

-----Original Message-----

**From:** Kaye, Anthony C. (SLC)  
**Sent:** Saturday, January 29, 2005 2:42 PM  
**To:** Stanley J. Preston Esq. (E-mail)  
**Cc:** Watkiss, David (SLC); William Mustard (E-mail); Stewart, James W. (SLC); Rudd, David (SLC); Tidwell, R. Brandon (SLC); 'mcarlston@scmlaw.com'  
**Subject:** Canopy v. Yarro

Mr. Preston:

We have reviewed the proposed agreement in your email of yesterday (attached below), and the terms are unacceptable. Among other things, your clients are not offering to resign from the Helius board, as contemplated in the parties' discussions.

However, like your clients, Canopy believes that the proposed Helius transaction is in the best interests of both Helius and Canopy, and Canopy will continue to pursue that transaction diligently.

On another front, when can we expect copies of your TRO motion and supporting papers?

Anthony C. Kaye  
Ballard Spahr Andrews & Ingersoll, LLP

-----Original Message-----

**From:** Stan Preston [mailto:spreston@scmlaw.com]  
**Sent:** Friday, January 28, 2005 5:13 PM  
**To:** Kaye, Anthony C. (SLC)  
**Cc:** Rudd, David (SLC); Tidwell, R. Brandon (SLC); mcarlston@scmlaw.com  
**Subject:** Helius

Tony,

I am forwarding to you the email which we previously sent to David Rudd and Brandon Tidwell of your office earlier today, and which was our effort to memorialize the agreement reached by counsel during our phone conversation today regarding how the parties would proceed with completing the Helius deal. If the suggested wording in my email needs to be changed in any reasonable manner to reflect the agreement that was reached, we will change it. Consistent with such agreement, please understand that the hearing on Monday and the relief we are seeking should not impact this agreement or interfere with the Helius deal going forward. My clients are very anxious for the deal to go forward because they believe it is in the best interests of Helius and Canopy. Accordingly, we would appreciate a response to our email as to whether or not the wording is acceptable. Stan

-----Original Message-----

**From:** Stan Preston [mailto:spreston@scmlaw.com]  
**Sent:** Friday, January 28, 2005 1:14 PM  
**To:** Rudd, David (SLC); Tidwell, R. Brandon (SLC)  
**Cc:** mcarlston@scmlaw.com  
**Subject:** Proposed Agreement

David,

Pursuant to our conversation today, we propose that the parties sign an agreement that contains the following language:

With respect to a merger transaction that is presently pending involving Helius, Inc., two present members of the Helius Board (Ralph Yarro and Darcy Mott), are involved in two separate lawsuits filed in the Fourth District Court, State of Utah, Civil Nos. 050400205 and 050400245 (collectively the "Lawsuits"). The Lawsuits reflect various disputes involving Helius' principal shareholder, Canopy, Mr. Yarro, Mr. Mott and others. It is the view that of those presently asserting authority to act for Canopy, as well as the view of Mr. Yarro and Mr. Mott, that, subject to final review of the terms and conditions of the merger (which includes distribution of the proceeds), Mr. Yarro and Mr. Mott should proceed in accordance with their duties as directors of Helius to complete the merger. In doing so, it is agreed that such participation shall be without prejudice to the parties in the Lawsuits. The parties agree to keep this Agreement confidential.

Please let us know your thoughts. Stan