



INDEPENDENT REPRESENTATIVE AGREEMENT

This Agreement is made and entered into in Utah County, State of Utah, effective as of the 26 day of September, 2005, by and between INTERNATIONAL AUTOMATED SYSTEMS, INC., a Utah Corporation, 326 North Highway 6, Salem, UT 84653, hereinafter referred to as "IAS", and Greg Shepard, an individual, with offices at 843 West 2400 South, Salt Lake City, UT 84119, Independent Contractor, hereinafter referred to collectively as "Representative".

In consideration of the mutual covenants hereinafter set forth IAS and Representative agree as follows:

1. DESIGNATION.

a) IAS hereby designates Representative as a non-exclusive independent contractor for the sale or lease of IAS's solar collector systems, and related equipment, hereinafter referred to as the "Products", within the boundaries of the geographical area of the United States of America, hereinafter referred to as the "Territory". Representative is authorized to solicit orders for the Products based upon IAS's standard sale or lease terms and conditions in the Territory. IAS may, in its sole discretion, change any or all of its standard terms and conditions.

b) IAS reserves the right to direct sell or lease the Products in the Territory to any party, but in the event of such sale, Representative shall be entitled to receive a sales commission as provided by paragraph 2 below if the initial contact with the customer which led to the sale or lease was made by Representative.

2. REPRESENTATIVE'S COMPENSATION

Representative shall be compensated entirely on a commission basis with the amount of the commission being ten percent (10%) of the purchase price actually received by IAS for the Products sold or leased by Representative in the Territory. Representative shall be responsible for, and bear any and all of the costs it may incur in connection with, any of its sales efforts. All commissions shall be earned by and paid to Representative subject to the following provisions:

a) No commission shall be earned on any order, sale or lease unless it has been fully accepted by IAS.

b) No commissions shall be earned by Representative until IAS shall have been paid in full by the customer. Commissions on sales or leases shall be paid to Representative on or before the 15th day of each month on orders paid in full to IAS by customers during the preceding calendar month.

c) All commissions shall be computed on the total amount of the invoices issued by IAS representing shipments of Products to customers within the Territory based upon orders booked, placed and submitted to IAS by Representative, accepted by IAS, and paid in full by the customer, during the term of this Agreement, less all trade discounts, freight, transportation allowances, sales taxes, C.O.D. or credit charges, insurance, overbilling, packing, special packaging and similar items, returns, allowances, refunds, and uncollectible accounts, or other

charges listed separately on such invoices or charged by separate invoices.

d) In the event that Representative and any other independent representative(s) of IAS jointly participate in making a sale or lease of the Products in the Territory, IAS, in its sole discretion, shall apportion the commission between Representative and the other independent representative(s) in proportion to their respective contributions to the sale or lease.

3. OPERATING PROCEDURE

a) Representative agrees to conduct all of its business in its Territory in its own name as an independent contractor. Representative shall pay all of its own expenses in connection with its sale, lease and promotion of the Products. The entire management and direction of Representative's operations, including employee organization, shall at all times be under the exclusive control and management of Representative. Representative agrees that it will, at all times, use its best efforts to promote the sale or lease of the Products of IAS.

b) Representative shall not authorize, consent to, or participate in, any arrangement or understanding with any competitor for the purpose of, or with the effect of, raising, depressing, fixing, pegging, or stabilizing prices, nor shall it participate in any scheme with any customer, vendor, or competitor for the purpose of, or with the effect of, allocating, restricting, or limiting territories, customers, or markets, or limiting Production or controlling design, size or quality without the express written consent of IAS.

4. SALES AND LEASE ASSISTANCE

IAS agrees to assist Representative by providing prompt answers to all inquiries, whether originated by Representative or by a customer. It is Representative's responsibility to purchase any marketing material from IAS which Representative deems necessary.

5. SALES AND LEASE EFFORTS

a) Representative agrees to use its best efforts to solicit and promote the sale or lease of Products to customers in the Territory and to acquaint such customers and prospective customers with said Products. In addition, Representative agrees to cooperate with Representative or employees of IAS or its subsidiaries and affiliates who, from time to time, may be sent to the Territory.

b) Representative shall keep IAS informed of competitive Products, marketing trends, and prices in the Territory, and IAS shall inform Representative of new developments, changes, specifications, and improvements with respect to the Products.

c) Representative shall furnish detailed reports of its activities, which shall include quarterly forecasts of sales and leases under this Agreement, in such form and at such intervals as IAS shall, from time to time, reasonably designate.

6. RETURNED PRODUCTS FOR CREDIT

Representative shall not have the authority to authorize a customer to return any Product to IAS and/or to grant credit or adjustments for such Product.

7. WARRANTIES

Representative shall not make any warranty, guarantee or Independent Contractor other than those contained in IAS's published literature. If Representative, in violation of this provision, makes any such warranty, guarantee or representation, Representative shall be required to defend, indemnify and hold IAS harmless from any liabilities, claims or losses that may arise therefrom.

8. CONFIDENTIAL INFORMATION

Representative acknowledges its confidential relationship with IAS with respect to proprietary items, trade secrets, inventions, operating procedures or any and all information obtained by Representative through its representation of IAS. Representative, its officers, employees or associates shall not disclose, at any time, trade secrets, inventions, proprietary information, operating procedures or other information which IAS may have revealed to Representative, its officers, employees or associates during the term of this Agreement. Representative's obligation to maintain the foregoing information in confidence shall survive the termination of this Agreement.

9. CUSTOMER CREDIT

IAS shall in its discretion evaluate the credit of any customers and it shall be free to accept or reject any potential orders from a customer which in its judgment does not have an adequate credit rating. Representative shall advise IAS of any customers that are known or suspected of having poor credit and shall assist IAS in collecting any delinquent accounts.

10. RESTRICTIONS

Representative agrees that it will not represent or offer for sale or lease any items of the same or of a similar nature of any of said Products or any item directly competitive therewith during the life of this Agreement, without prior written notice to IAS.

11. PRODUCT PROMOTION

a) From time to time, IAS may in its sole discretion engage in promotion and advertisement of its Products in conjunction with the activity of Representative and may supply promotional, advertising, specification and pricing materials to Representative. All such material, except that which is authorized by IAS to be distributed by Representative to persons other than its own employees and personnel, shall remain the property of IAS and shall be returned to it at its request. Representative shall not use any advertising materials, literature, promotional items or signs that include IAS's name, trademarks, any reference to IAS or its Products unless it shall first have obtained written approval from IAS. Representative shall cease all use of the trademarks and names of IAS for any purpose whatsoever immediately upon termination of this agreement.

b) Representative's use of trademarks and names of IAS shall be limited to direct association with the Products only. Representative shall not utilize any of the trademarks or tradenames of IAS as part of or in conjunction with any business or trade name of Representative. Further, Representative shall not, by means of its business signs, advertising or other business promotion materials or activities, represent or imply that Representative is

affiliated with IAS in any way other than as an Independent Contractor.

c) Representative's use of any Internet website or any other Internet promotion or advertisement means for promoting or advertising the Products shall be strictly limited to those activities and means specifically approved in writing by IAS. Any reference in Representative's website, or any website in which Representative is a participant, to the Products shall be strictly limited to a listing of the Products offered by Representative pursuant to this Agreement, with each Product being identified by the trademark or trade name assigned by IAS, and with a link for each Product to the IAS website where information for the Product can be obtained by the Customer or potential Customer. Information describing or promoting the Products, whether obtained from IAS or otherwise, shall not be imported by Representative to any website or presented by or on behalf of Representative at any website without the express written permission of IAS. Representative hereby acknowledges that it is the intent of the parties that all descriptions, drawings, specifications, and other information relating to the Products is to be accessed by Customers and potential Customers from the IAS website and from no other source, except for printed materials or other promotional or advertising means provided by or specifically approved by IAS.

12. PRICES.

IAS reserves the right to establish price lists, discounts, specifications, terms and conditions governing the sale or lease of its Products, methods of payment, and methods of shipment, and reserves the right to change the same at any time without prior notice.

13. ORDERS.

a) All orders solicited or obtained by Representative shall be subject to acceptance or rejection by IAS at its headquarters office in its complete discretion. The date an order is accepted shall be the date the customer is formally notified by IAS that the order has been accepted. Representative is only granted the authority to solicit and obtain orders for transmittal to IAS. All orders received by Representative shall be forwarded immediately to IAS for acceptance or rejection by IAS. Representative is neither expressly or impliedly authorized to accept orders on behalf of IAS nor to enter into written or oral contracts or agreements of any nature on behalf of IAS.

b) IAS makes no representation, and none shall be inferred, that IAS will continue the manufacture of, or otherwise make available, the Products covered by this Agreement for any definite time.

14. TERM

This Agreement shall be of no force or effect until it has been executed by Representative and a duly authorized officer of IAS. The term of this Agreement shall be from the date first written above and for a period of two (2) years thereafter unless either party sooner terminates this Agreement as provided in Section 15 hereof.

15. TERMINATION

a) At the option of either party, this Agreement may be terminated at any time upon at least ninety (90) days written notice to the other party, in the absence of cause for any reason.

b) Immediately upon material breach by the other party of any of the terms and

conditions of this agreement.

c) IAS, at its option, may terminate this Agreement immediately in the event of Representative's insolvency, liquidation or dissolution.

d) Upon the termination of this Agreement for any reason, IAS shall pay to Representative commissions on all orders for Products received from Representative for shipment to customers in the Territory, which have been accepted by IAS prior to the effective date of said termination and which, unless otherwise agreed in writing between IAS and Representative, have been scheduled to be shipped no later than three (3) months after said termination date; provided, however, that if this Agreement is terminated by IAS pursuant to the provisions of 15.b or 15c. above, then notwithstanding the foregoing, Representative shall only be entitled to commissions on orders for Products which have been accepted by IAS and shipped prior to the termination date.

e) Within 30 days of termination, Representative shall deliver to IAS all file correspondence relating to pending transactions and open orders for purchase of Products, including copies of orders and invoices.

f) During the term of this agreement and continuing for a period of 1 year following termination, Representative shall not, either directly or indirectly by association with others, compete with IAS by distributing, selling or leasing any goods which are substantially similar to any of the Products, within the territory.

16. INDEPENDENT CONTRACTOR

a) Representative is an independent contractor operating under this Agreement at its own risk, and as such, accepts exclusive liability and shall hold IAS harmless from, and indemnify IAS against, the payment of any taxes or levies that may be made against Representative's organization or upon the payroll of employees retained by it in the course of providing services under this Agreement.

b) Representative accepts exclusive liability and shall hold IAS harmless from, and indemnify IAS against any claims, liability, loss, cost, expense, or attorney fees to which IAS may be subjected, or which may be incurred by IAS by reason of any personal injuries or property damages suffered by third parties, including employees or agents of Representative, arising from or in connection with Representative's performance hereunder, provided such injuries or damage are not due to the sole negligence of IAS.

c) IAS shall indemnify and hold Representative harmless from any and all defective product claims for the Products, Product warranty claims for IAS's express warranties, patent infringement claims arising from the manufacture, sale or lease of the Products, or trademark infringement claims associated with the use of IAS's designated trademarks.

17. NOTICES AND CORRESPONDENCE

All notices, requests, orders, waivers, offers, acceptances, demands, and other communications provided, required, or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given when mailed at any governmental post office, enclosed in a registered or certified postpaid envelope addressed to the proper party thereto, at the location set forth on the face of this Agreement, to the attention of the individual who executed this Agreement on behalf of said party.

18. ASSIGNABILITY

a) Neither this Agreement nor any of the rights or obligations of Representative hereunder shall be assignable or transferable to any other person, firm, corporation or governmental entity, under any circumstances without the prior written consent of IAS. Any attempt at assignment or alienation by Representative without such consent shall be considered a material breach of this Agreement and shall be void.

b) This Agreement shall not inure to the benefit of any successor of Representative without the prior written consent of IAS. Upon the death or dissolution of Representative, this Agreement shall be deemed to have been terminated.

c) This Agreement or any of the rights and obligations of IAS shall be assignable by IAS to any third party successor or assignee of IAS as to any rights or obligations of IAS relating to the Products and shall not require the prior written consent of Representative.

19. MODIFICATIONS.

a) No amendment or modification of this Agreement, of any type whatsoever, shall be effective unless in writing and signed by both parties.

b) No waiver of any breach or default of any right or remedy shall be deemed to constitute a continuing waiver of any other breach or default or of any other right or remedy unless such waiver is expressed in writing and signed by the party to be bound.

20. LAW GOVERNING, DISPUTES.

a) This Agreement shall be construed in accordance with, and shall be governed by, the laws of the State of Utah.

b) Any and all disputes arising under this Agreement or the transactions, events or occurrences related thereto, shall be resolved by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association. In the event of such a dispute, either party or a successor or assign of a party, may institute arbitration proceedings by filing a demand for arbitration with the office of the American Arbitration Association serving the State of Utah. All arbitration hearings shall be held in Provo, Utah, at a location determined by the American Arbitration Association.

Any and all court actions instituted by any of the parties to this Agreement, or any successor or assign of any of the parties, for the enforcement of any arbitration award, shall be instituted in the Fourth Judicial District Court, in and for Utah County, State of Utah, and only in that forum. Each of the parties to this agreement hereby consent to the jurisdiction of the above entitled Court for any such action and hereby agree and acknowledge that venue will be proper in such Court.

c) In the event of the alleged breach of this agreement by either of the parties hereto, the prevailing party shall be entitled to recover from the other party its costs, attorney fees, arbitration administration fees, and arbitrator fees.

21. ENTIRE AGREEMENT

a) This instrument contains the entire Agreement between the parties hereto in connection with the appointment of the Representative as IAS's independent contractor. The

Agreement cancels and supersedes any and all other previous arrangements, agreements or understandings which may have existed between the Representative and IAS.

b) If any provision of this Agreement is held illegal, invalid, or unenforceable, then that provision shall be considered to be separated from all other parts and provisions thereof and shall not affect the legality, validity, enforceability of the remainder of this Agreement which shall continue in full force and effect.

INTERNATIONAL AUTOMATED SYSTEMS, INC.

By: Neldon P. Johnson

(Signature)
Title: President
Dated: _____

REPRESENTATIVE

By:

Greg Shepard
(Signature)
Title: Independent Contractor
Dated: 9-26-2005