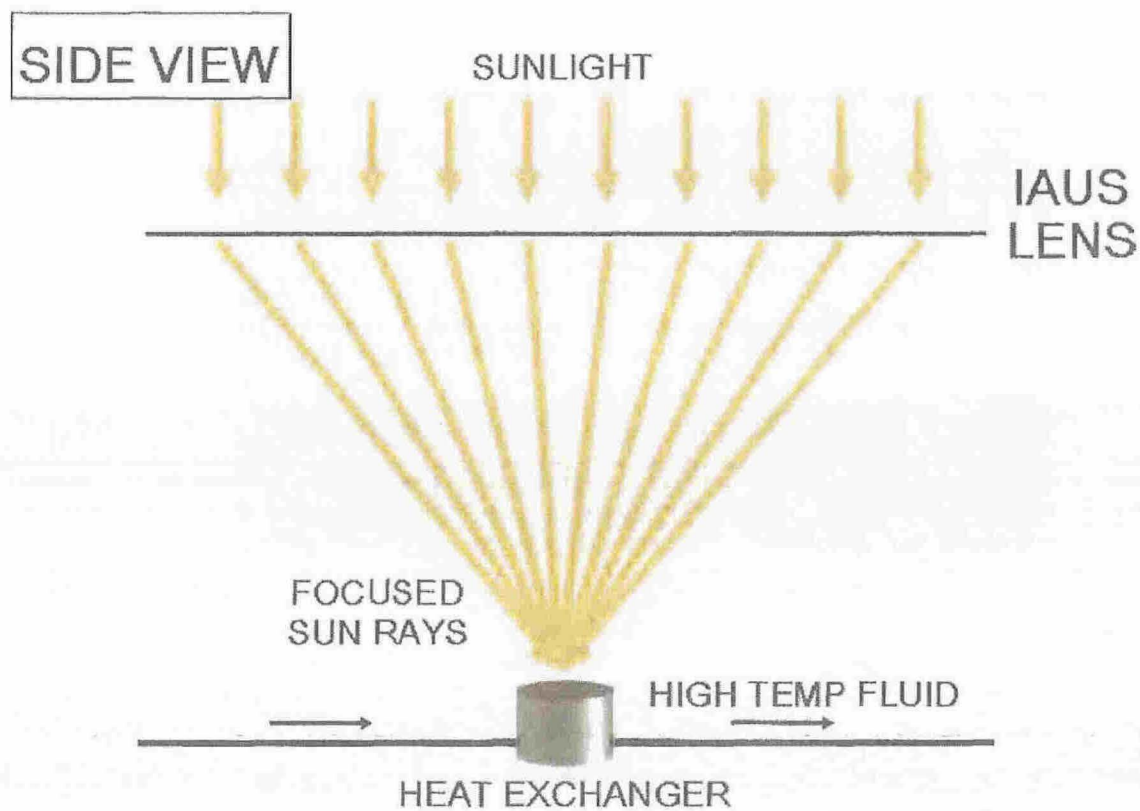
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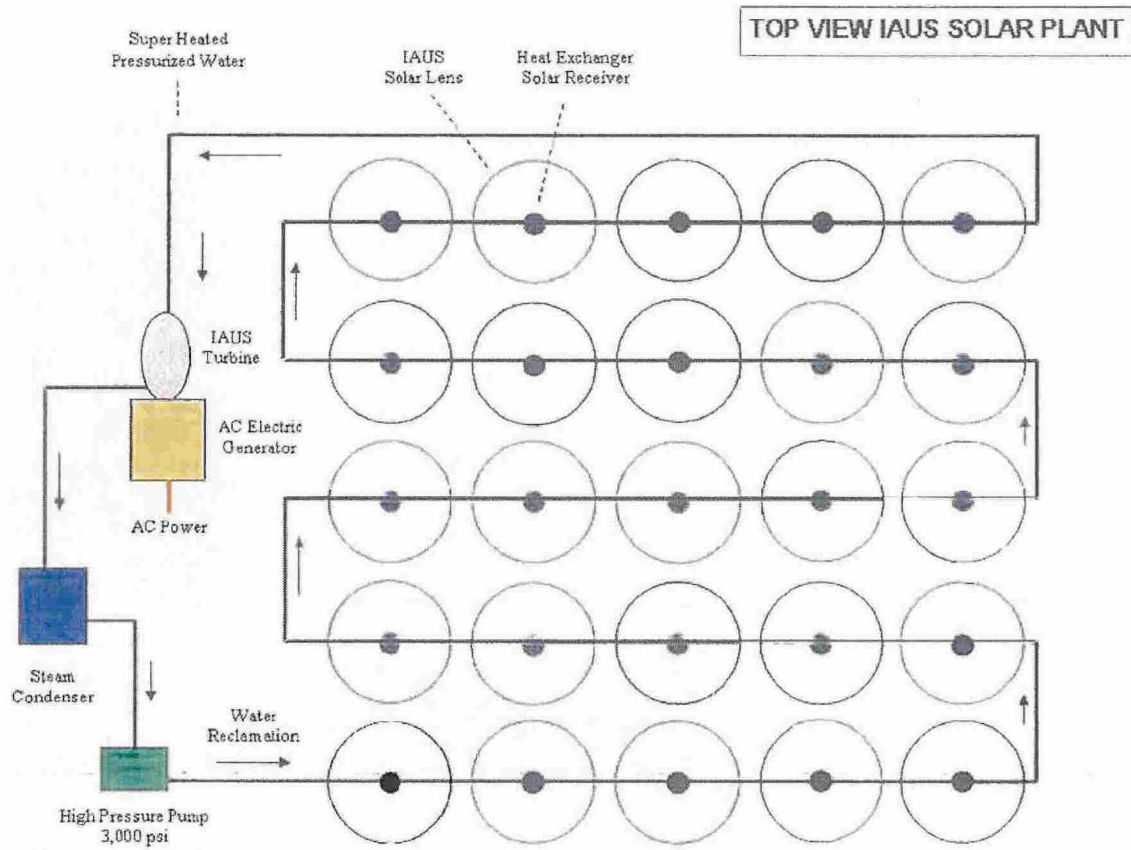
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(Figure 3)



(Figure 4)



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Section II

EQUIPMENT PURCHASE AGREEMENT

This Equipment Purchase Agreement ("Agreement") is made and entered into this _____ day of _____, 200__ 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 _____, whose address is _____, 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 _____. Seller shall furnish, deliver, install and startup the Alternative Energy System, at a site provided by Seller at _____, 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 _____, 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.

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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 _____, with principal offices at _____, 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, 2007, 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

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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 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.

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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 Seller 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

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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: _____

INTERNATIONAL AUTOMATED SYSTEMS, INC.

SELLER

By: Neldon P. Johnson

(Signature)

Title: President

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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.			

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Section III

OPERATION AND MAINTENANCE AGREEMENT

Solar Thermal Power Plant

This Operation and Maintenance Agreement (the "**Agreement**") is entered into this _____ day of _____, 2007, by and between **LTB LLC** (the "**Operator**"), a Nevada Limited Liability Company with principal offices at 3838 Raymert Drive, Suite #10, Las Vegas, Nevada 89121, and _____ a _____ whose address is _____ (the "**Owner**").

RECITALS

WHEREAS pursuant to an Equipment Purchase Agreement (the "**Purchase Agreement**") between the Owner and International Automated Systems, Inc. ("**IAUS**"), a Utah Corporation with principal offices at _____, Salem, Utah 846____, a copy of which is attached as Attachment A, the Owner has purchased certain solar thermal energy equipment which consists of _____ (the "**Number of Owner's Alternative Energy Systems**") Alternative Energy Systems (the "**Owner's Alternative Energy Systems**") which are particularly described in the Purchase Agreement that will be installed at a Power Plant and/or other facilities hereafter associated therewith (collectively, the "**Project**") at a location designated by the Equipment Purchase Agreement (the "**Site**"). The Alternative Energy Systems are each of a uniform physical design and a uniform design energy production.

WHEREAS, the Owner desires to sell to Operator and Operator desires to purchase from Owner, energy produced by the Alternative Energy System.

WHEREAS, the Owner desires to contract with the Operator for Operator to provide operation and maintenance services in respect of the Project.

WHEREAS, the Operator, at the Operator's sole discretion, may also be operating and maintaining solar thermal energy equipment other than the Alternative Energy System of the Owner, at the Site, which together with the Alternative Energy System of the Owner shall be hereinafter referred to collectively as the "**Collective Alternate Energy Systems**".

WHEREAS, the Operator is willing to provide such services on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE 1

DEFINITIONS

- 1.1 **Alternative Energy System.** Solar energy collection system of a uniform design by IAUS, and a uniform solar energy collection capacity.
- 1.2 **Imbedded Definitions.** The definitions of other key terms are as stated in the text of this

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Agreement.

ARTICLE 2

OPERATOR SCOPE OF WORK

2.1 Appointment.

The Owner appoints the Operator and the Operator accepts the appointment to perform the following services subject to and in accordance with the provisions of this Agreement (collectively, the "**Work**");

2.1.1 Routine O&M Services;

2.1.2 Additional Services; and

2.1.3 Transition Services.

2.2 Effective Date.

The Operator shall begin performing the Work on the date the Owner's Alternative Energy Systems are installed at the Site (the "**Effective Date**").

2.3 Operation and Maintenance Services.

The Operator will perform the Work in accordance with the standard of a reasonable and prudent operator in the state wherein the Site is located and in compliance with the Safety and Operating Guidelines ("Guidelines") provided by IAUS to Operator, except to the extent that a reasonable and prudent operator would be unable, or would be hindered in its ability, to perform such obligations. Operator and Owner agree that IAUS may modify or amend the Guidelines from time to time in the sole discretion of IAUS. The Guidelines, as amended and modified hereafter in the sole discretion of IAUS, are hereby incorporated by reference into this Agreement and Operator and Owner hereby agree to be bound thereby.

2.4 Appointment of Liaison.

The Operator may appoint a representative who will represent the Operator under this Agreement and be responsible for receiving approvals or instructions from the Owner that may be required from time to time. The Owner shall be entitled to rely on the actions of such representative for the purposes of this Agreement.

2.5 Governmental Approvals.

The Operator shall apply for and use reasonable efforts to obtain and maintain all Governmental Approvals that are required to be in the Operator's name and that are necessary for the Operator to perform its obligations under this Agreement. The Operator shall assist the Owner, to the extent reasonably necessary, in obtaining Governmental Approvals that the Owner is required to obtain pursuant to Article 3.

2.6 Work Force.

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The Operator is responsible for hiring, employing, training and managing, and additionally, in respect of employees employed by Affiliates of the Operator, overseeing the work force necessary to operate, maintain and repair the Project in accordance with this Agreement.

2.7 Access.

The Operator shall at all times provide access to the areas of the Project to the designated representatives of the Owner and (so long as the Financing Documents remain in effect) provided that such access is in compliance with the Equipment Purchase Agreement and is coordinated with the Operator to ensure that it does not unreasonably interrupt or interfere with the performance of the Work or the safe operation of the Project and is at the sole risk and expense of the Owner, as applicable.

2.8 Legal Requirements.

The Operator shall comply in all material respects with all applicable law in the performance of the Work.

ARTICLE 3

OWNER SCOPE OF RESPONSIBILITIES

3.1 Delivery of the Project.

Once this Agreement becomes effective, the Owner shall grant the Operator and its designated and identified Affiliates, employees, agents and representatives, access to the Site and the Project, as are necessary or desirable for the Operator to carry out the Work and to comply with the Operator's obligations hereunder.

3.2 Appointment of Liaison.

The Owner may appoint a representative who will represent the Owner under this Agreement and be responsible for giving approvals or instructions to the Operator that may be required from time to time. The Operator shall be entitled to rely on the approvals or instructions of such representative.

3.3 Governmental Approvals.

The Owner shall apply for and use reasonable efforts to obtain and maintain all Governmental Approvals that are required to be in the Owner's name and that are necessary for the Owner to perform its obligations under this Agreement. The Owner shall assist the Operator; to the extent reasonably necessary, in obtaining Governmental Approvals that the Operator is required to obtain pursuant to Article 2.

3.4 Compliance with Applicable Law.

The Owner shall comply in all material respects with all applicable law in connection with the performance of this Agreement.

ARTICLE 4

SAFETY AND OPERATING GUIDELINES

4.1 Safety and Operating Guidelines.

Pursuant to the Equipment Purchase Agreement between the Owner and IAUS, IAUS has provided Safety and Operating Guidelines ("Guidelines") for operating and maintaining the Project, which Guidelines include but are not limited to a description of the services to be provided by Operator to Owner. The services are categorized by the Guidelines into Routine O&M Services, Additional Services, and Transition Services. The Guidelines written and set forth by IAUS are subject to modification or amendment by IAUS without prior notice, in the sole discretion of IAUS. Operator shall perform the Work in accordance with and in full compliance with the Guidelines, as modified or amended by IAUS from time to time, which Guidelines are incorporated by reference into this Agreement.

4.2 Health, Environmental and Safety Standards.

The Operator agrees that the Project shall be operated in compliance with all applicable laws and with the OSHA Standards and that the Operator shall not be obligated to perform the Work in a manner that does not meet the OSHA Standards or that would violate applicable law.

ARTICLE 5

COMPENSATION AND PAYMENT

5.1 Project Energy Production.

At the end of each quarter, the total Energy produced by the Collective Alternative Energy Systems shall be calculated by the net energy output by the Project as measured in kilowatt-hours.

5.2 Owner's Alternative Energy Systems Energy Production.

At the end of each quarter, the percentage of Energy produced by the Owner's Alternative Energy Systems shall be calculated by dividing the Number of Owner's Alternative Energy Systems by the Number of Alternative Energy in the Collective Alternative Energy Systems (the "**Owner's Energy Percentage**").

5.3 Energy Price.

At the end of each quarter, the Operator will purchase from the Owner, the Owner's Energy Percentage on a price-per-kilowatt hour basis (the "**Energy Price**"). The initial Energy Price shall be five and one-half cents per kilowatt hour (\$0.055/kWh). The Energy Price shall be increased as of January 1 of each year following the calendar year of the date of this Agreement, by two-point-nine-five percent (2.95%).

5.4 Kilowatt-Hour Units vs. British Thermal Units

The Owner's Energy Percentage and the Energy Price are stated in units of kilowatt-hours instead of net British Thermal Units ("**BTUs**") for the sake of simplification, not because the Operator is actually purchasing electricity from the Owner.

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5.5 Payment.

All payments shall be in Dollars unless otherwise agreed. The Operator shall compensate Owner pursuant to sections 5.2 and 5.3 on a quarterly basis by check or wire transfer to one or more account(s) specified by the Owner. Each payment shall be delivered to Owner within thirty calendar days following the end of the quarter.

5.6 Late Payments.

Late payments under this Agreement shall bear interest at a rate calculated from day to day on the basis of a 360 day year equal to one percent per annum above the Discount Rate. The payment of interest shall not excuse or cure any late payment hereunder.

ARTICLE 6

INDEMNIFICATION

6.1 Scope of Indemnification.

(a) The Owner shall indemnify, defend and hold harmless the Operator, its Affiliates and its and their respective directors, officers, employees and agents ("**Operator Indemnified Persons**") from and against any liability, loss, damage, claim, cost, charge or expense of any kind or nature, including reasonable attorneys' fees, expenses and other costs of litigation (collectively, "**Damages**") incurred by any Operator Indemnified Person in connection with (i) injury to or death of any person or damage to property (including the Project and any facilities related to the Project) and (ii) any claims by third parties, in each case, as a result of or otherwise relating to (A) the breach by the Owner of any of its obligations under this Agreement, (B) the gross negligence or willful misconduct of the Owner, its Affiliates and its and their respective directors, officers, employees and agents, or (C) the Project; provided that the Owner shall not be liable to indemnify any such Operator Indemnified Person for any Damages to the extent that such Damages are to be indemnified by the Operator pursuant to Section 6.1(b)(ii) or are the result of the gross negligence or willful misconduct of the Operator or, in respect of any such Operator Indemnified Person, such Operator Indemnified Person.

(b) Subject to the limitation of liability under Article 10, the Operator shall indemnify, defend and hold harmless the Owner, its Affiliates and its and their respective directors, officers, employees and agents ("**Owner Indemnified Persons**") from and against any Damages incurred by any Owner indemnified Person in connection with (i) injury to or death of any person or damage to property (including the Project and any facilities related to the Project) and (ii) any claims by third parties, in each case, as a result of (A) the breach by the Operator of any of its obligations under this Agreement or (B) the gross negligence or willful misconduct of the Operator, its Affiliates and its and their respective directors, officers, employees and agents; provided that the Operator shall not be liable to indemnify any such Owner Indemnified Person to the extent Damages are the result of the negligence or willful misconduct of the Owner or any such Owner Indemnified Person or the breach by the Owner of any of its obligations under this Agreement.

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6.2 Limitation of Liability.

The limitation of liability under Article 10 shall not apply to or include the amount of insurance proceeds received by the Operator under insurance obtained in accordance with this Agreement other than insurance obtained and paid by the Operator unless the amount paid by the Operator is reimbursed by the Owner hereunder.

6.3 No Effect on Insurers.

The provisions of this Article 6 will not be construed to relieve any insurer of its obligations to pay any insurance claims in accordance with the provisions of any valid insurance Policy.

6.4 Gross Negligence.

No Party shall have its liability limited hereunder for its own gross negligence or willful misconduct.

6.5 Survival.

The Parties' obligations under this Article 6 survive any termination of this Agreement.

ARTICLE 7

INSURANCE

7.1 Insurance Required of the Operator.

The Operator shall procure and maintain the insurance listed below:

- (a) Workers' compensation insurance, or the equivalent, as required by law.
- (b) Comprehensive general liability coverage, or the equivalent, including bodily injury and physical damage, with a per occurrence limit of US\$1,000,000.00.

ARTICLE 8

FORCE MAJEURE

8.1 Event of Force Majeure.

Any failure by the Operator or the Owner to carry out any of its obligations under this Agreement will not be deemed a breach of contract or default, other than obligations to pay monies due and payable pursuant to this Agreement, if such failure is caused by an Event of Force Majeure, that Party having taken all appropriate precautions, due care and reasonable alternative measures with the objective of avoiding such failure and of carrying out its obligations under this Agreement. If any activity is delayed, curtailed or

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prevented by an Event of Force Majeure, then, anything in this Agreement to the contrary notwithstanding, the time for carrying out the activity thereby affected and the term of this Agreement will each be extended for a period equal to the total of the periods during which such causes or their effects were operative, and for such further periods, if any, as are necessary to make good the time lost as a result of such Event of Force Majeure.

8.2 Notice; Cooperation.

The Party whose ability to perform its obligations is affected by an Event of Force Majeure shall notify as soon as practicable the other Party in writing, stating the cause, and the Parties shall endeavor to do all reasonable acts and things within their power to remove such cause. No Party is obligated to resolve or terminate any disagreement with third parties, including labor disputes, except under conditions acceptable to it or pursuant to the final decision of any arbitral, judicial or statutory agent having jurisdiction to finally resolve the disagreement. As to labor disputes, any Party may request the other Party to cooperate in a joint endeavor to alleviate any conflict which may arise.

ARTICLE 9

TERM AND TERMINATION

9.1 Term of Agreement.

This Agreement becomes effective as of the Effective Date and, unless terminated by either Party pursuant to this Article 9, will terminate upon the termination of the Purchase and Installation Contract.

9.2 Termination by the Owner.

This Agreement may be terminated at any time by the Owner if the Operator breaches any of its material obligations under this Agreement; provided that the exercise of any termination right to be effective must occur within 90 days after the Owner becomes aware that its termination right exists. The Operator will have the opportunity, within 90 days of receiving notice of the event or breach to cure the event or breach, if such event or breach is not capable of being cured within such period, to submit to the Owner a plan (an "**Operator Remedial Plan**") calculated to cure such event or breach within an additional reasonable period of time. The Owner may terminate this Agreement if, having commenced actions to cure the event or breach in accordance with an Operator Remedial Plan, the Operator fails to pursue such actions diligently or is unable to effect a cure within the period contemplated in the Operator Remedial Plan; provided that if the existence of such event or breach is disputed, such termination may occur only following resolution of such breach.

9.3 Termination by the Operator.

This Agreement may be terminated at any time by the Operator if the Owner breaches any of its material obligations under this Agreement, and Owner fails to cure such breach within 90 days of the receipt of written notice from Operator. The Operator shall have the right to immediately suspend performance hereunder in the event of any such default, until the same is cured by the Owner, and the Owner shall have no rights against the Operator in respect of such suspension until the time of such cure. Additionally, the Operator may terminate this Agreement if any change in ownership results in the Operator no longer being an Affiliate of the Owner. The exercise of any termination right to be effective must occur within 90 days after the Operator becomes aware that its termination right exists.

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9.4 Transition to New Operator.

In the event of any termination under Section 9.2, the Owner may request that the Operator continue to maintain a sufficient number of local and expatriate employees to assist in training a replacement operator and to perform such other transition work as the Owner may reasonably request, and the Operator shall comply with any such request for a period not to exceed three months.

ARTICLE 10

LIMITATIONS OF LIABILITY

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.

ARTICLE 11

CONSULTATION AND ARBITRATION

11.1 Arbitration.

(a) If any Dispute arising out of this Agreement cannot be resolved by the Parties, then such Dispute shall be resolved by binding arbitration pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The arbitration shall be the sole and exclusive forum for resolution of such Dispute, and the award rendered shall be final and binding. Judgment on the award rendered may be entered in any court having jurisdiction thereof.

(b) The arbitration shall be conducted in the English and shall be held in Salt Lake City, Utah.

(c) Any award of the arbitrator(s) (i) shall be in writing, (ii) shall state the reasons upon which such award is based and (iii) may include an award of costs, including reasonable attorneys' fees and disbursements.

(d) The arbitrators shall have no authority to award consequential damages or punitive damages or any other damages not measured by the prevailing Party's actual direct damages, and the arbitrators may not, in any event, make any ruling, finding or award that does not conform to the term and conditions of this Agreement.

(e) Any Party may make an application to the arbitrators seeking injunctive relief to maintain the status quo until such time as the arbitration award is rendered or the dispute, controversy or claim is otherwise resolved. Any Party may also apply to any court having jurisdiction and seek injunctive relief in order to maintain the status quo until such time as the arbitration award is rendered or the dispute, controversy or claim is otherwise resolved.

In the course of resolving Disputes, to the extent practicable, the Parties shall continue to perform the terms and conditions of this Agreement that are not in dispute.

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ARTICLE 12

REPRESENTATIONS AND WARRANTIES

12.1 By the Owner.

In order to induce the Operator to enter into this Agreement the Owner makes the following representations and warranties as of the date hereof, which survive the execution and delivery hereof:

- (a) the Owner is an individual having all requisite power and authority to enter into and perform this Agreement;
- (b) the execution, delivery and performance of this Agreement (i) have been duly authorized by all necessary actions on the part of the Owner, and (ii) will not result in any violation of or conflict with or constitute a default under any provision of applicable law or of any judgment, decree or order of a court or Governmental Instrumentality applicable to the Owner or any material agreement or other instrument to which the Owner is a party or by which it is bound, including the Energy Sales Contract; and
- (c) this Agreement constitutes a valid and binding obligation of the Owner. 12.2

By the Operator.

In order to induce the Owner to enter into this Agreement, the Operator makes the following representations and warranties as of the date hereof, which survive the execution and delivery hereof:

- (a) it is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada and has all requisite corporate power and authority to enter into and perform this Agreement;
- (b) the execution, delivery and performance of this Agreement (i) have been duly authorized by all necessary corporate action on its part and (ii) will not result in any violation of or conflict with or constitute a default under any provision of applicable law or its charter or by-laws or any judgment, decree or order applicable to it or any material agreement or other instrument to which it is a party or by which it is bound; and
- (c) this Agreement constitutes a valid and binding obligation of the Operator.

ARTICLE 13

MISCELLANEOUS 13.1

Governing Law.

This Agreement is governed by and construed in accordance with the laws of the State of Utah, United States of America.

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OWNER

By:

(Signature)

Title: _____

LTB LLC

OPERATOR

By:

(Signature)

Title: _____

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Section IV

Solar Purchase Referral Fee Contract

This Referral Fee Contract is made by and between International Automated Systems, Inc. ("IAS") of 326 North SR 198, Salem, Utah 84653, and

Hereinafter referred to as "Purchaser", with an address of

In consideration for (a) the purchase by Purchaser of IAS's Solar Lenses as evidenced by execution of the Equipment Purchase Agreement dated _____ (hereinafter referred to as "Equipment Purchase Agreement"); (b) the payment by Purchaser to IAS of the Purchase payment at the time of signing the Equipment Purchase Agreement; and (c) Purchaser agreeing to make the lenses available to IAS as a reference for marketing and sales purposes to show and demonstrate to potential customers ("New Customers"), Purchaser has earned and shall thereafter receive a referral fee (the "Referral Fee," as more fully explained below) for services performed by allowing access and use for sales purposes, for each Solar Lens purchased, the Referral Fee shall be a zero point zero and zero nine percent (0.009%) on referral amounts up to One Billion Dollars (\$1,000,000,000) received by IAS from sales of Solar Equipment to New Customers.

As evidenced by the execution of the Equipment Purchase Agreement, the total number of Solar Lenses purchased by Purchaser is _____ (_____).

The total Referral Fee is _____ (_____ %).

PURCHASER

DATE

IAS

DATE

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