IN THE MATTER OF AN ARBITRATION BETWEEN

LANCE ARMSTRONG and §

TAILWIND SPORTS, INC. §

Claimants, § ARBITRATION BEFORE THE § HONORABLE RICHARD

FAULKNER, RICHARD § CHERNICK AND TED LYON

SCA PROMOTIONS, INC. and §

HAMMAN INSURANCE SERVICES, § INC.

Respondents. §

ARBITRATION

TRANSCRIPT OF PROCEEDINGS

JANUARY 10, 2006

VOLUME 5

CONFIDENTIAL

On the 10th day of January, 2006, at 9:04 a.m., the arbitration in the above proceedings came on before Arbitrators Richard Faulkner, Richard Chernick and Ted Lyon, at the offices of Richard Faulkner, 12655 North Central Expressway, Suite 810, in the City of Dallas, County of Dallas, State of Texas.
Lance Armstrong v. SCA Promotions, Inc.  
Transcript of Proceedings  
Volume: 5  
January 10, 2006

<table>
<thead>
<tr>
<th>Page 751</th>
<th>Page 753</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 of Mr. Armstrong for any one of those four years were stripped?</td>
<td>1 Q. (BY MR. HERMAN) You're not still investigating that claim, are you?</td>
</tr>
<tr>
<td>3 A. No. I made provision that if that was the case, yes.</td>
<td>3 A. Well, come to think of it, we might.</td>
</tr>
<tr>
<td>4 Q. Can you point to any other incentive contract that SCA has ever entered into where that kind of instruction was given to Mr. Bandy?</td>
<td>4 Q. In any event, other than Mr. Thorpe, this is the only one?</td>
</tr>
<tr>
<td>5 A. Yes.</td>
<td>5 A. Well, I don't know.</td>
</tr>
<tr>
<td>7 Q. What?</td>
<td>6 Q. Well, other than Mr. Thorpe, you can't think of any title being stripped for any reason other than some performance enhancing substance; isn't that true?</td>
</tr>
<tr>
<td>10 A. Olympic sports.</td>
<td>7 A. I don't know. I mean, can I think of any off the top of my head, no.</td>
</tr>
<tr>
<td>11 Q. So what would be the -- well, strike that. Has any Olympic medal or title ever been stripped for anything other than doping?</td>
<td>8 Q. All right. This document here, which is Claimants' Exhibit 10, is there any other document prepared by SCA which would more accurately reflect the intention of SCA going into this deal prior to the preparation of your contract?</td>
</tr>
<tr>
<td>12 A. Not -- well, yes.</td>
<td>9 A. I don't believe so.</td>
</tr>
<tr>
<td>13 Q. What?</td>
<td>10 Q. You're the one that -- the sole person who negotiated this deal on behalf of SCA, correct?</td>
</tr>
<tr>
<td>16 A. Jim Thorpe was stripped of his medals for playing professional ball.</td>
<td>11 A. Correct.</td>
</tr>
<tr>
<td>18 Q. Well, but SCA didn't insure Jim Thorpe's sponsor.</td>
<td>12 Q. And it's true, is it not, that you intended for a refund of the money if the titles were stripped from Mr. Armstrong as a result of official action, correct?</td>
</tr>
<tr>
<td>19 A. I'll check into the archives.</td>
<td>13 A. Yes.</td>
</tr>
<tr>
<td>20 ARBITRATOR CHERNICK: Do you want to check your records on that, Mr. Hamman, before you answer?</td>
<td>21 Q. Right.</td>
</tr>
<tr>
<td>22 A. A.</td>
<td>23 A. I don't believe I have.</td>
</tr>
<tr>
<td>23 Q. Now, when you -- when you negotiate an agreement, do you normally ask Mr. Bandy to prepare the contract?</td>
<td>24 Q. All right. So as of -- as of January 9, 2001, you anticipated a remedy for SCA if the titles</td>
</tr>
<tr>
<td>24 A. Frequently I do.</td>
<td>25 A. Yes.</td>
</tr>
</tbody>
</table>
Q. And you know that's the only way the titles can be stripped; it has to be official action?

A. No.

Q. Well, why not?

A. Titles are only stripped by official action, to the best of my knowledge.

Q. So that if Mr. Armstrong were the official winner, to ever change that status, it would take official action? That's just a truism, isn't it?

A. Correct.

Q. So it's true as of January 9, 2001 that you made specific provision for precisely what you're now alleging, didn't you?

A. I made instructions to make provisions for that. It didn't appear in the contract.

Q. And you have done nothing at SCA to petition the only -- to petition the official event governing body to strip Mr. Armstrong of his title?

A. Correct.

Q. And as of January 9, 2001, you had clearly in your mind precisely what you're now alleging, that is some performance enhancing substance, didn't you?

A. Not exactly.

Q. Well, what other reason would there be for stripping Mr. Armstrong's title?

A. In sports of that nature where performance enhancing drugs are forbidden, there's a possibility that a winner's title will be stripped.

Q. Exactly. And the remedy for that, you wanted to ensure by telling Mr. Bandy the remedy in the event that his title was stripped, then Tailwind, who you had the contract with, would have to give the money back?

A. That was a remedy.

Q. Well, that's -- that's precisely what you instructed Mr. Bandy on at the time the contract was entered into?

A. That's correct.

Q. But you didn't pay the money, you didn't pay the $5 million, did you?

A. We paid the money into the Court.

Q. We will talk about that in a minute. You didn't pay the money to the sponsor?

A. Correct.

Q. Tailwind can't refund the money to you from the Court, can it?

A. I don't know.

Q. All right. Now, when we quit yesterday, Mr. Hamman -- I'll change topics with you just a little bit. As of the end of September 2004 --

A. Right.

Q. -- did you know enough to deny the claim?

A. Yes.

Q. Well, why not?

A. We hadn't confirmed the Indiana hospital room. We -- there was much evidence we hadn't yet collected.

Q. Well, I thought you told me yesterday that you had known on January 9, 2001 what you knew at the end of September that you would have never entered the deal.

Q. Well, but what I just said was accurate?

A. Correct.

Q. Okay. Now, you've told -- you pled to this panel that one of the reasons that you say you're entitled to cancel or rescind this contract is because you had only known then what you know now that you would have never done the deal, so consequently you're entitled to rescind the contract; isn't that what you've told the panel?

Q. Haven't you told the panel that Tailwind didn't disclose certain information to you, that if they had, if you had had any reason to even suspect, that you would have never done this deal?

A. That's correct.

Q. So that as of September 1st, these matters that you say Tailwind should have disclosed to you, you knew enough of those matters on September 1st to where you wouldn't have done the deal if you had it to do over again?

A. We knew enough of some matters on September 1st to know that we wouldn't have done the deal based on those matters.

Q. Right. And that's my only point. If you had known on January 9, 2001 what you knew on September 1,
1 A. We, in fact, paid the claim into an account
2 and indicated that we were compelled to investigate.
3 Q. Okay. Are you taking the position that your
4 payment of this $5 million into this account is an
5 indication of your good faith?
6 A. It was to demonstrate that we had the money
7 and we were willing to pay the claim pending the
8 outcome of our investigation.
9 Q. Are you aware that Mr. Compton testified that
10 the investigation is ongoing as we speak here today?
11 A. Information keeps coming to light.
12 Q. Well, is your investigation over or not?
13 A. I would presume it's pretty much over, but
14 additional information keeps popping up.
15 Q. Well, have you decided to deny the claim yet
16 or not?
17 A. Yes.
18 Q. You didn't, as of the time you reached this
19 state of mind, you didn't deny the claim, right?
20 A. As of what date?
21 Q. As of September 1st, let's say.
22 A. We did not deny the claim.
23 Q. As of September 30th, the date we talked
24 about yesterday, the end of September, you didn't deny
25 the claim?

A. We didn't deny it.
Q. You didn't rescind the contract?
A. We had been sued and the Tailwind had
 totally refused to cooperate in any way, shape or form
with our investigation, and effectively the process
had been hijacked.
Q. Okay. So the answer to my question is no,
you didn't rescind the contract?
A. We did not rescind the contract.
Q. Did you petition the UCI or the Tour de
France?
A. We did not.
Q. And you haven't to this day, have you?
A. Correct.
Q. Once you became aware that CHUBB had paid and
that Lloyds had either paid or agreed to pay, did you
report Tailwind to the Department of Insurance for
perpetrating an insurance fraud?
A. We did not.
Q. You understand you're a --
A. We didn't have an insurance contract in our
belief.
Q. Well, did you think CHUBB and Lloyds -- do
you think they're insurance companies?
A. Yes, I do.
Q. Well, you knew that -- you knew that Tailwind had made a claim and CHUBB and Lloyds had paid. Did you report them for fraud?

A. We were in the process of an investigation and we did not report them.

Q. Did you notify Prize Indemnity Limited that they had been defrauded on July 26th and repaid the $1.2 million that you collected?

A. We did not.

Q. Now, let's talk a little bit about this deposit that you claim or apparently claim illustrates SCA's good faith. Turn to Exhibit 75, if you will.

Exhibit 75 is your letter of September 2, 2004 where you demand the full cooperation of not just your insured but Lance Armstrong, USPS, Capital Sports Entertainment as well as any related or affiliated individuals or entities.

So just along those lines I take it that any individual employed by any of those entities you believed had an obligation to provide information to you?

A. We felt we were entitled to all pertinent information.

Q. Well, when you say related or affiliated individuals, you would obviously be referring to all the employees of those entities, would you not?

A. Only those with information.

Q. Okay.

A. We didn't know who they might be at the time.

Q. All right. Now, if you turn over to the second page, you mentioned to me yesterday that it was your intention to complete this investigation and make a determination whether to pay or not by September 2.

Do you recall that -- September 3, whenever you say the due date was?

A. We hoped we would be able to.

Q. And when did -- when did that objective appear unable to meet?

A. We -- certainly by the time I wrote the letter it was clear we had not met our objective. I don't have a specific date in mind that -- but shortly before that it became clear that there would be no ability to communicate with even Mr. Walsh prior to the due date.

Q. Well, can you tell me how long prior to the date you wrote this letter you came to the realization that you would not pay as of the due date?

A. A few days. It seemed very unlikely.

Q. Incidentally, prior to September 2, had you requested any documents or information from Tailwind?

A. No.

Q. So it would have been the 26th that you got the notice of claim from Tailwind through ESIX and you didn't request any documents or information for whatever it is, 35 days up until September 2nd?

A. I don't believe we got the notice on the 26th, but we got some -- we got some documents in August.

Q. Well, you got a notice -- you got an e-mail?

A. We were aware Mr. Armstrong had won the Tour de France.

Q. You had gotten an e-mail from Kelly Price on the 26th, did you not?

A. I don't recall. We--

Q. Well, you don't dispute it anyway?

A. I don't dispute it.

Q. Okay. So you didn't ask for any documents for -- until September 2.

Now, you deposited $5 million into a JPMorgan custodial account on September 3, right?

A. Or shortly thereafter, approximately September 3.

Q. And you said this account -- the account shall remain in place for a reasonable period of time which shall not be less than 90 days except upon the earlier resolution of this matter. That's what -- I read that correctly, did I not?

A. I assumed it would take that long to investigate the matter.

Q. Okay. So as of September 2, unless the matter was resolved, it was your promise to leave that money on deposit for 90 days, fair?

A. Yes.

Q. Then you got -- SCA received correspondence from me on September 7 demanding payment. I don't know exactly what that --

A. Well, I thought your letter was September 8th, but...

Q. Well, it could have been.

A. But whatever what date.

Q. Yeah, September 8, Exhibit 92.

A. Okay.

Q. Now, as of September 8, 2004, had you changed your mind about having to pay the money and then if he was stripped of his title to be entitled to it?

A. We certainly felt that as of any date if he were stripped of his title, we would be either not obligated to pay or entitled to a refund of any money paid.

Q. Well, those are two pretty different things,
A. Correct.

Q. And on September the 14th, 2004, a petition was filed in the 298th District Court of Dallas, Texas to request the Court to appoint arbitrators?

A. Correct.

Q. Thereafter, did SCA object to leaving the $5 million on deposit?

A. We objected to placing it in the registry of the court, I believe, but we did not object to leaving it on deposit.

Q. Is that right? Is that right? Is that your position?

A. I believe that was the case, that we didn't object to leaving it.

ARBITRATOR CHERNICK: I'm sorry, I didn't hear that.

A. I believe we did not object to leaving the money at JPMorgan, and I -- I'm not even sure if we objected to moving it to the registry of the court.

Q. (BY MR. HERMAN) Look at Exhibit 105.

A. Okay.

Q. Do you see that?

A. Yes.

Q. You know that Tailwind asked the Court to prohibit SCA from moving or spending the $5 million account and asked for a temporary injunction in that regard. You don't remember that?

A. I -- I recall that they wanted to gain control over the money.

Q. Is that what your -- is that what you think happened?

A. They wanted -- I believe so.

Q. Well, it's true, is it not, that Tailwind sought the -- sought -- had to seek an injunction in order to preserve the money in the JPMorgan account; that's precisely what Tailwind asked, was it not?

A. We had -- not exactly.

Q. Okay. What's -- just tell me what your best understanding of what it was that Tailwind asked the Court to do by virtue of this injunction.

A. My understanding is we had agreed to keep the money up for at least 90 days and that that wasn't good enough for Tailwind.

Q. So you think Tailwind wanted to have it left up for more than 90 days?

A. I think they wanted to tie the money up.

Q. What do you mean tie the money up?

A. It ended up being placed in the registry of the court and that was satisfactory to Tailwind.

Q. Well, you know, Mr. Hamman, that Tailwind had

Q. All right. So you were notified on the 8th that you all knew Mr. Armstrong was the official winner, you knew that that triggered your liability and that you needed to pay the money or arbitration would be instituted as provided under the contract, correct?

A. We knew that you had made demand to institute arbitration on the 13th of September. We certainly felt that that would be totally impractical and that we had not done very -- had not been able to accomplish very much in our investigation at that point.

Q. So when you -- when you and others at SCA claim that you got sued by Tailwind, you're referring, I presume, to Exhibit 98?

A. Correct.

Q. And given the focus of your investigation, I take it that as of September 8th when you got my letter you had not been able to accomplish the confirmation of the allegations contained in LA Confidential?

A. That's correct.

Q. It was going to take you longer to do that, correct?

A. That's correct.

Q. Now, in the insurance contract it simply says that disputes will be resolved under the Texas Arbitration Act in Dallas, Texas, does it not?

A. Correct.

Q. It doesn't say how many arbitrators?

A. Correct.

Q. It doesn't say how they're to be selected?
Q. (BY MR. HERMAN) Do you know whether Mr. Compton represented that to Judge Canales or not?
A. 1 -- I don't recall seeing that statement, but I don't know.
Q. Well, look at Exhibit 106, if you would.
A. Okay.
Q. 106 is entitled SCA Promotions, Inc.'s; 
Response and Objection to Plaintiff's Request for Temporary Injunction, correct?
A. Correct.
Q. On the first page of that SCA tells the Court despite pleading an ordinary claim, Plaintiffs seek an extraordinary writ of this court, injunctive relief requiring Defendant to maintain the full amount of the disputed claim to be held in the registry of the court, and then throughout the 14-page pleading demonstrated why SCA ought to not have to do that.
A. We had committed to leaving the money in the JPMorgan account for at least 90 days.
Q. But in answer to my question, on October 18th, which is approximately 45 days after your letter, you're objecting vigorously to leaving the money in the registry of the court at all, aren't you?
A. Yes.
Q. Now, look at page 6 of Exhibit 106. SCA tells the Court -- at the bottom paragraph there -- that Exhibit A to the agreement, which I believe you have described as the meat and potatoes of the agreement, reiterates the point stating SCA Promotions agrees to reimburse sponsor for the full amount of any performance awards scheduled hereunder. And thereafter SCA specifically admits that it has an obligation to reimburse Tailwind if Tailwind became obligated to pay the performance incentives.
A. We were objecting to paying the money into the registry of the court, as opposed to having to pay the money to your insured? Would you agree, that is, you -- SCA specifically tells Judge Canales that it has an obligation to reimburse Tailwind if Tailwind becomes obligated to pay the professional incentives?
Q. But isn't what I just told you or asked you correct, that is, you -- SCA specifically tells Judge Canales that it has an obligation to reimburse Tailwind if Tailwind becomes obligated to pay the professional incentives?
A. It carves out certain provisions of the contract to illustrate that obligations could arise under the contract.
Q. Okay.
registry of the court pending our request that you all retain the money in our temporary injunction. Do you see that, October 4?

A. We don't dispute that we did not want the money in the registry of the court.

Q. Okay. Well, in answer to my question, though, the money had been in the registry of the court for two weeks prior to the time SCA told Judge Canales everything that's set forth in Exhibit 106; that's true, isn't it?

A. I believe we were objecting to the order. At that point I don't know if there had even been an order. We maybe voluntarily put it in pending the --

Q. Pending your request to take control of the money?

A. Pending the request to put the money in an account with JPMorgan.

Q. All right. If you would turn to Exhibit 106 again, please, if you would look at page 5 at the bottom -- well, the middle.

A. Exhibit 106, page 5?

Q. Yes, sir. I'm sorry.

A. Okay.

Q. Do you have it there, page 5?

A. Yes.

Q. Now, item B there in bold, SCA repeatedly takes the position that contract 31122 is not an insurance contract, correct?

A. Correct.

Q. And at the bottom of the page there you represent to Judge Canales and to Tailwind that this is not insurance?

A. Correct.

Q. You represented that you were not in the business of insurance?

A. That's correct.

Q. You've repeatedly represented that, have you not?

A. Yes.

Q. To Tailwind and others?

A. Yes.

Q. Do you represent that today?

A. We do not feel we are in the business of insurance.

Q. Do you have -- or did you represent to -- to Judge Canales and to Tailwind that it was only Tailwind that had any rights, duties or obligations under this contract 31122?

A. I don't believe that we represented that we might not have any obligations under the contract.

Q. No, no. I mean that only SCA -- SCA contracted only with Tailwind and as to SCA, only Tailwind had rights, duties and obligations under that agreement?

A. Where are you --

Q. No, I'm asking you if that's --

A. Well, I don't know.

Q. Okay. Now, turn to Claimants' Exhibit 38, please, sir. You have made a claim in this case that the publication of Exhibit 38 disparaged SCA. That constitutes business disparagement or defamation or some such, correct?

A. That's correct.

Q. Let's go through Exhibit 38 for a -- for a moment.

A. Okay.

Q. Is there anything in the -- well, strike that.

Q. Let me look. I can't -- it's a little bit difficult to read. Is there anything in paragraph 1, which you say harmed SCA?

A. No.

Q. Is there anything in paragraph 2 that is either untrue or harmed SCA?

A. No.
Transcript of Proceedings

Lance Armstrong v. SCA Promotions, Inc.

January 10, 2006

Page 779

1 A. In the last sentence, that is not true -- I
2 mean, that is a correct statement.
3 Q. Now, as I understand it, you take issue with
4 the other sentence in there that says two other
5 companies, CHUBB and Lloyds, promptly sent payment
6 along with congratulations and kudos to Lance; is that
7 right?
8 A. We are certainly aware Lloyds had not paid.
9 Q. Were you aware that Lloyds had confirmed and
10 unconditionally acknowledged its obligation to pay on
11 September the 2nd?
12 A. That's not what the sentence says.
13 Q. No, I know that, but I was asking you, you
14 know now, do you not?
15 A. I know that they had committed to pay as of
16 September 2nd.
17 Q. Okay. And was there any concern in your view
18 among the public or in the industry that Lloyds would
19 be unable to pay the two and a half million dollars
20 that they insured?
21 A. I believe the syndicate in question was in
22 run-off mode, which is the equivalent of receivership,
23 so I don't know.
24 Q. Well, are you in possession of any
25 information that as of September 2, 2004, upon the

Page 780

1 commitment from Lloyds to pay that there was any
2 concern about actually getting paid?
3 A. I wasn't aware of any.
4 Q. Okay. Now, in the next paragraph is there
5 anything in there that you claim is untrue?
6 A. At the time it was certainly contended -- it
7 was contested that there -- the validity of Lance's
8 victory, I think there was question about it.
9 Q. So you draw a distinction between validity
10 and official?
11 A. Yes.
12 Q. Okay. But you do agree that obviously he had
13 been confirmed as the winner, correct?
14 A. Correct.
15 Q. The last sentence there, that's true, isn't
16 it?
17 A. Except for the word insurance. At the time
18 there certainly had been no ruling that we were, in
19 fact, insurance and --
20 Q. Okay. Did that hurt SCA?
21 A. No. The term insurance, probably not.
22 Q. Is there anything untrue in the next
23 paragraph?
24 A. I believe that's the correct quote.
25 Q. Okay. Now, I take it that -- well, strike

Page 781

1 that.
2 Q. Is there anything in the next paragraph
3 that is untrue?
4 A. The implication is that these are test
5 results when, in fact, they're merely the manual
6 regarding the testing.
7 Q. Well, is -- did -- you all did get the actual
8 testing protocols, did you not?
9 A. We got --
10 Q. The manual?
11 A. We got the manual. We did not get test
12 results. The implication is that these are test
13 results.
14 Q. So you draw -- you infer from the description
15 of testing protocols to mean testing results?
16 A. No, I think it was intended to mislead.
17 Q. But that's true, you got the testing
18 protocols, didn't you?
19 A. We got the manual. The manual is publicly
20 available on the web site.
21 Q. Okay. Now, is there anything untrue in the
22 next paragraph?
23 A. ARBITRATOR FAULKNER: That starts out
24 what?
25 Q. (BY MR. HERMAN) That says I confirm that

Page 782

1 Mr. Lance Armstrong was tested.
2 A. We got a cut and paste in an e-mail from
3 Kelly Price. We got no letter from Christian Varin.
4 Q. Well, Ms. Price pasted Mr. Varin's e-mail
5 onto her e-mail and you were provided the information
6 that is quoted there in that paragraph, were you not?
7 A. That is correct that that was the paragraph
8 that was cut and pasted.
9 Q. Okay. Now, is it true that SCA demanded free
10 and unlimited access to every medical record and
11 medical provider of Mr. Armstrong, his complete
12 medical history, all records of his past bonus
13 awards -- incidentally, what relevance to your
14 consideration of your liability were Mr. Armstrong's
15 past bonus awards?
16 A. We wanted to see what other companies had
17 been subjected to the same type of proposition that we
18 had.
19 Q. Why? What did that have to do with
20 determining whether you owed the money or not?
21 A. We felt that we needed information in order
22 to evaluate the --
23 Q. What would it be in someone else's contract
24 to which SCA was not a party and which was no longer
25 in force, what is it that you say you would need to

Dickman Davenport, Inc.
www.dickmandavenport.com 800.445.9548

214.855.5100
Lance Armstrong v. SCA Promotions, Inc.

Transcript of Proceedings
Volume: 5
January 10, 2006

Page 783
1. look at to evaluate whether SCA was responsible under its contract?

Page 784
1. exist that for one reason or another they determined to pay a claim, and that might help us conclude to either pay or deny the claim.

Q. Well, by that time, of course, you had already retained Mr. Galloway for the purpose of digging up as much dirt as possible?

A. We retained him for the purpose of assisting us in investigating the claim.

Q. Is there anything that you requested of Mr. Galloway to recover that would not be dirt in the pejorative phrase that -- in the pejorative sense that I'm using? Can you point to anything that you asked Mr. Galloway to find that would confirm coverage and your obligation to pay?

A. It would -- well, let me look at his letter.

Q. 69.

A. Exhibit 69. The absence certainly in the medical records.

Q. Would that be on the second page?

A. It might well have indicated that there was no -- that doctors hadn't questioned him about the drugs. The absence of information that -- any of the information and the absence of information supporting the allegations made in Mr. Walsh's book would tend to indicate that perhaps we should pay, but generally --

Q. So the absence of any record in Mr. Armstrong's medical records would have been persuasive that you should pay, then; is that what you're saying?

A. No, I'm saying it would be an indication. We were investigating a claim.

Q. Okay. Tell me what else is in there that would be good news for Tailwind in the -- in getting their money.

A. We knew that it was Tailwind's position that there was nothing amiss. And the question is, was there a problem in the case, and Mr. Galloway was hired to find out if there was a problem.

Q. He was hired to further your objective of confirming the allegations in David Walsh's book; isn't that true?

A. He was hired to identify if there were -- he was hired to gather evidence that would --

Q. Confirm?

A. If he was able to locate the evidence, that would confirm --

Q. Mr. Walsh's allegations?

A. -- the allegations.

Q. All right. Let's continue. If you would turn back to Exhibit 38. Look at the last paragraph.

Do you know whether the SCA web site represented that the concept behind the performance coverage is simple:

Offer a professional athlete a cash bonus for an outstanding performance. When the athlete meets the stated mark, SCA funds the bonus in full and promptly.

A. I'm sure that was on the web site.

Q. But you didn't pay the bonus either in full, in part or promptly, did you?

A. We did not pay it to Tailwind.

Q. Now, if you would look at --

MR. TILLOTSON: Mr. Herman, if you're going to move to another exhibit, let's take a short rest room break.

MR. HERMAN: Oh, sure, sure, sure. I'm on the last ten minutes, then I'll be through.

ARBITRATOR LYON: You said yesterday about 30 minutes.

MR. HERMAN: I know. I know.

THE COURT: We will take a ten-minute break now, Jeff, and then we'll resume.

(Recess 10:08 a.m. to 10:22 a.m.)

ARBITRATOR FAULKNER: Mr. Hamman, you're still under oath. Please proceed.

Q. (BY MR. HERMAN) I don't know precisely what...
1 exhibit number that is, but it's the Lloyds policy in
2 any event. You've seen that before, you saw it in the
3 earlier hearing, did you not?
4 A. Correct.
5 Q. Okay. Now, we talked a little bit about
6 this. The risk here or the interest described is
7 pretty much the same, that is, if Lance Armstrong is
8 the official winner of the Tour de France in those
9 four years, then Lloyds is obligated to pay two and a
10 half million dollars, agreed?
11 A. Correct.
12 Q. And do you see the warranties there?
13 A. Yes.
14 Q. Subject to the rules of the UCI, et cetera.
15 Do you see that?
16 A. Yes.
17 Q. Number 3, it says warranted that this
18 coverage is subject to the terms provided by SCA?
19 A. Correct.
20 Q. Now, this policy, subject to the terms
21 provided by SCA as well as the other items under I
22 and 2, the full proceeds of this policy were paid by
23 Lloyds, correct?
24 A. Lloyds paid -- I believe they did.
25 Q. And even though their coverage is subject to

1 not only additional terms that aren't found in the SCA
2 policy, but subject to the terms in the SCA policy,
3 correct?
4 A. Yes.
5 Q. So if anything, the terms or the
6 preconditions for liability on the part of Lloyds were
7 more stringent than those found in the SCA policy,
8 correct?
9 A. They were greater to or equal than (sic).
10 Q. Look at Exhibit 111 again, if you don't
11 mind. If you see there in paragraph 1 it says this is
12 not an insurance policy and SCA is not an insurance
13 company?
14 A. Correct.
15 Q. That's still in your contingent prize
16 indemnification contracts, isn't it?
17 A. Correct.
18 Q. You're still representing that you're not in
19 the business of insurance?
20 A. That's correct.
21 Q. You're still representing that your clients
22 or your insureds don't have the rights of insureds
23 under the Texas Insurance Code?
24 A. That's correct.
25 Q. You're still -- you're doing that knowingly

1 and intentionally, aren't you?
2 A. Yes.
3 Q. And you have not changed despite the rulings
4 of this panel, correct?
5 A. That's correct.
6 Q. And the terms of at least the template
7 here -- I think we have already been through that, I
8 don't want to go through that again -- is precisely
9 the same as those in the contract that's at issue
10 here?
11 A. I haven't compared them. I will accept your
12 representation that they are.
13 Q. And it was SCA that insisted that disputes be
14 subject to the Texas Arbitration Act?
15 A. Correct.
16 Q. And we're operating under the Texas
17 Arbitration Act?
18 A. Correct.
19 Q. This contract, 31122, has been determined to
20 be a contract of insurance.
21 A. In this case.
22 Q. Okay. You've done nothing to change this
23 template of your contingent prize contract or to
24 change the terms or to advise the public that it is
25 insurance?
reply. I don't see how they can base a bad faith 1 claim off of conduct that's happened over the last two 2 weeks, specifically when this panel's order said that 3 its ruling applied to this case and this case only. 4 It is no precedential value. So then to claim that 5 there's evidence of bad faith and my clients had to 6 change their form contracts over the last three weeks 7 in light of this panel's ruling to me is either not 8 evidence of bad faith or certainly can't form the 9 basis of any claim they have in this proceeding.

ARBITRATOR CHERNICK: It effectively 11 denies the respondent the right to seek whatever court 12 review they're entitled to with respect to preliminary 13 and final rulings in this proceeding.

MR. TILLOTSON: Certainly there's the 15 possibility of appeal of any order of this panel or 16 other litigation that would deal with that particular 17 insurance issue.

ARBITRATOR LYON: Well, he's already 20 answered the question. The question is has he 21 knowingly and intentionally done something. He's 22 already said yes.

ARBITRATOR FAULKNER: Gentlemen, I'm 24 going to rule and sustain the objection. The language 25 that was put in that decision was put there for a very 28 specific purpose. It means exactly what it says. If 29 you want to ask him about past practice, please have 30 it.

And I note also that your exhibit up 36 there, I think, has a 2001 date, so our ruling was 37 only about two weeks ago.

MR. HERMAN: Right.

ARBITRATOR FAULKNER: Please proceed.

MR. HERMAN: Thank you.

Q. (BY MR. HERMAN) Mr. Hamman, when -- can you 11 tell us, sir, what date, as close as you can, that you 12 determined to deny this claim?

A. It was sometime after we had talked to the 14 Andreas and had received the English translation of 15 the Italian. Probably December sometime. Probably at 16 the time -- by the time Mike Lynn had --

ARBITRATOR FAULKNER: Could you speak up, 18 Mr. Hamman. I can't hear you.

A. At the time Mike Lynn had communicated that 20 we had determined to deny the claim.

Q. (BY MR. HERMAN) That's December 2004?

A. That would have been -- yeah, December 2004.

Q. You would agree that it was not until April 24 of 2005 that you informed Tailwind of the alleged 25 misrepresentations upon which you based your decision.
Q. (BY MR. TILLOTSON) And, Mr. Hamman, you have a set right there. Let me provide you with this.

Now, Exhibit -- Respondent's Exhibit 83 is a newspaper article from July 20th, 1998 from the Toronto Star newspapers. And I'm going to begin by having you acknowledge the obvious. I take it you probably don't read on a regular basis, if ever, the Toronto Star newspapers.

A. Certainly not on a regular basis. I've been to Toronto from time to time.

Q. Okay.

MS. BLUE: Do you have another copy for this side of the table?

MR. TILLOTSON: I don't, but I'll allow you to use mine.

MS. BLUE: Thank you.

Q. (BY MR. TILLOTSON) Now, the purpose of this newspaper article is not to prove you read it, but to really more look at some of the contents in it to address your testimony to the panel on a couple of issues. This article is from 1998 and discusses the Festina scandal. Do you have knowledge as to what the Festina scandal is?

A. Yes, sir.

Q. Were you aware of the concept or the general notice of the Festina scandal prior to the time you entered into a contract with Tailwind? Had you heard of it?

A. Sure.

Q. What is it -- if you can put us back in time in the 2001 time period -- what is it you knew or understood the Festina scandal in cycling was about or meant?

A. The Festina scandal was related to -- well, it was triggered by Willy Vogt with a -- I believe it was a Volkswagen full of performance enhancing drugs as he crossed the border from Belgium into France and he had a very substantial amount of drugs in his possession at that time, and that started the process.

Q. Prior to you entering into the contract with Tailwind, were you generally aware that there existed a problem, an issue, a concern with the use of performance enhancing drugs and professional cycling?

A. Yes.

Q. Now, if you'll see in there -- let me direct your attention, there is a quote from Mr. Gorski. Do you see that?

A. Right.

Q. Do you know who Mr. Gorski is?
<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Yes.</td>
<td>1. Yes.</td>
</tr>
<tr>
<td>Q. And do you know who Mr. Gorski was in the 2001 time period, what his role was?</td>
<td>A. Correct.</td>
</tr>
<tr>
<td>A. He was the -- at the time we entered into the contract he was the operational head of Disson Furst, or we believed he was.</td>
<td>Q. Now, the article under his quote says that Mr. Gorski insisted the team is clean. Do you see that?</td>
</tr>
<tr>
<td>Q. Now, the article under his quote says that Mr. Gorski insisted the team is clean. Do you see that?</td>
<td>A. Correct.</td>
</tr>
<tr>
<td>Q. Now, what does it mean to you? Do you have any understanding when someone in the sport says that a rider or team is clean?</td>
<td>Q. Now, I believe we've established, and I won't go over that, that SCA entered into a contract with Tailwind in the first part of 2001; is that right?</td>
</tr>
<tr>
<td>A. It means they don't take performance enhancing drugs.</td>
<td>A. Yes.</td>
</tr>
<tr>
<td>Q. Did you have that understanding, that is, when someone says they're clean, back before you entered into this Tailwind contract?</td>
<td>Q. And that's the contingent contract we have seen and been litigating in this case?</td>
</tr>
<tr>
<td>A. Yes.</td>
<td>Q. Now, I believe we've established, and I won't go over that, that SCA entered into a contract with Tailwind in the first part of 2001; is that right?</td>
</tr>
<tr>
<td>Q. Now, I believe we've established, and I won't go over that, that SCA entered into a contract with Tailwind in the first part of 2001; is that right?</td>
<td>A. Correct.</td>
</tr>
<tr>
<td>Q. Now, what does it mean to you? Do you have any understanding when someone in the sport says that a rider or team is clean?</td>
<td>A. Because if he was cheating, he would have -- we wouldn't be able to quantify the risk. He would have an unfair advantage over riders who were not doping, and we certainly had no means or knowledge or any basis whatsoever to evaluate whose drugs are better. We simply wouldn't have gotten involved.</td>
</tr>
<tr>
<td>Q. Now, let's go back to the 2001 time period before you entered into the contract. What was your state of mind regarding Mr. Armstrong being a clean rider when you entered into this contract?</td>
<td>Q. Now, let's go back to the 2001 time period before you entered into the contract. What was your state of mind regarding Mr. Armstrong being a clean rider when you entered into this contract?</td>
</tr>
<tr>
<td>A. We believed he was clean.</td>
<td>A. We believed he was clean.</td>
</tr>
<tr>
<td>Q. You say we, but would you agree --</td>
<td>Q. Because it was -- from SCA's perspective it was ultimately up to you, was it not?</td>
</tr>
<tr>
<td>A. We being SCA. I believed he was clean.</td>
<td>A. Certainly.</td>
</tr>
<tr>
<td>Q. Because it was -- from SCA's perspective it was ultimately up to you, was it not?</td>
<td>Q. All right. Now, how -- you've told us what your state of mind was and what your beliefs were. My question is how is it that you developed that state of mind? How is it you believed Mr. Armstrong was a clean rider?</td>
</tr>
<tr>
<td>A. Correct.</td>
<td>A. Correct.</td>
</tr>
<tr>
<td>Q. Now, what does it mean to you? Do you have any understanding when someone in the sport says that a rider or team is clean?</td>
<td>Q. Now, I believe we've established, and I won't go over that, that SCA entered into a contract with Tailwind in the first part of 2001; is that right?</td>
</tr>
<tr>
<td>A. It means they don't take performance enhancing drugs.</td>
<td>Q. Now, what does it mean to you? Do you have any understanding when someone in the sport says that a rider or team is clean?</td>
</tr>
<tr>
<td>Q. Did you have that understanding, that is, when someone says they're clean, back before you entered into this Tailwind contract?</td>
<td>Q. Now, let's go back to the 2001 time period before you entered into the contract. What was your state of mind regarding Mr. Armstrong being a clean rider when you entered into this contract?</td>
</tr>
<tr>
<td>A. Yes.</td>
<td>A. We believed he was clean.</td>
</tr>
<tr>
<td>Q. You say we, but would you agree --</td>
<td>Q. Because it was -- from SCA's perspective it was ultimately up to you, was it not?</td>
</tr>
<tr>
<td>A. We being SCA. I believed he was clean.</td>
<td>A. Certainly.</td>
</tr>
<tr>
<td>Q. Because it was -- from SCA's perspective it was ultimately up to you, was it not?</td>
<td>Q. All right. Now, how -- you've told us what your state of mind was and what your beliefs were. My question is how is it that you developed that state of mind? How is it you believed Mr. Armstrong was a clean rider?</td>
</tr>
<tr>
<td>A. Correct.</td>
<td>A. Correct.</td>
</tr>
</tbody>
</table>
Q. And the people at the top that it's to, 1 reason to believe, strong belief that allegations 
2 Mr. Lorenzo and Kathleen Ruggiano at Swiss Re; is that 
3 fair? 
4 A. Correct. 
5 Q. Okay. And the purpose of sending it to 
6 Mr. Lorenzo was what? Why does he need to know this? 
7 A. He needs to know our thinking as to what our 
8 appraisal of the odds on the case were. 
9 Q. If you'll turn the page, and I think it's 
10 been previously established that what we are looking 
11 at here is sort of a lengthy spreadsheet -- 
12 A. Correct. 
13 Q. -- that carries on; is that right? 
14 A. Yes. 
15 Q. Okay. And, Mr. Hamman, give us a peek into 
16 your world for a change. When you enter into these 
17 contracts, you think about whether or not you want to 
18 take on this risk. Do you literally just try and 
19 figure out what the odds are of the event occurring? 
20 A. We try to determine what the odds are of the 
21 event occurring, certainly, before submitting it to 
22 Swiss Re. Any information we had about the situation 
23 that might have a bearing on the outcome we would 
24 communicate to Swiss Re. 
25 Q. Now, I don't see -- I've seen the odds and we 
26 have gone through this in terms of what you assess the 
27 probability at in your markup. I don't see anything 
28 in here about Mr. Armstrong being a clean rider or any 
29 discussion of performance enhancing drugs whatsoever. 
30 Why is there no mention or discussion of that in this 
31 e-mail? 
32 A. If we were aware of any issues regarding 
33 performance enhancing drugs, we would have 
34 communicated them to Frank Lorenzo. 
35 Q. Well, if I ask you to change your analysis 
36 here and assume for a moment that there was a good 
37 likelihood that Mr. Armstrong at some point in his 
38 career had used performance enhancing drugs, could you 
39 vary or alter your odds here to come up with a price 
40 acceptable to you to do the deal? 
41 A. Yeah, 100 percent. 
42 Q. Why do you say that? 
43 A. Because -- no, I'm saying we could charge 100 
44 percent of the prize value and be sure that we were 
45 covered. 
46 Q. Well, let me ask about -- 
47 A. I mean, it's -- the fact is we could not 
48 quantify any acceptable price. 
49 Q. Okay. Now, my question was if you knew he 
50 had used performance enhancing drugs. What if you had 
51 openings by Mr. Herman that the reason you entered 
52 into this deal was because Mr. Lorenzo on behalf of 
53 Swiss Re agreed to accept a substantial portion of the 
54 risk; is that true? 
55 A. We couldn't have done it without Mr. 
56 Lorenzo's agreement. But on all our dealings with 
57 Swiss Re or any of our risk takers, one, we normally 
58 retain risk for our own account. Secondly, we 
59 communicate anything adverse, we know about the -- we 
60 give them whatever information we have at our 
61 disposal. 
62 Q. Well, is it true that you didn't care about 
63 Mr. Armstrong's possible use of performance enhancing 
64 drugs when he entered into this contract because Swiss 
65 Re was taking all the risk and hence you didn't need 
66 to worry? Is that true? Is that what happened? 
67 A. No. 
68 Q. Why do you say that? Why not? 
69 A. First, we have to protect our risk takers. 
70 Secondly, if they have adverse results, it affects our 
71 costs going forward, it affects their viability as a 
72 market, and in general we have to be -- we have to 
73 treat their money as if it's our own. 
74 Q. Now, I want you to stay with me in the 
75 Claimants' Exhibits, and if you'll turn to Exhibit 10,
<table>
<thead>
<tr>
<th>Page 807</th>
<th>Page 809</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 A. Correct.</td>
<td>1 Q. Okay. First, do you have an understanding as to what that provision means?</td>
</tr>
<tr>
<td>2 Q. Is there a reason since you've gathered the evidence that you have in this case that you haven't put it in a box and marched over to the UCI, WADA or USADA organizations?</td>
<td>2 A. It means that there is a representation as to what type of event we are covering and what the rules of the event are, and certainly the intent, if not the actual wording, was that if the event differs from what it's supposed to be, then we should have no liability under the contract.</td>
</tr>
<tr>
<td>3 A. I don't think we can. I don't think we are permitted to disclose our evidence outside this proceeding.</td>
<td>3 Q. Now, it has been argued in this case that the word promotion, that the actual conditions of the promotion refers to the contract between Tailwind and Mr. Armstrong, which is tab 1 in your book. Are you aware of that particular article?</td>
</tr>
<tr>
<td>4 Q. Why do you say that? What is prohibiting you from going to WADA or USADA and presenting the evidence you have gathered?</td>
<td>4 A. Yes.</td>
</tr>
<tr>
<td>5 A. Correct.</td>
<td>5 Q. Is that your understanding of this provision that what it is referring to is the contract between Tailwind and Mr. Armstrong; that's what can't be different?</td>
</tr>
<tr>
<td>6 Q. Why do you say that?</td>
<td>6 A. No.</td>
</tr>
</tbody>
</table>

Pages 807 to 810

214.855.5100  
www.dickmandavenport.com  
800.445.9548
A. No.
Q. Mr. Armstrong wins the 2002 Tour de France and a bonus payment was paid to Tailwind by SCA?
A. Correct.
Q. Why did SCA pay that bonus?
A. We saw no reason to contest the -- the claim.
Q. Were you aware of any allegations of drug use by Mr. Armstrong in connection with the 2002 Tour de France that gave you concern or put you on suspicion regarding your company's liability?
A. No.
Q. 2003 Mr. Armstrong wins the Tour de France and payment is made?
A. Correct.
Q. Were you aware of any allegations, evidence or suspicions that put you on notice or alert in connection with your company's liability for the 2003 Tour de France?
A. No.

Q. (BY MR. TILLOTSON) Can you identify for us if this is the translated version of the book LA Confidential that you were ultimately able to obtain?
A. Yes, I believe that's it.
Q. Before we look at anything specific in the book, I want to ask you a more general question. How is it that the book changed your attitude regarding your contractual obligations with Tailwind?
A. There were a number of very serious allegations in the book. One was the allegation of race fixing in 1993, which at that point that we felt we -- there was no way we could ever do business with anybody who had ever fixed the outcome of an event.
Q. First, just, if you will, generally tell us what allegations you're referring to.
A. Okay. The allegation made by Stephen Swart that he had been paid to not contest the outcome of a race in West Virginia, which was part of a three-part series of races.
Q. Now, why would it matter for purposes of your contract in 2001 that Mr. Armstrong, who had already won two Tour de Frances, that he had been involved and there were allegations that he had somehow fixed a race eight years previously? Why would that even conceivably matter to you in terms of entering into...
<table>
<thead>
<tr>
<th>Page 815</th>
<th>Page 817</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. this contract?</td>
<td>1. wouldn't say alleged, I would say strenuously stated,</td>
</tr>
<tr>
<td>2. A. We believed he would do it again if given an opportunity.</td>
<td>2. Mr. Hamman, that you used David Walsh's book as a pretext for simply not paying Mr. Armstrong's claim or Tailwind's claim because you didn't want to fork over the $5 million yourself; is that true?</td>
</tr>
<tr>
<td>4. Q. Had you known in 2001 of the allegations regarding Mr. Armstrong made by Mr. Swart in the book regarding race fixing, would you have entered into a contractual relationship with Tailwind based on Mr. Armstrong?</td>
<td>6. A. No.</td>
</tr>
<tr>
<td>9. A. No.</td>
<td>7. Q. Were there any allegations in the book, as you investigated, that you found out to be untrue?</td>
</tr>
<tr>
<td>10. Q. Well, since we are on the issue of race fixing, what did you do to determine, assess, or investigate the allegations regarding race fixing made in the book?</td>
<td>9. A. No.</td>
</tr>
<tr>
<td>11. A. We attempted to contact Mr. Swart prior to contacting Mr. Walsh and we -- he would not speak to us. Ultimately after talking to Mr. Walsh, he arranged to -- we convinced Mr. Swart to speak to us, and I traveled to New Zealand to interview Mr. Swart myself to attempt to assess his credibility and to get a statement from him, if I felt that he was credible to the effect of the events in 1993 or pertaining to events.</td>
<td>10. Q. Now, let's talk timing. You get the book, it's translated and you begin trying to confirm the allegations of the book. When was the process of confirming what was said in the book begun?</td>
</tr>
<tr>
<td>14. A. Oh, probably about September -- well, as soon as we contacted Mr. Walsh, within a few days thereafter we met with him in Detroit and he arranged for a meeting with us and Greg LeMond at that point, Greg and Kathy LeMond.</td>
<td>14. A. Oh, probably about September -- well, as soon as we contacted Mr. Walsh, within a few days thereafter we met with him in Detroit and he arranged for a meeting with us and Greg LeMond at that point, Greg and Kathy LeMond.</td>
</tr>
<tr>
<td>17. Q. Now, I want to turn your attention, if you will, to the page of the book that's marked SCA 1384.</td>
<td>19. Q. Now, I want to turn your attention, if you will, to the page of the book that's marked SCA 1384.</td>
</tr>
<tr>
<td>A. SCA 1384?</td>
<td>A. SCA 1384?</td>
</tr>
<tr>
<td>Q. Yes. And you'll know it because at the top it will say Indiana hospital.</td>
<td>22. Q. Yes. And you'll know it because at the top it will say Indiana hospital.</td>
</tr>
<tr>
<td>25. Q. 1384.</td>
<td>25. Q. 1384.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Page 816</th>
<th>Page 818</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Q. Titled Indiana hospital.</td>
<td>2. Q. Titled Indiana hospital.</td>
</tr>
<tr>
<td>3. A. Oh, 1384, okay. I'll find it.</td>
<td>3. A. Oh, 1384, okay. I'll find it.</td>
</tr>
<tr>
<td>4. Q. This is the portion of the book that recounts the incident that allegedly took place in the Indiana hospital; would you agree with me?</td>
<td>4. Q. This is the portion of the book that recounts the incident that allegedly took place in the Indiana hospital; would you agree with me?</td>
</tr>
<tr>
<td>8. Q. And you were obviously aware of this once you had read either the book or excerpts of the book?</td>
<td>8. Q. And you were obviously aware of this once you had read either the book or excerpts of the book?</td>
</tr>
<tr>
<td>11. Q. I'm going to let this --</td>
<td>11. Q. I'm going to let this --</td>
</tr>
<tr>
<td>MR. TILLOTSON: Come on in.</td>
<td>MR. BREEN: Come on around, Mr. Kearney.</td>
</tr>
<tr>
<td>MR. TILLOTSON: That's fine. You can proceed.</td>
<td>12. MR. TILLOTSON: That's fine. You can proceed.</td>
</tr>
<tr>
<td>14. This is one of our experts. We would ask to have him sit right back over here in the corner if it's okay with the panel.</td>
<td>14. This is one of our experts. We would ask to have him sit right back over here in the corner if it's okay with the panel.</td>
</tr>
<tr>
<td>ARBITRATOR FAULKNER: That's fine. You can proceed.</td>
<td>ARBITRATOR FAULKNER: That's fine. You can proceed.</td>
</tr>
</tbody>
</table>

Pages 815 to 818

214.855.5100

Dickman Davenport, Inc.

www.dickmandavenport.com

800.445.9548
prior use of performance enhancing drugs. But as I read it, the witnesses who are alleged to be there, no one actually confirms it and says yes.

Q. Now, based upon just this information alone, what we are looking at in the book, did you feel that was enough to deny the claim?

A. No.

Q. And was that true with the other allegations in the book, the book alone allowed you or gave you reason to deny the claim?

A. No. It gave us reason to investigate.

Q. Now, let's talk about the investigation. Let's tie it to a specific incident here with respect to the Indiana hospital room. How did you go about trying to confirm if the somewhat blockbuster allegations in these two pages were true? What is it you did?

A. We attempted to contact witnesses.

Q. Well, let's be specific here. For example, this refers to people in the room, such as Frankie and Betsy Andreu. Did you attempt to contact them as part of your investigation?

A. Yes, we did.

Q. Were they confirmed, deny or not comment on the allegations contained in these two pages?

A. They were confirmed.

Q. What role did that play in your investigation or analysis regarding whether or not the claim should be paid or denied?

A. We believed that this gave strong evidence that Mr. Armstrong had doped and we were very aware of his statements that he had never doped, and at that point we certainly did not believe any statements he would make that he wouldn't dope.

Q. When did SCA speak to Betsy and Frankie Andreu and in your mind confirm the allegations contained in these two pages?

A. Sometime mid December 2004.

Q. Was that a significant fact in your mind, the confirmation by the Andreus of the Indiana hospital incident?

A. Correct.

Q. Now --

A. Yes.

Q. -- under the contract, my reading of the contract is that the claim is due to be paid, if owed, within 30 business days.

A. Correct.


A. Yes.

Q. Now, September 3rd, 2004 is coming up. What decision did you make regarding what to do about the claim prior to the payment date?

A. Well, we felt that we had to investigate. We had yet to talk to Mr. Walsh. We had -- we wanted to eliminate concern about our ability to pay, and we notified -- we felt we should notify Tailwind that we were going to investigate the claim.

Q. Now, if you'll turn to what's been marked as Respondents' Exhibit 26, the next page, this is a September 2nd, 2004 letter from you to Mr. Stapleton. Do you see that?

A. Yes.

Q. What was the purpose of this letter? Why did you send it?

A. To tell him that we were going to investigate the claim, and that we needed information to facilitate the investigation of the claim from Tailwind and/or Lance Armstrong, the related entities -- entities that might well have information material.

Q. Prior to sending this letter and in connection with getting the book and starting to understand the allegations in that July, August 2004 time period, were you aware of what Tailwind's position was regarding the truth or validity of the allegations made in Mr. Walsh's book?

A. Well, certainly their statements had always been that there was no drug use of any sort, there was no tolerance of drug use, that Mr. Armstrong had been tested extensively and he had never tested positive, that -- you know, there were just total -- all the communications were that Mr. Armstrong did not use performance enhancing drugs.

Q. Now, in this letter on page 2, the top paragraph, you say this letter is not intended by SCA to avoid its obligations under the SCA contract 31122. Do you see that?

A. Right.

Q. Was that true?

A. Yes.

Q. What assurances can you offer this panel that this letter and the book was not a pretext for SCA simply to create a reason to deny the claim?

A. Well, we did, in fact, initiate an investigation. We put up the $5 million. Our claims
Lance Armstrong v. SCA Promotions, Inc.  

**Transcript of Proceedings**  

**Volume: 5**  

January 10, 2006

---

**Page 823**

1. paying record, I think, is outstanding by virtually any standard, and we wanted to notify Tailwind that we simply had to investigate.
2. Q. Now, was $5 million actually deposited into a JPMorgan custodial account?
3. A. That's correct.
4. Q. And was notification given to Tailwind that the funds had, in fact, been deposited?
5. A. I believe it was.
6. Q. All right. Now, in response to your letter here regarding investigation, that you were going to do an investigation, what was the response of Tailwind?
7. A. Essentially they -- well, they said that we had -- we were not entitled to investigate, we had no basis for an investigation, and they were going to -- they threatened a public relations campaign, which they followed through on.
8. Q. Let me ask you to take a look at what we have marked as Exhibit 82.
9. A. Okay, got it.
10. Q. If you'll take a look at 82, is this a letter received back by SCA from Mr. Herman?
11. A. Yes.
12. Q. Now, I take it that the response from Tailwind regarding your actions and requests on September 2nd was pretty quick and pretty fierce?
13. A. Yes.
14. Q. And was a -- a lawsuit filed on or about September 13th by Tailwind?
15. A. Yes.
16. Q. Was Mr. Armstrong a party to that lawsuit as well?
17. A. Yes.
18. Q. Now, this letter coming, say, eight days later, I want to direct your attention to the third paragraph which says demand is hereby made upon SCA, its agents, employees, consultants and representatives to immediately cease and desist from any further communication with anyone relating to Mr. Armstrong and alleged impermissible performance enhancing chemicals, drugs, procedures or other conduct. Do you see that?
19. A. Yes.
20. Q. Did Mr. Herman and Tailwind take the position that you shouldn't talk to anyone regarding the allegations you were investigating?
21. A. Yes.
22. Q. Did you receive any information from Tailwind regarding any of the allegations in Mr. Walsh's book?

---

**Page 824**

1. A. No.
2. Q. Now, we are at the end of September, let's say, in our time line here of September 28th, September 30th. You testified yesterday and I think this morning that if you had known what you knew at the end of this time period, September 2004, you wouldn't have entered into the contract?
3. A. Correct.
4. Q. Do you generally recall that?
5. A. Yes.
6. Q. First, does that mean that you are testifying that you knew enough not to enter into the contract but not enough to deny the claim.
7. A. Yes.
8. Q. Okay. Explain to us how you can say that you knew enough to make the denial and not enter into the contract simply because there are many contracts that you will not enter into for a variety of reasons. That certainly would not be sufficient basis to deny a claim if you were in a contract.
9. Q. Even though Mr. Herman and Tailwind said don't talk to anyone, did SCA proceed with its investigation?
10. A. We did.
11. Q. Were you involved in that investigation?
12. A. Yes.
13. Q. Can you tell us some of the people you personally talked to in connection with the investigation?
14. A. Well, over the course of time I talk to David Walsh, I talked to Greg and Kathy LeMond, I talked to Betsy and Frankie Andreu, I talked to Jonathan Potters, I talked to Pierre Ballester, I talked to Stephen Swart, of course. I talked to a number of people. I don't recall them all.
15. Q. Now, you've previously testified in response to Mr. Herman's questions as to when you decided that you had enough information to make the denial and not pay the claim.
16. A. Correct.
17. Q. But you were -- and I won't replow that ground, but you were questioned by Mr. Herman as to whether or not prior to then you ever told Tailwind what the issue or problem was.
18. A. Correct.
19. A. I want to direct your attention, if you will, and turn to the next exhibit, exhibit -- or not the next exhibit, but back to the binder of

---

**Pages 823 to 826**
1. A. Yes.
2. Q. And was that accurate, did SCA disagree with that position?
3. A. Yes.
4. Q. The next statement, my question is is that an accurate statement of your belief at that time communicated to Tailwind --
5. A. Yes.
6. Q. -- which says further, it is our view that proof of the use of banned substances or processes might entitle us to recover any prior amounts paid to Disson Furst, Tailwind or Lance Armstrong under the contract with Tailwind?
7. A. Yes.
8. Q. Now, based upon that position communicated to Tailwind on September 7th, 2004, is this what you were investigating in an effort to determine during this time period?
9. A. We were -- yes.
10. Q. Now, we've had some questions about the lawsuit that was filed and I'm going to direct your attention to that, if I could, and it is in the big binder 106, tab 106.
11. A. In their binder?
12. Q. Yes.
A. Yes.

Q. Can you sort of identify for us what some of that evidence was?

A. Well, certainly the evidence of his positive test results in the 1999 Tour that were reported in L'Equipe is one very strong piece of information. The information regarding sanctions against Dr. Ferrari over and above the -- or actually the sanctions were prior to the conviction.

Q. Let me stop you there so I can understand what you're saying. Dr. Ferrari was convicted of sporting fraud in Italy in October 2004?

A. I believe that's -- I think it's September 30th, but it may have been October, early October.

Q. Did that fact play a role in your ultimate decision to deny the claim?

A. Yes.

Q. Now, in addition to that conviction, which took place in October 2004, did you learn something else about Dr. Ferrari that played a role in your continued refusal to pay this claim?

A. Yes.

Q. What is that?

A. We learned that he had been sanctioned by the Italian National Olympic Committee and by another Italian body, and the sanctions were that he was not to do business with any -- he was forbidden from doing business with any athletes involved with the UCI or with the Olympics.

MR. HERMAN: Did you ask him what date that was?

A. Yes.

MR. TILLOTSON: Yes, I'm getting ready to.

Q. (BY MR. TILLOTSON) First of all, when did that banning or action take place, as you understand?

A. The Italian Olympic Committee banning took place in late 2001. The disciplinary hearing took place in 2002.

Q. And when did you learn that information, even though it took place in '01 and '02?

A. Late 2004 or early 2005, late 2004 probably.

Q. How did you come about that information?

A. It was supplied to us by Zander Donati.

Q. Who is whom?

A. He's one of the persons that we contacted as a result of the book.

Q. Did you have any inkling regarding the sanctions against Dr. Ferrari that took place in '01 and '02 prior to learning it in the course of this investigation was not well founded or not true?

A. That Armstrong had stated.

Q. Did that fact play a role in your ultimate decision to deny the claim?

A. Because we believed Mr. Armstrong had used performance enhancing drugs and had cheated in the event and that we had entered into the contract based on false public representations by Mr. Armstrong.

Q. Was there anything about Mr. Walsh's book regarding allegations of drug use by Mr. Armstrong that you were able to determine through your investigation was not well founded or true?

A. No.

Q. Now, I want to turn to a couple of other subjects that were raised in the course of your examination by Mr. Herman, one is the role of PIL, Prize Indemnity Limited, in all of this. And to kind of refresh everyone's memory regarding what's going on, I'm going to ask you to turn in the blue binder to our exhibit, Respondents' Exhibit 21.

A. Okay.

Q. This is a chart I did in connection with your direct examination at the insurance related hearing, that I did on a board and later transcribed with the approval -- the exacting approval of Mr. Breen that turned into Exhibit 21.

A. Okay.

Q. And I want to just make sure we know who PIL is and what role they play. Can you describe first who PIL is? What are they?

A. PIL is a Bermuda licensed insurer.

Q. And is there some commonality of owners between PIL and SCA?

A. Yes, there is some overlapping ownership.

Q. You're involved in both?

A. Yes.

Q. You're a director of both?

A. Yes.

Q. Mr. Floerchinger, who's the CFO at SCA, he's
Lance Armstrong v. SCA Promotions, Inc.

Transcript of Proceedings
Volume: 5
January 10, 2006

Page 835

Q. Okay. Now, what role did PIL play in connection with the $5 million of liability or risk that you took on in this contract?
A. In late 2004 we entered into an agreement with PIL that we would buy $5 million worth of coverage from them at a cost of 105 percent of whatever it cost them to reinsure the obligation, subject to a minimum of $1 million.
Q. You said late 2004 and I think you meant some other date when PIL became involved.
A. PIL's first involvement was involved with AIG.
Q. Okay.
A. The -- I was -- PIL was a -- an insurer -- well, it was a reinsurer of Swiss Re or AIG of the initial contract and the initial liabilities.
Q. Okay. Now, some argument has been made that because PIL paid a claim or paid SCA money that SCA didn't pay that money to Tailwind or kept the funds. What happened to the money, first, that PIL paid to SCA?
A. This was the five million that we paid a million to PIL for the reinsurance so that effectively we bought insurance which washed out the million by -- there was a million, two collectible under the contract and we paid them 200,000. So we had previously paid them a million for the commitment to cover at 105 percent of the cost of reinsurance and subsequently we paid them 200,000 for a million, two coverage in the event Mr. Armstrong won the Tour de France.
Q. Did you control the claims process? The decision by PIL to pay SCA the money, was that you?
A. Yes.
Q. Why not have PIL deny the claim since SCA later denied the claim?
A. In practice, this was a recovery of the 15 million dollars we had paid them under the -- with the thought that if they were able to reinsure the obligation, that the $5 million would be obtained by PIL so that effectively PIL had no risk under the contract and was out no money on the series of transactions.

ARBITRATOR CHERNICK: Can I try to understand what was just said?
MR. TILLOTSON: Sure. Yes.
ARBITRATOR CHERNICK: You paid PIL a million dollars to get -- to reinsure five million?

Page 836

Q. Okay. First, can you tell us what magazine or journal this ad ran in?
A. SportsBusiness journal published by Street & Smith.
Q. SportsBusiness journal published by Street & Smith. What kind of publication is that?
A. It's directed at companies that are involved in the sports business, is in the sponsorship, the general commercial aspects of sport.
Q. Would you be comfortable characterizing this as a trade journal or trade publication in your trade?
A. Yes.
Q. Do your competitors, to your knowledge, advertise or -- are aware of this publication, this magazine?
A. Yes.
Q. Has SCA ever advertised in this publication?
A. Yes.
Q. Do you believe that your potential clients and actual clients or customers have access and read this magazine?
A. Yes.
Q. Now, are there portions of the ad that you understand or believe at this time period are untrue?
A. Yes.
<table>
<thead>
<tr>
<th>Page 839</th>
<th>Page 840</th>
<th>Page 841</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Q. Have you identified those in connection with your questions from Mr. Herman? A. Yes. Q. One of them I think you identified is in the third paragraph? A. Correct. Q. Which says that CHUBB and Lloyds promptly sent payment along with congratulations, whereas you sent a letter saying you were going to investigate? A. Correct. Q. First, why is that untrue? A. Well, CHUBB -- Lloyds had not paid. Second, the characterization of the investigation we believe was very misleading and designed to cast us in a bad light. Q. How were you damaged by the statements in this paragraph, as a business? A. It was used by our competitors as a competitive tool. They sent it to prospective customers on at least -- well, on some occasions. We don't know how many. Q. Well, do you have personal knowledge as to whether SCA lost business because of that tactic employed by -- A. We believe we did.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Q. Are you aware of any specific deals that were lost by SCA because of that? A. No. Q. So how is it you can tell the panel you believe you lost business? A. Well, our business in the area was down and -- you never get a statement from a prospective customer that they didn't do business with you for a reason of this nature. They just don't. So their -- you don't -- they don't confirm that's why, or it would be extremely rare that a prospective customer would confirm that that was the reason that they failed to do business with us. Q. Has SCA demanded a retraction from Mr. Stapleton and/or Capital Sports for the statements made? A. We felt a retraction would be of no value whatsoever, but we did demand -- I believe we demanded a retraction in our filing in North Carolina. Q. Has this statement ever been retracted or corrected by publication? A. I don't believe so. Q. Now, I want to direct your attention to the bottom portion of it which says the truth of the matter is on August 16th, 2004. What is it that's false regarding what was said in this ad about drug test results being provided to you by Tailwind? A. The drug test results were never provided to us by Tailwind. Q. The statement there from Christian Varin from the UCI, do you see that? A. Yes. Q. Were you provided with that statement by Tailwind? A. Yes. Q. Were you provided with the underlying test results referenced in that statement? A. No. Q. Had you asked for them? A. Yes. Q. The laboratory that's listed there Chatenay -- is that Malabrzy? A. Yes. Q. Do you know if that's the same laboratory that later performed the tests that were revealed by L'Equipe from the 1999 Tour de France urine samples? A. Yes. Q. So the lab being referenced here is the same lab that did the work later on? A. Yes.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Q. The bottom paragraph which you were asked about by Mr. Herman which begins with, unfortunately, it appears that SCA is changing the rules when it is time to fulfill its obligation, was that true? A. No. Q. It takes something from your web site that says, if an athlete hits their mark, you pay? A. That's correct. Q. Had Mr. Armstrong hit the mark in your mind? A. No. Q. Why not? A. Because we had serious concerns about the manner in which he had hit the mark. Q. Why is it at this time period, and this ad was run in October of 2004, and to this date here, January 2006, why has SCA not paid Tailwind the five million bucks? A. We don't believe we owe the money. Q. Have you in your mind developed sufficient evidence to allow you to conclude that Mr. Armstrong used performance enhancing drugs? A. Yes. Q. And are you prepared to present that evidence here in this hearing? A. Yes.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Lance Armstrong v. SCA Promotions, Inc.

Transcript of Proceedings
Volume: 5
January 10, 2006

Page 843

1  MR. TILLOTSON: No further questions.
2  Pass the witness.
3  MR. HERMAN: Mr.--
4  ARBITRATOR FAULKNER: Proceed.
5  MR. HERMAN: I'm sorry.
6  RE-DIRECT EXAMINATION
7  BY MR. HERMAN:
8  Q. Mr. Hamman, you said that --
9  MR. HERMAN: I'm sorry, could I
10  just follow up on one question?
11  MR. HERMAN: Sure.
12  ARBITRATOR CHERNICK: You said that your
13  business was down and that that was a measure by which
14  you assess the injury from the Exhibit 53.
15  THE WITNESS: That's a possible
16  contributing factor. We don't know exactly.
17  ARBITRATOR CHERNICK: Is there a specific
18  line of business that you were referring to, or your
19  business in general?
20  THE WITNESS: Well, the incentive
21  business and the sponsors that -- that deal with --
22  effectively customers of ours who read SportsBusiness
23  journal might well have concerns, or customers or
24  prospective customers might have concerns about the --
25  the ad or concerns about it.

Page 844

1  ARBITRATOR CHERNICK: So your statement
2  that your business was down was related to the
3  incentive?
4  THE WITNESS: Yes.
5  ARBITRATOR CHERNICK: The sports
6  incentive line of business?
7  THE WITNESS: That's part of it, but
8  there were other types of contracts that we deal with,
9  subscribers to SportsBusiness journal.
10  ARBITRATOR CHERNICK: Thank you. Sorry,
11  Mr. Herman, go ahead.
12  Q. (BY MR. HERMAN) Mr. Hamman, I believe you
13  indicated that you were a substantial shareholder in
14  SCA?
15  A. Yes.
16  Q. And of all the people in the world, you would
17  have the most to lose by paying the $5 million, would
18  you not?
19  A. That's correct.
20  Q. And to be clear, the contract we are talking
21  about here covers Tailwind's liability for four races:
22  the 2001 Tour de France, the 2002 Tour de France, the
23  2003 Tour de France, and the 2004 Tour de France,
24  correct?
25  A. That's correct.

Page 845

1  Q. Now, when you spoke to Mr. Walsh and Mr. and
2  Mrs. LeMond and Mr. and Mrs. Andreu and Mr. Ballester,
3  Mr. Swart, you received no reliable information or
4  evidence that Mr. Armstrong engaged in any prohibitive
5  conduct in any one of those four races, did you?
6  A. We received information that indicated that
7  there was a strong possibility that he did.
8  Q. What I'm asking you, Mr. Hamman, with respect
9  to SCA's obligation, you received no information about
10  any conduct by Mr. Armstrong or anyone else having to
11  do with those four races, which were the only matters
12  subject to your contract; isn't that true?
13  A. We received no information regarding the
15  Q. Now, was there any other performance award
16  that you were liable for other than the performance
17  awards as a result of those four races?
18  A. No.
19  Q. Now, if you look -- if you look -- if you
20  look back at Claimants' Exhibit 10, you talked to
21  Mr. Tillotson about that, do you recall?
22  A. Yes.
23  Q. When you -- you also indicated to
24  Mr. Tillotson that with respect to Exhibit 83 that you
25  were aware at the time in 1998 of Willy Vogt being

Page 846

1  apprehended at the French/Belgian frontier; is that
2  right?
3  A. That's correct.
4  Q. So you know Willy Vogt is not the most famous
5  person in the world, so you were following cycling
6  quite closely back in '98, correct?
7  A. The news of Willy Vogt hit major publications
8  throughout the U.S. I don't recall exactly where I
9  saw it, but I knew it made news magazines. It got a
10  lot of visibility.
11  Q. And what was at issue there was the entire
12  sport of professional cycling had a cloud over it;
13  isn't that true?
14  A. It was directed primarily at the Festina
15  team, but it certainly did not cast cycling in a good
16  light.
17  Q. Well, I suppose you made Mr. Lorenzo aware of
18  that cloud and your knowledge about the potential
19  cloud over the entire sport when you communicated with
20  him about this risk?
21  A. The risk was Lance Armstrong, whom we
22  believed to be a clean rider.
23  Q. So you didn't communicate anything to
24  Mr. Lorenzo about the sport of professional cycling,
25  about the Tour de France, about the Festina affair or
Lance Armstrong v. SCA Promotions, Inc.

Transcript of Proceedings

Volume: 5

January 10, 2006

1 about Willy Vogt or anything like that; is that true?
2 A. That's correct.
3 Q. Now, if you'll look at your -- if you'll look
4 at your e-mail there to Mr. Bandy.
5 A. Yes.
6 Q. You had not reviewed the conditions of
7 Tailwind's liability at that point, had you?
8 A. No.
9 Q. As a matter of fact, you never took the time
10 to even look at what you were insuring until June of
11 2004; isn't that true?
12 A. It was represented to us that Tailwind's
13 liability was for trigger events in the Tour de France
14 in compliance with the rules of the Tour de France,
15 and we did not review the Tailwind contract.
16 Q. Well, were you aware that Tailwind would be
17 obligated if he was -- if Mr. Armstrong was the
18 official winner?
19 A. We were aware -- we believed that Tailwind
20 would be subject to the rules of the sport.
21 Q. I didn't ask you that, Mr. Hamman. I asked
22 you what you insured. Now, you weren't aware until
23 June of 2004 that Tailwind's liability would depend on
24 Mr. Armstrong being the official winner; is that what
25 you're saying?

1 A. We felt that Tailwind's liability would
2 dovetail with our contract, because if it didn't,
3 Tailwind would say you've got the wrong contract here;
4 this doesn't fit.
5 Q. You agree that Tailwind's liability to
6 Mr. Armstrong was governed by their contract with
7 Mr. Armstrong, didn't you?
8 A. Yes.
9 Q. Now, and that's what you undertook to insure;
10 isn't that true?
11 A. We were -- we contracted to pay in the event
12 of a trigger deal for which Tailwind represented they
13 had liability.
14 Q. What you agreed to insure was Tailwind's
15 liability. I mean, I don't want to go back over this
16 contract, but certainly that's precisely and
17 unambiguously what SCA insured; isn't that true?
18 A. Not strictly.
19 Q. Okay.
20 MR. HERMAN: Would you put up number four
21 slide, please, Russell.
22 Q. (BY MR. HERMAN) 2.d: SCA indemnifies
23 Tailwind in respect to Tailwind's liability to avoid
24 such performance awards to Lance Armstrong to the
25 extent provided for in the contract, the extent shown

1 Q. Never?
2 A. Eventually we did.
3 Q. After Swiss Re paid the money in 2002 and
4 2003?
5 A. In 2002 and 2003, we had no reason to believe
6 that Mr. Armstrong had done anything other than comply
7 with the rules of the Tour de France, and that he had,
8 in fact, won the event.
9 Q. All right. Let me ask you this.
10 MR. HERMAN: If you go back to -- if you,
11 go back to slide 5, please, Russell.
12 Q. (BY MR. HERMAN) Have you got that?
13 A. Slide 5.
14 Q. It's our Exhibit 10, but it's reproduced
15 completely there.
16 A. Okay.
17 Q. Okay. You clearly understood that someone
18 could be the official winner of the event and later be
19 stripped of the title, correct?
20 A. We were not -- we were aware that it was a
21 possibility.
22 Q. And the official -- official event governing
23 body you recognized would make that determination,
24 correct?
25 A. There is a judging process and there are
A. Tailwind was the contracting party.

Q. That's the only contracting party?

A. Correct.

Q. Okay. Now, secondly, in your -- in this second paragraph, Mr. Compton repudiates the idea that unless Mr. Armstrong was stripped of his title, that you all owe the money. Did that -- that represented a change in position from the date you signed this -- the contract with Tailwind, didn't it?

A. Not entirely.

Q. Well, its contrary to your e-mail of January 9, 2001, isn't it?

A. You mean the e-mail?

Q. The e-mail that says if he's stripped of his title you have to pay the money back?

A. If he is stripped of the title, we would certainly believe we were entitled to the money back, yes.

Q. I understand that. But Mr. Compton in this letter repudiates the idea that you're obligated to pay the money, and that if he is stripped of his title, you have to give the money back.

A. If he is stripped of his title subsequent to us paying the money, we would believe we are entitled to get the money back. If, on the other hand, he cheated to win the event, we don't necessarily see that we are obligated to pay.

Q. Okay. So as of September 7, you had no information regarding the 2001, 2002, 2003 or 2004 Tour de France, did you?

A. No.

Q. And when I took your deposition, didn't you tell me the only information that you had related to any one of those four races was what Mike Anderson had told you?

A. I may have. I believe we actually had more information. We certainly had the LeMonds' statement at that point.

Q. Mr. Hamman, with respect -- well, strike that.

A. That's correct. Well, yes. I'm not sure when we exactly talked with Mike Anderson, but I think it was later than that.

Q. Well, so you had made the decision to deny the claim before you had even talked to Mr. Anderson?

A. We believed that we had a strong basis for denying the claim.
Q. Mr. Hamman, please, do you -- I mean, did you or did you not deny the claim as Mr. Tillotson has represented to the panel that you denied it in court in December of 2004; is that true or untrue?

A. That's true.

Q. Okay. Now, look at the second paragraph of this -- of Respondents' Exhibit 27. Do you assert any place in that second paragraph, do you assert that Tailwind made any representation or misrepresentation to you?

A. In that paragraph?

Q. Right.

A. No.

Q. Can you point to any information, whether it's oral or written or whatever, where SCA ever informed Tailwind of the basis upon which they told this panel that SCA denied claim, that is, on the basis that Tailwind misrepresented something to them?

A. I don't know.

Q. Well, you can't point to any oral or written notification to Tailwind that SCA's position was, hey, Tailwind, you misrepresented things to us, so we don't have to pay?

A. I believe that was in our pleadings. I believe that it was in Mike Lynn's statement.

Q. In August of 2004, isn't that what you told the panel?

A. Correct.

Q. Well, did you not consider employing Mr. Galloway in anticipation of the litigation on July 27th as initiating the investigation?

A. He hadn't taken any steps. I mean, we certainly attempted to make contact with Mr. Walsh, but we hadn't really attempted to confirm any of the statements at that point. We hadn't talked to any witnesses. We hadn't -- okay, we had -- if employing Mr. Galloway -- or actually we asked for a proposal and said this was going to be the scope of the investigation, but we hadn't entered into an agreement at that point.

Q. You didn't -- did you notify Tailwind that you had employed Mr. Galloway to investigate it and the rest of the -- and anyone else that might be remotely associated with Mr. Armstrong?

A. We did not.

Q. Why?

A. Because we did not know if we were going to have sufficient basis to investigate the claim. We had not talked to Mr. Walsh, we were trying to gather what information we could so that we would be able to deal by September 3rd and at that point either pay the claim or indicate that we were going to need to investigate it. We certainly did not want to cause ill will if the determination was made not to investigate the claim and simply to pay it.

Q. Have you ever had a claim this large where SCA had not laid it off somewhere?

A. This large?

Q. Yes.

A. No.

Q. How large was the Ameritech claim?

A. Their initial lawsuit was for perhaps $3 million.

Q. And that was another claim you refused to pay at SCA, right?

A. That's correct.

Q. And that was another instance where, through an oversight, you hadn't bought insurance and hadn't laid it off, correct?

A. That's correct.

Q. And you didn't -- you didn't pay that claim either, did you?

A. That's correct.

Q. And that money would have to come out of SCA's money?
A. That's correct.
Q. Now, you said that there -- you told
Mr. Tillotson there were different criteria for
denying a claim and refusing, you know, to enter into
a contract, correct?
A. We don't really refuse to enter into a
contract, you simply don't offer to enter into the
contract.
Q. Okay. Well, when you came upon information
that would have prevented you -- I mean, or kept you
from issuing this insurance contract had you known
about it, did you feel you had sufficient information
to rescind the contract?
A. Not necessarily, no. The information that
would have caused you to not enter into a contract is
of a lesser standard than the information that you
would require to seek rescission of the contract.
Q. Well, you're complaining, aren't you, that
Tailwind didn't tell you things that they should have
told you?
A. Yes.
Q. Now, did you have any -- you had no
relationship with Tailwind prior to January 9 of 2001,
did you?
A. No.
Q. You didn't know who Tailwind was before that,
did you?
A. Well, Dison Furst, but we did not.
Q. And you're not taking the position here that
Mr. Gorksi's statement to the Toronto paper in 1998
was intended to deceive SCA into issuing the specific
insurance contract we're talking about here, are you?
A. We are taking the position that Mr. Gorksi's
and Mr. Armstrong's statements were intended to
influence potential contracting parties that
Mr. Armstrong was clean, he had not doped and did not
tolerate anybody who would dope, and that he would be
crazy to dope in view of his medical history.
Q. Can you find an insurance executive anywhere
in the world that would enter into a 9.5 indemnity
contract based upon what -- a comment in the paper
from three years before an unrelated party?
A. You will not enter into a contract --
assurances that somebody is clean contributes to the
decision to enter into the contract.
Q. Well --
A. Put another way, if we thought he wasn't, we
would not have done the deal.
Q. You would agree that the people at Tailwind
had no idea who or what SCA was perhaps until even

---

A. That's correct. Though we might --
Q. And secondly, you're certainly not asserting
that Tailwind's comments, whatever they were, not even
knowing who SCA was or what it was, were intended to
influence your decision to indemnify nine and a half
million dollars worth of liability?
A. I'm asserting that Tailwind and
Mr. Armstrong's comments were designed to allay
concerns of potential contracting parties.
Q. Whether they be -- but you're not saying
insurance necessarily, you're just saying anybody that
might decide at some point to do business with them,
that issue would be of significance to them; isn't

---

Q. It was part of the propaganda campaign.
Q. Well, the answer to my question is it
wouldn't make any difference if you were in insurance
or bicycles or sunglasses or mutual funds or whatever?
A. It wouldn't matter.
Q. So the specific kind of transaction that we
are talking about here, insurance, you're not
confining their intent to this specific kind of
transaction, correct?
A. I don't think it was aimed at -- I certainly
don't think they knew of us at the time for most -- it
was not aimed specifically at SCA. I'm not asserting
that.
Q. Or insurance companies for that matter?
A. That may have been part of it, because they
certainly bought substantial amounts of contractual
bonus coverage over the years from multiple different
entities.
Q. All right. My only point, Mr. Hamman, is
that in, for example, this newspaper article from
1998, you're not asserting that that -- those comments
were made for the purpose of -- specifically of
influencing insurance companies to cover bonuses, that
it was designed for everyone?
Q. You can't point to a single contract that was in this proceeding about this advertisement? don't you wrap up, then.

Q. That would have been at least eight, probably

Q. Now, as I understand it, you filed suit against Capital Sports Entertainment in North Carolina; is that right?

Q. Now, you talk about this -- about the Willy business being so widely publicized?

Q. Do you read Texas Monthly?

A. Much less frequently.

Q. Do you read the Dallas Morning News?

Seldom.

Q. Do you read the New York Times?

A. Occasionally.

Q. Do you read the New York Times?

A. Much less frequently.

Q. Do you read Texas Monthly?

A. Seldom.

---

Q. Do you watch CBS ever?

A. Football games.

Q. CNN?

A. I watch a moderate amount of media. I read newspapers from time to time.

Q. And you know a French masseuse's name intimately, but you can't remember that the -- that there was wide -- an investigation of the U.S. Postal Service team by the French in 2000?

A. I wasn't aware of it at the time.

Q. Well, had you known about the investigation of the United States Postal team in 2000?

A. Not.

MR. HERMAN: I pass the witness.

--

Q. Mr. Hamman, you were asked about the Ameritech matter, and I think it was suggested that you go around denying large claims that you can't get subsequent insurance for.

First, can you tell us what the Ameritech dispute was about just generally?

A. We entered into a contract where prepaid phone cards were to be distributed to purchasers of certain Ameritech services. The offer was to be made to existing Ameritech customers. The offer was to be communicated by direct mail to these customers and there was to be some television and radio advertising of the offer.

Q. What was SCA's role? What risk are you assuming in connection with the offer?

A. We were given a quantifiable mailing list, which I believe was about six million Ameritech customers that were to receive the offer, and I -- to the best of my recollection, they had about 12 million customers and the offer was to be made to the six million by direct mail and there would be some media support for the offer.

Q. Okay. But what does SCA do with respect to the offer as people accept the cards? What risk was SCA assuming?

A. We were accepting the risk for the distribution of cards at a specific value in

---

<table>
<thead>
<tr>
<th>Page 863</th>
<th>Page 864</th>
<th>Page 865</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 A. It was designed for contracting parties.</td>
<td>1 Q. Do you watch CBS ever?</td>
<td>1 ( \text{Q. Do you watch CBS ever?} )</td>
</tr>
<tr>
<td>2 Q. Insurance companies and everybody else?</td>
<td>2 A. Football games.</td>
<td>2 A. Football games.</td>
</tr>
<tr>
<td>3 A. Insurance companies, sponsors, others.</td>
<td>3 Q. CNN?</td>
<td>3 Q. CNN?</td>
</tr>
<tr>
<td>4 Q. Okay. Now --</td>
<td>4 A. I watch a moderate amount of media. I read newspapers from time to time.</td>
<td>4 A. I watch a moderate amount of media. I read newspapers from time to time.</td>
</tr>
<tr>
<td>5 MR. HERMAN: Would you put up slide 19?</td>
<td>6 I just have one area real quick. I think we can finish briefly and then --</td>
<td>6 I just have one area real quick. I think we can finish briefly and then --</td>
</tr>
<tr>
<td>6 Q. (BY MR. HERMAN) Incidentally, before I get to this, Mr. Hamman, you would agree that the -- this so-called 1999 test research project actually came out in August of 2005, that is, the L'Equipe article?</td>
<td>6 MR. HERMAN: I pass the witness.</td>
<td>6 MR. HERMAN: I pass the witness.</td>
</tr>
<tr>
<td>9 That is right?</td>
<td>10 MR. TILLOTSON: I just have one area real quick. I think we can finish briefly and then --</td>
<td>10 MR. TILLOTSON: I just have one area real quick. I think we can finish briefly and then --</td>
</tr>
<tr>
<td>11 Q. That would have been at least eight, probably nine months after you-all denied the claim?</td>
<td>11 Q. Well, had you known about the investigation of the United States Postal team in 2000?</td>
<td>11 Q. Well, had you known about the investigation of the United States Postal team in 2000?</td>
</tr>
<tr>
<td>12 A. That's right.</td>
<td>12 A. No.</td>
<td>12 A. No.</td>
</tr>
<tr>
<td>13 Q. Now, as I understand it, you filed suit against Capital Sports Entertainment in North Carolina; is that right?</td>
<td>13 Q. Well, had you known about the investigation of the United States Postal team in 2000?</td>
<td>13 Q. Well, had you known about the investigation of the United States Postal team in 2000?</td>
</tr>
<tr>
<td>14 Q. And who else, Mr. Stapleton?</td>
<td>14 A. Much less frequently.</td>
<td>14 A. Much less frequently.</td>
</tr>
<tr>
<td>15 Q. Do you read Texas Monthly?</td>
<td>15 A. Seldom.</td>
<td>15 A. Seldom.</td>
</tr>
<tr>
<td>16 A. Football games.</td>
<td>16 A. Much less frequently.</td>
<td>16 A. Much less frequently.</td>
</tr>
<tr>
<td>17 Q. Do you read the Dallas Morning News?</td>
<td>17 MR. TILLOTSON: I just have one area real quick. I think we can finish briefly and then --</td>
<td>17 MR. TILLOTSON: I just have one area real quick. I think we can finish briefly and then --</td>
</tr>
<tr>
<td>18 Seldom.</td>
<td>18 -- ARBITRATOR FAULKNER: Okay. Why don't you wrap up, then.</td>
<td>18 -- ARBITRATOR FAULKNER: Okay. Why don't you wrap up, then.</td>
</tr>
<tr>
<td>19 Q. Do you read the New York Times?</td>
<td>19 RE-CROSS EXAMINATION</td>
<td>19 RE-CROSS EXAMINATION</td>
</tr>
<tr>
<td>20 A. Occasionally.</td>
<td>20 BY MR. TILLOTSON:</td>
<td>20 BY MR. TILLOTSON:</td>
</tr>
<tr>
<td>21 Q. Do you read the New York Times?</td>
<td>21 Q. What was SCA's role? What risk are you assuming in connection with the offer?</td>
<td>21 Q. What was SCA's role? What risk are you assuming in connection with the offer?</td>
</tr>
<tr>
<td>22 A. Much less frequently.</td>
<td>22 A. We were given a quantifiable mailing list, which I believe was about six million Ameritech customers that were to receive the offer, and I -- to the best of my recollection, they had about 12 million customers and the offer was to be made to the six million by direct mail and there would be some media support for the offer.</td>
<td>22 A. We were given a quantifiable mailing list, which I believe was about six million Ameritech customers that were to receive the offer, and I -- to the best of my recollection, they had about 12 million customers and the offer was to be made to the six million by direct mail and there would be some media support for the offer.</td>
</tr>
<tr>
<td>23 Q. Do you read Texas Monthly?</td>
<td>23 Q. Okay. But what does SCA do with respect to the offer as people accept the cards? What risk was SCA assuming?</td>
<td>23 Q. Okay. But what does SCA do with respect to the offer as people accept the cards? What risk was SCA assuming?</td>
</tr>
<tr>
<td>24 A. Seldom.</td>
<td>24 A. We were accepting the risk for the distribution of cards at a specific value in</td>
<td>24 A. We were accepting the risk for the distribution of cards at a specific value in</td>
</tr>
</tbody>
</table>
1 You're the decision maker at SCA, the ultimate decision maker?
2 A. In cases that it rises to me, I make the decision.
3 Q. Well, in this case, in this Tailwind case?
4 A. Yes.
5 Q. And you recall at the end of the insurance hearing I asked you whether you would do anything differently and your answer was no that if you had it to do all over again, you would do the same thing, right?
6 A. Well, I -- I would like to know what --
7 Q. Well, I'll just ask you the question.
8 A. Okay.
9 Q. If you had to -- if you had it to do over again, your handling of this claim, you wouldn't do anything differently, would you?
10 A. No.
11 Q. And you're not going to pay the money?
12 A. It is not in our hands at this point.
13 Q. Well, I mean, you have no intention of voluntarily paying the money?
14 A. No.
15 Q. You're not going to pay the money unless you're ordered to by the tribunal?
16 A. That's correct.
THE WITNESS: We have had risks as large as 250 million present value.

THE WITNESS: I don't believe there are any tests.

THE WITNESS: We weren't involved with any performance enhancing drugs.

THE WITNESS: Not to my knowledge.

THE WITNESS: Yes.

CHUBB, and with respect to Swiss Re we do not address the moral hazard.

ARBITRATOR FAULKNER: Okay. Thank you very much. Any other questions?

ARBITRATOR CHERNICK: No questions.

ARBITRATOR FAULKNER: Okay. Thank you, sir. I believe you may step down.

Mr. Herman, please call your next witness.

MR. HERMAN: Mr. Compton, please.

CHRISTOPHER COMPTON, having been first duly sworn, testified as follows:

ARBITRATOR FAULKNER: Thank you. Please proceed.

DIRECT EXAMINATION

BY MR. HERMAN:

Q. Your name, please, sir.

A. Dane Christopher Compton.

Q. You're employed by SCA as an in-house attorney?

A. Yes.

Q. You are the person who was principally responsible for the conduct of the investigation involving the claim that we are litigating now?

A. Project manager.
<table>
<thead>
<tr>
<th>Page 875</th>
<th>Page 876</th>
<th>Page 877</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q. Does that mean that you were manager of the investigation project?</td>
<td>A. Yes.</td>
<td>THE WITNESS: Okay. What's the line and page reference, please?</td>
</tr>
<tr>
<td>Q. And as the investigator for SCA you testified in your deposition, did you not, that as the investigator you took the position that what you needed to prove was that Armstrong either doped during the contract or before the contract, because either way you think you win?</td>
<td>A. Once discovery began that's certainly the position.</td>
<td>MR. TILLOTSON: Page 117 --</td>
</tr>
<tr>
<td>Q. And when I asked you what the state of the investigation was as of June 17th, 2004, which was over a month before the conclusion of the Tour de France and two weeks before it started, when I asked you while it's true as of June 17, 2004, you all were already cooking up ways to avoid paying if, in fact, Armstrong won, you answered, if you mean catching your cheating client, yes, we were looking at catching your cheating client; isn't that true?</td>
<td>A. I believe what I said by that was that if your client had cheated, that we were entitled not to be paid.</td>
<td>MR. TILLOTSON: I'm sorry. I didn't mean to interrupt. Go ahead.</td>
</tr>
<tr>
<td>Q. Now --</td>
<td>MR. TILLOTSON: Tim, I'm sorry, just in the future, if you would give me page and line.</td>
<td>Q. (BY MR. HERMAN) On page 133. By way of comment on I'm going to try and remember to stop and ask for, because I have problems with the characterizations, so can we stop now?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ARBITRATOR FAULKNER: We would appreciate it all.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>THE WITNESS: I'd also like a copy. And in general, any document Mr. Herman wants me to comment on I'm going to try and remember to stop and ask for, because I have problems with the characterizations, so can we stop now?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ARBITRATOR FAULKNER: We will note that.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ARBITRATOR FAULKNER: Great. Thank you.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ARBITRATOR FAULKNER: Gentlemen, so that we can keep this orderly, please, you ask the question, you answer the question, and then your attorney will do whatever else he needs to do to bring you back however he thinks he needs to if he thinks he needs to, but just answer his question so that we can keep this very clear. Proceed with your next question, Counsel.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ARBITRATOR FAULKNER: That's fine. Proceed, please.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q. (BY MR. HERMAN) On page 133. By way of background, Mr. Compton, to be fair about it, you had taken the position as a lawyer that SCA didn't have any obligation to pay Tailwind until Tailwind actually paid Armstrong, and it was in that line of questioning that I asked the question. I said, well, as the, quote, investigator, closed quote, have you taken that position? And your answer on line 11 of page 133 is what?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A. As the investigator, I've taken the position.</td>
</tr>
</tbody>
</table>
that what I need to do is prove that the man either
doped during the contract or before the contract,
because we won't if I do that.
Q. My next question on line 15: And that's
precisely what you've done here, that's precisely what
you've undertaken to do since you began your
investigation; isn't that true? And your answer?
A. The word proved was too strong. Verify is a
better word.
Q. Okay. Now, let me move to the SCA contract
for a moment. If you'll look at Claimants'
Exhibit 17, it's the easiest -- it's the easiest
agreement -- the easiest copy to deal with.

MR. HERMAN: Would you put up slide 1,
Russell, please.
Q. (BY MR. HERMAN) You're a lawyer, correct?
A. Yes.
Q. You didn't have anything to do with the
preparation of the contingent fee contract form, I
take it?
A. No.
Q. Up there -- well, on page 1 of Exhibit 17,
you may refer to whichever one you wish, the type of
promotion is described as the cyclist incentive bonus
program, correct?
A. Correct.
Q. Now, is it your position that promotion means
cyclist incentive bonus program or something else in
this agreement?
A. Something else.
Q. What else?
A. The Tour de France.
Q. Look at paragraph 3. See that at the very
last line of paragraph 3 it says that SCA is
indemnified by Sponsor's implementation or conduct of
PGA cyclist incentive program. And then I asked you
at your deposition did Tailwind have anything to do
with the conduct or implementation of the Tour de
France, and you agreed with me, I believe, that
Tailwind did not have anything to do with that.
A. No.
Q. You did not agree with me?
A. No.
Q. Okay. Tell me -- tell me what your position
is with respect to Tailwind's responsibility for the
conduct or implementation of the Tour de
France.
A. Any time you have an organization that has
several teams, or let's say there's 20 teams entering
and one team has won six or seven times,
intracompetition there's going to be suggestions for
rules, changes. For instance, I believe they froze
bicycle specifications at one time. All of those
issues are going to be input from all of the teams,
and certainly a team as influential as one that had a
consecutive winner on it is going to have input into
the implementation and the conduct of the Tour de
France.
Q. Well, let me put that a different way. Does
Tailwind have any responsibility as the governing body
of the Tour de France?
A. No.
Q. Do you remember me asking you why a PGA
cyclist incentive bonus program was in this contract?
A. I don't recall if I remember you asking that.
Q. Well --
A. I'm sure you did.
Q. All right. Okay. That's fair.
A. It's a mistake.
Q. Well, SCA prepared this contract?
A. SCA, I believe a salesperson at SCA prepared
the contract, yes.
Q. Well, were they authorized to act for SCA?
A. I would believe so.
Q. Well, you're not taking the position that
whatever SCA's obligations are, they're incorporated
into this contract?
A. That question has a lot -- would you ask the
question again, please?
Q. You're not taking the position that whatever
SCA's contractual obligations are to Tailwind are not
incorporated in this contract, are you?
A. I don't believe so.
Q. Okay. Well, I believe you took the -- you
told me that that language in this contract was a big
mistake on the part of SCA.
A. Well, I believe I said it was a patent error,
because obviously this is not a PGA incentive bonus
program and that language convinced me that no lawyer
had reviewed this contract.
Q. All right. Look at page 88 of your
deposition, line 20. Are you there?
A. Yes.
Q. Okay. I asked you why does paragraph 3 refer
to the implementation or conduct of the cyclist
incentive PGA -- of the PGA cyclist incentive bonus
program. And your answer?
A. Well, Mr. Herman, you just said to me that I
believe -- you said to me, and we can read your
question, that that was a -- the biggest mistake by
SCA or something.
Q. Please read your answer.
A. My answer says we make mistakes, guys, but that big a mistake we wouldn't -- we wouldn't have put PGA, you know, incentive in this contract.
Q. Well, you also said that's the single biggest clue that no lawyer ever looked at this because obviously this language is from a PGA incentive clause contract.
A. Yes.
Q. And never got rewritten. And you said we make mistakes, guys, but that big a mistake we wouldn't --
A. Make.
Q. But you did. But you did make that big a mistake.
A. We means lawyers, Mr. Herman. That's the last thing in the last sentence.
Q. Oh, okay. So when you said we, you weren't referring to SCA?
A. No.
Q. Now, you were put in charge of this investigation project, but you had never, ever worked on an incentive contract since you've been with the company?
A. I believe I had done a couple of world record contracts, which would be similar to incentive contracts, but by and large, no.
Q. Well, I mean, you don't dispute the fact that you told me you had never worked on an incentive contract before?
A. I believe what I said was identical or very similar to what I just said.
Q. Okay. This is the first time in the history of SCA as far as you're aware that SCA has taken the position that promotion doesn't mean what it says up there, but means the event that's described on the second page?
A. I would not agree with that.
Q. Okay. Did you tell me that?
A. Well, this says type of promotion, cyclist incentive bonus. To my mind that's different than saying promotion.
Q. Okay. But my question was whether or not this was the first time SCA has taken the position that promotion in the contract means something different from the type of promotion that's described up there.
A. SCA has had an incredibly few number of cases go to litigation, and so when you say take a position, I'm a little confused. Could you clarify for me --
I'm not trying to split hairs. I'm trying to understand what you're saying. Have we ever litigated that line in the contract, absolutely not, to my knowledge, since 1998.
Q. All right. So what you're saying is that this is the first time it's come up?
A. Yes, I think that would be a much fairer --
Q. Okay. That's fair enough.
If Tailwind has nothing to do with the implementation and conduct of the Tour de France, other than entering a team, perhaps participating with all the other teams in consulting roles, why would SCA ask Tailwind to indemnify it from any claims that result from Tailwind's implementation or conduct of the Tour de France?
A. Because if they didn't implement or conduct and we found out about it later, we would want that indemnification.
Q. Is that why that's in there?
A. Yes.
Q. Okay. That's fair enough.
Q. Now, where is the only incentive bonus for a cyclist mentioned other than on the second page of this agreement?
A. Well, it's mentioned on the first page.
Q. Okay. Any other agreement that you know of where it's mentioned?
A. Mr. Herman, with all due respect, I'm trying to answer your question. Could you try it again?
First you asked me where is it other than on the second page while you're looking at it on the first page, and I know you're not trying to intentionally mislead me, but it's a confusing question. We are all looking at it.
Q. Well, I just asked you another question, what
1 other agreement is the cyclist incentive bonus program contained in?
2 A. This particular -- this is the entire, to my
3 understanding, the entire representation and the best
4 representation of our obligations for this program, if
5 that's what you're asking.
6 Q. No, that's not what I'm asking. The
7 contract -- your contract 31122 refers to a cyclist
8 incentive bonus program. Where would one find the
9 conditions of the cyclist incentive bonus program?
10 A. In a few places on the first page, on the
11 second page and within the underlying rules
12 underneath, in this case, the Tour de France.
13 Q. So you think that the Tour de France rules
14 specify what incentive bonuses are due and how they're
15 to be paid and on what conditions?
16 A. No.
17 Q. Okay. Where would you find that?
18 A. The incentive bonuses and what would be due
19 under what -- the incentive bonuses that would be due
20 are found in -- I think it's paragraph 2.b.
21 Q. Okay.
22 A. It's paragraph 3.
23 Q. Paragraph 3?
24 MR. HERMAN: Would you turn to just the
25 second page of Exhibit 17, Russell?
26 MR. TILLOTSON: Excuse me. It would be
27 paragraph 3 of Exhibit A.
28 MR. HERMAN: So the schedule of -- can
29 you blow that up?
30 Q. (BY MR. HERMAN) Schedule of reimbursible
31 performance awards found in paragraph 3 of Exhibit A,
32 what's been called the meat and potatoes of your
33 agreement, and how do you know that those awards were
34 even payable by Tailwind to Mr. Armstrong?
35 A. We accept the, you know, evidence of the
36 media surrounding the victory of the event as proof of
37 the victory.
38 Q. But how do you know that Tailwind would even
39 owe the money to Mr. Armstrong?
40 A. We cannot exist in a world where when you
41 come to us and say we want you to take an obligation
42 and we have an underlying obligation and we say to
43 you, well, before we take this obligation, you have to
44 show us the underlying contract, because never will we
45 be successful. No one will show us their knickers,
46 Mr. Herman. They won't show us the underlying
47 contracts. It's not how the industry works. You
48 would have to check with Lloyds and you would have to
49 check with CHUBB, but I would say to you that it's
50 likely that they didn't ask for the underlying
51 contract either.
52 Q. Okay. So I suppose when you asked for the
53 contract between Tailwind and Armstrong they refused?
54 A. Mr. Herman, I just said we didn't ask for it.
55 Q. Did you ever ask for it?
56 A. Me personally, no.
57 Q. Did SCA ever ask for it?
58 A. I believe that, yes, SCA asked for it in an
59 e-mail of June 17th.
60 Q. June 17th of 2004?
61 A. Yes.
62 Q. Three and a half years into the contract,
63 correct?
64 A. I believe so, yes.
65 Q. Now --
67 Yes, okay. Three and a half years.
68 Q. Are we square?
69 A. Yes.
70 Q. Now, look at page 97 of your deposition,
71 actually the bottom of page 96 and starting at
72 page 97.
73 A. Okay.
74 Q. We were talking about this issue of the type
75 of promotion, cyclist incentive bonus program. Do you
76 recall that?
77 A. Sorry.
78 Q. And then I asked you whether paragraph 3
79 meant something different than paragraph 7, which
80 talks about the conduct of the promotion. Do you
81 remember that?
82 A. And now we are referring to the contract
83 again.
84 Q. Yes, the SCA contract.
85 A. And we are referring to the first page.
86 Q. Correct.
87 A. Okay.
88 Q. Why is it that you take the position that the
89 language of PGA cyclist incentive bonus program is on
90 its very patent face obviously not supposed to be in a
91 contract about the Tour de France?
92 A. Well, I believe type of promotion, cyclist
93 incentive bonus program, what's going on in my -- I
94 would be speculating, because I wasn't in the company
95 in the early years when the incentive clauses first
96 came into being, but it looks to me like when
97 incentive clauses came to be a product line in SCA
that they strapped them on to existing promotional contracts and that as a result some inaccuracies and some illogical things happened, and I wouldn't be able to really say much more.

Q. Well, you did take the opportunity to say that it's wrong, it shouldn't be there. What should be there in its place you don't know, correct?

A. I think it should be type of contract now that you've, I've had time to reflect on it.

Q. Okay. So is it your position or is it SCA's position that if one were to interpret promotion in the contract as meaning the cyclist incentive bonus program that that would be an unreasonable interpretation?

A. If who were to interpret it?

Q. If a reasonable person were to --

A. If in the middle of the deposition I appeared confused, I'm not surprised and I'm not the first. And the document has multiple signature pages, they had an addendum and is on one sort of letterhead and this and that, yes.

Q. Well, the only reason that I bring that up, Mr. Compton, is that after having conducted this investigation, which you claim to be ongoing for a year and a half, do you find it odd that you weren't intimately familiar with the risk that the company insured?

A. Well, for instance, I believe that there are some small variances between our contract and their contract. For instance, ours refer to victories in the Tour de France tour years and the underlying contract refers to number of victories which could come into play if the 1999 L'Equipe tests were used to strip them. Then there would not be mirrored liabilities. I'm also familiar with some obscure language that talks about in the event the insurance doesn't become collectible.

So while I was trying to oversee an investigation, I did not, you know, spend hours reviewing the underlying obligation. I didn't write this contract. I'm not our promotion man, Mr. Bandy is, and I didn't view that as what the task was. The task was to determine whether or not the contract had been materially changed.

Q. All right. I asked you about this promotion language and whether it was SCA's intention that the language referred to Tailwind's conduct of the Tour de France and you, I believe, agreed that it did not, correct?

A. Okay.
1. And your answer was?
   A. Which means this language doesn't belong in this contract, which is what I've been trying to say.

2. Q. And my question was, but is it in the contract, isn't it? And your answer?
   A. It is. I don't know why. I don't think it was looked at by a lawyer before it went out.

3. Q. So with respect to this language in the sprinkling of promotion, the PGA and so forth, even you don't know what should be in there and you're a lawyer for the defendant or the respondent, correct?
   A. I don't agree with that. If I took the time to write an incentive contract, I could certainly accomplish the task.

4. Q. If you took the time to write an incentive contract, it wouldn't look like this one, would it?
   A. It would have, as a direct result of this case, some changes.

5. Q. What would you change?
   MR. TILLOTSON: Well, I would object as beyond the scope of relevant evidence for this proceeding. I seem to remember a rule about subsequent remedial procedures. I don't see how saying how would you redraft this contract in light of this lawsuit will provide relevant evidence to this panel for deciding to this particular case.

6. ARBITRATOR FAULKNER: What's your basis, Mr. Herman?

7. MR. HERMAN: Your Honor, the witness has taken the position that much of this language that's critical -- I don't think it's critical, but apparently the issue is on the table about the interpretation of the contract. They've advanced an interpretation which we believe that the panel couldn't adopt anyway, but for this witness to identify that language which shouldn't be in here is, I think, critical to the panel's understanding that this contract at best is ambiguous. And what's wrong with it and how confusing it would be using their interpretation, I think, is helpful for the panel to understand.

8. THE WITNESS: May I comment?
   ARBITRATOR FAULKNER: No. That's an easy one.

9. Sustain the objection. Find another topic, please.

10. Q. (BY MR. HERMAN) It's true, is it not, Mr. Compton, you cannot identify a single representation or statement by Tailwind which predated any alleged misrepresentations by Tailwind that were relied upon by SCA were made known to Tailwind?

11. A. Well, certainly Mr. Lynn's comments in open court, certainly my letters of approximately the month of September contain the word misrepresentations. And certainly, you know, no matter what you say, when you left court on December 20th, I believe that Mr. Lynn had made it clear to you that he believed that the improprieties by Lance Armstrong in the 2002 -- 2004 Tour de France and earlier relieved us of our obligation under the contract.

12. Q. So are you saying that Mr. Lynn in some out-of-court statement to me outlined the representations which you now rely upon as misrepresentations relieving you from your obligations and enabling you to rescind the contract?
   A. No, those comments were made in open court, Mr. Herman.

13. Q. I've asked for that about four or five times.
   MR. TILLOTSON: This is the copy of the transcript I referred to.

14. THE WITNESS: May I get some water while everybody is looking at that?

15. ARBITRATOR FAULKNER: Yes, go ahead and get some water. That's always the least comfortable
Respondents' Exhibit 84. We obtained that transcript and will vouch for its authenticity from the court reporter.

MR. HERMAN: I'll stipulate it.

ARBITRATOR FAULKNER: You'll stipulate to it? Then it's admitted as Exhibit 84. Please proceed.

Q. (By MR. HERMAN) Mr. Compton, are you familiar with the contents of Respondent's Exhibit 84?

A. I read it during the break.

Q. Okay. So you wouldn't be in a position to point out where it was in there that you claim that Mr. Lynn denied the claim?

A. Well, what I was pointed to was page 9.

Q. By Mr. Tillotson?

A. Yes, but I was present during the hearing and I do recall this conversation.

Q. Well, on page 10, if you look at line 17 through 20, that's Mr. Lynn speaking, he says we have not gotten to the point where we can make these allegations we wish to make and resolve them in a manner that is legally justifiable because of Mr. Armstrong and his lawyers. Do you see that?

A. Yes.

Q. Well, had you -- had you decided to deny the claim or not?

A. I believe that the language shows in its entirety here that the overall statement, it is clear to everyone in that courtroom that -- that due to improprieties that we were in a position that we were going to deny the claim, yes.

Q. Well, looking at page 9, as you have suggested that we do, if you'll look at page -- I mean, at line 21, Mr. Lynn says, circumstantially show that a lot of what occurred in the race of 2004 was not according to the rules of the Tour de France. That was the basis, correct?

A. I believe that all of this paragraph, beginning with line 2 of page 9 continuing to somewhere -- approximately line 25 of page 10, in its entirety makes it clear to you and the world that we are not going to be paying your claim due to improprieties relating to Mr. Armstrong's use of performance enhancing drugs.

Q. But there's no mention in here of any misrepresentation by Tailwind, is there?

A. Well, it's our position that the man cheated, so we don't have to pay.

Q. Well, when you decided to file your pleadings in this case in April of 2005, your defenses were that you -- that Tailwind misrepresented to you and fraudulently induced you, but you don't make a single notation of any statement, representation, direct or indirect, that you claim you relied upon in Exhibit 84, do you?

A. I don't believe that we make any specific statements.

Q. The first time any of the alleged misrepresentations upon which you now rely as a defense to your obligations under 31122 were first made known to Tailwind on April the 4th of 2005, weren't they?

A. Well, I guess if you were on Mars, you would have been confused about whether or not we were going to pay based on misrepresentations.

Q. Well, I can assure you that I was right here on, you know, on Mother Earth, but how would I have known the specific misrepresentations that you were relying upon? Can you point to any document that lays out the four misrepresentations which you have told this panel that were critical to SCA when it entered this agreement? Can you point out any document that outlined those, that informed Tailwind that those were the misrepresentations?

A. I believe you're characterizing the statute...
<table>
<thead>
<tr>
<th>Page 903</th>
<th>Page 904</th>
<th>Page 905</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. And my letter.</td>
<td>A. There's a letter of September 10.</td>
<td>A. And my letter.</td>
</tr>
<tr>
<td>Q. Okay. Can you identify specifically what misrepresentations you claim?</td>
<td>Q. (BY MR. HERMAN) Which is the Tailwind contract? Do you agree that it is Tailwind's liability under that contract which was insured by SCA?</td>
<td>1. A. There's a letter of September 10.</td>
</tr>
<tr>
<td>2. I stated that I cannot identify specific misrepresentations but that I don't believe the statute requires it.</td>
<td>2. You've already agreed that it's Tailwind's liability under that contract which was insured by SCA?</td>
<td>2. A. There's a letter of September 10.</td>
</tr>
<tr>
<td>Q. Okay. And all I'm trying to do -- I'm not trying to argue with you, all I'm trying to do is see if you agree that the first time the actual misrepresentations upon which you rely for a defense were first identified to Tailwind on April the 4th?</td>
<td>Q. Now, do you have -- you've got the Claimants' Exhibits there in front of you, do you not?</td>
<td>3. A. I stated that I cannot identify specific misrepresentations but that I don't believe the statute requires it.</td>
</tr>
<tr>
<td>A. Did you use the word specific in your question?</td>
<td>A. I think so.</td>
<td>Q. Yes.</td>
</tr>
<tr>
<td>Q. Yes.</td>
<td>Q. Well, turn to Claimants' Exhibit 1 for a moment.</td>
<td>Q. Okay.</td>
</tr>
<tr>
<td>A. As I sit here today, without having time to review all my correspondence, I would agree with that.</td>
<td>MR. TILLOTSON: This is in the large black binder next to you. Those are Claimants' Exhibits.</td>
<td>A. And my letter.</td>
</tr>
<tr>
<td>Q. Okay.</td>
<td>THE WITNESS: Okay.</td>
<td>1. Q. Okay. Can you identify specifically what misrepresentations you claim?</td>
</tr>
<tr>
<td>A. I'm not looking at it at the moment, Mr. Herman. I mean, I'm looking at one of them.</td>
<td>2. I respect the panel's ruling and I don't repeat myself. I just don't want to be confused and be quoted as having admitted that we issue an insurance contract.</td>
<td>2. A. There's a letter of September 10.</td>
</tr>
<tr>
<td>Q. Well, let's --</td>
<td>Q. We can agree about indemnified?</td>
<td>3. A. There's a letter of September 10.</td>
</tr>
<tr>
<td>A. Let me just say that there are letters of approximately September 2, 7, 21 and 23, some of those letters you're going to find my writing or Mr. Hamman's writing are going to have the words misrepresentation.</td>
<td>A. Yes.</td>
<td>3. Q. (BY MR. HERMAN) Which is the Tailwind contract? Do you agree that it is Tailwind's liability under that contract which was insured by SCA?</td>
</tr>
<tr>
<td>Q. Okay.</td>
<td>4. So is the answer to my question yes, that is the risk that you indemnified?</td>
<td>4. Q. Okay. Can you identify specifically what misrepresentations you claim?</td>
</tr>
<tr>
<td>A. I'm not looking at it at the moment, Mr. Herman. I mean, I'm looking at one of them.</td>
<td>A. The risk that we indemnified, and the best evidence of the risk that we indemnified is contract 31122.</td>
<td>5. A. I stated that I cannot identify specific misrepresentations but that I don't believe the statute requires it.</td>
</tr>
<tr>
<td>Q. Well, let's --</td>
<td>Q. Is Tailwind's liability under Claimants' Exhibit 1 the risk that you indemnified?</td>
<td>6. A. The risk that we indemnified, and the best evidence of the risk that we indemnified is contract 31122.</td>
</tr>
<tr>
<td>A. I'm not looking at it at the moment, Mr. Herman. I mean, I'm looking at one of them.</td>
<td>A. Yes, I believe so.</td>
<td>7. Q. Is Tailwind's liability under Claimants' Exhibit 1 the risk that you indemnified?</td>
</tr>
<tr>
<td>Q. Well, let's --</td>
<td>Q. Now, I asked you in this conduct of your</td>
<td>8. A. Yes, I believe so.</td>
</tr>
<tr>
<td>A. Let me just say that there are letters of approximately September 2, 7, 21 and 23, some of those letters you're going to find my writing or Mr. Hamman's writing are going to have the words misrepresentation.</td>
<td>A. There's a letter of September 10.</td>
<td>9. A. There's a letter of September 10.</td>
</tr>
<tr>
<td>Q. Okay.</td>
<td>10. A. There's a letter of September 10.</td>
<td>10. A. There's a letter of September 10.</td>
</tr>
<tr>
<td>A. I'm not looking at it at the moment, Mr. Herman. I mean, I'm looking at one of them.</td>
<td>11. A. There's a letter of September 10.</td>
<td>11. A. There's a letter of September 10.</td>
</tr>
<tr>
<td>A. I'm not looking at it at the moment, Mr. Herman. I mean, I'm looking at one of them.</td>
<td>13. A. There's a letter of September 10.</td>
<td>13. A. There's a letter of September 10.</td>
</tr>
<tr>
<td>A. I'm not looking at it at the moment, Mr. Herman. I mean, I'm looking at one of them.</td>
<td>15. A. There's a letter of September 10.</td>
<td>15. A. There's a letter of September 10.</td>
</tr>
<tr>
<td>A. I'm not looking at it at the moment, Mr. Herman. I mean, I'm looking at one of them.</td>
<td>17. A. There's a letter of September 10.</td>
<td>17. A. There's a letter of September 10.</td>
</tr>
<tr>
<td>A. I'm not looking at it at the moment, Mr. Herman. I mean, I'm looking at one of them.</td>
<td>19. A. There's a letter of September 10.</td>
<td>19. A. There's a letter of September 10.</td>
</tr>
<tr>
<td>A. I'm not looking at it at the moment, Mr. Herman. I mean, I'm looking at one of them.</td>
<td>21. A. There's a letter of September 10.</td>
<td>21. A. There's a letter of September 10.</td>
</tr>
<tr>
<td>Q. Okay.</td>
<td>22. A. There's a letter of September 10.</td>
<td>22. A. There's a letter of September 10.</td>
</tr>
<tr>
<td>A. I'm not looking at it at the moment, Mr. Herman. I mean, I'm looking at one of them.</td>
<td>23. A. There's a letter of September 10.</td>
<td>23. A. There's a letter of September 10.</td>
</tr>
<tr>
<td>A. I'm not looking at it at the moment, Mr. Herman. I mean, I'm looking at one of them.</td>
<td>25. A. There's a letter of September 10.</td>
<td>25. A. There's a letter of September 10.</td>
</tr>
<tr>
<td>Page 907</td>
<td>Page 908</td>
<td>Page 909</td>
</tr>
<tr>
<td>----------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td>1. Why was the existence of Tailwind's liability so important for you to determine when you read the insuring provision in the SCA contract, why was it that you went to look and see if -- to see if Tailwind was liable?</td>
<td>Q. Why was the existence of Tailwind's liability so important for you to determine when you read the insuring provision in the SCA contract, why was it that you went to look and see if -- to see if Tailwind was liable?</td>
<td>A. Because if the indemnitee has no liability, then the indemnitor has no liability. So it is a condition precedent to the possibility of the indemnitee being liable -- I've got it backwards -- to the indemnitor being liable that the indemnitee have liability. So it would be the absolute first step, because if the indemnitee had no liability, then the indemnitor's liability is extinguished. That is the essence of a contract of indemnification.</td>
</tr>
<tr>
<td>2. Q. Why was the existence of Tailwind's liability so important for you to determine when you read the insuring provision in the SCA contract, why was it that you went to look and see if -- to see if Tailwind was liable?</td>
<td>Q. Why was the existence of Tailwind's liability so important for you to determine when you read the insuring provision in the SCA contract, why was it that you went to look and see if -- to see if Tailwind was liable?</td>
<td>A. Because if the indemnitee has no liability, then the indemnitor has no liability. So it is a condition precedent to the possibility of the indemnitee being liable -- I've got it backwards -- to the indemnitor being liable that the indemnitee have liability. So it would be the absolute first step, because if the indemnitee had no liability, then the indemnitor's liability is extinguished. That is the essence of a contract of indemnification.</td>
</tr>
<tr>
<td>A. Yes. Now, as we sit here today and I'm having these questions from you, I'm confused whether you are referring to 31122 or the October 10th, 2000 Capital Sports Entertainment contract. Which are we talking about?</td>
<td>A. Yes. Now, as we sit here today and I'm having these questions from you, I'm confused whether you are referring to 31122 or the October 10th, 2000 Capital Sports Entertainment contract. Which are we talking about?</td>
<td>Q. Well, if the indemnitee is liable, the indemnitor is liable?</td>
</tr>
<tr>
<td>Q. Well, I -- to be fair about it, to be complete about it, I asked you did you review and analyze the contract that governed your obligations in this case. You said, well, it's two pages. I don't know to what extent you can review and analyze it, but I certainly read it. Then I asked you did you read the substantive provision about indemnifying Tailwind's liability?</td>
<td>Q. Well, I -- to be fair about it, to be complete about it, I asked you did you review and analyze the contract that governed your obligations in this case. You said, well, it's two pages. I don't know to what extent you can review and analyze it, but I certainly read it. Then I asked you did you read the substantive provision about indemnifying Tailwind's liability?</td>
<td>Q. Our contract is very clear, paragraph 6 of page 1. It says if the conditions differ in any material manner, all right, and we haven't given written approval, then the contract is null and void. So to whatever extent we are talking of the liability of an indemnitee and an indemnitor, it doesn't erase paragraph 6.</td>
</tr>
<tr>
<td>Q. We're going to have to ask me a question.</td>
<td>Q. We're going to have to ask me a question.</td>
<td>A. Yes. Now, as we sit here today and I'm having these questions from you, I'm confused whether you are referring to 31122 or the October 10th, 2000 Capital Sports Entertainment contract. Which are we talking about?</td>
</tr>
<tr>
<td>A. I will stick by that, that, yes, I believe we needed proof of Tailwind's liability.</td>
<td>A. I will stick by that, that, yes, I believe we needed proof of Tailwind's liability.</td>
<td>Q. That's the same paragraph 6 that you say should apply only in case of shooting basketballs where the sponsor doesn't comply with a promotion he's conducting?</td>
</tr>
<tr>
<td>Q. Have you gotten proof of Tailwind's liability?</td>
<td>Q. Have you gotten proof of Tailwind's liability?</td>
<td>A. No, Mr. Herman, that's paragraph 7 that I was talking about.</td>
</tr>
<tr>
<td>A. I believe so.</td>
<td>A. I believe so.</td>
<td>Q. Even though promotion is used in both paragraphs, it means different things?</td>
</tr>
<tr>
<td>Q. The SCA contract?</td>
<td>Q. The SCA contract?</td>
<td>A. Paragraph -- no. Paragraph 6 makes complete sense when read in light of the overall contract. Paragraph 7 is not as clear.</td>
</tr>
<tr>
<td>A. Yes.</td>
<td>A. Yes.</td>
<td>Q. Let me ask you this. You left out part of paragraph 6 in your answer. What conditions of the Tour de France -- well, strike that. Point to one representation by Tailwind that had anything to do with the conduct or implementation of the Tour de France.</td>
</tr>
<tr>
<td>Q. Do you remember that? And we talked about that and I -- and I asked you what your -- what did you think when you read the substantive provision that SCA was indemnifying Tailwind's liability and I think you answered -- if you want to turn to page 128, line 21 through 25. In conducting this analysis, on line 25 what did you answer?</td>
<td>Q. Do you remember that? And we talked about that and I -- and I asked you what your -- what did you think when you read the substantive provision that SCA was indemnifying Tailwind's liability and I think you answered -- if you want to turn to page 128, line 21 through 25. In conducting this analysis, on line 25 what did you answer?</td>
<td>A. If the indemnitee is liable and our contract under 31122 has been complied with and the contract hasn't been materially changed, yes, among other terms, that term especially, then we are liable.</td>
</tr>
<tr>
<td>A. Okay. First of all, I completely don't understand this question. Could you try it again? I can read you what I said on line 25. I thought we needed proof of Tailwind's liability.</td>
<td>A. Okay. First of all, I completely don't understand this question. Could you try it again? I can read you what I said on line 25. I thought we needed proof of Tailwind's liability.</td>
<td>A. If the indemnitee is liable and our contract under 31122 has been complied with and the contract hasn't been materially changed, yes, among other terms, that term especially, then we are liable.</td>
</tr>
<tr>
<td>Q. Well, -- to be fair about it, to be complete about it, I asked you did you review and analyze the contract that governed your obligations in this case. You said, well, it's two pages. I don't know to what extent you can review and analyze it, but I certainly read it. Then I asked you did you read the substantive provision about indemnifying Tailwind's liability?</td>
<td>Q. Well, -- to be fair about it, to be complete about it, I asked you did you review and analyze the contract that governed your obligations in this case. You said, well, it's two pages. I don't know to what extent you can review and analyze it, but I certainly read it. Then I asked you did you read the substantive provision about indemnifying Tailwind's liability?</td>
<td>Q. Let me ask you this. You left out part of paragraph 6 in your answer. What conditions of the Tour de France -- well, strike that. Point to one representation by Tailwind that had anything to do with the conduct or implementation of the Tour de France.</td>
</tr>
<tr>
<td>Q. Well, I -- to be fair about it, to be complete about it, I asked you did you review and analyze the contract that governed your obligations in this case. You said, well, it's two pages. I don't know to what extent you can review and analyze it, but I certainly read it. Then I asked you did you read the substantive provision about indemnifying Tailwind's liability?</td>
<td>Q. Well, I -- to be fair about it, to be complete about it, I asked you did you review and analyze the contract that governed your obligations in this case. You said, well, it's two pages. I don't know to what extent you can review and analyze it, but I certainly read it. Then I asked you did you read the substantive provision about indemnifying Tailwind's liability?</td>
<td>A. I don't know the date, but it's a 1999 implementation of the Tour de France. Armstrong's cheating is irrelevant to our having to pay, then I suggest that if you admit he cheated, we'll have a different conversation.</td>
</tr>
</tbody>
</table>
Q. You didn't even know about that statement when you wrote this -- when you issued this contract, did you?
A. We were certainly aware of the fact that they were proclaiming that the Tour de France had rededicated itself to the tour of rejuvenation, okay.
Q. Okay. Hold on. Hold on.
A. I don't know -- let me rephrase it. I wasn't involved in negotiating the contract. I didn't write the contract. To ask me what SCA was aware of at that time is a futile exercise.
Q. Well, in connection with your investigation, which I understand you take the position it is ongoing as we speak, correct?
A. Mr. Herman, I didn't have anything to do with underwriting of the contract.
Q. In connection with your, quote, underwriting of the claim and evaluation of the risk, you didn't review all of the media, you didn't hire a public relations firm to give you all of the information that you got after the claim was made?
A. Mr. Herman, I didn't have anything to do with underwriting of the contract.
Q. (BY MR. HERMAN) As the investigator or program manager or director or whatever you refer to yourself as as it relates to this case, did you in connection with your evaluation and analysis of the claim go back, review the files that relate to this particular contract?
A. There is only one file, but I did review it.
Q. Okay. And I suppose it had within it all of the Tailwind statements upon which you now say you relied when you entered into the contract?
A. I'm not sure what you were asking me. There were no statements in there.

ARBITRATOR FAULKNER: Any response, Mr. Herman, and then --
MR. HERMAN: Let me just ask a series of different questions to lay the foundation.
ARBITRATOR FAULKNER: Actually, and if you would indicate instead of you SCA, it might be very helpful.
Mr. Herman: All right, I'll do that.
ARBITRATOR FAULKNER: Thank you.
Q. (BY MR. HERMAN) As the investigator or program manager or director or whatever you refer to yourself as as it relates to this case, did you in connection with your evaluation and analysis of the claim go back, review the files that relate to this particular contract?
<table>
<thead>
<tr>
<th>Page 915</th>
<th>Page 917</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q. Was there an application in there? A. No.</td>
<td>Q. So the answer to my question is you don't know? A. Correct.</td>
</tr>
<tr>
<td>Q. Was there a questionnaire? A. No.</td>
<td>Q. Okay. Fair enough. Do you -- are you familiar with Generally Accepted Accounting Principles, I mean, the concept of that, GAAP? A. I've certainly heard the word GAAP, yes. Q. And do you know whether or not, for example, Ernst &amp; Young has -- well, you've been informed that Ernst &amp; Young has required Tailwind to book this $5 million as a loss? A. Correct. Q. Is that adequate proof of their liability to you? A. No.</td>
</tr>
<tr>
<td>Q. All right. So that's it, that's all that was in the contract file? A. The contract file is probably less than half an inch, quarter of an inch thick, what I would be -- the original contract.</td>
<td>Q. Let me -- let's go back to that period immediately following the conclusion of the Tour de France of 2004. If you would turn to page -- I mean to Claimants' Exhibit 69. ARBITRATOR FAULKNER: Would you repeat that number, please? MR. HERMAN: Claimants' Exhibit 69. ARBITRATOR FAULKNER: Thank you. Q. (BY MR. HERMAN) The brains of my operation here has pointed out something to me, so I need to follow up on that. When was this public relations firm hired to collect all these articles and so forth? A. Sometime in September. Q. Of 2004? A. I think so. Q. Okay. Who was it? A. Jackson Harrell. Q. And did this binder of all these articles and so forth, you utilized that in your investigation of the claim and in your preparation of defense for the claim? A. I reviewed it. Q. Okay. Did you produce it? A. I believe it's in documents given, but I'm not certain. There -- did I -- look, when you asked me if I produced it, I'm answering incorrectly. I produced nothing. My lawyers produced it. MR. TILLOTSON: Mr. Herman, I believe it was produced and we have identified it through Bates numbers. MR. HERMAN: Okay. If you wouldn't mind doing that later on, I'd appreciate it. Q. (BY MR. HERMAN) But let me ask you this,</td>
</tr>
<tr>
<td>Q. And did he answer anything differently than he answered me in his deposition? A. Yes.</td>
<td></td>
</tr>
<tr>
<td>Q. And when I asked you in your deposition -- I mean, I think you candidly admitted you know of no representations ever made by Tailwind about anything, that is, you didn't know about it as of the date of the claim? A. Correct. Q. And you've gathered all of these -- A. Well, let me amend that. No specific representations. Q. Okay. A. Certainly Mr. Stapleton is viewed as a defender of Mr. Armstrong and certainly Mr. Stapleton has made numerous statements defending Mr. Armstrong's position of not ever having used performance enhancing substances. Q. Do you know if Mr. Stapleton had any relationship or capacity with Tailwind at the time you all entered this contract? A. Despite our discovery requests to figure out how all the companies relate, we are confused as to how they relate. However, it looks to me like Capital Sports Entertainment fired Gorski and replaced Gorski with Mr. Stapleton. So I trust that between Mr. Weisel and Mr. Armstrong and Mr. Stapleton and Mr. Gorski that there are some supervisory relationships.</td>
<td></td>
</tr>
</tbody>
</table>
1 Q. What is that?  
2 A. That's a reproduction company that's in the  
3 floor underneath the offices of Lynn, Tillotson &  
4 Pinker.  
5 Q. So what did they do?  
6 A. I think they blew back, which is a term I  
7 don't really understand, a file that I gave, an  
8 electronic file.  
9 Q. So you gave them an electronic file of all  
10 the -- everything that related to this investigation?  
11 A. Of everything that related to my work in this  
12 matter.  
13 Q. So assuming it was eight boxes, do you know  
14 what happened to the other seven and three-quarters  
15 boxes besides what we got?  
16 A. There was a huge amount of duplication. All  
17 the depositions were in there one or two times, the  
18 book was in there four or five times. When you  
19 whittle it down to however many actual pages it was I  
20 believe you got about 1400 pages of documents. I'm  
21 not sure. I'm relying on what you've said in my  
22 deposition.  
23 Q. We didn't get a single e-mail that had your  
24 fingerprints on it from July 2004 forward, did we?  
25 A. I don't know, Mr. Herman. I've stated to you

---

1 Q. What is that?  
2 A. That's a reproduction company that's in the  
3 floor underneath the offices of Lynn, Tillotson &  
4 Pinker.  
5 Q. So what did they do?  
6 A. I think they blew back, which is a term I  
7 don't really understand, a file that I gave, an  
8 electronic file.  
9 Q. So you gave them an electronic file of all  
10 the -- everything that related to this investigation?  
11 A. Of everything that related to my work in this  
12 matter.  
13 Q. So assuming it was eight boxes, do you know  
14 what happened to the other seven and three-quarters  
15 boxes besides what we got?  
16 A. There was a huge amount of duplication. All  
17 the depositions were in there one or two times, the  
18 book was in there four or five times. When you  
19 whittle it down to however many actual pages it was I  
20 believe you got about 1400 pages of documents. I'm  
21 not sure. I'm relying on what you've said in my  
22 deposition.  
23 Q. We didn't get a single e-mail that had your  
24 fingerprints on it from July 2004 forward, did we?  
25 A. I don't know, Mr. Herman. I've stated to you

---

1 Q. (BY MR. HERMAN) Okay. Turn to Exhibit 69.  
2 A. I'm there.  
3 Q. Did you -- did you prepare this document?  
4 A. Under -- with consultation of counsel and  
5 under their advice, yes, I prepared this document.  
6 Q. All right. And it's true, is it not, that  
7 there would be -- there could be no way to anticipate  
8 litigation unless you anticipated not paying the  
9 claim?  
10 A. No.  
11 Q. So you thought there would be litigation if  
12 you did pay the claim?  
13 A. It was possible.  
14 Q. What sort of --  
15 A. We might pay the claim and then sue to  
16 collect it.  
17 Q. Okay. Well, in any event, two days after the  
18 Tour de France was over, you write Mr. Galloway and  
19 indicate that you're requesting the investigation in  
20 anticipation of litigation, correct?  
21 A. Under advice of counsel, yes.  
22 Q. Are you talking about outside counsel?  
23 A. Yes.  
24 Q. When did you hire lawyers to assist you in a  
25 matter that was at most 48 hours old?
1 A. Probably on the day before. The letter got
drafted, went back and forth by e-mail, had some
revisions, maybe Mr. Bandy saw it, maybe Mr. Bandy
didn't see, maybe Mr. Hamman saw it, maybe he didn't
see it.

2 Q. So you went out and hired a lawyer the day
after the Tour de France?

3 A. Mr. Herman, I know lawyers all over the
country. I don't have to go out and hire lawyers. If
I want something done, I send an e-mail and it gets
done.

4 Q. I've got to confess, that's better than
people treat me, but --

5 A. You need the big checks.

6 ARBITRATOR CHERNICK: Could we pause for two
minutes so I can have a conference with my
colleagues here?

7 MR. HERMAN: Sure.

8 (Recess 2:57 p.m. to 3:09 p.m.)

9 ARBITRATOR FAULKNER: Okay, Mr. Compton,
you're still under oath. Please proceed.

10 MR. HERMAN: Thank you.

11 Q. (BY MR. HERMAN) I believe we were talking
about Exhibit 69 when we took a break there.

12 A. Knowledge of Mr. de Vriese's forged affidavit
regarding the fact that he claimed Activogen for use
as his diabetic -- diabetes.

13 THE REPORTER: I'm sorry, I didn't understand.

14 MR. TILLOTSON: Repeat your answer, please.

15 A. Knowledge of Mr. de Vriese's forged affidavit
that the Activogen found in one of the Tours de France
was for use as a diabetic.

16 Q. (BY MR. HERMAN) So you knew that Mr. de
Vriese had forged an affidavit as of July 27th, 2004?

17 A. Had I concluded my answer?

18 Q. I'll be happy for the question and answer to be
read back. I don't recall. If I had a pending question, I'll withdraw it because I couldn't possibly
read it anyway.

19 MR. TILLOTSON: Why don't we just start
again.

20 ARBITRATOR FAULKNER: Just go ahead and start.

21 Q. (BY MR. HERMAN) With respect to the various
categories of information that you were requesting
Mr. Galloway to recover, where did you -- where did
you come up with what to ask for?

22 A. Well, I began by trying to determine what
relevant information would help us make a
determination as to whether the claim was valid or not.

23 Q. Well, did you have in mind recovering
information or evidence relating to Mr. Walsh's
allegations?

24 A. Among other things, certainly, yes.

25 Q. And can you tell me -- I believe you were
here yesterday when I was questioning Mr. Hamman, but
can you tell me what you relied upon contractualwise that
you thought entitled you to a complete medical history
of Lance Armstrong from the time he was 18 years old?

26 A. Allegations of doping at -- from a young age.

27 Q. Was there anything in the contract that
either required the provision of that document -- of
those documents or authorized the provision of those
documents?

28 A. No.

29 Q. What about the request for all information
relating to syringes, inhalers, et cetera of any
person associated with the United States Postal
Service team, Tailwind, Disson Furst or ESIX
Entertainment and Sports, what gave you the notion
that you were entitled to that information?

30 A. Knowledge of Mr. de Vriese's forged affidavit.
<table>
<thead>
<tr>
<th>Page 927</th>
<th>Page 929</th>
</tr>
</thead>
</table>
| Mr. Armstrong had, in fact, used performance enhancing substances. How I came up with them, I mean they all look like a fairly logical collection of names here. Q. You requested Mr. Galloway to contact and interview these people, correct? A. Yes. Q. As of July 27, 2004 was it -- is it your testimony that you were attempting to comply with the September 3 date for payment? A. Yes, we were trying to determine whether or not the claim was valid. Q. But my question was, and I don't mean to knock you off track here, but Mr. Hamman -- A. Was I in a hurry? Yes. Q. Pardon? A. Was I in a hurry? Yes. The September 3rd date was fast approaching. Q. Well, is it your testimony -- or do you agree with Mr. Hamman that you all were consciously attempting to comply with the September 3 payment date? A. I agree with that. Q. So it was your belief that Mr. Galloway would be able to do -- collect all of this information and interview people in England, Ireland, Italy, the United States, France, Italy again, U.S. and you would be able to get all of that put to bed by September 3, in one month? A. Certainly we weren't going to get all of that done. I was trying to give Mr. Galloway an outline of the proposed engagement and request a response back from him. This is like a request for proposal and he's going to give me back an outline of the cost. And these are -- this is what I think is relevant to determine whether or not Mr. Armstrong doped. Q. When you say that you expect the investigation to be time consuming, what did you have in mind? A. That doing all the things that you just said were alluded to not being very easy to get done in a month, it would take a lot of time. There might have to be delegations to other people. There might have to be more than one person working on it. He would have -- McLarens Young would have offices all over the world. Q. When was it that you determined that you would not be able to meet the September 3 payment date? A. I think what we determined was that we needed more time. Just like you said, this was an enormously complex matter. It couldn't be done between September 27th and September 3rd, and so we posted the money and told them that we would -- requested their cooperation, asked them for documents and told them we were going to need more time. Q. Well, really the question was when was it that you determined that you were going to need more time? A. Sometime in that period. I would say a few days before September 3rd, I don't know exactly when. Q. So what was it that you felt was -- you came to the conclusion on September whatever, August 31 or whatever, more or less, that could not be completed by September 3? A. Well, this was a slow start, because this guy never did anything. Q. Okay. So he hadn't -- A. So we were -- we were trying to check on the credibility of Ballester and Walsh. We were trying to check on the credibility of Emma O'Reilly. We were trying to check on the credibility of Greg LeMond. We were trying to check on the credibility of William Stapleton. We were trying to check on the credibility of Lance Armstrong. Q. Okay. So whatever it was, it was a conglomerate of things that wouldn't let you complete your work by September 3rd, correct? A. Yes. Q. The first request that you ever made of Tailwind for any documents was September 2nd, correct? A. Yes. Q. And despite the absence of a request for documents, you were provided on August the 16th with a statement from the head of the anti-doping unit of the UCI that Mr. Armstrong had been not only urine tested but blood tested on numerous occasions during the 2004 Tour de France and was -- every test was negative? A. Actually, I think the document that we received was an attempt to comply with the request that we made through ESIX. Q. Through ESIX? A. Uh-huh. Q. Okay. Okay, well, fair enough. And you made a request to Tailwind for that confirmation and you were provided it on August the 16th, correct? A. First of all, SCA made the request and what we were provided was not test results. Q. Okay. A. And further, Mr. Varin -- it appears that the August 16th e-mail, which I would suggest to everyone

Pages 927 to 930
Lance Armstrong v. SCA Promotions, Inc.

The form in which the information was provided to you by Ms. Price to whom you made your request.

A. If I took issue is a little strong. It's certainly clear to me that there's a classification of results between positive and negative called unclassifiable that demonstrate that illicit substances are in urine, are in blood and that I would be interested in blood values. That certainly occurred to me.

Q. That occurred to you on August the 16th?

A. Yes. Well, it might have occurred to me on August the 17th or the 18th, but it occurred to me.

Q. Well, by this time, of course, you and Mr. Bandy in June were exchanging articles about -- about blood, blood doping, et cetera when you first started to avoid your obligations; isn't that true?

A. We never started to avoid our obligations.

Q. Okay.

A. So, no, it's not true.

Q. Okay. But --

A. And furthermore I don't know that we were exchanging articles on blood doping in June, but the months are blurred.

Q. Before the Tour de France even started; is that true?

Mr. Armstrong has, I believe -- I really -- I think it would benefit us all if we would look at the document while we are talking and I don't know the exhibit number. So I believe -- you know, it's of interest to me that we get it right and that we talk about it in terms of what was said.

Q. All right. That's fair enough.

Look at plaintiff -- I mean Claimants' Exhibit 80. Is that the e-mail to which you refer?

A. No, I don't believe so.

Q. Well, that's from Bob Hamman to you on August 16th?

A. No. Oh, that's from Bob Hamman to me on August 16th.

Q. Well, that's from Bob Hamman to you on August 16th?

A. No. Oh, that's from Bob Hamman to me on August 16th. I'm looking -- I'm looking for the e-mail that you quote in the CSC advertisement. I don't see the statement that -- maybe it is here and I just read it. It wasn't expecting it in block form.

Q. You don't need to read it out loud, read it to yourself and satisfy yourself that it's the same quote that's in the Street & Smith article.

A. Okay. I do believe that that is the quote that was put in the Street & Smith article.

Q. And I guess really what I would like to inquire about is if, first of all, you took issue with
Q. When you said you had a lawyer on the 26th of July of 2004, did you hire a lawyer?
A. We had -- it was a lawyer that we had already used. He would have already -- this would have been a new matter.
Q. Okay. So a lawyer that you had already used you engaged to assist you on this Tailwind matter on July the 26th, fair enough?
A. I engaged him to assist me in drafting this letter, fair enough.
Q. Well, the letter was in the Tailwind matter?
A. Yeah, at the time we think we are a business contract, we don't think we're an insurance company.
We think that there may or may not be litigation, we might pay, we might not. We're advised by our outside counsel that we want it right. It's anticipation to litigate on top of it.
Q. Okay.
A. I mean, that's fair enough.
Q. Now, when did -- well, strike that.
There was a call from Kelly Price on the 26th to SCA where SCA acknowledged receipt of the claim that's at issue in this case.
Q. If you say so. Perhaps I was present at some deposition where that was said and acknowledged, but the call didn't come to me.
Q. Okay. So when was the next time that SCA communicated with the broker, Kelly Price, or with the insured, Tailwind, with respect to the claim that had been made on July 26th?
A. Okay. There are two questions there and as to the first one, I don't know.
Q. The first one by Kelly Price?
A. Yes.
Q. The second one --
A. The second one, which I get a little confused and forget the first part of the question by the time I'm realizing there are two questions, I think it was when did we contact Tailwind.
Q. Sure.
A. And I believe the answer to that is September 2nd.
Q. Do you know of any response that SCA made regarding the claim to any inquiries from ESIX or from Kelly Price during the month of August 2004?
A. Other than might be attached to depositions of Mitchelitch and Price, no. Unfortunately I think they're all duplicated, but I'm not sure.
Q. Well, SCA was contacted numerous times between August 1 and September 1, 2004 without any
number there.

Q. But as long as you're on Exhibit 39, let's talk about that one.

A. Well, I would like to go back to your previous question and review the exhibit you asked me there.

Q. Okay. All right, that's fair enough. As soon as I can lay my mitts on it.

ARBITRATOR FAULKNER: What exhibit will we be dealing with?

MR. HERMAN: That's exactly what I'm trying to --

THE WITNESS: It says H, but we don't know what --

Q. (BY MR. HERMAN) I'm sorry, that was my mistake. Well, I'll tell you what --

MR. TILLOTSON: 32.

ARBITRATOR FAULKNER: Is that your 32?

MR. TILLOTSON: Their 32, Claimant's 32.

MR. HERMAN: Claimant's 32. Okay, I apologize, Mr. Chairman.

ARBITRATOR FAULKNER: No problem.

Q. (BY MR. HERMAN) Okay, Exhibit 32.

A. Yes.

Q. That's dated -- an e-mail dated September 9, 2004, correct?

A. Correct.

Q. And that's from Kelly Price, I think, as we talked about. And, of course, Kelly Price explains what collecting from Lloyds is like in the first paragraph, that is collecting from the various syndicates and so forth, then characterizes SCA's conduct as ludicrous.

A. Correct.

Q. And she was in the insurance business for 25 years, right?

A. I answered that once, yes.

Q. And she had handled many contracts with SCA?

A. And I believe she -- either she or Mr. Mitchelitch said we had an excellent record for paying promptly in one of these e-mails.

Q. Okay. Now, let's go to slide 16, which is an e-mail from September 10 from Mr. Mitchelitch, and I'm hoping that I can -- is this 29? Yes. I keep getting mixed up between the first hearing and the second hearing.

Okay. I'm going to come back to that, but anyway --

ARBITRATOR FAULKNER: It's 31 at the bottom, Claimants' Exhibit 31.

Q. (BY MR. HERMAN) Would you agree that -- and I think it's this e-mail that you're talking about where SCA had a solid track record, and would you agree that it was unprecedented to cut the broker out of the loop on a claim like this?

A. I wouldn't have an opinion.

Q. One way or the other?

A. I don't -- I don't process claim payment. I don't know how we pay them.

Q. Okay. Fair enough.

A. Now, do you recall that -- I think Mr. Hamman and I talked about it this morning. In my letter of September 8, 2004 I informed you that the -- that arbitration would be instituted on the 13th if you all didn't pay. Do you recall that?

A. I believe that that conversation took place this morning between you and Mr. Hamman, yes. I would like to look at the letter if we are going to talk about it, but, yes, I remember that conversation.

Q. All right. Well, I don't necessarily want to go through all of that again, but Tailwind did initiate a proceeding in district court in Dallas asking that an arbitrator or arbitrators be appointed by Judge Canales. Do you recall that?

A. Yes.

Q. And you were involved -- first of all, I think Haynes and Boone represented you all?

A. Correct.

Q. And then Mr. Tillotson's firm. But you were involved, you were at all the hearings if there were any and so forth, were you not?

A. Correct. I believe I was at every hearing.

Q. Do you take the position that SCA never disputed or never sought recovery of the $5 million that was on deposit?

A. Here is my recollection. You're moving to force the judge to rule to put the money into the district court registry. It becomes apparent to me during the hearing that the judge is a friend, is -- is leaning towards ruling in your direction, whereupon I foresee that you're going to put out yet another media press release pounding us for having been ordered by the Court to place the money into the registry of the court. So I agree on behalf of SCA, after a telephone call to Mr. Hamman, to post the money into the registry of the court, and the judge never had to make the order.

However, something I saw this morning got me a little confused, because I saw documents that
<table>
<thead>
<tr>
<th>Page 943</th>
<th>Page 945</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lance Armstrong v. SCA Promotions, Inc.</td>
<td>Transcript of Proceedings</td>
</tr>
<tr>
<td>Volume: 5</td>
<td>January 10, 2006</td>
</tr>
</tbody>
</table>

**Question:** And for how long did you agree to post it?

**Answer:** Well, funny thing about that money going into the court registry. Once you agree to put it in the court registry, you don't have a lot of say about when it comes out. The Court does that.

**Question:** Do you recall agreeing only to leave it there until we can have a temporary injunction hearing?

**Answer:** I think that you're saying agreeing to that would mean that the judge said, okay, I only want to keep this until the temporary injunction hearing, do you agree to that? I think that I'm representing a client that $5 million is about to disappear into the registry of the court, it's going to be hard to get back out, and that I'm fighting to carve out whatever chance we could have to have some flexibility with money. I mean, any two normal business people in the world would have gotten together and put the $5 million somewhere that it could make more than 1.4 percent interest, but Tailwind and SCA weren't ready to do that so the money sits earning 1.4 percent interest. So, yes, I was concerned that $5 million would remain on deposit in the registry of the court.

**Question:** And the second sentence says should the temporary injunction be granted, such funds shall remain in the registry of the court until the final judgment of the arbitration, right? I read that correctly?

**Answer:** A. Yeah. I want to look at the two sentences together, please.

**Question:** May I approach, Your Honor?

**Answer:** Yes, you may. You may approach Mr. Faulkner with the request to approach the witness.

**Question:** Do we have copies of that already?

**Answer:** No, we don't, Your Honor.

**Answer:** Mr. Herman: I'm so used to making three copies of stuff in trial that I've got one copy for you all and then one copy for Mr. Tilloston. We will provide --

**ARBITRATOR FAULKNER:** Yeah, just provide us supplemental copies later on, please.

**ARBITRATOR FAULKNER:** Have you shown it to your opposing counsel? Thanks.

**MR. HERMAN:** I may have to look over your shoulder, because I only have one copy. Why don't you take a look at that.

**MR. TILLOTSON:** You can borrow mine. I'm familiar with the documents.

**ARBITRATOR FAULKNER:** How is it --

**MR. HERMAN:** It's styled Defendant's Objections to Plaintiffs' First Request for Documents.

**ARBITRATOR FAULKNER:** Yes.

**Q.** (BY MR. HERMAN) Did you have an opportunity to review Exhibit 111?

**A.** Cursorily, yes.

**Q.** Did you have an opportunity to review Exhibit A?

**A.** Briefly, yes.

**ARBITRATOR FAULKNER:** How is it --

**MR. HERMAN:** It's styled Defendant's Objections to Plaintiffs' Motion for Continuance which has a Rule 11 agreement attached, Exhibit A. Do you recall that?

**A.** Vaguely, yes.

**Q.** And then when -- there were a flurry of events and so forth, but let me hand you Exhibit 113, which is entitled Plaintiffs' First Request for Documents.

**Q.** And you filed with the Court pleadings that say that Plaintiffs Tailwind are not entitled to the extraordinary relief they seek of a temporary injunction to enjoin SCA from its $5 million custodial account, correct?

**A.** Yes.

**Q.** All right. And then when -- there were a flurry of events and so forth, but let me hand you Exhibit 113, which is entitled Plaintiffs' Motion for Continuance which has a Rule 11 agreement attached, Exhibit A. Do you recall that?

**A.** Vaguely, yes.

**Q.** All right. And the agreement was D, should the temporary injunction be granted, such funds shall remain in the registry of the court until the final judgment of the arbitration, right? I read that correctly?

**A.** Yeah. I want to look at the two sentences together, please.

**Q.** Okay.

**A.** Okay. The first sentence says we are trying to leave the money in our JPMorgan custodial account and the second sentence says should the temporary injunction be granted, such funds shall remain in the registry of the court until the final judgment of the arbitration.

**Q.** Turn the page. What does E say?

**A.** E says should such temporary injunction be denied, such funds will be released to SCA.

**ARBITRATOR FAULKNER:** Yeah, just provide us supplemental copies later on, please.
Lance Armstrong v. SCA Promotions, Inc.

Transcript of Proceedings

Volume: 5

January 10, 2006

Page 947

1. Q. Well, actually what you said was that the financial records would be produced in the arbitration, didn't you?
2. A. I believe that to the extent the financial records are relevant to the issue of whether Mr. Armstrong doped or not that they would be produced in the arbitration. We are a privately held company.
3. Privately held companies guard their records.
4. Q. You don't -- you wouldn't dispute the fact that -- or the proposition that SCA never responded to inquiries from either ESIX or Tailwind during the month of August about the status of this claim or its handling?
5. A. I believe that that's untrue. I believe that Mr. Hamman told them that we were looking into it.
6. MR. HERMAN: Would you mark these as 114.
7. I do have three copies of that. I haven't asked for permission to approach -- I don't need permission to approach Mr. Tillotson, but may I have permission to approach the witness?
8. ARBITRATOR FAULKNER: Granted.
9. Q. (BY MR. HERMAN) I'm just showing you what has been marked as Exhibit 114, and have you ever seen those e-mails before?
10. A. Well, I have to read them first.
<table>
<thead>
<tr>
<th>Page 951</th>
<th>Page 953</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 was the attorney for the French publisher of David Walsh?</td>
<td>1 that Frankie and Betsy Andreu proved — helped prove the case that Lance Armstrong doped.</td>
</tr>
<tr>
<td>2 A. That's certainly a reasonable statement.</td>
<td>3 Q. And that's what you meant by the home run as of September — that's what SCA means by the home run as of September 20, that is, we ain't going to have to pay, Frankie and Betsy are the home run?</td>
</tr>
<tr>
<td>4 Q. Okay. Next page, top paragraph.</td>
<td>5 A. You'll have to ask Mr. Bandy for a further definition of that, but I believe this means that Frankie and Betsy Andreu verified the allegations that had been stated attributed to them in the Walsh book.</td>
</tr>
<tr>
<td>5 ARBITRATOR LYON: My copy doesn't have who wrote it.</td>
<td>6 Q. And hitting the home run would have been a major success for SCA, wouldn't it?</td>
</tr>
<tr>
<td>6 THE WITNESS: I would offer that John Bandy wrote this.</td>
<td>7 A. Yes.</td>
</tr>
<tr>
<td>7 MR. HERMAN: I think the testimony is</td>
<td>8 Q. The next page, please. Under Emma, Walsh says she is prepared to testify. Testify where?</td>
</tr>
<tr>
<td>8 that John Bandy wrote it, but it doesn't have an author's name on it.</td>
<td>9 A. Here at this hearing.</td>
</tr>
<tr>
<td>9 ARBITRATOR CHERNICK: You mean translated from French to English?</td>
<td>10 Q. So you were already planning on that as of September 20?</td>
</tr>
<tr>
<td>10 MR. HERMAN: No, this is a recount of his visit with David Walsh.</td>
<td>11 A. We were wondering if she would testify if there came the need for a hearing; pretty normal ordinary business course inquiry.</td>
</tr>
<tr>
<td>11 ARBITRATOR CHERNICK: Oh, okay, you're looking at something different.</td>
<td>12 Q. Under miscellaneous, Walsh also says Swart is prepared to testify, correct? So you were rustling witnesses as of September 20, 2004?</td>
</tr>
<tr>
<td>12 MR. TILLOTSON: It's an internal memo</td>
<td>13 A. Mr. Herman --</td>
</tr>
<tr>
<td>13 ARBITRATOR CHERNICK: Understood now.</td>
<td>14 ARBITRATOR FAULKNER: Thank you.</td>
</tr>
<tr>
<td>14 Q. (BY MR. HERMAN) Mr. Montbrial supposedly has excellent contacts with the French police who seem to be hot to get L.A. Is that Lance Armstrong?</td>
<td>15 MR. HERMAN: Please don't, at least not because Frankie Andreu did deny — would you consider that would be a home run?</td>
</tr>
<tr>
<td>15 A. I believe so.</td>
<td>16 Q. Do you think it would have been a home run if Frankie and Betsy Andreu -- is that what Mr. -- is that how you took that, Frankie and Betsy Andreu -- because Frankie Andreu did deny — would you consider that would be a home run?</td>
</tr>
<tr>
<td>16 Q. And --</td>
<td>17 A. I'm confused as to what Mr. Andreu denied, Mr. Herman.</td>
</tr>
<tr>
<td>17 A. Pejorative?</td>
<td>18 Q. Well, if -- just hypothetically, if you contacted Frankie and Betsy Andreu and they did not confirm the allegations in the book, would that be a home run?</td>
</tr>
<tr>
<td>18 Q. Well --</td>
<td>19 A. Like when I contacted Mr. Gorski I put in my \textit{CliffsNote version}.</td>
</tr>
<tr>
<td>19 A. I don't agree that it's a pejorative term.</td>
<td>20 MR. TILLOTSON: I object as argumentative.</td>
</tr>
<tr>
<td>20 Q. Okay. Okay. My vocabulary is not as big as I think it is, I guess, but anyway -- but in any event --</td>
<td>21 ARBITRATOR FAULKNER: Let him make the objection, and a response.</td>
</tr>
<tr>
<td>21 ARBITRATOR CHERNICK: Do you want a ruling on that, Mr. Herman?</td>
<td>22 MR. HERMAN: I'll rephrase the question.</td>
</tr>
<tr>
<td>22 MR. HERMAN: Please don't, at least not on the record.</td>
<td>23 ARBITRATOR FAULKNER: Thank you.</td>
</tr>
<tr>
<td>23 MR. TILLOTSON: You can just do the CliffsNote version.</td>
<td>24 Proceed.</td>
</tr>
<tr>
<td>24 Q. (BY MR. HERMAN) Anyway, Frankie and Betsy are the home run, home run for SCA?</td>
<td>25 Q. (BY MR. HERMAN) So you all were soliciting witnesses in an attempt to confirm the allegations in Mr. Walsh's book as of September 20?</td>
</tr>
<tr>
<td>24 A. Mr. Bandy wrote this, but I'll take a wild chance at an answer and say to you that he believed</td>
<td>26 A. Or deny.</td>
</tr>
<tr>
<td>25 Q. Now, down in the next paragraph -- I mean,</td>
<td>27 Q. Pardon me?</td>
</tr>
<tr>
<td>26 MR. TILLOTSON: I object as argumentative.</td>
<td>28 A. Or deny the allegations.</td>
</tr>
<tr>
<td>27 ARBITRATOR FAULKNER: Let him make the objection, and a response.</td>
<td>29 Q. Do you think it would have been a home run if Frankie and Betsy Andreu -- is that what Mr. -- is that how you took that, Frankie and Betsy Andreu -- because Frankie Andreu did deny — would you consider that would be a home run?</td>
</tr>
<tr>
<td>28 MR. HERMAN: I'll rephrase the question.</td>
<td>30 A. I'm confused as to what Mr. Andreu denied, Mr. Herman.</td>
</tr>
<tr>
<td>29 ARBITRATOR FAULKNER: Thank you.</td>
<td>31 Q. Well, if -- just hypothetically, if you contacted Frankie and Betsy Andreu and they did not confirm the allegations in the book, would that be a home run?</td>
</tr>
<tr>
<td>30 Proceed.</td>
<td>32 A. Like when I contacted Mr. Gorski I put in my \textit{CliffsNote version}.</td>
</tr>
</tbody>
</table>
Q. All right. Now, if you will turn to Exhibit 73, just take these in sort of exhibit order, although they may not be chronologically in order.

This is a letter to Mr. Tillotson where you enclose certain contracts and you say; they could be useful in the deposition of Stapleton and I point out that Stapleton may not be aware we possess the '99 contract because we obtained it gratuitously from the files of Global Specialty Risk. What do you mean gratuitously?

A. Well, I'm a little amazed that a letter that I wrote to my outside litigator has been produced, but I will -- that constitutes waiver that the letter can't be withdrawn? This is a letter from me to my counsel?

MR. TILLOTSON: Well, it's in evidence. We don't agree to any waiver, but it is enclosing a document. You can answer the question and we will police -- hold on. We will police the question and assert privilege if necessary.

ARBITRATOR FAULKNER: Mr. Compton, your lawyer will object for you. And I know it's an unusual position for a lawyer to be on the witness stand, but wait until he objects, if he does. We will hear from the other side, then we'll rule on it.

So this investigation as you've referred to it was to be undertaken without the knowledge of the insured or Mr. Armstrong?

A. Well, I think it's worth saying on one -- at least one more time that at the time we were doing this we had no idea that we were an insurance company.

And second of all, no matter what it says here, I've been trying to get ahold of Julien de Vriese since the beginning of this investigation and as late as this morning. I want to hear what he has to say. At some point you said he was coming.

Q. Well, when we submitted our deposition on written questions, did you submit any questions to Mr. de Vriese?

A. I don't believe that we submitted any questions to Mr. de Vriese. We were going to wait and see what came back from your submission. I have questions for Mr. De Vriese.
back.

ARBITRATOR LYON: Was the letter offered into evidence at that time?

MR. TILLOTSON: No, just the underlying disclosure. And I believe in the course of business of -- we didn't exchange exhibits until the Saturday before the hearing.

ARBITRATOR FAULKNER: Why don't you two chat while we take a break. You guys just take care of sorting that out so we don't have any issues of privilege.

We are on a five-minute break.

(Recess 4:02 to 4:15 p.m.)

MR. TILLOTSON: First, we have -- we have requested back copies of exhibit -- Claimants' Exhibit 73 on a claim of inadvertent production.

Mr. Herman has graciously agreed to give it back and move on from the questioning of this witness and we appreciate that cooperation.

Second, we have a witness, Mr. Swart, who we brought -- we haven't brought, he's come from Australia, but he would like to hightail it back. So at some point during tomorrow's proceedings the parties are going to -- some parties are going to go depose him so we can preserve his testimony and

Secondly, please reduce to writing and provide to the tribunal a copy of whatever agreement or stipulation you all reach regarding Mr. Anderson's testimony as though under an enforceable subpoena and just please provide that to us so that before we rule on your motions in limine that we have those things in our hands, okay?

MR. HERMAN: Certainly.

ARBITRATOR FAULKNER: All right. Thank you very much.

MR. HERMAN: I think I owe you some deposition excerpts.

ARBITRATOR FAULKNER: Yes, you do. And then play it later for the panel. And Mr. Herman has a particular order. He doesn't want to interpose a particular witness and I'm willing to respect that, but we do need to preserve this witness's testimony.

MR. HERMAN: We have agreed to do just a video and then play it during his case.

MR. TILLOTSON: And then if the panel has questions for Mr. Swart, which will be the only thing that we would be giving up by not having him here, then we can arrange to have those questions in some way answered either by phone if that comes up or some other accommodation.

MR. HERMAN: That's fine.

MR. TILLOTSON: So to the other side, be prepared tomorrow whatever time to depose Mr. Swart.

MR. HERMAN: We probably would like to do it right after lunch if that's okay with you.

MR. TILLOTSON: I'll check with his schedule and see what time I think that is.

ARBITRATOR FAULKNER: Are you all going to take a break so that we won't have to be with you?

MR. HERMAN: We are going to continue the hearing. We will be --

ARBITRATOR FAULKNER: Okay. That's what I wanted to make sure of.
MR. HERMAN: Okay. Let me ask you, I would hypothesize that you were in the middle of the investigation by that time, correct?

MR. TILLOTSON: Yes.

MR. HERMAN: And do you have any idea when that was?

MR. TILLOTSON: It was the early days of September, September 7th or 8th.

MR. HERMAN: All right. Did you understand your earlier testimony to be that as of August the 17th that you were still working towards getting this done by September 3rd?

MR. TILLOTSON: Yes.

MR. HERMAN: And do you recall his description of Mr. Stapleton individually. And why was that?

MR. TILLOTSON: Because I believed that William Stapleton was Mr. Armstrong's agent and I believed that there might be relevant information in such documents.

MR. HERMAN: All right. Did I understand your earlier testimony to be that as of August the 17th that you were still working towards getting this done by September 3rd?

MR. TILLOTSON: Yes.

MR. HERMAN: And do you recall his description of Mr. Stapleton individually. And why was that?

MR. TILLOTSON: Because I believed that William Stapleton was Mr. Armstrong's agent and I believed that there might be relevant information in such documents.

MR. HERMAN: All right. Did I understand your earlier testimony to be that as of August the 17th that you were still working towards getting this done by September 3rd?

MR. TILLOTSON: Yes.

MR. HERMAN: All right. Did I understand your earlier testimony to be that as of August the 17th that you were still working towards getting this done by September 3rd?

MR. TILLOTSON: Yes.

MR. HERMAN: All right. Did I understand your earlier testimony to be that as of August the 17th that you were still working towards getting this done by September 3rd?

MR. TILLOTSON: Yes.

MR. HERMAN: All right. Did I understand your earlier testimony to be that as of August the 17th that you were still working towards getting this done by September 3rd?

MR. TILLOTSON: Yes.

MR. HERMAN: All right. Did I understand your earlier testimony to be that as of August the 17th that you were still working towards getting this done by September 3rd?

MR. TILLOTSON: Yes.

MR. HERMAN: All right. Did I understand your earlier testimony to be that as of August the 17th that you were still working towards getting this done by September 3rd?

MR. TILLOTSON: Yes.
I beg to differ 5 and la Martiniere, what is that? 6
notations that related to your claim, 7
but the conduct of 8
16 as a reasonable basis for believing that 9
I
Lynn Tillotson & 10
Lance Annstrong v. 11

[Image 0x0 to 620x798]
Page 971

1. Q. But this is not all of it, is it?
2. A. Good question. The original report was given
to Thibault de Montbrial in Paris and it was
translated by Mr. Bandy and I believe this represents
substantially all of the translation that I have
reviewed, but I would be certain that the report was
slightly more formal and that there was a cover language
or a cover page or something besides John's very fast
translation of perhaps what he thought were the
important parts.

3. Q. At least in the United States it's against
the law to go in somebody's residence, whether it's a
permanent or a transitory, don't you agree?
4. A. I would categorically state that we don't
wish at any time, never asked for anyone to do
anything close to illegal and that at all times people
working under our direction and control were asked to
conduct themselves in a professional and appropriate
manner.

5. Q. Is that -- is that true for these guys?
6. A. You're asking me something I don't have close
to the ability to answer, because I don't know what
the laws in France are.

Page 972

1. As I understood, it might have been Mr. Tillotson

Page 973

1. A. No.
2. Q. And Mr. Montbrial is employed by SCA or at
least retained by SCA to represent SCA in France, is
he not?
4. Q. And when Montbrial hired these private eyes
and -- you don't know what he told them, I guess?
5. A. No, my French is not near good enough.
6. Q. Well, whatever he told them to do, he was
doing as an authorized agent of SCA; wouldn't you
agree?
7. A. Unless he exceeded the scopes of the laws or
the canons or ethics related to attorneys practicing
law in France, in which case that would not be under
our direction or scope, because we wouldn't ask for
anyone to do either one of those things.

8. Q. Well, did you limit his authority in any way?
9. A. Limit his authority in any way? We hired
counsel. We expect all counsel that we hire to
represent themselves in the fashion that Mr. Tillotson
does and conduct themselves in that manner and if we
find out they're not, we will replace them.

Page 974

1. Q. Well, that's a pretty high standard there
just right off the bat, but seriously, you told --
25 A. Seriously, we hire expensive lawyers, we pay

Pages 971 to 974
them on seven days' notice and we expect a professional and honest performance.

3 Q. What did you tell Mr. Montbrial to do?
4 A. I told Mr. Montbrial that we had received some information that we believed indicated that Mr. Armstrong might be either receiving drugs on his rest days or might be visiting with -- it may have been that I got the information from Montbrial, I don't know, and we agreed that we should engage private investigators for a very limited time to watch the hotel where Mr. Armstrong was staying.

12 Q. And you have no idea why the private eyes were apologetic about being unable to get into the rooms?
13 A. I would suggest to you that there are nuances and differences in the language that neither you nor I can account for and that who knows exactly why they were apologetic. Where is it again? Because I don't see them being apologetic here, but I'm -- it says impossible to take photos of the interiors of the rooms and you're describing that as apologetic and I'm thinking maybe there's something else somewhere that makes it apologetic.

22 Q. Well, do you have any idea why they would note that it was impossible to take photos of the interiors of the rooms unless they had been asked to take photos of the interiors of the rooms?
23 A. Well, I could wildly speculate that they had had other clients from other countries with different laws who had expected them to be able to do so and they were informing us that they couldn't.

7 Q. All right. Is it -- well, let me ask you this. There is beneath the notation that Sheryl Crow arrived in the afternoon --

10 A. I guess that won't happen again.
11 Q. I'm sorry?
12 A. Nothing.

Q. (BY MR. HERMAN) What did he say?
14 A. Nothing at all. I apologize.

16 MR. TILLOTSON: I object to whatever it was as nonresponsive.
18 MR. HERMAN: Oh, okay.

Q. (BY MR. HERMAN) Look at the -- look at that below Sheryl Crow arrived in the afternoon, do you see that 16 hours -- no, no, down roughly -- there you go, right there.

22 Now, it looks to me like there are --
23 there's an indication that at 4:00 p.m. there was a --
24 something happened at the airport and somebody took photos and so forth. Do you know where the translation of that is?

3 A. Let's see. 4:00, one element --
4 MR. TILLOTSON: I'm sorry, Mr. Compton,
5 if I'm interrupting --
6 A. I don't read French, so I don't know --
7 MR. TILLOTSON: Chris, stop. He's asking you if you know where the translation is. I don't think he's asking you to literally translate it.

10 THE WITNESS: No, I don't.
11 Q. (BY MR. HERMAN) And do you recall from looking at this what the translation was, if any?
13 A. I suggest that Mr. Bandy's judgment was that that was unimportant and has never been translated, but I'm not sure.

16 Q. Incidentally, when you asked Mr. Bandy to translate certain portions of LA Confidential, how did you decide which portions to translate?
19 A. First of all, Mr. Bandy and I are lateral, so neither one of us take --
21 Q. When he was asked by whoever asked him --
22 A. You would have to ask Mr. Hamman, but I believe Mr. Bandy would tell you that he attempted to read the relevant portions.

25 Q. Well, what he translated was the most scurrilous portions of the book and that's all; isn't that true?
27 A. Again, at the time we were doing this, we were looking at it as a business contract. We were attempting to determine whether or not Mr. Armstrong had used performance enhancing drugs, and it's a 192-page monograph, monolith, and we were working on a short period of time and what Mr. -- and I'm sure that Mr. Bandy, if he came across something that exculpated Mr. Armstrong, out of his duty to Mr. Hamman he would have translated it so that Mr. Hamman wouldn't make an improper judgment.

13 Q. Well, the proof would be in reviewing what Mr. Bandy's translation was, I guess, right?
15 A. I guess so.

Q. (BY MR. HERMAN) Look at the -- look at that below Sheryl Crow arrived in the afternoon, do you see that 16 hours -- no, no, down roughly -- there you go, right there.

22 Now, it looks to me like there are --
23 there's an indication that at 4:00 p.m. there was a --
24 something happened at the airport and somebody took photos and so forth. Do you know where the translation of that is?

3 A. Let's see. 4:00, one element --
4 MR. TILLOTSON: I'm sorry, Mr. Compton,
5 if I'm interrupting --
6 A. I don't read French, so I don't know --
7 MR. TILLOTSON: Chris, stop. He's asking you if you know where the translation is. I don't think he's asking you to literally translate it.

10 THE WITNESS: No, I don't.
11 Q. (BY MR. HERMAN) And do you recall from looking at this what the translation was, if any?
13 A. I suggest that Mr. Bandy's judgment was that that was unimportant and has never been translated, but I'm not sure.

16 Q. Incidentally, when you asked Mr. Bandy to translate certain portions of LA Confidential, how did you decide which portions to translate?
19 A. First of all, Mr. Bandy and I are lateral, so neither one of us take --
21 Q. When he was asked by whoever asked him --
22 A. You would have to ask Mr. Hamman, but I believe Mr. Bandy would tell you that he attempted to read the relevant portions.

25 Q. Well, what he translated was the most scurrilous portions of the book and that's all; isn't that true?
27 A. Again, at the time we were doing this, we were looking at it as a business contract. We were attempting to determine whether or not Mr. Armstrong had used performance enhancing drugs, and it's a 192-page monograph, monolith, and we were working on a short period of time and what Mr. -- and I'm sure that Mr. Bandy, if he came across something that exculpated Mr. Armstrong, out of his duty to Mr. Hamman he would have translated it so that Mr. Hamman wouldn't make an improper judgment.

13 Q. Well, the proof would be in reviewing what Mr. Bandy's translation was, I guess, right?
15 A. I guess so.
it, but I certainly can --

ARBITRATOR CHERNICK: Well, the question is--whether there's any issue about anything that's in something other than English or translated from French.

MR. HERMAN: No, the import of my question was that there's obviously it looked like there were more pages to this and I was just inquiring about that last section because it was the only one that wasn't translated.

ARBITRATOR FAULKNER: Okay. So you're not making any other issue of it, so we don't need a translation.

MR. HERMAN: No, no, not beyond the, you know, going in the rooms.

MR. TILLOTSON: If it please the panel, we are not aware of a second page. Mr. Bandy will testify so he can clarify.

MR. HERMAN: I'm not saying there is. It just looked like there would be. That's what I was asking.

MR. TILLOTSON: Nor are we aware that there's any dispute over the translation.

MR. HERMAN: No, there's no dispute over the translation.

ARBITRATOR FAULKNER: Fine. Thank you.

MR. TILLOTSON: Thank you.

MR. HERMAN: Yeah, except for the pictures. If there are any photos, I would like to have those, if there were photos attached, which apparently there were. But we can take that up afterward.

MR. TILLOTSON: Thank you.

Q. (BY MR. HERMAN) Do you propose to bring anyone to testify here that Mr. Armstrong had any contact with Dr. Ferrari at the 2005 Tour de France?

A. No.

Q. Now, let's turn to Exhibit 68, please. You attended the hearing on December 20th that you all have made reference to here?

A. Yes.

Q. And Mr. Armstrong attended that hearing as well, did he not?

A. Yes.

Q. And Ms. Crow?

A. We are past -- I know she attended one hearing and we are past my recollection of which hearing it was.

Q. Well, Exhibit 68 is a letter from you to Catherine Long at Orchid Cellmark. Tell us what

Q. And did you get the consent of anyone?

A. It had been abandoned. I needed no one's consent.

Q. So the answer is no, you got no one's consent?

A. Correct.

Q. Now, this is February 17th, 2005, you've denied the claim three months previous to that -- two months previous, correct?

A. Well, you know, if it's important to you to nail down a date that the claim was denied by, so I guess you're referring to December 20th.

Q. Exactly.

A. Okay.

Q. So the claim had -- you had already denied the claim and it had been denied for two months?

A. You know, once the litigation started and the panel's order was in place, all this merges.

Q. Is that what you think?

A. It certainly blurs in my mind.

Q. Well, so you're not content with the resolution of this matter to be determined on what you knew and the basis for the denial of the claim when you made it on December 20th?

A. This is an enormously complex investigation...
Lance Armstrong v. SCA Promotions, Inc.

1. Enhancing drugs from 2001 to 2004?
2. THE WITNESS: We have no test results.
3. ARBITRATOR LYON: Do you have any
evidence in the form of written statements or oral
statements from anybody that he took any performance
enhancing drugs from 2001 to 2004?
4. THE WITNESS: Yes.
5. ARBITRATOR LYON: Who?
6. THE WITNESS: We have Mr. -- one of the
exhibits. So we have Mr. LeMond's statement in August
of 2001. We have Mr. Anderson's statement.
7. ARBITRATOR LYON: Let me rephrase it
then. Do you have any evidence from individuals that
saw him take any drugs from 2001 to 2004?
8. THE WITNESS: No, we have only the
admissions.
9. ARBITRATOR LYON: And that is a statement
from Greg LeMond, the telephone call that
Mr. Armstrong made to him?
10. THE WITNESS: And the statement that
Mr. Armstrong made to Mr. Anderson.
11. ARBITRATOR LYON: Anderson.
12. THE WITNESS: There may be more. If I
could find the exhibits to my -- it's the piece of
paper that you guys -- I've got notes on the

Mr. Armstrong and his representatives, and, yes, I
would maintain to you that that was insufficient time
for a normal course for an investigation of this
complexity taking place on this many continents to
have been complete.

Q. Well, why did you deny the claim on the 20th,
then, if your investigation hadn't been completed?
A. Well, we denied the claim on the 20th by our
statements in open court that we made -- that we said
what we said. Now, once we denied the claim, that
doesn't prohibit us from taking further actions to
look to see if we might even change our mind. For
example, if the DNA test was matched against the 2000
samples, it might cause us to change our minds.

Q. Matched against what 2000 samples?
A. The frozen ones that you have referred to
that they have.

MR. HERMAN: I'll pass the witness.

ARBITRATOR FAULKNER: It's about ten
minutes of. Any questions from Mr. Chernick, Senator
Chernick?

ARBITRATOR LYON: Are you going to
question the witness?

MR. TILLOTSON: Well, I will use the last
ten minutes to question him on just these last two
documents so we can move off this witness and start
tomorrow or I'll stop and start again tomorrow.

ARBITRATOR FAULKNER: What is more
convenient for you, the best of the flow of your
examination?

MR. TILLOTSON: Well, I would like to
start in general and just present him -- I'm not going
to be particularly long with Mr. Compton, maybe 20 or
30 minutes, so I would address -- he just finished on
this, I plan on asking Mr. Compton questions on this
and I'll address that now, or I will just pick up
tomorrow. I'll be done within 30 to 45 minutes
tomorrow, so I'm not sure we are saving much time by
going right now.

MR. HERMAN: I don't have any objection
to you starting tomorrow if that's what you want.

ARBITRATOR LYON: Well, I just have one
or two.

ARBITRATOR FAULKNER: Sure. Objections
21 or questions?

ARBITRATOR LYON: Questions.

ARBITRATOR FAULKNER: Okay. Proceed.

ARBITRATOR LYON: Do you have any tests
that show that Lance Armstrong took any performance
Respondents' Exhibit 31.

Chris, if you'll look at it, I can ask you this question tomorrow if there's anything you wish to add, if that's okay.

ARBITRATOR FAULKNER: That's fine.

MR. TILLOTSON: Thank you.

ARBITRATOR FAULKNER: Is that it?

MR. TILLOTSON: That's it.

ARBITRATOR FAULKNER: Okay. We will resume at 9:00 in the morning.

(Proceedings adjourned at 4:55 p.m.)