

EXHIBIT 1



Department of the Treasury
Internal Revenue Service
Small Business/Self-Employed
50 South 200 East
Mail Stop 4544 JZ
Salt Lake City, UT 84111

International Automated Systems Inc
PO Box 608
American Fork, UT 84003

Date:
February 24, 2016
Taxpayer Identification Number:
[REDACTED] 7580
Form:
1120
Tax period(s):
Year Ending 06/30/2013
Response date:
March 9, 2016
Person to contact:
Joel Zielke
Contact hours:
8:00am - 4:30pm
Contact telephone number:
801-799-6885
Contact fax number:
801-799-6724
Employee identification number:
1023566

Dear International Automated Systems Inc

Your federal return for the period(s) shown above was selected for examination.

What you need to do

Please call me on or before the response date listed at the top of this letter. You may contact me at the telephone number and times provided above.

What we will discuss

During our telephone conversation, we will discuss:

- Items on your return that I will be examining.
- Types of documents I will ask you to provide.
- The examination process.
- Any concerns or questions you may have.
- The date, time and agenda for our first meeting.

The issues listed below are the preliminary items identified for examination. During the course of the examination, it may be necessary to add or reduce the list of items. If this should occur, I will advise you of the change.

- Net Operating Loss
- Deferred Revenue

Someone may represent you

You may have someone represent you during any part of this examination. If you decide you want representation, the representative you authorize will need a completed Form(s) 2848, *Power of Attorney and Declaration of Representative*, before we can discuss any of your tax matters.

If you choose to have someone represent you, please provide a completed Form 2848 by our first appointment. You can mail or fax the form to me or have your representative provide it at the first appointment, if you won't be present. You can obtain Form 2848 from our office, from our web site, www.irs.gov or by calling (800) 829-3676.

If you filed a joint return, you and your spouse may attend the examination. If you and/or your spouse choose not to attend with your representative, you must provide completed Form(s) 2848. You should provide a separate Form 2848 for each spouse if you filed jointly even if you use the same representative.

Your rights as a taxpayer

We have enclosed Publication 1, *Your Rights as a Taxpayer* and Notice 609, *Privacy Act Notice*. The Declaration of Taxpayer Rights found in Publication 1 discusses general rules and procedures we follow in examinations. It explains what happens before, during, and after an examination, and provides additional sources of information.

A video presentation, "Your Guide to an IRS Audit," is available at <http://www.irsvideos.gov/audit>. The video explains the examination process and will assist you in preparing for your audit.

Thank you for your cooperation and I look forward to hearing from you on or before the response date provided above.

Sincerely yours,

Joel Zielke
Internal Revenue Agent

Enclosures:
Publication 1
Notice 609

Form 4564	Department of the Treasury Internal Revenue Service Information Document Request	Request Number IDR-0001
To: (Name of Taxpayer and Company, Division or Branch)		Subject:
International Automated Systems PO Box 608 American Fork, UT 84003		Audit of Form 1120, Year End 06/30/13
		Submitted to: International Automated Systems
		Dates of Previous Requests:

Description of Documents Requested:

We are requesting information for the fiscal year ending June 30, 2013.
Please provide the following for examination:

Records Maintained by the Taxpayer

1. Articles of Incorporation
2. Records identifying holders of stock in the corporation
3. Listing of Related Entities
4. Financial Statements
5. Detailed General Ledger
6. Depreciation Schedules
7. Sales Contracts and Invoices
8. Monthly Bank Statements
9. Monthly Credit Card Statements
10. Form 1120 – Year-ending 06/30/2012, 06/30/2014
11. Forms W-2, 1099, 941 – Year 2011

Records Maintained by the Accountant

12. Working Trial Balance
13. Worksheets reconciling the books to the return
14. Schedules of Adjusting Journal Entries
15. Year-End Bank Reconciliations – 06/30/2012, 06/30/2013
16. Inventory Valuations – 06/30/2012, 06/30/2013

Specific Return Items

17. Net Operating Loss – Please provide an NOL carryover calculation to support the \$14,080,031 NOL carryforward to the fiscal year ending 06/30/2013. Please provide copies of Form 1120 for each NOL year. Please provide an explanation of how the loss in each NOL year was generated.
18. Deferred Revenue – Please provide an explanation of the \$2,360,250 of deferred revenue reported on Schedule L. Please indicate which customers gave advances. Please provide copies of the sales agreements specifying when revenue will be recognized.

Information Due By	03/09/2016	At Next Appointment	Mail In
FROM	Name and Title of Requestor Joel Zielke, Revenue Agent		Date: 02/24/2016
	Office Location: 50 South 200 East Mail Stop 4544 JZ Salt Lake City, UT 84111		Phone: 801-799-6685 Fax: 888-401-1762 Page 1
Form 4564 (Rev. 04/2004)			Workpaper #: 610-