

PATENT LICENSE AGREEMENT

This Patent License Agreement (“Agreement”) is made and entered into between Starlite Holdings International, Inc. (“SHI”), a Nevis Corporation, #6 Solomon’s Arcade, Main Street, Charleston, Nevis, the Utah address of which is 2730 West 4000 South, Oasis, Utah 84624, hereinafter referred to as “**Licensor**”, and International Automated Systems, Inc., (“IAS”) a Utah corporation, (hereinafter referred to as **Licensee**), having its principal office at 2730 West 4000 South, Oasis, Utah 84624, effective the 23rd day of October, 2012 (“Effective Date”).

RECITALS

1. Whereas, **Licensor** is the owner of certain U.S. and foreign patents (the “Patents”), and the inventions described and claimed therein, as well as certain pending U.S. and foreign patent applications (the “Applications”), and the inventions described and claimed therein, which Patents and Applications are identified below;
2. Whereas, **Licensor**, on or about October 23, 2012, entered into a Partnership Asset Purchase Agreement with the N.P. Johnson Family Limited Partnership, a Utah limited partnership, whereby **Licensor** acquired ownership of certain of the Patents and certain of the Applications identified below, which Patents and Applications had been licensed to **Licensee** in one or more prior license agreements (collectively the “Prior License”) by the N.P. Johnson Family Limited Partnership prior to the Partnership Asset Purchase Agreement.
3. Whereas, **Licensor**, in the Partnership Asset Purchase Agreement, assumed the Prior License.
4. Whereas, **Licensor** has, subsequent to the Effective Date, obtained ownership of the remaining Patents and Applications identified below.
5. Whereas, **Licensor** has the right to grant licenses under the Patents and Applications;
6. Whereas **Licensee** wishes to obtain a license for each of the Patents and Applications;
7. Whereas **Licensor** and **Licensee** desire to enter into an agreement whereby **Licensor** shall license to **Licensee** certain rights under the Patents and Applications.

Now, therefore, in consideration of the premises and the faithful performance of the covenants herein contained it is agreed as follows:

ARTICLE I - DEFINITIONS

For the purpose of this Agreement, the following definitions shall apply:

Licensed Patent Rights: Shall mean the following Patents and Applications:

1. **Licensed Patent Rights:** Shall mean the following Patents and Applications:

<u>U.S. Patent</u>	<u>Title of Invention</u>
7,449,807	Magnetic Transmission
7,314,347	Pressurized Fluid Bladeless Turbine Engine with Opposing Fluid Intake Assemblies
6,997,674	Pressurized Fluid Turbine Engine
8,047,435	System and Method for Secured Voting Transactions
8,571,996	Apparatus and Method for Secured Commercial Transactions

<u>Foreign Patents</u>	<u>Title of Invention</u>
Australian 2005252626	Pressurized Fluid Turbine Engine
Canadian 2,555,760	Pressurized Fluid Turbine Engine
Canadian 2,441,561	Pressurized Gas Turbine Engine

<u>U.S. App. No.</u>	<u>Title of Invention</u>
14/038,486	Apparatus and Method for Secured Commercial Transactions

Any and all improvements developed by **Licensors**, whether patentable or not, relating to the **Patents** or the **Applications** which **Licensors** may now or may hereafter develop, own or control.

Any or all patents, which may issue on improvements relating to the **Patents** or the **Applications** developed by **Licensors** and any and all divisions, continuations, continuations-in-part, reissues and extensions of such patents.

Licensors and **Licensee** acknowledge and agree that the Effective Date of this Agreement is the date of transfer of certain of the foregoing **Patents** and **Applications** from the N.P. Johnson Family Limited Partnership to **Licensors**, which **Patents** and **Applications** were subject to the Prior License. **Licensors** and **Licensee** acknowledge and agree that the issue date for one or more of the foregoing Patents and the application date for one or more of the foregoing Applications is subsequent to the Effective Date of this Agreement, but **Licensee** and **Licensors** agree that the License Fees and Royalties provided by this Agreement shall accrue from the Effective Date or the date of first use of a **Licensed Patent Right** in a Product, whichever is later. **Licensors** and **Licensee** further acknowledge and agree that the Prior License is to be terminated, as provided below.

2. **Product(s):** Shall mean any materials, compositions, techniques, devices, methods or inventions relating to or based on the **Licensed Patent Rights**, developed as of the Effective Date of this Agreement or thereafter.

3. **Gross Sales:** Shall mean total U.S. Dollar value(s) of Product(s) FOB manufactured based on the Licensed Patent Rights.

4. **Gross Revenue:** Shall mean total revenue actually received by **Licensee** for the sale or lease of the Products and for license fees from individuals or entities which are sub-licensed by **Licensee** under any of the **Licensed Patent Rights**.

5. **Confidential Proprietary Information:** Shall mean with respect to any Party all scientific, business or financial information relating to such Party, its subsidiaries or affiliates or their respective businesses, except when such information:

- a. Becomes known to the other Party prior to receipt from such first Party;
- b. Becomes publicly known through sources other than such first Party;
- c. Is lawfully received by such other Party from a party other than the first Party; or
- d. Is approved for release by written authorization from such first Party.

6. **Exclusive License:** Shall mean a license, including the right to sublicense, whereby **Licensee's** rights are sole and entire and operate to exclude all others, including **Licensor** and its affiliates except as otherwise expressly provided herein.

7. **Know-how:** Shall mean any and all technical data, information, materials, trade secrets, technology, formulas, processes, and ideas, including any improvements thereto, in any form in which the foregoing may exist, now owned or co-owned by or exclusively, semi-exclusively or non-exclusively licensed to any party prior to the date of this Agreement or hereafter acquired by any party during the term of this agreement.

8. **Intellectual Property Rights:** Shall mean any and all inventions, materials, **Know-how**, trade secrets, technology, formulas, processes, ideas or other discoveries conceived or reduced to practices, whether patentable or not.

9. **Royalty (ies):** Shall mean revenues received in the form of cash and/or equity by **Licensor** received from **Licensee** as a result of **Licensee** making, having made, selling, leasing, or using the **Products** or licensing or sublicensing any portion of the **Licensed Patent Rights**.

ARTICLE II- GRANT OF EXCLUSIVE LICENSE

1. **Licensor** hereby grants to **Licensee** the exclusive worldwide license with the right to sublicense others, to make, have made, use, sell and lease the **Products** described in the **Licensed Patent Rights**.

2. **Licensor** retains the right to continue to use **Licensed Patent Rights** in any way for non-commercial purposes.

ARTICLE III- LICENSE PAYMENTS

1. **Initial payment and royalty rate.** For the licensed herein granted, in addition to any consideration paid or furnished previously, **Licensee** shall pay **Licensor** a royalty of five percent (5%) of **Licensee's Gross Revenue** from sales or leases of the **Products**, and from sublicensing receipts.

2. **Sublicenses.** The granting and terms of all sublicenses is entirely at **Licensee's** discretion provided that all sublicenses shall be subjected to the terms and conditions of this agreement.

3. **Minimum royalty:** Beginning with calendar year 2013, **Licensee** shall pay **Licensor**, at the time of submission of its royalty report, a minimum royalty of Ten Thousand U.S. Dollars (\$10,000.00 USD) annually.

4. **When Revenue is received:** Revenue from the sale or lease of **Products** made under the **Licensed Patent Rights** shall be regarded as being received immediately upon being deposited in a bank account of **Licensee**, so long as the Revenue is not subject to an adverse claim and **Licensee's** title and entitlement to the Revenue is unconditional.

5. **Payments:** All sums payable by **Licensee** hereunder shall be paid to **Licensor** in the United States of America and in U.S. Dollars.

6. **Interest:** In the event that any sum owed by either of the Parties to the other Party under this Agreement is not paid within thirty (30) days of the date it is due, interest shall accrue on the past due amount at the rate of fifteen percent (15%) per annum until paid.

ARTICLE IV - REPORTS, BOOKS AND RECORDS

1. **Reports.** Within thirty (30) days after the end of the calendar quarter annual period during which this agreement shall be executed and delivered within thirty (30) days after the end of each following quarter annual period, **Licensee** shall make a written report to **Licensor** setting forth the **Gross Sales of Licensed Patent Rights** sold, leased or used by **Licensee** and total sublicensing receipts during the quarter annual period. If there are no **Gross Sales** or

sublicensing receipts, a statement to that effect be made by **Licensee** to **Licensor**. At the time each report is made, **Licensee** shall pay to **Licensor** the royalties or other payments shown by such report to the payable hereunder.

2. **Books and records.** **Licensee** shall keep books and records in such reasonable detail as will permit the reports provided for in Paragraph 1 hereof to be determined. **Licensee** further agrees to permit such books and reports to be inspected and audited by a representative or representatives of **Licensor** to the extent necessary to verify the reports provided for in paragraph 1 hereof; provided, however, that such representative or representatives shall indicate to **Licensor** only whether the reports and royalty paid are correct, if not, the reasons why not.

ARTICLE V - MARKING

Licensee agrees to mark or have marked all **Products** made, used or leased by it or its sublicensees under the **Licensed Patent Rights**, if and to the extent such markings shall be practical, with such patent markings as shall be desirable or required by applicable patent laws.

ARTICLE VI - DILIGENCE

1. **Licensee** shall use its best efforts to bring **Licensed Patent Rights** to market through a thorough, vigorous and diligent program and to continue active, diligent marketing efforts throughout the life of this agreement.

2. **Licensee** shall deliver to **Licensor**, within 90 days of receipt of a written request from **Licensor**, a business plan for development of **Licensed Patent Rights**, which includes number and kind of personnel involved, time budgeted and planned for each phase of development and other items as appropriate for the development of the **Licensed Patent Rights**. Quarterly reports describing progress toward meeting the objectives of the business plan shall be provided.

3. **Licensee** shall permit an in-house inspection of **Licensee** facilities by **Licensor** on an annual basis during normal business hours upon 10 days written notice from **Licensor**.

4. **Licensee** failure to perform in accordance with either paragraph 1, 2 or 3 of this ARTICLE VI shall be grounds for **Licensor** to terminate this agreement.

ARTICLE VII - IRREVOCABLE JUDGMENT WITH RESPECT TO VALIDITY OF PATENTS

If a judgment or decree shall be entered in any proceeding in which the validity or infringement of any claim of any patent under which the License is granted hereunder shall be in

issue, which judgment or decree shall become not further reviewable though the exhaustion of all permissible applications for rehearing or review by a superior tribunal, or through the expiration of the time permitted for such application, (such a judgment or decree being hereinafter referred to as an irrevocable judgment) the construction placed on any such claim by such irrevocable judgment shall thereafter be followed not only as to such claim, but also as to all claims to which such instruction applies, with respect to acts occurring thereafter and if an irrevocable judgment shall hold any claim invalid, **Licensee** shall be relieved thereafter from including in its reports hereunder that portion of the royalties due under ARTICLE III payable only because of such claim or any broader claim to which such irrevocable judgment shall be applicable, and from the performance of any other acts required by this agreement only because of any such claims.

ARTICLE VIII - TERMINATION OR CONVERSION TO NON-EXCLUSIVE LICENSE

1. Termination by Licensee.

Option of Licensee: **Licensee** may terminate the license granted by this agreement, provided **Licensee** shall not be in default hereunder, by giving **Licensor** ninety (90) days notice to its intention to do so. If such notice shall be given, then upon the expiration of such ninety (90) days the termination shall become effective; but such termination shall not operate to relieve **Licensee** from its obligation to pay royalties or to satisfy any other obligations, accrued hereunder prior to the date of such termination.

2. Termination by Licensor.

Option of Licensor: **Licensor** may, at its option, terminate this agreement by written notice to **Licensee** in case of:

- a. Default in the payment of any royalties required to be paid by **Licensee** to **Licensor** hereunder, if such default shall continue for a period of thirty (30) days after **Licensor** shall have given to **Licensee** a written notice of such default.
- b. Default in the making of any reports required hereunder and such default shall continue for a period of thirty (30) days after **Licensor** shall have given to **Licensee** a written notice of such default.
- c. Default in the performance of any other material obligation contained in this agreement on the part of **Licensee** to be performed and such default shall continue for a period of thirty (30) days after **Licensor** shall have given to **Licensee** written notice of such default.
- d. Adjudication that **Licensee** is bankrupt or insolvent.

- e. The filing by **Licensee** of a petition of bankruptcy, or a petition or answer seeking reorganization, readjustment or rearrangement of its business or affairs under any law or governmental regulation relating to bankruptcy or insolvency.
- f. The appointment of a receiver of the business or for all or substantially all of the property of **Licensee**; or the making by **Licensee** of assignment or an attempted assignment for the benefit of its creditors; or the institution by **Licensee** of any proceedings for the liquidation or winding up of its business or affairs.
- g. Should any one or more of the following enumerated events occur, **Licensor** shall have the right to terminate this Agreement:
 - (1) The total of all royalties paid to Licensor by Licensee for any calendar year is less than Ten Thousand Dollars (\$10,000.00). This provision is subject to Licensee's rights under ARTICLE VII, Section 5.
 - (2) Licensee materially breaches a material provision, term, or condition under this agreement, including.
 - (3) Licensee sells all or substantially all of its assets, or experiences a Change in Control. For the purposes of this Agreement, Change in Control shall mean a sale or other transfer of equity in the Licensee, resulting in a new person or entity becoming the controlling equity holder of the Licensee.

3. Effect of termination.

Termination of this agreement shall not in any way operate to impair or destroy any of **Licensee's** or **Licensor's** right or remedies, either at law or in equity, or to relieve **Licensee** of any of its obligations to pay royalties or to comply with any other of the obligations hereunder, accrued prior to the effective date of termination.

4. Effect of delay, etc.

Failure or delay by **Licensor** to exercise its rights of termination hereunder by reason of any default by **Licensee** in carrying out any obligation imposed upon it by this agreement shall not operate to prejudice **Licensor's** right of termination for any other subsequent default by **Licensee**.

5. Option of Licensee to convert to non-exclusive license.

Licensee shall have the right to convert this License at the same royalty rate as for the exclusive Licensee, without right to sublicense, and minimum royalties under **ARTICLE III**, Paragraph 3 shall not be due thereafter.

6. **Return of Licensed Patent Rights.**

Upon termination of this agreement, all of the **Licensed Patent Rights** shall be returned to **Licensor**. In the event of termination of the agreement by **Licensee** or said conversion of the agreement by **Licensee**, **Licensee** shall grant to **Licensor** a non-exclusive, royalty- free License, with right to sublicense, to manufacture, use and sell improvements including all known-how to **Licensed Patent Rights** made by **Licensee** during the period of this agreement prior to the termination or conversion, to the extent that such improvements are dominated by or derived from the **Licensed Patent Rights**.

ARTICLE IX – TERM

Unless previously terminated as hereinbefore provided, the term of this Agreement shall be from and after the date hereof until the expiration of the last to expire of the licensed issued patents or patents to issue under the **Licensed Patent Rights** under ARTICLE I. **Licensee** shall not be required to pay royalties due only by reason of its use, sale, licensing, lease or sublicensing under issued patents licensed by this Agreement that have expired or been held to be invalid by an Irrevocable Judgment, where there are no other of such issued patents valid and unexpired covering the **Licensee**'s use, sale, licensing, lease or sublicensing; provided, however, that such non-payment of royalties shall not extend to royalty payments already made to **Licensor** more than six (6) months prior to **Licensee**'s discovery of expiration or an Irrevocable Judgment.

ARTICLE X - PATENT LITIGATION

1. **Initiation.** In the event that **Licensor** advises **Licensee** in writing of a substantial infringement of the patents/copyrights included in the **Licensed Patent Rights**, **Licensee** may, but is not obligated to, bring suit or suits through attorneys of **Licensee**'s selection with respect to such infringement. In the event **Licensee** fails to defend any declaratory judgment action brought against any patent or patents of the **Licensed Patent Rights**, **Licensor** on written notice to **Licensee** may terminate the License as to the particular patent or patents involved in such declaratory judgment action.

2. **Expenses and proceeds of litigation.** Where a suit or suits have been brought by **Licensee**, **Licensee** shall maintain the litigation at its own expense and shall keep any judgments and awards arising from these suits expecting that portion of the judgments attributable to royalties from the infringer shall be divided equally between **Licensor** and **Licensee** after deducting any and all expenses of such suits; provided, however, **Licensor** shall not be entitled to receive more under this provision than if the infringer had been licensed by **Licensee**.

3. **Licensors' right to sue.** If **Licensee** shall fail to commence suit on an infringement hereunder within one (1) year after the receipt of **Licensors'** written request to do so. **Licensors** in protection of its reversionary rights shall have the right to bring and prosecute such suits at its cost and expense through attorneys of its selection, in its own name, and all sums received or recovered by **Licensors** in or by reason of such suits shall be retained by **Licensors**; provided, however, no more than one lawsuit at a time shall commence in any such country.

ARTICLE XI - PATENT FILINGS AND PROSECUTING

1. **Licensee** shall pay future costs of the prosecution of the patent applications pending as set forth in ARTICLE I, Paragraph 2, which are reasonably necessary to obtain a patent. Furthermore, **Licensee** will pay for the costs of filling, prosecuting and maintaining foreign counterpart applications to such pending patent applications.

2. **Licensors** shall own improvements by the inventors. **Licensee** shall pay future costs of preparation, filling, prosecuting and maintenance of patents and applications on patentable improvements made by inventors, however, in the event that **Licensee** refuses to file patent applications on such patentable improvements in the United States of America and selected foreign countries when requested by **Licensors**, the rights to such patentable improvements for said countries shall be returned to **Licensors**.

3. **Preparation** and maintenance of patent applications and patents undertaken at **Licensee's** cost shall be performed by patent attorneys selected by **Licensors**; and due diligence and care shall be used in preparing, filling, prosecuting, and maintaining such applications on patentable subject matter. Both parties shall review and approve any and all patent related documents.

4. **Licensee** shall have the right to, on thirty (30) days written notice to **Licensors**, discontinue payment of its share of the prosecution and/or maintenance costs of any of said patents and/or patent applications. Upon receipt of such written notice, **Licensors** shall have the right to continue such prosecution and/or maintenance on its own name at its own expense in which event the License shall be automatically terminated as to the subject matter claimed in said patents and/or applications.

5. **Notwithstanding** the foregoing paragraph of this ARTICLE XI, **Licensee's** obligations under such paragraphs shall continue only so long as **Licensee** continues to have an **Exclusive License** under the **Licensed Patent Rights** and, in the event of conversion of the License to non-exclusive in accordance with ARTICLE VIII, paragraph 1. (b), after the date of such conversion:

- a. The costs of such thereafter preparation, filing, prosecuting and maintaining of said Licensed patents and patent applications shall be the responsibility of **Licensor**, provided such payments are at the sole discretion of the **Licensor** ; and
- b. **Licensee** shall have a non-exclusive License without right to sublicense under those of such patents and applications under which **Licensee** had an **Exclusive License** prior to the conversion.

ARTICLE XII - NOTICES, ASSIGNEES

1. **Notices.** Notices and payments required hereunder shall be deemed properly given if duly sent by first class mail and addressed to the parties at the addresses set forth above. The parties hereto will keep each other advised of address changes.

2. **Assignees, etc.** This Agreement shall be binding upon and shall inure to the benefit of the assigns of **Licensor** and upon and to the benefit of the successors of the entire business of **Licensee**, but neither this agreement nor any of the benefits thereof nor any rights thereunder shall, directly or indirectly, without the prior written consent of **Licensor**, be assigned, divided, or shared by the **Licensee** to or with any other party or parties (except a successor of the entire business of the **Licensee**).

ARTICLE XIII - PRIOR LICENSES

1. **Prior License Agreements Terminated.** Licensor and Licensee acknowledge that one or more of the Patents and Applications identified above have been the subject of one or more prior license agreements, referred to collectively above as the "Prior License", between **Licensor's** predecessor in interest, the N.P Johnson Family Limited Partnership, and **Licensee**. **Licensor** and **Licensee** agree that any and all such prior license agreements shall be deemed terminated as of the Effective Date of this Agreement. **Licensor** and **Licensee** further agree that to the extent that any of the foregoing **Licensed Patent Rights** are deemed to be subject to any other prior agreement between **Licensor** and **Licensee**, express or implied, this Agreement shall be deemed to supersede and replace such prior agreement.

ARTICLE XIV - MISCELLANEOUS

1. **This agreement** is executed and delivered in the State of Utah, United States of America, and shall be constructed in accordance with the laws of the State of Utah and the United States of America. Each of the parties to this agreement hereby submits to the jurisdiction of the courts of the State of Utah, and the parties hereby agree that the exclusive

venue for any litigation between the parties relating to a dispute arising out of this agreement or any transaction, event or occurrence related thereto, shall be the State or Federal Courts situated in Salt Lake County, State of Utah.

2. **No other understanding.** This agreement sets forth the entire agreement and understanding between the parties as to the subject matter thereof and merges all prior discussions between them.

3. **No representations** or warranties regarding patents of third parties. No representations or warranty is made by **Licensor** that the **Licensed Patent Rights** manufactured, used, sold or leased under the **Exclusive License** granted herein is or will be free of claims of infringement of patent rights of any other person or persons. The **Licensor** warrants that it has title to the **Licensed Patent Rights** from the inventors.

4. **Indemnity.** **Licensee** shall indemnify, hold harmless, and defend **Licensor** and its trustees, officers, employees and agents against any and all allegations and actions for death, illness, personal injury, property damage, and improper business practices arising out of the use of the **Licensed Patent Rights**.

5. **Insurance.** During the term of this agreement, **Licensee** shall, maintain the following insurance coverage:

- a. Commercial general liability insurance with a limit of no less than one million dollars (\$1,000,000.00) for each occurrence. Such insurance shall be written on a standard ISO occurrence form or substitute form providing equivalent coverage.

6. **Advertising.** **Licensee** agrees that **Licensee** may not use in any way the name of **Licensor** or any logotypes or symbols associated with **Licensor** or the names of any researchers without the express written permission of **Licensor**.

7. **Confidentiality.** The parties agree to maintain discussions and proprietary information revealed pursuant to this agreement in confidence, to disclose them only to persons within their respective organizations having a need to know, and to furnish assurances to the other party that such persons understand this duty on confidentiality.

8. **Disclaimer of Warranty.** **Licensed Patent Rights** are experimental in nature and are provided WITHOUT WARRANTY OR REPRESENTATIONS OF ANY SORT, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE OF NON-INFRINGEMENT. **Licensor** makes no representations and provides no warranty that the use of the **Licensed Patent Rights** will not infringe any patent or proprietary rights of third parties.

In witness whereof, the parties hereto have caused this agreement to be executed by their duly authorized representatives.

The effective date of this agreement is October 23, 2012 as stated above.

Licensor – STARLITE HOLDINGS INTERNATIONAL, INC.

Name: _____

Title: _____

Licensee – INTERNATIONAL AUTOMATED SYSTEMS, INC.

Name: _____

Title: _____