

3. Stanley Zheng ("Zheng") is a former employee, who was employed as a by Telluride as a portfolio manager. In this capacity, Zheng managed a portfolio for Telluride and was responsible for developing new investment strategies.

4. One June 10, 2004, as a condition of an offer of employment, Zheng entered into a Confidentiality and Non-Solicitation Agreement ("the Employment Agreement") with Telluride. A true and correct copy of the Employment Agreement is attached hereto and incorporated herein as Exhibit A.

5. As additional consideration to Zheng for entering into the Employment Agreement, Telluride made some of its trade secrets and confidential information known to him, including, but not limited to, financial information, market information, trading information, models, formulae, strategies and methodologies and other confidential and proprietary business information. All of this information was generated, developed and maintained at substantial expense to Telluride. Further, this information is not provided to the general public, non-employees or anyone who has not signed a confidentiality agreement.

6. Telluride derives great value from the secrecy of its confidential and proprietary information; all of which was generated, developed, and maintained at substantial expense to Telluride and is not generally known to its competitors. If a competitor gained access to this information, it would receive an unfair competitive advantage since it has not devoted substantial resources to develop the information.

7. Throughout his employment with Telluride, Zheng was responsible for managing a portfolio and developing new investment strategies for use within Telluride's hedge fund portfolios. While employed at Telluride, Zheng informed me that he had developed a new investment strategy that had the potential for significant returns. Zheng described separately an

investment strategy with a sub one day holding period that had a very high reward to risk ratio (Sharpe ratio). Zheng was excited that the new strategy would have a 4 sharpe ratio which is a extraordinary result. When Zheng told me about the strategy, I asked Zheng if there was anything he needed to implement the strategy. I also asked Zheng to explain the strategy fully to me as is the normal practice within the firm. Zheng then downplayed his earlier statements and said that the strategy needed more work and he was not ready to explain it to me, but he would as soon as he was ready.

8. On or about November 15, 2004, Zheng entered Mark Kuper's office at around 6PM and informed him that was voluntarily resigning from his employment and would be moving to New York City because that is where his wife wanted to move to live. Kuper explained to Zheng that they would address his leaving in the morning when I was in the office. Zheng also informed Kuper that he had received an offer of employment from another hedge fund located in New York and would take a few weeks to contemplate that offer and that he had not accepted the offer yet.

9. Upon receiving notice of his resignation of employment, during the morning of November 16, 2004, I met with Zheng along with Steve Hajas and Mark Kuper . During the meeting, I once again asked Zheng to provide a written summary explaining the new 4 Sharpe strategy that he had been developing for use within Telluride's hedge fund. Nevertheless, Zheng refused to provide a written summary of the investment strategy or even discuss the logic or methodology behind the strategy.

10. At the conclusion of his employment, Zheng informed Telluride that he had returned all of Telluride's property in his possession and control, including but not limited to

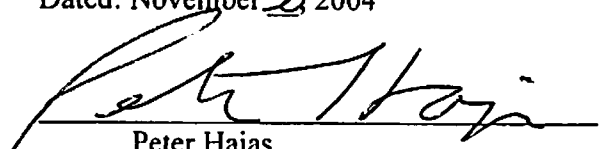
computer generated files and other data. Zheng was also reminded that Telluride expected him to comply with his Confidentiality and Non-Solicitation Agreement.

11. As a result of his lack of cooperation during the last day of his employment, Telluride retained a computer forensics consultant to determine whether Zheng had removed any of Telluride's computer files or data from his Telluride computer. Telluride also retained the consultant to determine whether Zheng had destroyed any computer data from his Telluride computer.

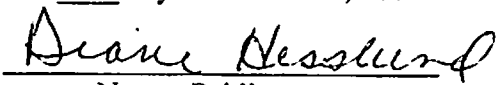
12. In reviewing the information provided by the computer forensics consultant, it is readily apparent that Zheng has retained in his possession all of the computer-generated files and documents that he created while working for Telluride between June 2004 and November 2004 and that he had deleted multiple files from the computer in the days just prior to resigning. These computer-generated files include highly sensitive, confidential and valuable financial information and investment strategies not readily known or available to the public. These computer-generated files were created at substantial expense to Telluride, are subject to confidentiality agreements and other measure to protect their secrecy, and would be valuable if known, disclosed, and/or used by one of Telluride's competitors.

FURTHER AFFIANT SAYETH NOT.

Dated: November 30, 2004


Peter Hajas

Subscribed and sworn to before me
this 30th day of November, 2004.


Notary Public



**TELLURIDE ASSET MANAGEMENT
EMPLOYEE CONFIDENTIALITY AND NON-SOLICITATION AGREEMENT**

This Confidentiality and Non-Solicitation Agreement (the "Agreement") is entered into as of the 10 day of JULY, 2004 between Telluride Asset Management, LLC (the "Firm") and Stanley Zheng (the "Employee") sometimes referred to jointly as the "Parties."

WHEREAS, Firm is willing to employ Employee to perform certain services and Employee seeks employment with the Firm.

NOW, THEREFORE, in consideration of the promises and covenants recited herein, the parties agree as follows:

1. **At-Will Employment.** Employee acknowledges that he/she has entered into the employment relationship with the Firm voluntarily and understands that the relationship is one of "at-will" employment. Accordingly, Employee understands that either the Firm or Employee may terminate the relationship at will for any reason, with or without cause, notice or prior warning or discipline, at any time. Employee acknowledges that this Agreement is not intended to be a contract of employment, nor is any part of it intended to be a promise or representation of any specific term or condition of employment, and that no agent of the Firm has made any offer or representation to Employee in connection with his or her employment which is contrary to at-will employment.

2. **Ownership of Materials and Ideas.** Employee agrees that all inventions, discoveries, computer software programs, trade concepts, designs, patents, ideas and copyrightable and/or patentable materials made, conceived or developed by Employee during the term of this Agreement shall be owned in full by the Firm. The Parties acknowledge and agree that this paragraph does not apply to an invention for which no equipment, supplies, facility or trade secret information of the Firm was used and which was developed entirely on the Employee's own time, and (1) which does not relate (a) directly to the business of the Firm or (b) to the Firm's actual or demonstrably anticipated research or development, or (2) which does not result from any work performed by the employee for the Firm.

3. **Confidential Information.** During and by reason of employment with the Firm, Employee shall receive or have access to trade secrets patents, copyrights and other confidential or proprietary information (collectively referred to in this Agreement as "Confidential Information") used in the Firm's business which is not known or otherwise available by proper means through sources outside the Firm, and which therefore has value to the Firm and provides an actual or potential advantage over competitors, including, but not limited to, information of either a technical or commercial nature including, financial information, customer or client lists, employee or consultant information, market information, trading information, models, formulae, strategies, methodologies and the like and other specific financial and trading information. Confidential Information shall not include any information that is or becomes part of the public domain through no act or omission of Employee. Employee acknowledges that Confidential Information is a valuable, special, and unique asset of the Firm and that the sole and exclusive right, title and interest in and to Confidential Information is owned by the Firm.

4. **Nondisclosure of Confidential Information.** During the course of Employment with the Firm, Employee shall not use or disclose Confidential Information to any person or entity except as necessary for the proper performance of duties and responsibilities prescribed by the Firm,



and only as specifically authorized by the Firm and in accordance with procedures established by the Firm. Following termination of Employee's employment with the Firm, whether voluntary or otherwise, Employee shall not use or disclose Confidential Information to any person or entity other than the Firm for any reason, provided that Employee may disclose Confidential Information if compelled by court order or enforceable subpoena, but only if Employee notifies the Firm immediately after service upon Employee of any such order or subpoena and cooperates fully with Firm's efforts to contest or quash such order or subpoena prior to any such disclosure.

Nothing in this Section shall be construed to restrict Employee's use of general know-how and experience in future employment, so long as Confidential Information is not used or disclosed. The covenants set forth in this Nondisclosure of Confidential Information Section shall be without time or geographic limitation and shall survive and be enforceable after the termination of Employee's employment with the Firm so long as the information in question continues to be Confidential Information as defined above.

5. Surrender of Confidential Information and Company Property upon Termination. Promptly upon termination of Employee's employment with the Firm, whether voluntary or otherwise, and at any time upon the Firm's request, Employee shall immediately and unconditionally surrender to the Firm all Confidential Information and all property belonging to the Firm, including but not limited to equipment, products, supplies, records, notes, materials, code, drawings, photographs, computer programs, analytical and numerical methods, computer-generated or computer-retrievable data, and other writings or recordings of any kind, whether in physical, documentary, audio, visual, electronic or any other format, relating to the actual or anticipated business of the Firm.

6. Non-Solicitation Covenant.

(a) Non-Solicitation. Employee agrees that, so long as this Agreement is in effect, and for a period of one (1) year after the termination of his or her employment, Employee will not, directly or indirectly, as a sole proprietor, member of a partnership, stockholder, investor, officer or director of a corporation, or as an employee, agent, associate or consultant of any person, partnership or corporation, other than Firm, or in any other capacity:

(i) solicit, induce or attempt to persuade any employee or consultant of Firm or any of its affiliates to terminate an employment or consulting relationship;

(ii) solicit, accept or engage in any business related to the business conducted by Firm from any clients, customers, or prospective or former clients or customers of Firm or its affiliates; or

(iii) solicit or perform services of any nature on behalf of any person or entity which solicits, accepts or engages in any business related to the business of Firm with clients, customers, or prospective or former clients or customers of the Firm or its affiliates.

(b) Injunctive Relief. Without limiting the right of Firm or any of its successors or permitted assigns to pursue all other legal and equitable rights available to them for violation of the covenants set forth in subparagraph (a), it is agreed that such other remedies cannot fully compensate Firm and its successors and assigns for such a

violation and that Firm and its successors and assigns shall be entitled to injunctive relief to prevent violation or continuing violation hereof. It is the intent and understanding of each party that if, in any action before any court or agency legally empowered to enforce this covenant, any term, restriction, covenant or promise is found to be unreasonable and for that reason unenforceable, then such term, restriction, covenant or promise shall be deemed modified to the extent necessary to make it enforceable by such a court or agency.

7. Governing Laws. This Agreement shall be construed in accordance with and pursuant to the laws of the State of Minnesota without regard to Minnesota's choice of law principles, and the Parties agree to jurisdiction and venue in the state and federal courts in Minnesota, in case of any dispute concerning the construction, interpretation, application or enforcement of this Agreement.

8. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided that this Agreement shall not be assignable by Employee without prior consent of Firm.

9. Entire Agreement. This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof. This Agreement supersedes any and all other prior agreements, either oral or in writing, between the Parties. Each party hereby waives any claim against the other party with respect to, and discharges the other party from any obligation or liability arising under any prior agreement and fully releases the other party with respect thereto. No change or modification of this Agreement shall be valid unless it is in writing and signed by Employee and an authorized officer of Firm. No waiver of any provision of this Agreement shall be valid unless in writing and signed by the person or party to be charged.

10. Notice. Any and all notices, designations, consents, offers, acceptances or any other communication provided herein shall be in writing and deemed given when personally delivered or when deposited in the United States mail, registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Firm: Telluride Asset Management
 1000 Parkers Lake Road
 Wayzata, MN 55391

If to Employee: _____

11. Severability. If any portion or portions of this Agreement shall be, for any reason, deemed invalid or unenforceable, the remaining portion or portions shall nevertheless be valid, enforceable and carried into effect, unless to do so clearly violates the present legal and valid intention of the parties hereto.

12. Headings. The headings in this Agreement are inserted for convenience only and are not to be considered in construction of the provisions hereof.

TELLURIDE ASSET MANAGEMENT

By: [Handwritten Signature]
(Signature)

Its: Authorized Agent
(Print title)

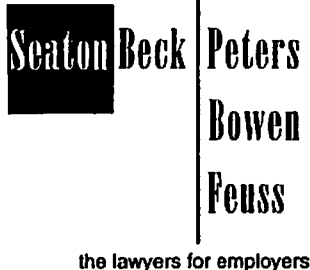
6/14/04
(Date)

EMPLOYEE

By: [Handwritten Signature]
(Signature)

Stanley Zheng
(Print name)

June 10, 2004
(Date)



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December 8, 2004

District Court Administrator's Office
Hennepin County Government Center
1251 Court Tower
300 South Sixth Street
Minneapolis, Minnesota 55487

Re: Telluride Asset Management, LLC v. Stanley Zheng
Court File No. 04-17921

Dear Court Administrator:

Enclosed for filing in the above-referenced matter, please find the following original documents:

1. Affidavit of Peter Hajas in Support of Plaintiff's Motion for a Temporary Injunction, or in the Alternative, a Temporary Restraining Order;
2. Affidavit of Jeremy Wunsch in Support of Plaintiff's Motion for a Temporary Injunction, or in the Alternative, a Temporary Restraining Order; and
3. Affidavit of Service.

Very Truly yours,


Thomas R. Revnew

TRR/JJB

Enclosures

c: V. John Ella, Esq.