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Of Counsel
G. William Baab*

December 9, 2004

FAXED AND MAILED
(Fax Number 512-476-0611)

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Mr. William J. Stapleton II
CAPITAL SPORTS & ENTERTAINMENT
98 San Jacinto Blvd., Ste. 430
Austin, Texas 78701

Re: *Mike Anderson v. Lance Armstrong and Luke David, LLC*
Settlement Communication - Confidential - Rule 408, T.R.C.E.

Dear Mr. Stapleton:

I appreciate your phone calls on Tuesday. It certainly makes sense to make good faith efforts to negotiate terms of an agreement that are mutually acceptable, if at all possible, before (rather than after) litigation begins. Not only is that principle generally true, it is especially true in this matter, where friendship is involved and where there really can be a fair separation and a fair resolution of disputed claims.

I am enclosing a full proposed Settlement and Mutual Release of Claims. This constitutes our first offer of settlement in this matter. While this proposal certainly is negotiable, I think it is very important for you to know that Mike Anderson, David Davis and I are satisfied that this is a fair proposal in view of the claims and potential damage recover in this case. Before you respond to our proposal, I want to explain to you (and thus to Mr. Armstrong) why we think this is a reasonable settlement proposal and one that we believe Mr. Armstrong should seriously consider.

1. Our proposal deals in a fair and balanced manner with confidentiality and nondisparagement, issues you addressed in your proposed Letter Agreement dated November 30, 2004.
2. Your November 30 proposal asked Mr. Anderson to agree to pay \$1,000,000 (\$500,000 to Lance Armstrong and \$500,000 to Luke David, LLC) in the event of a violation. This is unreasonable given the facts that (1) your proposed Letter Agreement offered Mr. Anderson only about \$10,000¹ and (2) even if Mike Anderson is never guilty of revealing anything confidential, let alone anything damaging to Defendants, an agreement that a rich and powerful person (Mr. Armstrong) will get a judgment for \$1 million if he sues and wins,

¹If your proposal called for liquidated damages in the amount that Anderson received under the agreement, the proposal would not be so inappropriate.



when that rich and powerful person must know that Mike Anderson would be wiped out by such a judgment. It would be very difficult to sleep at night after signing the deal you proposed. Moreover, the deal you proposed would not permit Mike Anderson to talk about much of two years of his life. Indeed, taken literally, on pain of a \$1 million damage award, Mike Anderson, under your 11/30/04 proposal, could not tell anyone, even a customer or potential employer, that he worked for Lance Armstrong or what his job was with Lance Armstrong.

2. The money part of our proposal is designed to provide adequate funds to address Mr. Anderson's breach of contract claims (which allow for recovery of attorneys fees) and his potential tort claims. Besides an extra year of employment that we can seek under the e-mail contract (whether it is ever found or not - there are several witnesses who saw, read and remember the e-mail agreement), the offer (which Mike Anderson accepted) of helping Mike open a bike shop has substantial value. In the event of litigation, of course, this is the kind of issue that may require expert testimony. I believe defendants have liability for slander with respect to Mr. Anderson and that damage to reputation damages could be very substantial. I also believe that litigation could result in a significant award of punitive damages.
3. While I would expect Mr. Armstrong to have an initial reaction that our monetary proposal is far too high, I am encouraging careful reflection before reaching such a conclusion. The damage value of legal claims is a matter upon which reasonable minds can differ greatly. Perhaps the best way to reach a resolution is to put this matter before a top notch mediator. Besides the value of a neutral, unbiased, experienced third opinion, this process could be ideal, since it is private and swift.
3. The proposal is designed to make Mike whole (and cover his legal fees), not to provide him a windfall. Besides the money, our proposal calls for positive, very doable actions by Defendants that would give Mike a fair chance of accomplishing his dream of opening a nice, successful bike shop. See paragraphs 6, 8 and 9 of the Agreement.
4. Paragraph 7 of the proposal puts to rest any dispute about the cyclo cross bike that Mr. Armstrong gave to Mike Anderson.
5. The remainder of the provisions of our proposed Agreement are standard and appropriate.

X | On our second telephone conversation on December 7th, you mentioned talking before going to World War III. Lance Armstrong called Mike Anderson yesterday and said if he filed suit it would be World War III, along with other statements that sound like threats. I am hopeful that soon


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Mike Anderson and Lance Armstrong can talk freely if they choose to, with these disputed matters well settled and behind them. Mike Anderson, David Davis and I are committed to fully exploring good faith settlement efforts before filing suit. Our goal is to NOT file suit. Given the level of emotion at the moment, I am hopeful that as attorneys and counselors and officers of the court, we can help our clients achieve a smart and amicable resolution of their differences.

I look forward to your response. I am requesting that you respond at your earliest convenience, and if possible by December 15 to our settlement proposal. Thank you for your consideration.

Very truly yours,

GILLESPIE, ROZEN, WATSKY & MOTLEY, P.C.

By: 
Hal K. Gillespie

HKG/dkr

cc: Mr. David M. Davis
DAVIS & WILKERSON, P.C.
1801 S. MoPac Expressway, Suite 300
P.O. Box 2283
Austin, Texas 78768-2283

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bcc: Mike Anderson
10807 Lake Park Drive
Austin, Texas 78620

SETTLEMENT AGREEMENT AND MUTUAL RELEASE OF CLAIMS

STATE OF TEXAS

COUNTY OF TRAVIS

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KNOW ALL MEN BY THESE PRESENTS:

This Settlement Agreement and Mutual Release of Claims (hereinafter "Agreement") is effective as of the date set forth below and is executed by and among Luke David LLC, a Texas corporation, Lance Armstrong (hereinafter referred to jointly as "Defendants,") Mike Anderson (hereinafter "Anderson") and his spouse, Allison Anderson (hereinafter referred to jointly as "the Andersons").

WHEREAS, a dispute has arisen between the parties hereto with regard to (1) promises made to Anderson in exchange for his agreement to work for Defendants and (2) Anderson's termination by Defendants and the statements made by Defendants and/or their agents concerning Anderson since on or about November 16, 2004;

WHEREAS, Anderson has retained attorneys and has put Defendant's on notice of his intent to pursue his claims unless a fair settlement can be reached;

WHEREAS, Defendants deny all liability with respect to Anderson's claims or potential claims;

WHEREAS, all parties recognize that there is a bona fide dispute between them and further recognizing the uncertainty of litigation and the expense associated therewith, the parties hereto have agreed to settle and compromise and do hereby settle and compromise, the disputes between them as hereinafter set out.

FOR AND IN CONSIDERATION of the premises and covenants and conditions contained herein, the parties hereto agree as follows:

1. Nothing in this Agreement constitutes an admission of any liability or wrongdoing by any of the parties. The payments and actions agreed to in this Agreement are to settle and compromise disputed claims and to foster continuing good will between the parties.
2. Defendants shall pay upon the third (3rd) business day after execution hereof by Anderson and Allison Anderson of this Agreement the total sum of \$500,000 by separate cashier's checks as follows: \$300,000 payable to Mike Anderson, and \$100,000.00 payable to Gillespie, Rozen, Watsky & Motley, P.C. and \$100,000 payable to Davis & Wilkerson, P.C. All checks shall be delivered to Hal K. Gillespie, Anderson's lead counsel. No part of the \$500,000 amount is for punitive damages.
3. The Andersons agree not to make any disparaging remarks, comments or statements, orally or in writing, against or concerning Defendants (or either of them) to any third party at any time after the date of execution hereof. Defendants agree not to make any disparaging remarks, comments or statements, orally or in writing, against or concerning the Andersons (or either of them) to any third party at any time after the date of execution hereof. Any party who violates this provision of the Agreement will pay any party he/she or it has disparaged the sum of One Hundred Thousand and 00/100's Dollars (\$100,000). Due to the value of the reputation of the parties, damages in the event of a violation are difficult to ascertain, though great and irreparable. This provision with respect to liquidated damages does not prohibit any party from seeking injunctive relief. If this section is for any reason held to be excessive, it will be reformed in a manner to enable it to be enforced to the maximum extent compatible with applicable law.
4. For and in consideration of the premises herein contained, Defendants, their officers, agents and representatives, do hereby release and forever discharge Mike Anderson, Allison

Anderson, their agents and attorneys from any and all claims, demands, actions, causes of action, known or unknown, and any and all liability, civil or criminal, for injunctive or for affirmative relief and for expenses, attorney's fees, damages, or other losses, both actual and punitive whether to person or property under the statutes, laws, and constitution of the United States and the State of Texas, or any other jurisdiction, which arise out of or are in any manner associated with the employment of Anderson with either or both Defendants and any and all other claims between the parties to date.

5. For and in consideration of the premises herein contained, Anderson and his spouse, Allison Anderson, do hereby release and forever discharge Defendants, their agents, employees, officers, directors, shareholders, attorneys, successors and assigns from any and all claims, demands, actions, causes of action, known or liability, under the statutes, laws, and constitution of the United States and the State of Texas, or any other jurisdiction, which arise out of or are in any manner associated with the employment of Anderson with either or both Defendants and any and all other claims between the parties to date.
6. Lance Armstrong will provide Anderson with a highly favorable letter of reference, on his personal letterhead, bearing his signature, containing the wording set forth in Attachment A hereto.
7. Anderson will retain the cyclo cross bike Lance Armstrong gave to him. Defendants acknowledge that the cyclo cross bike belongs to Anderson and Defendants shall make no claim or statement to the contrary.
8. Within fourteen (14) days after the execution of this Agreement by Anderson and Allison Anderson, Defendants will provide to Anderson one yellow jersey, in good condition, autographed by Lance Armstrong, from the Tour de France and three (3) posters

autographed by Lance Armstrong to "My Friend Mike - Thanks for all your help and support."

9. In the event that Anderson opens a bike shop, Lance Armstrong will make good faith efforts to support and endorse such bike shop, including but not limited to at least one (1) free appearance of at least two (2) hours at a mutually agreeable date, but on a Saturday during the months of May or June, provided that Anderson invites Armstrong for such appearance at least sixty (60) days in advance and that such invitation is extended within three (3) years after the execution of this Agreement.
10. The parties agree to keep the terms and the fact of this Agreement and of any of the negotiations or discussions between them confidential and further agree not to disclose any such matters except unless compelled to do so under due process of law or court order. It shall not be a violation of this provision for any party to this Agreement to state that any and all disputes between them or any of them have been amicably resolved, nor for any party to disclose the Agreement on a confidential basis to his or her spouse, taxing authorities or attorney. It shall not be a violation of this provision for either party to disclose the Agreement in litigation over any alleged breach of this Agreement.
11. The parties hereto certify that they have read this Agreement in its entirety and fully understand its contents and effect.
12. As a material inducement to the execution of this Agreement, the parties hereto certify that they are the owners and holders of the claims asserted, compromised and released herein and that they have not previously assigned, transferred or conveyed any of such claims. In the event that any party has assigned, transferred or conveyed any such claims in violation of this warranty then the Assignor agrees to indemnify the aggrieved party to this Agreement

- from the claims of the party to whom the claim has been assigned, transferred or conveyed.
13. The validity, construction, interpretation and administration of the terms of this Agreement shall be governed by the substantive laws of the State of Texas. This Agreement is performable in Travis County, Texas. This agreement is a contract between the parties and is enforceable as a contract.
 14. This Agreement is binding upon and inures to the benefit of the respective heirs, successors, assigns, attorneys, insurers, and personal representatives, as the case may be, of all parties to this Agreement.
 15. All parties recognize that they have had the advice of counsel herein and have had the terms of this document fully explained to them.
 16. It is further understood, agreed and warranted that this Agreement may be executed in a number of identical counterparts, each of which shall be deemed an original for all purposes. This document may be executed by facsimile.
 17. The parties hereto acknowledge that this Agreement is being made by their free choice without being induced by any statement or representation by any other party hereto or anyone acting on behalf of any other party hereto. The parties recognize that this Agreement is a full, final and complete release of all claims.
 18. This Agreement contains the entire agreement between the parties reduced to writing and supersedes and cancels any and all prior agreements between the parties. This Agreement cannot be changed, altered, varied or terminated except in a writing signed by all parties referenced herein.

IN WITNESS WHEREOF, the following parties do hereby execute this Agreement on the respective dates set forth hereafter.

LANCE ARMSTRONG

Date: _____

By: _____
Lance Armstrong

LUKE DAVID, LCC

Date: _____

By: _____
Lance Armstrong

MIKE ANDERSON

Date: _____

By: _____
Mike Anderson

ALLISON ANDERSON

Date: _____

By: _____
Allison Anderson

APPROVED:

WILLIAM J. STAPLETON II

BY: _____
WILLIAM J. STAPLETON II
State Bar Card No. _____
Capital Sports & Entertainment
98 San Jacinto Blvd., Ste. 430
Austin, TX 78701

ATTORNEYS FOR DEFENDANTS

GILLESPIE, ROZEN, WATSKY & MOTLEY, P.C.

BY: _____

HAL K. GILLESPIE
State Bar Card No. 07925500
3402 Oak Grove Ave., Suite 200
Dallas, Tx 75204
Telephone: (972) 720-2009
Fax: (972) 720-2291

AND

DAVIS & WILKERSON, P.C.

BY: _____

DAVID M. DAVIS
State Bar Card No. 05477500
1801 S. MoPac Expressway, Suite 300
Austin, TX 78768-2283
Telephone: (512) 482-0614
Fax: (512) 482-0342

ATTORNEYS FOR MIKE AND ALLISON ANDERSON

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

BEFORE ME, a Texas Notary Public, on this day personally appeared Lance Armstrong, known to me to be the person whose name is subscribed to the foregoing instrument, that the same was the act of the said corporation and that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN under my hand and seal of office this _____ day of _____, 2004.

Notary Public, State of Texas

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

BEFORE ME, a Texas Notary Public, on this day personally appeared Mike Armstrong, known to me to be the person whose name is subscribed to the foregoing instrument, and that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN under my hand and seal of office this _____ day of _____, 2004.

Notary Public, State of Texas

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

BEFORE ME, a Texas Notary Public, on this day personally appeared Allison Armstrong, known to me to be the person whose name is subscribed to the foregoing instrument, and that she executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN under my hand and seal of office this _____ day of _____, 2004.

Notary Public, State of Texas